



Management Discussion and Analysis Report

First Gulf Bank Records Highest Net Profit Ever For the Period.

AED 1,707 Million 1st Half 2010.

Main Highlights:

- Net Profit at AED 787 million in Q2 2010 is higher than Q2 2009 by 2%.
- Net Profit at AED 1,707 million for the first six months of 2010 is 12% higher than the same period of 2009.
- Operating Income at AED 3,126 million for the first six months of 2010 is 19% higher and Operating Expense at AED 514 million is 7% lower than the same period last year.
- Earning Per Share at AED 1.10 for the first six months of 2010 is 20% higher than the same period last year.
- Capital Adequacy Ratio stands at 23.3%, Net Interest Margin at 3.60% and Cost To Income Ratio at 16.4%.

28 July 2010, Abu Dhabi, U.A.E.: First Gulf Bank (FGB) announced its financial results for the second quarter of 2010, reporting a Net Profit of AED 787 million. This represents an increase of 2% over its Net Profit for the same quarter of last year. For the first half of 2010, the Net Profit amounted to AED 1,707 million which represents a 12% increase over the same period of 2009.

“FGB has maintained its top line momentum for the second quarter of 2010, consolidating its solid start of the year,” said André Sayegh, Chief Executive Officer, FGB.

“The results of our continued focus on efficiently managing both the balance sheet as well as the revenue stream, whilst redeploying resources to optimize growth in our core business, is testimony to FGB board’s vision and strategy”, Sayegh added.

Karim Karoui
Chief Financial Officer



**Q2 2010**

The Total Revenue of AED 1,467 million for Q2 2010 is 12% higher than Q2 2009. Net Interest and Islamic Financing at AED 1,043 million increased by 9% compared to same period of last year and represented 71% of this revenue. The Corporate and Retail fees, at AED 357 million, increased by 21% and represented 24% of the total revenue generated during the quarter. The core banking business contributed 93% to the Net Profit while the subsidiaries and associate companies contributed 7%. The first quarter's contribution was 79% and 21% respectively.

"I would like to reconfirm, that our Core Banking business will undoubtedly continue to be of ultimate strategic importance to the Group," commented Sayegh.

Over the last 12 months ending June 2010, the Total Assets increased by 11%, the Loans by 9% and the Deposits by 12% after excluding the MOF deposits which were converted into Tier II capital by end of the year 2009.

H1 2010

FGB recorded the highest Net Profit ever in the history of FGB for a first half of the year. The Net Profit reached AED 1,707 million, an increase of 12% over the first half of 2009. This was mainly driven by an increase in total revenue by AED 494 million (+19%), a decrease of expenses by AED 36 million (-7%) and a safe increase in provisions by AED 348 million (+63%).

The increase in revenue was largely attributed to the Net Interest and Islamic Financing, which increased by 13% from AED 1,833 million in the first half of 2009 to AED 2,080 million in the first half of 2010. The Net Interest Margin for the first six months of 2010 was at 3.60% compared to 3.67% for the full year 2009. Fees and Commissions increased from AED 614 million in the first half of 2009 to AED 704 million in the same period of 2010, realising an increase of 15%.

"The power of revenue generation has a growing momentum" added Sayegh.

A continued focus on managing efficiently the expenses resulted in a decrease of 7% from AED 550 million in H1 2009 to AED 514 million in H1 2010. This has led to a sizeable decrease of 5 percentage points in the Cost to Income ratio from 21% in June 2009 to 16% in June 2010.



First Gulf Bank



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During the first half of 2010, an appropriate and adequate amount of provisions of AED 903 million was booked, compared to AED 555 million in the first six months of 2009. The Non Performing Loans of 2.5% of the total Gross Loans have an excess of Provision Coverage of 126%.

Earnings per Share for the first half of the year at AED 1.13 were 23% higher than the same period of 2009.

“FGB financial results for the 1st half of 2010, culminated in a high Earning Per Share, this is a primary objective of our Board and Management. Thus, we will continue on delivering higher EPS and the best returns to our shareholders. We are very pleased to see that FGB EPS is one of the highest in the country, which brings consistent value and return to the shareholders”, added Sayegh.

Balance sheet and ratios

The Bank was able to show solid and healthy balance sheet indicators at the end of June 2010; Total Assets at AED 132 billion were 5% higher than December 2009. The loans increased to AED 94.2 billion, a 4% increase over December 2009. The Deposits at AED 88.4 billion were 2% higher than December 2009.

The Loan To Deposit Ratio was at 107% by end of June 2010 compared to 105% in December 2009 and the Central Bank Advance to Stable Deposits Ratio which came in at 86%, against a maximum of 100% allowed by the UAE regulatory rules, highlights a comfortable level of liquidity.

With total Shareholders' Equity at AED 23.6 billion, and total Capital Adequacy Ratio at 23.3% including a Tier 1 ratio of 20% -one of the highest in the world within the banking industry- the bank is very well positioned to cope with future business growth requirements over the coming few years.

“FGB is poised to build on its past successes and current robust financial position to continue on generating more value for its shareholders.” concluded Sayegh.



Main performance indicators

Income Statement Indicators of the second quarter

AED Mn	Q2'2010	Q2'2009	Variance
Revenue	1,467	1,313	+12%
Expense	268	257	+4%
Provision	411	280	+47%
Minority Interest & Taxes	1	1	-
Net Profit	787	775	2%

Income Statement Indicators of the first half

AED Mn	H1'2010	H1'2009	Variance
Revenue	3,126	2,632	+19%
Expense	514	550	-7%
Provision	903	555	+63%
Minority Interest & Taxes	2	1	-
Net Profit	1,707	1,526	+12%





Balance Sheet Indicators

AED Mn	Jun'2010	Dec'2009	Variance (%)
Loans & Advances	94,205	90,386	+4%
Total Assets	131,528	125,473	+5%
Customers' Deposits	88,428	86,422	+2%
Shareholders' Equity	23,587	22,903	+3%

Key Ratios

	Jun'2010	Dec'2009
Loan to Deposit	107%	105%
Capital Adequacy	23.3%	22.6%
Net Interest Margin	3.60%	3.67%
Cost To Income	16.4%	17.5%
NPL's to Gross Loans	2.5%	1.6%
Provision Coverage	126%	174%

