

**First Gulf Bank**



**بنك الخليج الأول**

## **First Gulf Bank – Management Discussion and Analysis Report**

### **AED750 Million Q1 Net Profit**

**26 April 2009, Abu Dhabi, U.A.E.:** First Gulf Bank (FGB) management announced today its financial results for the first quarter of 2009, reporting a Net Profit of AED 750 million. This represents an increase of 11% over its financial results for the same quarter of last year, and is 12% better than the fourth quarter of 2008.

“The bank has a clear vision and a well-thought prudent strategy that is helping in achieving record results year after year,” said André Sayegh, Chief Executive Officer of FGB. “Despite the exceptionally difficult market conditions, the bank's success in setting strategic priorities and objectives has helped us in overcoming such conditions and in delivering strong performance,” he added.

95% of the net profit was generated by the Core Banking businesses of the bank; Corporate, Retail, Treasury, Investments and Islamic Banking.

“Quarter after quarter our core banking businesses continue to be a source of strength and are extremely successful in contributing to the consistent performance of the organisation,” Sayegh added.

The Total Revenue of the bank at AED 1,319 million is 29% higher than the same period of 2008.

The Basic and Diluted Earning Per Share was AED 0.47 for the quarter, compared to AED 0.49 for the same period of 2008.

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-2-

The Net Interest and Islamic Financing for the quarter at AED 875 million is 106% higher than same period of last year and is 12% higher than the fourth quarter of 2008. Net Interest Margin at 3.6% is significantly higher than the 2.3% reported for the same period in 2008.

Core Banking Non Interest Income mainly composed of Fee, Commission and Treasury & Investments Income at AED 407 million was 45% higher than the AED 281 million achieved during the first quarter of last year. The same comparable revenue of the fourth quarter of 2008 was only AED 122 million.

Expenses of the quarter at AED 293 million were lower than the fourth quarter of last year by AED 118 million, representing a 29% decrease. Cost to Income Ratio was at 22% when compared to the low percentage of 24% for the full year 2008.

“Our cost to income ratio is a clear evidence of the bank’s efficiency in managing expenses which is helping the profitability of the organization. We continue to maintain our position as one of the most profitable and most efficient organisations,” said Sayegh.

As part of FGB’s continuous efforts to strengthen its balance sheet, Retail and Corporate Portfolio Provisions of AED 220 million were booked during the quarter, highlighting a Provision Coverage Ratio of 235% and a NPL to Gross Loans Ratio of 0.7%. Additional AED 55 million were also booked as investments provisions.

“Being a financial institution, the success of our business is primarily built on the strength of our balance sheet. We will continue to focus on strengthening our balance sheet and build our equity,” added Sayegh.

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-3-

Capital Adequacy Ratio was also very healthy at 17.3%, after the injection of AED 4 billion by the Abu Dhabi Department of Finance as Tier 1 Capital. The bank is in the process of finalizing the formalities for the conversion of AED 4.5 billion from the Ministry of Finance into Tier 2 Capital, which will further push up the Capital Adequacy Ratio to around 21%.

The Total Assets of the bank at the end of the first quarter of 2009 were at AED 109 billion, that is 2% higher than the Total Assets by end of year 2008. During the quarter, Deposits increased by AED 1.7 billion to reach AED 75.7 billion, while Loans witnessed also a marginal growth of 5% to reach AED 83.6 billion. The absolute Loan to Deposit Ratio was 110% when compared to the 107% in December last year and the 107% in March 2008.

Since the beginning of the year, the bank has been in a comfortable liquidity situation. In fact, during the first quarter, the bank paid back in full its three year syndicated loan of US\$ 750 million.

During the quarter, the bank has won three prestigious awards at the Islamic Finance News Awards 2009. The awards were Corporate Finance Deal of the year, Tawarruq Deal of the Year, and Murabahah Deal of the Year.

“FGB is one of the leaders in the syndicated loans market, both conventional and Islamic. In fact, our Islamic Syndications Unit has been taking leading roles and participating in major syndication and Sukuk transactions in the UAE as well as internationally,” said Sayegh.

“Cumulating a high Capital Adequacy Ratio, a high Provision Coverage Ratio and an appropriate liquidity and equity levels, the bank is well positioned to continue its strong performance and to achieve its set targets for the remaining of 2009.” concluded Sayegh.

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*Karim Karoui*  
Chief Financial Officer