MANAGEMENT DISCUSSION & ANALYSIS REPORT

FOR THE FULL YEAR ENDED
31 DECEMBER 2022

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

FAB reports full year 2022 Group Net Profit of AED 13.4 Billion, up 7% year-on-year

Proposed cash dividend[1] per share of 52 fils

"FAB has achieved another record performance in 2022, highlighting solid growth, while demonstrating the strength of our core businesses, with achievements that are in line with our medium-term strategy."

Hana Al Rostamani
Group Chief Executive Officer

FY'22 Key Performance Indicators

Earnings Per Share	Return on Tangible Equity	Return on RWA	CET1 ratio (post-dividends)	Liquidity Coverage Ratio
AED 1.18	**15.7%**	**2.3%**	**12.6%**	**154%**
FY'21: AED 1.10	FY'21: 15.2%	FY'21: 2.3%	Dec'21: 12.4%	Dec'21: 134%

Record profitability driven by strong underlying business performance in a rising rate environment; prudent risk management and cost discipline maintained amid continued investments

FY'22 highlights:

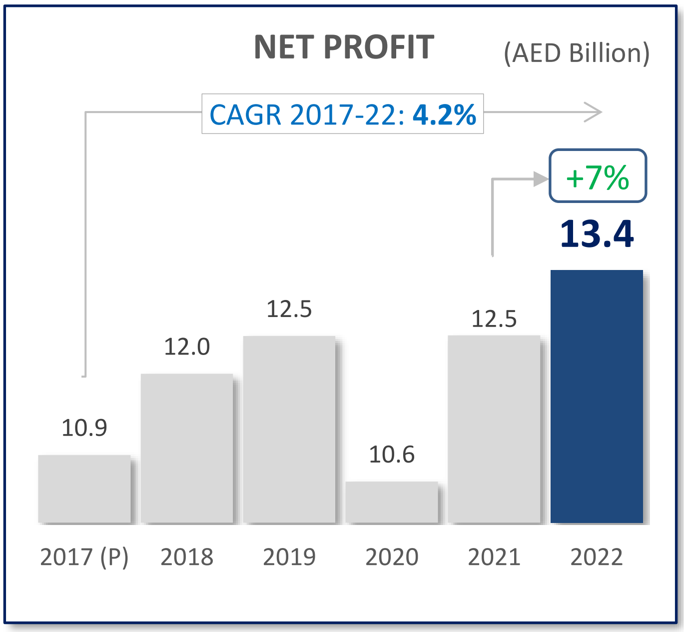
- Group Net Profit at AED 13.4 Billion, up 7% yoy; Earnings per Share at AED 1.18
- Q4'22 net profit was AED 2.5 Billion, compared to AED 2.9 Billion in Q3'22, reflecting prudent provisioning and conservative asset valuations
- Total Income at AED 23.9 Billion, up 10% yoy, driven by 23% growth in net interest income and gain on sale of majority stake in Magnati; enhanced revenue diversification geographically with greater contribution from MENA
- Operating costs at AED 6.7 Billion, up 15% yoy driven by integration of operations in Egypt (FABMisr), write-off of legacy systems in Q4'22 as part of our ongoing technology transformation strategy, as well as continued investments into the business
- Impairment charges (net) at AED 2.8 Billion, up 7% yoy, reflecting prudent provisioning with AED 1.1 Billion charge taken in Q4'22; FY'22 cost of risk at 62 bps compared to 65bps in the prior year

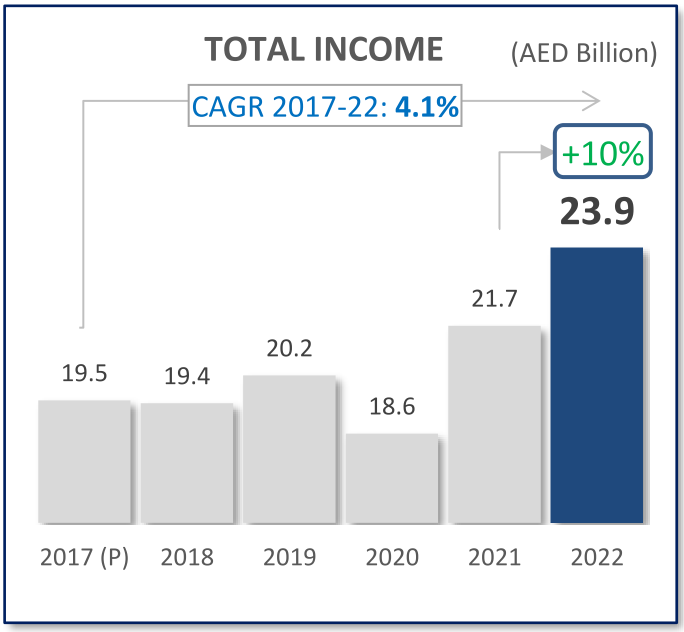
1 Proposed dividends subject to shareholders approval at FAB's General Assembly Meeting to be held on 28 February 2023

Double-digit balance sheet growth reflects strong business momentum; Group foundation remains robust across all key metrics

- Loans, advances and Islamic financing up 12% to AED 460 Billion, outperforming industry average of 5.5%[2]
- Customer deposits up 14% to AED 701 Billion; despite rising interest rates, CASA balances grew 3% yoy
- Liquidity Coverage Ratio (LCR) at 154% underlines strong liquidity and funding profile
- NPL ratio of 3.9% with provision coverage of 98%
- Common Equity Tier 1 (CET1) at 12.6% post-proposed dividends, improved 19bps yoy on the back of earnings generation and RWA optimisation
- FAB's Board of Directors recommend cash dividends per share of 52 fils amounting to AED 5.7 Billion for FY'22, compared to 49 fils cash dividends distributed in the prior year

Delivered record net profits and total income since merger





Market-leading growth across assets and liabilities

TOTAL ASSETS
AED **1.1 Trillion**
(USD 302 Billion)
↑ **11% YoY**

LOANS & ADVANCES
AED **460 Billion**
(USD 125 Billion)
↑ **12% YoY**

CUSTOMER DEPOSITS
AED **701 Billion**
(USD 191 Billion)
↑ **14% YoY**

2 Gross credit growth year-on-year as of Nov 2022 as per Central Bank of UAE's monthly banking indicators

HIS HIGHNESS
SHEIKH TAHNOON BIN ZAYED AL NAHYAN

CHAIRMAN

2022 was a year of continued strategic diversification and expansion for the UAE and regional economies, which posted their fastest economic growth in a decade. By capitalising on the favourable macroeconomic conditions, FAB has been laying foundations for the future. **The bank has also been at the forefront of the UAE's progress in driving sustainable growth** amid a turbulent global backdrop, supported by structural reforms, high oil prices and a recovery across non-oil economic sectors.

The year's achievements emphasise **FAB's continuing role as an engine for the region's economic prosperity, acting as an enabler to unlock new opportunities for clients and stakeholders across our franchise**. We have made solid progress against this vision over the course of the year. In achieving the Group's highest annual revenue and net profit to-date, FAB has strengthened its strategic position to build a future-proof bank, and to advance the interests of our customers, community, and all our stakeholders.

In line with our firm commitment to create long term sustainable value for our shareholders, FAB's Board of Directors is **recommending a cash dividend per share of 52 fils** for the full year ended 31 December 2022, compared to 49 fils in 2021.

As the region continues to push forward with ambitious sustainability targets, and with the UAE due to host COP28 in 2023, we now share a responsibility to work together to unlock the nation's full potential, and to shape a more prosperous future for all. FAB recognises this and has made a **clear commitment to being a pacesetter for the regional energy transition**.

I remain confident that **FAB will continue to play an integral role in furthering economic prosperity and sustainability efforts**, and we look forward to the opportunities that lie ahead for the Group as we continue to pursue our growth journey.

HANA AL ROSTAMANI

GROUP CHIEF EXECUTIVE OFFICER

FAB has achieved another record performance in 2022, highlighting solid growth, while demonstrating the strength of our core businesses, with achievements that are in line with our medium-term strategy.

Group net profit improved 7% year-on-year to AED 13.4 Billion, a historic high for our bank. Strong business volumes have underlined healthy pipeline execution across our diversified business model, while the fundamental strength of our balance sheet, underpinned by a strong liquidity profile and efficient capital management, allowed us to drive improvements in Common Equity Tier 1 (CET1) despite market and regulatory headwinds. In line with our strategy to diversify sources of income and expand internationally, we continued to consolidate and build our presence in priority markets, including in Egypt through FABMisr.

Underlying operating performance across our core businesses was sustained during the fourth quarter despite a more challenging global macroeconomic outlook. This has provided us headroom to further build provision buffers, take a conservative stance on asset valuations, and to continue to invest in our technology platform.

I am proud of the progress we have made in 2022 in several strategic areas, including advancing customer experience, expanding our specialised offerings, and leveraging strategic partnerships to drive value creation across the business. This has led to significant outcomes that have resulted in FAB being the #1 UAE bank in MENA DCM and ECM League tables and the #1 loan agent in MENA by volume of deals, as well as delivering double-digit growth in our international revenue. We are also proud to see our achievements being recognised externally, having recently been awarded Best Consumer Digital Bank in the UAE, Most Innovative Bank, and Best User Experience Design at the Global Finance Awards.

As the UAE enters the Year of Sustainability, we continued to play a crucial role in helping to deliver the region's sustainable finance agenda, with **FAB facilitating over USD 9 Billion worth of sustainable projects**, in line with our USD 75 Billion target by 2030. We also made steady progress in rolling out sustainability-linked products across all customer groups and reaffirmed our leadership position in the Green Bond market, with **around half of our 2022 issuances executed in a green format** across several different currencies.

We remain confident in the resilience of this region and are very **well placed to capitalise on the opportunities** to **drive superior and sustainable shareholder** returns in 2023 and beyond.

ECONOMIC OVERVIEW

In 2022, global markets had a very challenging year and faced significant downward pressure, driven by multi-decade high inflation, rising interest rates, tighter liquidity and escalated geopolitical tensions. This led to a sharp rise in bond yields and a bear market in stocks that continued to the end of the year. Going into 2023, the outlook remains uncertain, primarily due to ongoing concerns over a global economic slowdown.

In contrast, the UAE economy registered its highest expected real GDP growth in over a decade (+6.7%) supported by higher oil output, relatively moderate inflation, targeted structural reforms to drive economic growth & diversification, and a recovery across key economic sectors including real estate and tourism. This was clearly reflected in the strength of the PMI, remaining in expansion territory through the year, underscoring the strong economic performance within the UAE.

Consequently, the UAE banking sector had a strong boost in profitability driven by an increase in margins and net interest income on the back of higher interest rates. Although credit growth picked up strongly during the year, we expect it to taper in 2023 as a result of moderating GDP growth. Liquidity remains ample and strong, with higher oil prices boding well for deposit inflows. Sectoral asset quality remains healthy while capital positions remain robust at UAE banks, supported by conservative regulatory thresholds versus global peers. Overall, UAE banks are well positioned to capitalise on the tailwinds of higher interest rates and robust regional economic growth, whilst having the capacity to navigate any volatility and challenges that lie ahead.

Going into 2023, we anticipate a relatively benign inflation outlook compared to many parts of the world, which should provide welcome stability against the macroeconomic backdrop. However, the region will not be immune to global price pressures and economic slowdown. Hence, we forecast a more modest real GDP growth rate of around 5.0% for UAE in FY'23, although that growth should be more sustainable as economic diversification continues to evolve.

Q4/ FY'22 SUMMARY FINANCIALS

Income statement - summary (AED Mn)	Q4'22	Q3'22	QoQ %	Q4'21	YoY %	FY'22	FY'21	YoY %
Net interest income	**4,209**	3,653	*15*	3,036	*39*	**14,386**	11,658	*23*
Non-interest income	**1,703**	1,841	*(8)*	2,660	*(36)*	**6,454**	10,023	*(36)*
Operating income	**5,911**	**5,494**	***8***	**5,695**	***4***	**20,840**	**21,681**	***(4)***
Gain on Magnati stake sale (incl fair valuation of retained interest)	**-**	-	*na*	-	*na*	**3,094**	-	*na*
Total Income	**5,911**	**5,494**	***8***	**5,695**	***4***	**23,934**	**21,681**	***10***
Operating expenses	**(2,000)**	(1,601)	*25*	(1,480)	*35*	**(6,705)**	(5,836)	*15*
Operating profit	**3,911**	3,893	*0*	4,216	*(7)*	**17,229**	15,845	*9*
Impairment charges, net	**(1,106)**	(694)	*59*	(715)	*55*	**(2,839)**	(2,658)	*7*
Non-controlling interests and taxes	**(343)**	(276)	*24*	(177)	*94*	**(979)**	(655)	*49*
Net Profit	**2,462**	**2,923**	***(16)***	**3,324**	***(26)***	**13,411**	**12,531**	***7***
Basic Earnings per Share (AED)	**0.22**	0.25	*(14)*	0.30	*(26)*	**1.18**	1.10	*7*

Balance sheet - summary (AED Bn)	Dec'22	Sep'22	QoQ %	Dec'21	YoY%
Loans, advances & Islamic financing	**460**	465	*(1)*	410	*12*
Investments	**206**	198	*4*	191	*8*
Customer deposits	**701**	746	*(6)*	615	*14*
CASA (deposits)	**297**	300	*(1)*	288	*3*
Total assets	**1,110**	1,146	*(3)*	1,001	*11*
Equity (incl Tier 1 capital notes)	**115**	112	*2*	113	*2*
Tangible equity	**84**	81	*3*	82	*3*
Risk-weighted assets	**572**	584	*(2)*	579	*(1)*

Key Ratios (%)	Q4'22	Q3'22	QoQ (bps)	Q4'21	YoY (bps)	FY'22	FY'21	YoY (bps)
Net interest margin (NIM)	**1.63**	1.50	*13*	1.47	*16*	**1.56**	1.51	*5*
Cost-income ratio (ex-integration costs)	**33.4**	28.7	*468*	25.4	*794*	**31.6**	26.4	*520*
Cost of risk (bps) (loans, advances & Islamic financing)	**86**	60	*26*	65	*21*	**62**	65	*(2)*
Non-performing loans ratio	**3.9**	3.4	*50*	4.0	*(10)*	**3.9**	4.0	*(10)*
Provision coverage	**98**	103	*(418)*	101	*(298)*	**98**	101	*(298)*
Liquidity coverage ratio (LCR)	**154**	171	*large*	134	*large*	**154**	134	*large*
Return on tangible equity (RoTE)	**11.1**	13.8	*(270)*	16.1	*(499)*	**15.7**	15.2	*45*
Return on risk-weighted assets (RoRWA)	**1.7**	2.0	*(28)*	2.3	*(60)*	**2.3**	2.3	*2*
CET1 ratio	**12.6**	13.1	*(50)*	12.4	*19*	**12.6**	12.4	*19*
Capital adequacy ratio	**15.6**	16.1	*(45)*	15.4	*26*	**15.6**	15.4	*26*

Notes:
- Cost-income ratio for FY'22 and the quarters in 2022 excludes Magnati-related gains booked during 2022
- Comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in the consolidated financial statements
- Ratios for the quarter are annualised, where applicable, except for Basic EPS
- For further details on calculation of the ratios, please see the Quarterly Series on FAB IR website's financial reports page
- To view key figures in USD, please refer to: bankfab.com > investor relations > reports & presentations > key quarterly figures
- These results include financials of Bank Audi Egypt (BAE) effective post legal day 1 on 28 April 2021. As a result of the purchase price allocation (PPA) exercise, the 2021 comparative information has been restated to reflect the adjustments to the assumed carrying amounts. Refer to note #48 in the financials for the period ended 31 December 2022.
- Rounding differences may appear in above table

OPERATING PERFORMANCE

Operating income (AED Mn)	**Q4'22**	**Q3'22**	*QoQ %*	**Q4'21**	*YoY %*	**FY'22**	**FY'21**	*YoY %*
Net interest income	**4,209**	3,653	*15*	3,036	*39*	**14,386**	11,658	*23*
Non-interest income	**1,703**	1,841	*(8)*	2,660	*(36)*	**6,454**	10,023	*(36)*
Fees & commissions, net	**682**	624	*9*	907	*(25)*	**2,781**	3,035	*(8)*
FX and investment income, net	**1,441**	1,192	*21*	2,503	*(42)*	**3,926**	7,177	*(45)*
Other non-interest income	**(421)**	26	*na*	(750)	*(44)*	**(252)**	(189)	*34*
Operating income	**5,911**	**5,494**	***8***	**5,695**	***4***	**20,840**	**21,681**	***(4)***

Operating income for the full-year ended 31 December 2022 (FY'22) was AED 20.8 Billion, lower by 4% year-on-year primarily due to exceptional trading gains in 2021 which were not repeated, partially offset by double-digit growth in net interest income. Fourth quarter (Q4'22) operating income was higher by 8% sequentially and 4% year-on-year, despite conservative valuations in our real estate portfolio.

Net Interest Income (including Islamic financing income) (NII) was AED 14.4 Billion in FY'22, up 23% year-on-year, reflecting the benefits from strong business volumes, higher interest rates and the positive impact of the inclusion of Bank Audi Egypt (BAE). Higher net interest income in Q4'22 by 15% sequentially coupled with decline in central bank placements drove improvement in Net Interest Margin (NIM) by 13bps to 1.63%. FY'22 NIM was 1.56% compared to 1.51% in FY'21, as interest rate tailwinds were partially offset by the dilutive effect of higher short-term placements with central banks and margin compression due to competition.

Headline **net fees & commissions** at AED 2.8 Billion in FY'22 are lower 8% year-on-year, yet up 2% when excluding the impact of the deconsolidation of Magnati in 2022. Underlying growth of 2% year-on-year in net fees and commissions was led by higher loan-related fees on strong volumes and pipeline execution primarily in Corporate and Commercial Banking (CCB) helping to offset lower fee income from credit cards and trade finance activity. Q4'22 fees and commissions increased by 9% sequentially on higher loan-related fees, and growth in Debt Capital Markets (DCM) and Structured Finance fees in Investment Banking (IB).

FX and investment income improved 21% sequentially in Q4'22, driven by sizeable FX gains, healthy client flow and cross-sell activity in Global Markets as well as stronger trading performance of our equities portfolio. FY'22 FX and investment income was 45% lower year-on-year due to exceptional trading gains in 2021 which were not repeated.

Other non-interest income in Q4'22 included negative revaluations of AED 327 Million on our real estate portfolio reflecting conservative valuations. The decline in other non-interest income for FY'22 is primarily attributable to non-recurrence of gains on sale of fixed assets in the prior year.

Operating expenses were up by 15% year-on-year to AED 6.7 Billion mainly driven by integration of operations in Egypt (FABMisr) in 2022, write-off of legacy systems in Q4'22 as part of our ongoing technology transformation strategy, as well as continued investments into the business. Cost discipline and efficiencies will help mitigate inflationary pressures even as we continue to invest in strategic and digital initiatives to drive our growth journey, and to build a future-proof bank. The Group's cost-to-income ratio excluding Magnati-related gains was 31.6% in FY'22 (30.9% in 9M'22, 26.4% in FY'21).

ASSET QUALITY

Non-Performing Loans (NPL) were AED 18.5 Billion as of December-end 2022, up from AED 16.3 Billion at September-end 2022, driven by a few corporate accounts in the real estate and contracting sectors. This implies an NPL ratio of 3.9%, improving from 4.0% as of December-end 2021 helped by higher loan balances.

FY'22 **Net impairment charges** at AED 2.8 Billion were up 7% year-on-year. In Q4'22, they were higher sequentially and year-on-year to AED 1.1 Billion reflecting prudent provisioning in a more challenging macroeconomic outlook. **Total ECL/ provisions**[3] were AED 18.2 Billion implying a provision coverage ratio of 98%. FY'22 cost of risk on loans and advances stood at 62 bps, improving from 65 bps recorded in FY'21.

BALANCE SHEET TRENDS

Total assets grew 11% year-on-year to over AED 1.1 Trillion led by business growth and sizeable deposit inflows reflecting high oil price backdrop.

Loans, advances and Islamic financing (net) were AED 460 Billion, up 12% year-on-year (+AED 50 Billion) and reflecting healthy pipeline execution driven by core clients as well as pick-up in consumer demand. Repayments and run-off of short-term trade finance assets in Q4'22 resulted in net loans declining by 1% sequentially.

Customer deposits added AED 86 Billion (+14% year-on-year) in FY'22 to AED 701 Billion, despite outflows in Q4'22, reflecting FAB's role as an aggregator of liquidity and as the primary banker to the Government of Abu Dhabi and its related entities. Growth in CASA balances remained positive for FY'22 at 3% to AED 297 Billion, representing 42% of total deposits. CASA growth was driven by new cash management mandates, our focus to grow retail CASA, and other strategic initiatives, notwithstanding the natural shift towards higher yielding term deposits in a rising interest rate environment.

The Group's **liquidity position** remained strong with December-end 2022 Liquidity Coverage Ratio (LCR) at 154%, comfortably in excess of the Basel III minimum regulatory requirement of 100%.

During 2022, FAB raised USD 2.9 Billion (equivalent) of **senior wholesale funding** across multiple formats and 5 different currencies at a competitive pricing and replaced maturities at tighter spreads. Despite challenging market conditions, the Group was able to seize the right issuance windows to complete several landmark transactions including a 5-year USD 500 Million Sukuk, which was printed at the tightest pricing ever achieved by a MENA bank in public format; a 4-year CHF 200 Million Green Bond, where FAB remains the only MENA bank to issue green bonds denominated in CHF; the first-ever Euro-denominated Green Bond from the MENA region; and the largest-ever Green Bond issuance by a MENA bank (5-year USD 700 Million) which marked the return of FAB to the conventional public USD market.

In 2022, the Group continued to focus on its **Green and sustainable-linked funding activity** by issuing USD 1.5 Billion equivalent in green format across both public and private transactions, which made up more than half of wholesale funding raised in 2022. With Green Bonds outstanding of over USD 2.25 Billion equivalent across 13 issuances and 5 different currencies, FAB further cemented its position as a leader in the Green Bond market.

3 ECL/Provisions are defined as ECL on loans, advances and Islamic financing + ECL on unfunded exposures + IFRS9 impairment reserves

EQUITY, CAPITAL & RETURNS

Total shareholders' equity (including Tier 1 capital notes) at AED 115 Billion was up 2% sequentially and year-on-year. Basel III Common Equity Tier 1 (CET1) ratio stood at 12.6%, net of proposed dividends, as compared to 12.4% at December-end 2021, improving 19bps on the back of strong earnings generation and multiple RWA (risk-weighted assets) optimisation initiatives, helping to partially offset market and regulatory headwinds. Group CET1 stands comfortably above the minimum regulatory requirement of 11%. Capital adequacy and Tier 1 capital ratios were 15.6% and 14.5% as of December-end 2022, versus 15.4% and 14.3% respectively as of December-end 2021.

Return on Tangible Equity (RoTE) improved by 45bps year-on-year to 15.7%, while Return on Risk Weighted Assets (RoRWA) stood at 2.3%. Underlying RoTE, excluding Magnati-related capital gains and real-estate gains and losses, was 12.5% for FY'22.

BUSINESS PERFORMANCE[4]

AED Mn	**Q4'22**	Q3'22	QoQ %	Q4'21	YoY %	**FY'22**	FY'21	YoY %	**FY'22 Contr%**
Operating income	**5,911**	5,494	*8*	5,696	*4*	**20,840**	21,681	*(4)*	**100%**
Operating income by business segment									
Investment Banking (IB)	**2,818**	2,239	*26*	3,860	*(27)*	**8,848**	12,036	*(26)*	**42%**
Corporate & Commercial Banking (CCB)	**1,518**	1,273	*19*	897	*69*	**4,992**	3,392	*47*	**24%**
Consumer Banking (CB) *	**957**	1,053	*(9)*	1,219	*(22)*	**4,128**	4,798	*(14)*	**20%**
Global Private Banking (GPB)	**273**	276	*(1)*	235	*16*	**1,035**	951	*9*	**5%**
Head Office (HO)	**346**	652	*(47)*	(516)	*na*	**1,838**	505	*264*	**9%**
Operating income by geography									
UAE	**4,122**	4,390	*(6)*	4,642	*(11)*	**15,818**	17,878	*(12)*	**76%**
International	**1,789**	1,103	*62*	1,053	70	**5,022**	3,803	*32*	**24%**

** excludes gain on Magnati stake sale*

INVESTMENT BANKING (IB)

- IB sustained a strong performance in the fourth quarter with a 26% sequential increase in revenue to AED 2.8 Billion, the highest in 2022 and marking a 3rd consecutive quarter of revenue growth. This brings IB's FY'22 revenue to AED 8.8 Billion, contributing 42% to Group revenue, yet lower year-on-year primarily due to the exceptional trading gains in 2021. Excluding these trading gains recorded in 2021, underlying client revenue saw a strong double-digit growth driven by healthy demand and strong pipeline execution, mainly with large multinationals, regional corporates, financial institutions and GRE clients across all product lines, helped by rising interest rates and a 36% growth in Global Markets sales against a backdrop of heightened market volatility and global recessionary risks.
- Loans, advances and Islamic financing grew 2% year-on-year as repayments and the tactical run-down of non-strategic assets in the fourth quarter, only partially offset new underwritings. Customer deposits, on the other hand, grew 23% year-on-year underlining sizeable government and GRE inflows, in addition to FAB's ability to attract and retain CASA balances in a rising rate environment. In fact, CASA balances rose by AED 30 Billion or 31% year-on-year to reach AED 133 Billion.
- Other key highlights for 2022 include:
  - USD 9.1 Billion[5] equivalent of sustainable financing across Green Loans, Sustainability-linked Loans and Green Bonds have been facilitated by FAB during 2022, in line with Group ESG targets and our strategic focus to help clients navigate the energy

4 In the second quarter of 2021, the Group had reorganised its business model. Corporate & Investment Banking and Personal Banking Groups have been re-segmented into four distinct business lines: Investment Banking (IB), Corporate & Commercial Banking (CCB), Consumer Banking (CB) and Global Private Banking (PB). Figures for prior periods have been re-based on the current business segments for comparison purposes. Please refer to IR Quarterly Series for segmental information on a quarterly basis since beginning of 2021.
5 Group-wide figure; majority done through/by IB business

transition.

- FAB retained its position amongst the top-ranked regional banks across all MENA IB league tables in 2022 including retaining the #1 rank as Loan Agent in MENA by volume / number of deals for last 6 years
- FAB was also the #1 UAE Bank in MENA DCM G3 Currency League table and ECM League table helping clients across the region raise equity from global and regional investors, including the first concurrent dual listing on ADX (UAE) and Tadawul (KSA)of Americana Restaurants
- As the Advisor, Coordinating Bookrunner, Mandated Lead Arranger and Hedging Bank, FAB successfully closed USD 2.9 billion acquisition financing syndicated facility for one of the world's largest integrated supply chain companies
- Global Markets started Carbon Trading activity in line with FAB's ESG ambition, to support our clients in their GHG reduction strategy
- In Securities Services, assets under custody grew to a record AED 520 Billion, compared to AED 100 Billion in the prior year
- FAB was one of the primary dealers on the UAE's first denominated federal bond issuance
- Amongst the several awards won in 2022, some of the noteworthy awards were Best Bank for Financing in the Middle East by Euromoney, Best Investment Bank in the UAE and Best Bank for Sustainable Finance by Global Finance, and Middle East Investment Bank of the Year by Bonds, Loans and Sukuk

❖ With a sharp slowdown expected across major economies in 2023, we will continue to focus on prudent risk management while effectively supporting clients across our global franchise navigate headwinds and seize opportunities in a relatively favourable regional backdrop, leveraging our market-leading capabilities, strategic footprint and unique competitive differentiators.

CORPORATE AND COMMERCIAL BANKING (CCB)

- CCB produced a stellar performance in 2022 with revenue expanding almost 50% year-on-year to AED 5.0 Billion, contributing 24% to Group revenue. This was primarily driven by a record performance in Global Transaction Banking benefitting from higher interest rates and consequent margin earned on low-cost CASA deposits as well as strong business volumes in Global Markets sales across FX and derivatives.
- Business momentum was robust throughout 2022 leading to a 44% growth in loans and advances, reflecting a relatively buoyant regional backdrop and strong demand from top-tier clients.
- Customer deposits were up 8% sequentially as customers sought to take benefit of higher term deposit rates, although 5% lower from December-end 2021 levels. With over 383 new cash management mandates added during the year, average CASA deposits grew 9% year-on-year.
- Other key highlights for 2022 include:
  - Significant progress in enhancing customer experience through innovative digital-first products and solutions leveraging key strategic partnerships in several areas including traditional and sustainability-linked supply chain finance, banking-as-a-service, liquidity management and sophisticated treasury management solutions
  - A strategic partnership with Wio bank offering business customers access to cash and cheque facilities through FAB's established ATM and CDM network
  - Launch of E-commerce Financing Program (ECF) in collaboration with a leading e-commerce platform to provide customised Working Capital & term loan lending solution for its clients
  - Economically empowered local women entrepreneurs and SME owners through She's Next initiative in collaboration with VISA
  - Multiple accolades received by the business during 2022 including Best SME Bank by International Finance, Best in Future of

Customer Experience at the International Data Corporation (IDC) DX Forum, Best Supply Chain Provider in the Middle East by Global Finance as well as Best Transaction Bank in the Middle East by The Asian Banker

- ❖ Higher interest rates, a strong deal pipeline and a focused approach to leverage our intellectual capital and market-leading position to pitch innovative high-value products such as supply chain financing, liquidity & treasury management solutions, position the business well to capitalise on the incremental demand from clients for funding and value-added services going forward. At the same time, CCB will remain vigilant to any signs of deterioration in the macro-environment or any adverse impact on the creditworthiness of its clients due to economic slowdown and higher interest rates.

CONSUMER BANKING (CB)

- Consumer Banking delivered positive momentum during 2022 on the back of strong sales led by market-leading propositions and enhanced digital experiences supported by increased consumer demand in the UAE amid a sustained rebound across key economic sectors.
- Excluding the impact of the deconsolidation of Magnati, CB profitability was stable year-on-year on the back of strong cost discipline, efficiency gains and prudent portfolio management maintaining healthy cost of risk levels, helping to offset lower revenue mainly from regulatory headwinds. CB contributed 20% to the Group's revenue and presented solid risk-adjusted returns.
- Customer deposits had a record year-on-year growth of 14% or AED 8 Billion, as a result of strategic focus and deliberate actions to grow primary relationships. Our strategic initiatives led to 88% year-on-year growth in acquisition of new customers and 85% growth in sales of CASA accounts.
- On the lending side, consumer loans grew 4% year-on-year in 2022 driven by strong momentum in Islamic portfolio (+19% year-on-year) and mortgages including real estate (+11% year-on-year). Sales of new-to-bank credit cards grew by 32% year-on-year.
- Assets Under Management grew 20% year-on-year supported by IPO investment and proactive customer portfolio reviews.
- Other key highlights in 2022 included:
  - Enhanced customer experience and digital sales with the launch of new digital journeys on conventional personal loans and Islamic accounts complemented further through the roll-out of tablets across sales staff
  - Enhanced features on FAB Mobile including IPO subscriptions to enable investors to participate in the strong pipeline of regional listings
  - New digital credit card partnership journeys launched with Majid Al Futtaim, Du and Al Futtaim. This includes the FAB Share card launched in October 2022, the UAE's first form of biometric payment authorising payments using an embedded fingerprint sensor
  - Several awards and recognitions including Best Consumer Digital Bank in the UAE at the 2022 Global Finance Awards

- ❖ Looking forward, the business will continue to maintain strong commercial momentum, accelerate strategic transformation across products and services, and further enhance FAB Islamic proposition.

GLOBAL PRIVATE BANKING (GPB)

- GPB achieved a solid performance in 2022 with revenue up 9% year-on-year, crossing the AED 1.0 Billion mark for the first time and contributing 5% to Group's revenue. Both, fees and interest income rose year-on-year, helped by rising interest rates, enhanced product propositions and new acquisitions, reflecting effective collaboration across the Group to improve cross-sell and to capitalise on vibrant regional capital markets. While Assets Under Management (AUM) witnessed positive net inflows in 2022, they closed lower by 5% year-on-year due to negative market drift in Q4'22.
- Customer deposits grew 14%, reflecting FAB's superior credit profile and clients' trust in the franchise. On the other hand, loans and advances closed lower by 6% when compared to December 2021 levels primarily due to GBP depreciation as well as increase in interest rates and market volatility leading some clients to de-leverage their portfolios.

- Other key highlights in 2022 include:
    - Outperformance of flagship mutual funds, including FAB MENA Diversified Leader fund, which stood in top quartile amongst MENA peers
    - The launch of innovative new products including "FAB Thematic Rotation Fund", offering investors access to global opportunities across key themes and "Mega-trends" shaping the future
    - A strategic partnership with Blackrock to launch the Global Credit Opportunities Fund
    - Enhanced capabilities in MENA with expanded teams in key strategic markets including Saudi Arabia
    - Several prestigious awards including Best Family Office Service and Best Discretionary Portfolio Management at the Wealth and Investment Awards 2022 organised by MEA Finance

INTERNATIONAL OPERATIONS

- Operating income increased 32% year-on-year in FY'22 to cross AED 5.0 Billion for the first time. This was driven by the inclusion of Bank Audi Egypt and complemented by revenue growth in other GCC markets like Oman, Bahrain and Saudi Arabia as well as our Singapore and Swiss franchises. Q4'22 operating income grew 62% sequentially to AED 1.8 Billion primarily on the back of sizeable FX gains in FABMisr and good business momentum in Saudi Arabia.
- Revenue from international operations now represents 24% of FY'22 Group revenue (compared to 18% in FY'21), with contribution from MENA (ex-UAE) increasing to 64% in FY'22 from 52% in FY'21, thus enhancing our geographical revenue diversification efforts and showcasing growth in our priority markets.
- Net impairment charge of AED 1.2 Billion in FY'22, as compared to AED 392 Million in FY'21, reflects increased provisioning against legacy NPLs and the de-risking of our portfolio in non-strategic assets.
- Loans, advances and Islamic financing were AED 101 Billion, lower 3% sequentially and 4% year-on-year partly due to deliberate reductions in non-strategic assets, but also due to adverse currency movements, primarily in GBP and EGP. The depreciation in currencies, primarily GBP and EGP, also impacted customer deposits which closed lower 10% sequentially and year-on-year to AED 154 Billion.
- Our international operations remain a key contributor to the Group's liquidity with, both, international loans and deposits representing 22% of Group loans and deposits.
- In Egypt, the completion of our integration activities in Q4'22 will enable us to offer a unified customer experience to our growing base in one of our priority markets. Our new brand "FABMISR", reflects FAB's strong commitment to the Egyptian market, leveraging greater scale and market-leading capabilities to create considerable opportunities for customers.
- In line with our strategy to intermediate burgeoning trade and investment flows between UAE's trade partners, FAB opened its first branch in Shanghai (China) in Q1'22 and is in process to commence its operations in Iraq in 2023.

Karim Karoui,
Group Head of Mergers & Acquisitions, and Interim Group Chief Financial Officer

ABOUT FIRST ABU DHABI BANK (FAB)

FAB is the UAE's largest bank and one of the world's largest and safest financial institutions. FAB's focus is to create value for its employees, customers, shareholders and communities to grow through differentiation, agility and innovation.
Headquartered in Abu Dhabi, the bank's international network spans five continents, providing global relationships, expertise and financial strength to support local, regional and international businesses seeking to do business at home and abroad. FAB is a trusted adviser and regional partner to major institutions, emerging companiesand individuals seeking to do business in the UAE, the MENA region and beyond. As an engine of growth for the region, it helps customers to thrive and grow stronger by managing risk, providing access to capital and facilitating trade flows across developed and emerging markets.
With total assets of over AED 1.1 Trillion (USD 302 Billion) as of December-end 2022, FAB is rated Aa3/AA-/AA- by Moody's,S&P and Fitch, respectively - the strongest combined ratings of any bank in the MENA region. The Bank has been ranked by Global Finance as the Safest Bank in the UAE and the Middle East since 2011, and #31 Safest Bank globally in 2022. The Banker's Top 1000 World Banks 2021 rankings, measured by Tier 1 capital, ranked FAB as #1 in the UAE, #3in the Middle East and #91 across the globe. FAB is also a regional sustainability leader (MSCI ESG rating of 'A'), and a constituent of MSCI ESG Leaders and FTSE4Good EM indices.

For further information, visit: www.bankfab.com.

For investor-related queries, please contact FAB Investor Relations team on ir@bankfab.com

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RECENT ACCOLADES

- Ranked 1st in UAE in Top 1000World Banks
  2022
  The Banker
- Ranked 1st in UAE in Forbes Global 2000 list
  2022
  Forbes
- Safest Bank in the UAE and the Middle East
  2022
  Global Finance
- Strongest Bank in the UAE
  2022
  The Asian Banker
- Ranked 50th in World's Most Socially Responsible Banks
  2022
  Newsweek
- 14th Safest Commercial Bank Globally
  2022
  Global Finance