



Management Discussion and Analysis Report

First Gulf Bank reports record Net Profit of AED 2,555 million for the first nine months of 2010

Robust Q3 2010 Net Profits of AED 849 million, 8% over Q2 2010

Main Highlights:

- Net Profit of AED 849 million in Q3 2010 higher by 8% than Q2 2010.
- Net Profit of AED 2,555 million for the first nine months of 2010 is 4% higher than the same period of 2009.
- Earning per Share at AED 1.59 for the first nine months of 2010 is 7% higher than the same period last year.
- Operating Income at 4,672 million for the first nine months of 2010 is 8% higher, and Operating Expenses at AED 804 million, 1% higher than the same period last year
- Capital Adequacy Ratio stands at 23.4%, Net Interest Margin at 3.60% and Cost To Income Ratio at 17.2% for the first nine months of 2010

27 October 2010, Abu Dhabi, U.A.E.: First Gulf Bank (FGB) announced its financial results for the third quarter of 2010, reporting a Net Profit of AED 849 million. This represents an increase of 8% over second quarter of this year. For the first nine months of 2010, the Net profit amounted to AED 2,555 million, this represents a 4% increase over the same period of 2009.

The bank continued its focus on prudent and efficient management of its balance sheet and income statement which reflected in strong financial ratios.

Cost to Income ratio stood at 17.2%, Net Interest Margin at 3.60%, Return on Average Assets at 2.6%, Capital Adequacy Ratio at 23.4%, and Return on Average Equity at 14.8%.

“The bank strategy of targeting its ratios resulted in building a solid balance sheet position over the years. We are very proud to state, that this combination of ratios is unmatched in the UAE banking industry. First Gulf Bank is in a very strong financial position and will maintain its primary objective of maximizing value for all its stakeholders.” said André Sayegh, Chief Executive Officer, FGB.



Q3 2010

Although, the Net Profit for the quarter was 9% lower than the same quarter of last year, the core banking Net Profit, after excluding the Net Profit of subsidiaries and associates, has increased effectively by 15% from AED 712 million to AED 821 million.

The Total Revenue of AED 1,546 million for Q3 2010 is 5% higher than previous quarter and 8% lower than Q3 2009. Net Interest and Islamic Financing at AED 1,072 million, which represented 70% of the total revenue, increased by 9% compared to the same period of last year and the Corporate and Retail fees, at AED 435 million, which represented 28% of the revenue for the quarter, increased by 43% compared to Q3 2009 and by 22% compared to Q2 2010.

Overall, the core banking revenue contributed 98% towards the total revenue compared to 87% in the Q3 2009.

“We are very pleased with the robust results of the Third Quarter and we will maintain our focus on the core strength of the bank in Corporate, Retail and Treasury activities. The overseas expansion, subsidiaries and associated companies will continue to present complementary support to our core businesses” commented Sayegh.

Over the last 12 months ending September 30th 2010, the Total Assets increased by 11%, the Loans by 6% and the Deposits by 9% after excluding the MOF deposits which were converted into Tier II capital at the end of 2009.

Nine Months Period Ending September 30th 2010

FGB recorded Net Profit of AED 2,555 million for the first nine months of 2010, an increase of 4% over the first nine months of 2009. This was mainly driven by AED 352 million (+8%) increase in total revenue, an increase of AED 6 million (+0.7%) in expenses, and an increase in total provisions by AED 245 million (+23%).

The increase in revenue was largely attributed to the Net Interest and Islamic Financing, which increased by 12% from AED 2,818 million in the first nine months of 2009 to AED 3,152 million in the first nine months of 2010. The Net Interest Margin for the same period of 2010 was at 3.60% compared to 3.67% for the full year 2009. Fees and Commissions realising an increase of 24%, increased from AED 917 million in the first nine months of 2009 to AED 1,139 million in the same period of 2010.

During the first nine months of 2010, the bank continued with its prudent provisioning policy and booked adequate and appropriate provisions of AED 1,310 million compared to AED 1,065 million during the first nine months of 2009. The important indicators of Non Performing Loans to Gross loans of 2.5% with Provision Coverage ratio of 126% stabilized at the same level of June 2010.

Earnings per Share of AED 1.59 for the first nine months of the year were 7% higher than the same period of 2009.

Balance Sheet and Ratios

The Bank continued to show robust balance sheet and financial indicators at the end of September 2010; Total Assets of AED 137.5 billion, 10% higher than December 2009. The loans at AED 95.6 billion were 6% higher than December 2009. The Deposits at AED 92.3 billion were 7% higher than December 2009.

The Loan to Deposit Ratio was 104% at the end of September 2010, compared to 105% at the end December 2010. The Central Bank Advance to Stable Deposits Ratio at only 84% at the end of September 2010, is substantially below the maximum of 100% allowed by the UAE regulatory authority, underscores sufficient level of liquidity.

Total Shareholders' Equity stood at AED 23.7 billion at the end of September 2010, 9% higher than September 2009 and Capital Adequacy Ratio was at 23.4% including a Tier 1 ratio of 20.2%.

Abdulhamid Saeed, FGB's Managing Director commented "First Gulf Bank, under its dynamic Board leadership and committed management, has consistently maximized value for all its stakeholders."

Main Performance Indicators

Income Statement Indicators of the third quarter

AED Mn	Q3'2010	Q3'2009	Growth
Revenue – Bank	1,515	1,467	+3%
Revenue – Subsidiaries & Associates	31	221	-86%
Total Revenue	1,546	1,688	-8%
Expense	290	248	+17%
Provision	406	510	-20%
Minority Interest & Taxes	1	0	-
Net Profit	849	930	-9%

Income Statement Indicators of the first nine months

AED Mn	September 2010	September 2009	Growth
Revenue – Bank	4,374	4,027	+9%
Revenue – Subsidiaries & Associates	298	293	+2%
Total Revenue	4,672	4,320	+8%
Expense	803	799	+1%
Provision	1,310	1,065	+23%
Minority Interest & Taxes	4	1	-
Net Profit	2,555	2,455	+4%

Balance Sheet Indicators

AED Mn	September 2010	December 2009	Variance
Loans & Advances	95,577	90,386	+6%
Total Assets	137,454	125,473	+10%
Customers' Deposits	92,251	86,422	+7%
Total Equity	24,053	22,903	+5%

Key Ratios

	September 2010	December 2009
Loan to Deposit	104%	105%
Capital Adequacy	23.4%	22.6%
Net Interest Margin	3.60%	3.67%
Cost To Income	17.2%	17.5%
NPL's to Gross Loans	2.5%	1.6%
Provision Coverage	126%	174%

For the full balance sheet and details on First Gulf Bank please visit www.fgb.ae

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