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## **FGB and NBAD boards recommend merger to create the largest bank in the Middle East and North Africa region**

- Creates the largest bank in the MENA region by assets<sup>1</sup> with total assets of AED642 billion (US\$175 billion)<sup>2</sup>
- Leading position in the UAE both in terms of loan and deposit market shares
- Presence in 19 countries
- Complementary businesses to leverage on strengths in consumer and wholesale banking
- Content on the proposed merger: [www.bankfortheUAE.com](http://www.bankfortheUAE.com)

**Abu Dhabi, 3 July 2016:** First Gulf Bank PJSC (FGB) and National Bank of Abu Dhabi PJSC (NBAD) announce today that their boards of directors have voted unanimously to recommend to shareholders a merger of the two Abu Dhabi-listed banks.

The proposed merger will create a bank with the financial strength, expertise, and global network to support the UAE's economic ambitions at home and drive the country's growing international business relationships.

The combined bank will be the largest bank in the Middle East and North Africa region, with AED642 billion (US\$175 billion)<sup>1</sup> of assets and a combined market capitalisation of approximately AED106.9 billion (US\$29.1 billion)<sup>3</sup>. It will be the leading financial institution in the United Arab Emirates (UAE), with a 26 percent<sup>4</sup> share of outstanding loans, and will operate an international network of branches and offices spanning 19 countries. Both entities will continue to operate independently until the merger becomes effective, which is expected in the first quarter of 2017.

The proposed transaction is a merger of equals and will be executed through a share swap, with FGB shareholders receiving 1.254 NBAD shares for each FGB share they hold. The exchange ratio implies a discount to FGB's shareholders of 3.9 percent based on closing share prices on June 30, 2016, and a discount of 12.2 percent to the three months' average pre-leak share price as on June 16, 2016.

Following the issue of the new NBAD shares, FGB shareholders will own approximately 52 percent of the combined bank and NBAD shareholders will own approximately 48 percent. The Government of Abu Dhabi and related entities will own approximately 37 percent.

On the effective date of the merger, FGB shares will be delisted from the Abu Dhabi Securities Exchange.

The combined bank will retain NBAD's legal registrations and the brand name of "National Bank of Abu Dhabi". Its board will include four nominated directors of FGB and four nominated directors of NBAD. His Highness Sheikh Tahnoon Bin Zayed Al Nahyan, who is currently Chairman of FGB, is the Chairman designate. His Excellency Nasser Ahmed Alsowaidi, who is currently Chairman of NBAD, is the Vice Chairman designate, and Mr. Abdulhamid M. Saeed, who is currently Board Member and Managing Director of FGB, is the Chief Executive Officer designate for the combined bank. New board and management will assume the new roles when merger becomes effective; until then Mr Andre Sayegh and Mr Alex Thursby will continue to lead their banks independently as Group Chief Executive Officers of FGB and NBAD respectively.

1. Based Q1 2016 financials  
2. Preliminary pro-forma numbers as of Q1 2016  
3. As of 30 June 2016, based on closing price  
4. Based on Central Bank of UAE data as of March 2016

His Highness Sheikh Tahnoun Bin Zayed Al Nahyan, Chairman of FGB, said:

*"The new, well-balanced bank will be an engine of UAE growth, driving further investment and economic diversification, and advancing the ambitions of entrepreneurs and the people they employ. The bank will have the strength and expertise to support the development of the UAE's private sector, from SMEs to large companies gathering strength to expand beyond their national borders. It is well positioned to be the strategic banking partner to the government and its agencies."*

His Excellency Nasser Ahmed Alsowaidi, Chairman of NBAD, said:

*"Now, more than ever, the UAE will benefit from a strong, financial partner with the capacity to meet new challenges, drive domestic growth, and support the country's ever-greater connections to the global economy. Expansion across fast growing emerging markets presents a vast business opportunity for our customers and for us, as a larger, stronger, combined bank. We will have the capital, expertise and international networks to be the preferred financial partner for anyone doing business along the West-East corridor. And, we will act as the primary link for businesses and governments that want to access regional and global capital markets."*

Mr. Abdulhamid M. Saeed, Chief Executive Officer Designate, said:

*"FGB and NBAD are two of the UAE's most successful banks with proven growth strategies. They are highly complementary businesses, each with strong and experienced leadership teams. The new bank will draw on these strengths to provide excellent service to our customers and take advantage of the opportunities we see in our home market and internationally."*

The boards of FGB and NBAD believe that the merger offers significant benefits to customers and investors. It results in the combination of two best-in-class consumer and wholesale businesses. FGB has a market-leading consumer banking franchise, with one of the strongest credit card offerings in the UAE and a long-standing National Housing Loan programme run for the Abu Dhabi government. NBAD is a leader in the UAE in wholesale banking and capital markets advisory with strong international connectivity.

The combined bank will be well-diversified, with loans to the corporate sector representing 52 percent<sup>2</sup> of the total loan book, loans to the retail sector accounting for 26 percent<sup>2</sup>, and loans to the government sector representing 22 percent.<sup>2</sup> It will have presence in 19 countries, and be well positioned in key financial centres including Singapore, Hong Kong, Geneva, London and Washington DC.

Economies of scale will help maintain a lean and efficiently run organisation. The merger is expected to deliver cost synergies of approximately AED500 million (US\$136 million) annually. Cost benefits are expected to be realised over three years, and the one-time integration costs are expected at approximately AED600 million (US\$163 million). The combined bank will offer the potential for revenue synergies with enhanced product suite of banking products and services across a larger, combined platform.

Furthermore, the combined bank will have the capital strength and strong core liquidity to pursue a range of high growth opportunities. These include opportunities in home market, supporting UAE corporates with international ambitions, leveraging an enhanced technology platform, more effectively using the expanded distribution capabilities and increasing wealth management cross-selling activity.

The bank's new leadership is committed to nurturing the talent needed to deliver the highest quality service and operating best-in-class governance. At the top of its agenda is the combination of two successful groups of employees into a unified, customer driven culture, based on the shared values of enterprise, teamwork, empowerment and accountability. The bank will benefit from a strong pool of talent, and will strive to remain the employer of choice in the sector through effective programmes in employee engagement, reward and development. Attracting and developing high-performing UAE nationals is a central priority.

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

**- Ends -**

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# TRANSACTION OVERVIEW

## STRATEGIC RATIONALE

The proposed transaction is a merger of equals that creates the largest bank in the Middle East and North Africa region by assets. The combined bank will have total assets of AED642 billion (US\$175 billion)<sup>2</sup>, equity of AED90.0 billion (US\$24.5 billion)<sup>2</sup>, and a market capitalisation of approximately AED106.9 billion (US\$29.1 billion)<sup>3</sup>. It will also benefit from an international network that spans 19 countries.

The new bank is in a strong position to play a key role in supporting the UAE's economic ambitions; financing growth as the country continues to implement its economic diversification strategy, developing Emirati banking and finance expertise, and helping to drive international business relationships.

The boards of directors of FGB and NBAD believe that the merger offers significant benefits to customers and investors. It accelerates the growth strategies of these two successful and complementary Abu Dhabi banks. FGB has a market-leading consumer banking franchise, with one of the strongest credit card offerings in the UAE and a long-standing National Housing Loan programme run for the Abu Dhabi government. NBAD is a leader in the UAE in wholesale banking and capital markets advisory with strong international connectivity.

The combined bank will be a well-diversified, full-service financial institution, with strong offerings in consumer banking, wealth management, wholesale banking, SME banking and capital markets advisory.

While the UAE market is likely to remain the main focus, the bank's size, expertise and international reach will promote further development of an international business, particularly in wholesale banking, capital markets advisory, and other key segments, such as affluent banking.

Greater economies of scale will permit effective investment in the bank's spine, in areas including technology, risk management, compliance and governance, as well as in customer digital platforms.

## FINANCIAL BENEFITS OF THE MERGER

The combined bank will benefit from strong financial metrics. Its proforma tier one ratio is 15.7%<sup>2</sup>, well above the UAE Central Bank's prescribed minimum of 8%, and its proforma total capital ratio is 16.9%<sup>2</sup>. The combined bank's funding profile will be diverse, with proforma wholesale funding accounting for 30%<sup>2</sup> of the total, customer deposits making up 69%<sup>2</sup> and other liabilities accounting for 1%<sup>2</sup>. Proforma deposits are well diversified, with corporate deposits accounting for 33%<sup>2</sup>, government and other public sector deposits 33%<sup>2</sup>, and retail deposits 22%<sup>2</sup>. The combined bank's proforma loan-to-deposit ratio is 94%<sup>2</sup>.

The combined bank's key profitability metrics are among the best in the sector, with a proforma net interest margin of 2.30%<sup>2</sup>, a cost-to-income ratio of 30%<sup>2</sup> and a return on average equity of 14.1%<sup>2</sup>.

## TERMS OF THE MERGER

The merger is intended to be effected by way of a merger pursuant to Article 283(1) of UAE Federal Law No. 2 of 2015 concerning Commercial Companies (the "Companies Law"). Subject to the satisfaction of the conditions to the merger, upon the effective date of the merger the assets and liabilities of FGB will be assumed by NBAD in consideration for the issue of new NBAD shares to FGB shareholders. Upon the merger becoming effective, shareholders of FGB will become shareholders in NBAD, the FGB shares will be delisted from the Abu Dhabi Securities Exchange and FGB will be dissolved.

The merger will result in new NBAD shares being issued to FGB shareholders on the basis of 1.254 NBAD shares for each FGB share they hold.

Following the issue of the new NBAD shares, FGB shareholders would own approximately 52% of the combined company and NBAD shareholders would own approximately 48%.

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## **CONDITIONS TO THE MERGER AND REQUIRED SHAREHOLDER ACTION**

The merger is subject to, amongst other things, the following conditions:

- (a) resolutions approving the merger and certain ancillary matters having been passed by the requisite majority of the shareholders attending and entitled to vote at the General Assembly Meetings of FGB and NBAD respectively; and
- (b) all consents that have been identified by each of the FGB and NBAD boards of directors as necessary to the implementation of the merger (including all required regulatory consents) having been obtained.

Further details on the FGB and NBAD General Assembly Meetings will be sent to FGB and NBAD shareholders in due course and contained in the Shareholder Circular.

Following satisfaction of the conditions listed above, the FGB and NBAD boards of directors will apply for a resolution of the UAE Minister of Economy and / or the Chairman of the Securities and Commodities Authority approving the merger and the associated steps required to implement the merger including the dissolution of FGB, the increase in the share capital of NBAD and the amendments to NBAD's articles of association. It is currently anticipated that, subject to the satisfaction of these conditions, the merger will become effective in Q1 2017. This timeframe is indicative only and is subject to change.

## **OTHER INFORMATION**

Credit Suisse and UBS Investment Bank are acting as financial adviser to NBAD and FGB, respectively.

Allen & Overy LLP and Freshfields Bruckhaus Deringer LLP are acting as legal adviser to NBAD and FGB, respectively.

Brunswick Group is acting as strategic communications adviser to FGB and NBAD.

For full details on the merger, investors should refer to the shareholder circular which will be published in due course.

## **ABOUT FGB**

As a leading bank in the UAE, FGB had total assets of AED 227.4 billion (US\$61.9 billion) and shareholder equity of AED 32.8 billion (US\$8.9 billion)<sup>1</sup> as of March-end 2016 making it one of the largest banks in the UAE based on Equity. Established in 1979 and headquartered in Abu Dhabi, UAE, FGB offers a full range of financial services to business and consumer sectors throughout a network of 23 branches across the UAE. Internationally, FGB has branches in Singapore and Qatar, representative offices in India, Hong Kong, Seoul and London 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. FGB has an A2 long-term rating from Moody's, A+ from Fitch and A from S&P. with a stable outlook.

For more information please visit our corporate webpage at: [www.fgbgroup.com](http://www.fgbgroup.com).

## **ABOUT NBAD**

NBAD has one of the largest networks in the UAE, with an expanding network of 114 branches and cash offices and more than 574 ATMs across the country. NBAD's growing international network consists of about 60 branches and offices in 18 countries stretching across five continents from the Far East to the Americas, giving it the largest global network among all UAE banks.

Since 2009, NBAD has been ranked consecutively as one of the World's 50 Safest Banks by the prestigious Global Finance magazine, which also named NBAD the Safest Bank in the Emerging Markets and the Middle East.

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NBAD is rated senior long term/short term AA-/A-1+ by Standard & Poor's (S&P), Aa3/P1 by Moody's, AA-/F1+ by Fitch, A+ by Rating and Investment Information Inc (R&I) Japan, and AAA by RAM (Malaysia) , giving it one of the strongest combined rating of any Global financial institution.

A comprehensive financial institution, NBAD offers a range of banking services including retail, investment and Islamic banking. NBAD grows strategically toward its vision to be recognised as the World's Best Arab Bank.

In September 2015, NBAD became the first bank in the UAE to sign up to the Equator Principles, a voluntary set of guidelines based on International Finance Corporation standards on social and environmental sustainability and the World Bank Group's environmental, health and safety guidelines. Environmental and social risk management is a key priority for NBAD, therefore policies and standards will continue to evolve in response to emerging risks and new product development. NBAD is also consistently one of the top 10 rated companies across the S&P Hawkamah Pan Arab ESG Index, the Institute for Corporate Governance.

For more information please visit our corporate webpage at: [www.nbad.com](http://www.nbad.com).

### **FURTHER INFORMATION**

[www.bankfortheUAE.com](http://www.bankfortheUAE.com)

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## **IMPORTANT NOTICES**

Shareholders in NBAD and FGB should not exercise voting rights at the general assembly meeting of NBAD or the general assembly meeting of FGB respectively, except on the basis of information in the shareholder circular to be published in due course in connection with the merger (the Shareholder Circular). The Shareholder Circular will include a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the resolutions to be considered at the NBAD and FGB general assembly meetings to be convened to approve the merger and certain related matters.

Instructions to shareholders of NBAD and FGB as to how to attend and vote in respect of the merger at the general assembly meetings will be contained in the Shareholder Circular and in the Chairmen's letter (the Chairmen's Letter) to be posted to shareholders in due course. The Shareholder Circular will be available to view in due course at each of NBAD and FGB's websites at [www.nbad.com](http://www.nbad.com) and [www.fgbgroup.com](http://www.fgbgroup.com) respectively or, alternatively, hard copies of the Shareholder Circular will be available (without charge) from the offices of each of NBAD (in the case of NBAD shareholders) and FGB (in the case of FGB shareholders).

The following documents will be sent to shareholders of NBAD and FGB: the Chairmen's Letter (which will include the notice of the general assembly meeting of NBAD to be convened for the purpose of, amongst other things, approving the merger (the NBAD GAM) and the notice of the general assembly meeting of FGB to be convened for the purpose of, amongst other things, approving the merger (the FGB GAM)) and a form of proxy in respect of the NBAD GAM (in the case of NBAD shareholders) or the FGB GAM (in the case of FGB shareholders).

This announcement is not intended to and does not constitute, or form part of, an offer to acquire, issue or sell or an invitation to acquire, subscribe for or sell any securities or the solicitation of any vote or approval in any jurisdiction in connection with or pursuant to the merger or otherwise, nor will there be any acquisition, issue, sale, subscription or transfer of the securities referred to in this announcement in any jurisdiction, in contravention of applicable law or regulation. The Shareholder Circular will contain the full terms and conditions of the merger, including details of how to vote at the NBAD GAM and the FGB GAM. Any vote or other response to the merger should be made only on the basis of such document.

The publication or distribution of this announcement in jurisdictions other than the UAE may be restricted by law and/or regulation and therefore any persons who are subject to the laws and regulations of any jurisdiction other than the UAE should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction.

Nothing contained in this announcement is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial performance of NBAD or FGB and no statement in this announcement should be interpreted to mean that earnings per share for current or future financial periods of NBAD or FGB will necessarily match or exceed historical published earnings per share.

Neither the content relating to the merger on NBAD's website or FGB's website or any other website, nor the content of any website accessible from hyperlinks on any of such websites is incorporated into, or forms part of, this announcement.

Credit Suisse AG (Hong Kong) Limited, is acting exclusively as financial adviser to NBAD and for no one else in connection with the merger and will not be responsible to anyone other than NBAD for providing the protections afforded to clients of Credit Suisse or for providing advice in relation to the merger, the content of this announcement or matters referred to in this announcement.

UBS AG (London Branch) is acting exclusively as financial adviser to FGB and for no one else in connection with the merger and will not be responsible to anyone other than FGB for providing the protections afforded to clients of UBS or for providing advice in relation to the merger, the content of this announcement or matters referred to in this announcement.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This announcement contains certain forward-looking statements with respect to NBAD and FGB. These forward-looking statements can be identified by the fact that they do not relate only to historical or current

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*facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "will", "goal", "believe", "aim", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements in this announcement include, without limitation, statements relating to the following: (i) preliminary synergy estimates, expenses, financial conditions and future prospects; (ii) business and management strategies and the expansion and growth of the operations of the bank (NBAD); and (iii) the merger, the issue of the new NBAD shares, related matters and the dates on which events are expected to occur.*

*These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, industry results, strategies or events, to be materially different from any results, performance, achievements or other events or factors expressed or implied by such forward-looking statements. Many of the risks and uncertainties relating to forward-looking statements are beyond NBAD and FGB's ability to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Forward-looking statements are not guarantees of future performance. They have not, unless otherwise indicated, been reviewed by the auditors of NBAD or FGB. Forward-looking statements are based on numerous assumptions, including assumptions regarding the present and future business strategies of NBAD and FGB and the environment in which each will operate in the future. All subsequent oral or written forward-looking statements made by or attributable to NBAD or FGB or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.*

*More information about such risks and uncertainties will be included in the Shareholder Circular.*

*NBAD and FGB assume no obligation to, and do not intend to, update any forward-looking statements, except as required pursuant to applicable law and regulation.*

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