

Management Discussion & Analysis Report

FGB commences 2014 on a strong note, achieving a Net Profit of AED 1,330 million in Q1'2014

Net Profits up by 27% compared to Q1'2013

- *Net Profit of the group in Q1'2014 at AED 1,330 million, 27% higher than Q1'2013*
- *Earnings per share for the quarter increased by 32% to AED 0.33*
- *Revenues increased by 20% to AED 2,251 million*
- *Net Interest and Islamic Financing Income at AED 1,601 million in Q1'2014; 17% higher than the same period last year*
- *Core banking business represents 95% of both Group Revenues and Net Profits*
- *Balance sheet indicators: Total Assets at AED 192.9 billion, Loans and Advances at AED 123.4 billion and Customer Deposits at AED 129.6 billion*
- *Key Ratios: Net Interest Margin at 3.7%, Cost to Income Ratio at 21.1%*
- *Capital Adequacy remained strong at 19.0% even after paying AED 3 billion in cash dividends*
- *Ratio of Non-Performing Loans (NPL) to Gross Loans at 3.4%, Provision Coverage at 96.0% and Loans to Deposit Ratio at 95.2%*

Abu Dhabi, April 23, 2014: FGB, one of the leading banks in the UAE, released its Q1'2014 figures today. The bank continues to maintain its strong position in the UAE's banking sector and recorded a Net Profit of AED 1,330 million in the first quarter of 2014, constituting a 27% increase compared to the same period in 2013.

Abdulhamid Saeed, FGB Managing Director and Board Member, said: “FGB has maintained its robust financial performance in 2014 by further capitalising on its solid operational, strategic and financial achievements during 2013. During the first quarter of the year, the bank continued to look towards further expanding its local and international businesses and FGB’s focus on diversifying sources of revenue continued to generate positive results. The total Q1’2014 revenue generated by the group increased by 20% compared to the same period of last year, which is a great achievement”

Commenting on the bank’s performance during the first quarter of this year, André Sayegh, CEO of FGB, said: “FGB is off to a positive start in 2014. Q1 financial results reconfirmed FGB’s ability to continuously generate higher and diversified streams of revenues year on year by allocating assets in an optimal manner. Non Interest revenues generated by our three pillar businesses, namely the Wholesale Group, Consumer Group as well as our Treasury and Global Markets Group, showed significant growth. FGB’s assets were well positioned to benefit from the continuous economic improvement in the UAE and elsewhere, which reflected positively on our profits.”

During Q1 2014, FGB issued its first Australian Dollar Bond as part of its strategy to diversify funding sources. The Bank successfully closed the 5-year AUD 250 million (USD 228 million) ‘Kangaroo’ bond, which received widespread interest from investors on a global level. The transaction was priced on March 25th 2014 at 155 basis points (bps) above interpolated midswaps and the bonds are set to mature on April 1, 2019.

FGB’s consistent strong performance was recognised by international rating agencies, where RAM Ratings provided the bank with an AAA grade, and FGB’s Long Term Rating was affirmed at A+ by Fitch.

Q1'2014 Summary Financials

Income Statement (AED Mn)	Q1'14	Q1'13	YoY	Q4'13	QoQ
Net Interest and Islamic Financing Income	1,601	1,365	17%	1,619	-1%
Other Operating Income	650	510	27%	857	-24%
Operating Income	2,251	1,875	20%	2,475	-9%
G & A expenses	(475)	(386)	23%	(533)	-11%
Provisions/ Impairments	(436)	(433)	1%	(546)	-20%
Taxes	(5)	(5)	-8%	(9)	-49%
Minority Interest	(5)	(5)	0%	(16)	-69%
Net Income	1,330	1,046	27%	1,372	-3%
Earnings Per Share (AED)	0.33	0.25	32%		

Balance Sheet (AED Bn)	Mar'14	Mar'13*	YoY	Dec'13*	QoQ
Net Loans & Advances	123.4	115.2	7%	125.6	-2%
Customer Deposits	129.6	119.2	9%	138.0	-6%
Total Assets	192.9	174.6	10%	198.2	-3%
Shareholders' Equity	29.6	27.7	7%	31.2	-5%

**Mar'13 and Dec'13 Balance Sheet figures were restated in order to reflect the change of accounting treatment of acceptances adopted in Q1'14*

Key Ratios (%)	Q1'14	Q1'13	FY'13
Net Interest Margin	3.7	3.6	3.7
Cost-to-Income Ratio	21.1	20.6	21.0
Non-Performing Loan Ratio	3.4	3.2	3.3
Provision Coverage	96.0	101.8	91.1
Loan-to-Deposit Ratio	95.2	98.9	92.0
Return on Average Equity	17.5	14.7	15.8
Return on Average Assets	2.7	2.4	2.6
Capital Adequacy Ratio	19.0	19.5	17.5

Q1'2014 income statement highlights

FGB started 2014 with positive momentum, where Q1'2014 revenues were reported at AED 2,251 million, a 20% increase compared to the same period last year. This was the result of a 17% growth in Net Interest and Islamic financing income to AED 1,601 million, combined with a 27% rise in other revenues to AED 650 million. Furthermore, the Net Interest Margin of 3.7% was successfully



maintained at the same level as December 2013, and showed a slight improvement to the Q1'2013 figure of 3.6%.

During Q1'2014, FGB further cemented its strong position in the market through efficiently managing the group's expenses. The Bank ended the quarter displaying an unbeatable Cost to Income Ratio of 21.1%. During the period, revenues increased by AED 376 million compared to Q1'2013, while Operating Expenses increased by only AED 89 million and Provisions by AED 3 million.

As part of its ongoing strategy to diversify revenue streams, non-interest revenues grew their share in total operating income to 29% compared with 27% in Q1'2013. On the other hand, Net Interest and Islamic Financing Income contributed 71% to Total Revenues vs. 73% the same period last year. In Q1'2014, Wholesale Banking and Consumer Banking Groups each contributed 38% to total revenues, and Treasury and Global Markets provided 15%.

Saeed added: "FGB has consistently provided high returns to our shareholders. We are very appreciative of their continued trust in their bank and their support of FGB's strategic decisions and operations. The cash dividend distribution of AED 3 billion was the highest within the UAE Banking Sector, yet the bank is maintaining a strong capital adequacy ratio of 19.0%, much higher than the global standards."

Balance Sheet – Liquidity

Between March-end 2013 and March-end 2014, Loans and Advances grew by 7% to AED 123.4 billion, and Total Assets rose by 10% to AED 192.9 billion. Healthy growth rates in revenues, combined with effective cost and risk management had a positive effect on the bank's Return on Average Assets, which improved to 2.7%, up from 2.6% for the full year 2013, and up from 2.4% in Q1'2013. On the funding side, customer deposits grew by 9% to AED 129.6 billion.

The Loan to Deposits Ratio as of March-end 2014 was at 95.2%, while the Regulatory Advances to Stable Deposits Ratio of 82.4% remained well below the UAE Central Bank ceiling of 100%. In addition, the Liquid Asset Ratio increased to 18% from 16% in Q1'2013.

Capitalisation and Earnings per Share

By the end of March 2014, Total Shareholders' Equity stood at AED 29.6 billion, and Capital Adequacy Ratio was at 19.0%. Earnings per share for the first three months of 2014 is AED 0.33, which is 32% higher when compared to the same period in 2013.

During the first quarter, the bank paid out AED 3 billion in cash dividends following the General Assembly of Shareholders' decision on 26th February 2014. The bank also offered 30% bonus shares, bringing the total number of shares to 3.9 billion from 3 billion previously.

Asset quality and Provisioning

FGB's Non-Performing Loan Ratio stood at 3.4% while Provision Coverage improved to 96.0%, up from 91.1% in December 2013.

Sayegh added: "Last year, we made a number of significant enhancements to the strategies and operations of our three major business Groups; Consumer, Wholesale and Treasury and Global Markets, expanding our services for all three and streamlining products specifically for our diversified client base. We are proud to see that our initiatives are paying off, as our results for the first quarter of 2014 have shown."

He continued: "FGB underwent a number of important changes throughout the past few months. In line with these developments, we are continuing to enhance our strong brand as a bank. This week of April 2014, a major event took place in the FGB journey of success through the launch of our refreshed identity, which coincides with our 35th year anniversary. This new identity highlights our UAE heritage, gives a completely new dimension to our future aspirations, caters to our clients' needs in new markets and reflects our pledge towards the future. Our refreshed brand also reflects our renewed commitment to delivering best quality products and offering high returns to shareholders, whilst marking the next chapter for the bank. We will continue to focus on all the aspects that led to our success up to this point, while also growing and enhancing our value proposition to better meet market and customer requirements."

-Ends-



About First Gulf Bank

As a major leading bank in the UAE, FGB (FGB) had Shareholder Equity of AED 29.6 billion as of March 31st, 2014 making it one of the largest equity based banks in the UAE. Established in 1979 and headquartered in the UAE capital, Abu Dhabi, the bank offers a full range of financial services to business and consumer sectors throughout an extensive network of branches across the UAE. Internationally FGB has branches in Singapore and Qatar, representative offices in India and Hong Kong and a subsidiary in Libya.

Today, FGB is recognised as a world-class organisation committed to maximising value for shareholders, customers and employees as it focuses on delivering banking products and services that meet client needs and support the UAE's dynamic economy. In line with its commitment to excellence the bank continues to invest significantly in people and technology to provide superior service standards. FGB was awarded the 'Best Bank in the United Arab Emirates' and 'Best Bancassurance' titles at the Banker Middle East Industry Awards 2013. It was also ranked as the 3rd most powerful company in the UAE and 6th leading bank in Forbes' 'Top 500 in the Arab World' list.