

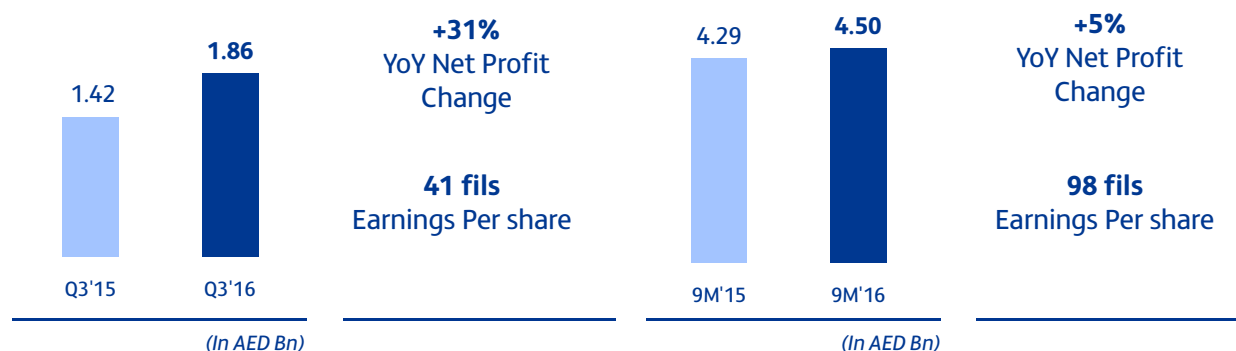
Management Discussion & Analysis Report

FGB Group reports strong third quarter Net Profit of AED 1.86 Billion, up 31%

Record nine-month Group Net Profit of AED 4.50 Billion

- *Third quarter Net Profit of AED 1.86 Billion up 31% year-on-year and 43% quarter-on-quarter*
- *Nine month Group Net Profit of AED 4.50 Billion, up 5% from the same period last year; Earnings per Share (EPS) at 98 fils, up 5%*
- *Excluding property-related gains, third quarter revenues are up 8%, reflecting strong core banking performance*
- *Key balance sheet indicators: Total Assets of AED 233.2 Billion, Loans and Advances of AED 156.2 Billion, Customer Deposits of AED 140.9 Billion, and Shareholders' Equity of AED 36.0 Billion*
- *Adequate liquidity profile: Advances to Stable Resources Ratio at 90.7% and Liquidity Coverage Ratio above 70%*
- *Excellent asset quality metrics with NPL ratio at 2.6% and Provision coverage at 114.0%*
- *Other key ratios well within management guidance: Net Interest Margin at 3.1%, Cost-to-income ratio at 19.9%*
- *Robust capital position and solid profitability: Tier 1 Capital ratio at 18.4%, Return on Average Equity at 16.7% and Return on Average Assets at 2.6%*

NET PROFIT TREND



Abu Dhabi, October 26, 2016: FGB, one of the leading banks in the UAE, has announced a nine-month 2016 Group Net Profit of AED 4.50 Billion, up 5% compared to the same period last year. Third quarter Group Net Profit grew 31% to AED 1.86 Billion with revenues up 28% to AED 2.81 Billion. Earnings per share for the nine-month period ended 30 September 2016 stood at 98 fils against 93 fils for the same period in 2015.

Commenting on the results, André Sayegh, CEO of FGB said: “We are pleased with our third quarter performance as it highlights once again the resilience of our business model and our ability to generate solid earnings in a volatile global environment. Over the last nine-month period we have generated a record net profit of AED 4.50 Billion, an increase of 5% from last year in challenging global operating conditions. This outstanding performance was achieved on the back of our strong business model, focus on revenue growth and expense control. Our prudent strategy based on disciplined balance sheet growth, tactical asset allocation and consistent funding optimisation, has enabled us to support revenue generation, stabilise our margins and more importantly improve our asset quality metrics, which demonstrates FGB’s best-in-class risk management policies.”

During the period, the Group continued to focus on developing innovative products and services to best fit customer needs. In this context, Dubai First, a subsidiary of the FGB Group, entered into a 5-year strategic partnership with Dubai Parks and Resorts, the largest integrated theme park destination in the region. This partnership, which has also named FGB as the official banking partner for Dubai Parks and Resorts, involves providing a wide-range of financial products and services to the destination, in addition to introducing the ‘Dubai First – Dubai Parks Amazing Card’, a co-branded MasterCard credit card, which will offer card members a number of exclusive benefits, rewards and savings.

Q3/9M'2016 Summary Financials

Income Statement (AED Mn)	Q3'16	Q2'16	QoQ	Q3'15	YoY	9M'16	9M'15	YoY
Net Interest and Islamic Financing Income	1,594	1,565	2%	1,575	1%	4,745	4,772	-1%
Fees & Commission Income, Net	512	462	11%	455	12%	1,339	1,307	2%
Other Operating Income	708	194	265%	167	324%	1,098	623	76%
Operating Income	2,814	2,221	27%	2,198	28%	7,182	6,701	7%
G&A expenses	(504)	(487)	3%	(461)	9%	(1,428)	(1,447)	-1%
Provisions/ Impairments	(420)	(398)	5%	(317)	32%	(1,194)	(947)	26%
Taxes	(12)	(11)	7%	0	NA	(24)	(10)	NA
Minority Interest	(15)	(19)	-22%	(2)	NA	(35)	(9)	NA
Net Income	1,864	1,305	43%	1,419	31%	4,501	4,288	5%
Earnings Per Share (AED)	0.41	0.28	45%	0.31	33%	0.98	0.93	5%

Balance Sheet (AED Bn)	Sep'16	Jun'16	QoQ	Sep'15	YoY
Loans & Advances	156.2	153.8	2%	154.1	1%
Customer Deposits	140.9	139.7	1%	141.5	0%
Total Assets	233.2	227.2	3%	228.5	2%
Shareholders' Equity	36.0	34.2	5%	34.3	5%

Key Ratios (%)	Sep'16	Sep'15	YoY (bps)
Net Interest Margin	3.1	3.3	(20)
Cost-to-Income	19.9	21.6	(170)
Non-Performing Loan (NPL)	2.6	2.7	(10)
Provision Coverage	114.0	109.5	450
Advances to Stable Resources Ratio (ASRR)	90.7	90.1	60
Return on Average Equity	16.7	16.7	-
Return on Average Assets	2.6	2.6	-
Capital Adequacy	19.7	18.6	110

Note: Rounding differences may appear in the above table

Q3/9M'2016 Income Statement Highlights

Solid top line supported by healthy NIMs and higher non-funded revenues

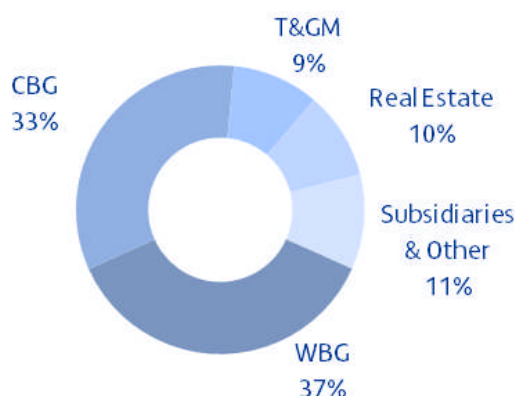
Nine-month Group revenues were recorded at AED 7.18 Billion, an increase of 7% from AED 6.70 Billion for the same period last year. Third quarter revenues grew 28% year-on-year and included AED 473 Million gains on sale of investment properties. Excluding property-related gains in both periods, revenues are up 8% year-on-year, reflecting a solid core banking performance.

Sayegh added: “In line with our continued focus on optimising asset allocation, we strategically reduced our exposure to real estate through the disposal of some of our investment properties. This will enhance our focus on core banking activities and support higher revenue-generation going forward.”

Other sources of non-interest revenue maintained positive momentum supported by higher credit card fees, income from trade finance, and investments. This was partly offset by an 8% decline in fee income, reflecting lower business volumes compared to 2015, and lower revenues from FX&Derivatives.

During the third quarter, business growth and NIM stabilisation provided support to Net Interest and Islamic Financing Income, which stood at AED 1.59 Billion. Continued funding optimisation and asset repricing were key drivers behind NIM stabilisation at 3.1% in Q3'16. On a year-on-year basis, NIMs declined 18 basis points within management target range.

9M'2016 REVENUE BREAKDOWN BY BUSINESS SEGMENT



In terms of other business contributions to total Group revenue, the Wholesale & International Banking Group (WBG) provided 37%, the Consumer Banking Group (CBG) 33% and the Treasury & Global Markets Group (T&GM) 9%. Subsidiaries and associates (including Dubai First and Aseel Islamic Finance) generated 11% of FGB's total revenues, while real estate activities contributed 10%.

General and Administrative expenses reduced 1% year-on-year, reflecting the Bank's continued focus on cost management. As a result, Group cost-to-income ratio improved to 19.9% from 21.6%, as of September-end 2015.

Balance Sheet – Liquidity

Comfortable liquidity position

As of September 30th 2016, loans and advances totaled AED 156.2 Billion, increasing 4% since December 2015 levels in line with management mid-single-digit growth guidance for the full year.

In line with previous quarters, the Bank continued to focus on funding optimisation through diversification and cost reduction initiatives. As a result, customer deposits remained relatively stable year-on-year, whilst funds sourced from international locations added AED 6.5 Billion compared to September last year. Also, Current Accounts and Savings Accounts grew 31%, strengthening their contribution to 25% of total customer deposits up from 19% last year.

In August 2016, FGB's 5-year USD 650Mn Sukuk (3.797% fixed profit rate) came to maturity and was not replaced in the context of further funding optimisation ahead of the impending FGB-NBAD merger.

FGB's liquidity position as of September-end 2016 is comfortable with Advances to Stable Resources Ratio (ASRR) standing at 90.7%, well below the regulatory ceiling of 100%, and Basel III Liquidity Coverage Ratio (LCR) well above the 70% threshold.

Capitalisation and Earnings Per Share (EPS)

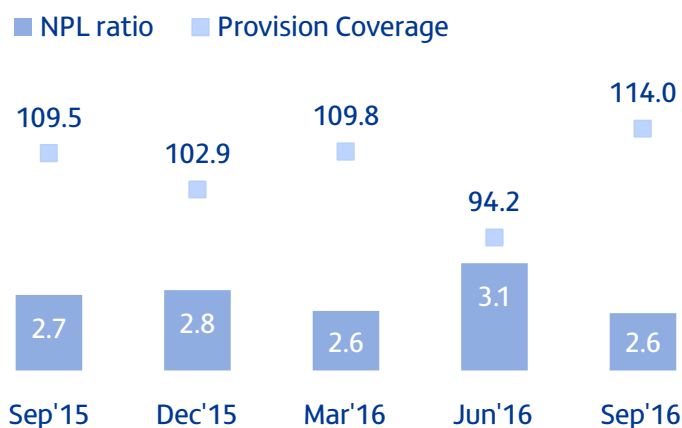
Total Shareholders' Equity stood at AED 36.0 Billion as of September-end 2016, up 5% year-on-year. Capital position is robust with the Bank's Tier 1 capital ratio at 18.4% and total capital adequacy ratio at 19.7%. Earnings per share for the nine-month period ended 30th September 2016 stood at 98 fils compared to 93 fils for the same period last year.

Asset Quality

Healthy metrics

Asset quality trends across the Bank's wholesale and consumer portfolios remained healthy during the third quarter. Non-Performing Loans (net) reduced by AED 713 Million during the period. As a result, NPL ratio improved to 2.6% from 3.1% the previous quarter and provision coverage strengthened to 114.0% from 94.2%.

NPL RATIO AND PROVISION COVERAGE (%)



Impairment charges for the nine-month period ended 30th September 2016 amounted to AED 1,192 Million, translating to a cost of risk of 99 basis points, which is in line with management target of 100 basis points for the full year. At AED 2.65 Billion, General Provisions represent 1.50% of Credit Risk Weighed Assets.

Outlook

Sayegh concluded: "Looking towards the future, we remain firmly focused on maintaining a strong balance sheet and healthy ratios. Our objective is to further enhance our solid foundation to support the future growth and prosperity of our business. As always, we remain committed to creating sustainable value for our shareholders as we prepare to embark on a new chapter in FGB's success story. While we remain vigilant and risk averse in light of today's challenging global environment, we are confident that we will successfully meet our financial targets for this year and the years to come."

-Ends-

FGB – NBAD merger update

First Gulf Bank PJSC (FGB) and National Bank of Abu Dhabi PJSC (NBAD) continue to work towards the integration of the combined entity. Over the course of the third quarter, there have been a number of developments, with the two banks expecting to complete the merger in the first quarter of 2017 as planned.

In August 2016, the Integration Steering Committee (ISC) and Integration Management Office (IMO) were established, with Bain & Company appointed to support the integration. The ISC is led by the CEO designate and Managing Director of FGB, Abdulhamid Saeed, and is responsible for overseeing the merger's success, ensuring realization of synergies and driving critical decisions related to the merger. The IMO is led by Zulfiqar Sulaiman, with four executives from each of NBAD and FGB, and a team from Bain & Company making up the rest of the Office.

Earlier this month, a senior management team was selected to lead the combined bank. The appointments were announced internally and will be made public ahead of the completion of the merger.

More recently, on 23 October 2016, a Shareholder Circular related to the integration of FGB and NBAD was posted. A General Assembly Meeting for each of the banks has been called for 7 December 2016, where the shareholders of the respective banks will vote on the announced agenda on the merger. The quorum for both General Assembly Meetings is shareholders representing at least 50% of the respective banks' share capital. If this quorum is not achieved, a second meeting will be called on 14 December 2016. The second meeting shall be considered valid irrespective of the number of present shareholders.

The merger is subject to a number of conditions, including the approval of the merger by at least 75% by value of the shares represented at general assembly meetings of NBAD and FGB. The merger is also subject to receipt of all required regulatory approvals.

For more information, please visit www.bankfortheuae.com

About FGB

As a major leading bank in the UAE, FGB had Shareholder Equity of AED 36.0 Billion as of September 30th, 2016 making it one of the largest equity based banks in the UAE. Established in 1979 and headquartered in Abu Dhabi, the bank offers a full range of financial services to business and consumer sectors through a network of branches across the UAE. Internationally, FGB has branches in Singapore and Qatar, representative offices in India, Hong Kong, United Kingdom, Seoul- Korea and a subsidiary in Libya.

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.

For more information

Visit FGB's corporate website: www.fgbgroup.com

Download FGB's Investor Relations app: <https://www.mujirapp.com/fgb/>

Follow FGB on social media:



Contacts

For analyst and investor enquiries

FGB Investor Relations Department

ir@fgb.ae