



البنك العربي المتحد  
UNITED ARAB BANK

## PRESS RELEASE

# Financial Results - Q1 2016 UAB's Transformation Strategy Progressing Ahead of Plan

## Q1 2016 Highlights

- Capital Adequacy improved to 15%
- Asset deleveraging ongoing, reducing 'non-core' higher risk portfolios
- Provision for Credit Losses decreased 60% vs. Q4 2015
- Solid liquidity with UAB comfortably above regulatory requirements
- Cost reduction program delivering material savings
- Transformation strategy ahead of plan to build a more efficient, lower risk and sustainable Bank

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**Sharjah, UAE, 20<sup>th</sup> April 2016** - United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the three months ended 31<sup>st</sup> March 2016.

UAB reports a profitable Q1 2016, with its transformation strategy implemented in H2 2015 progressing ahead of plan. Aided by a substantial reduction in Provisions for Credit Losses, an uplift in Non-Interest Income and material cost savings from its streamlined operating model, the Bank's Net Profit stood at AED45m for the first quarter, versus a Net Loss of AED238m in Q4 2015.

These positive results follow on from UAB revisiting its strategy in the latter part of 2015 given the slowing economy and increase in problem loan formation, specifically in the small and medium-sized company segment. With the aim of building a more efficient, lower risk and sustainable Bank, UAB is returning to its traditional 'core' corporate roots, complimented by targeted Retail and Treasury propositions, whilst continuing to proactively deleverage from its 'non-core' higher risk portfolios. This approach enabled the Bank to comprehensively overhaul its cost base to further underpin delivery of sustainable returns going forward.

**Sheikh Faisal Bin Sultan Bin Salem Al Qassimi, Chairman of the Board of Directors, said,** "Although 2015 was a challenging year for UAB, when we look back I am increasingly confident it will be viewed as a defining period for the Bank. These results represent a promising start on our path to rebuilding trust with our key stakeholders.

The future strategy of the Bank is clear. We are making real progress in managing down 'non-core' elements of our business and simultaneously seeing positive signs in the 'core' business. The Board is fully behind the strategy and believes we have the right Management in place to deliver it. As ever, there are risks and uncertainties; the Board's role is to be supportive, whilst exercising robust oversight of the Bank's risk and control frameworks to protect the long-term interest of shareholders."

**Samer Tamimi, Acting Chief Executive Officer, commented,** "These positive results provide tangible support that our new strategy is taking shape. Whereas our return to profitability has been aided by a reduction in provisions and cost savings associated with a comprehensive cost structure review, I am satisfied that we have recorded significant progress in the 'core' business engine itself. This is evidenced by a 16% quarterly uplift in Total Income vs. Q4 2015, with Non-Interest Income up by c.400% given our increased focus on deepening relationships and capturing cross-sales opportunities.



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Although our provisions have declined significantly quarter-on-quarter, UAB's transition to a lower risk model will see these moderate further in the medium term."

## Financial Review

UAB reported a Net Profit for the three months to 31<sup>st</sup> March 2016 of AED45m, primarily driven by a decrease in Provisions for Credit Losses, growth in Non-Interest Income and cost savings associated with the program to streamline the Bank's operating model.

Provisions for Credit Losses in Q1 2016 were AED114m, being a significant reduction compared to Q3 2015 (AED466m) and Q4 2015 (AED288m) respectively, where the Bank adopted a proactive approach to address the deterioration in asset quality within its 'non-core' portfolios.

Total Income of AED249m represents a 16% uplift compared to prior quarter, with Non-Interest Income growing c.400% in the same period. Given the strategic decision to deepen relationships within our 'core' Corporate Banking segment and capture cross-sales opportunities via complimentary Treasury services, the Bank recorded solid performance across both Fees & Commissions and FX Income, up 190% and 46% respectively.

Operating Expenses of AED90m for the quarter were 46% lower given 'one-off' and restructuring costs incurred in Q4 2015. The benefits associated with the comprehensive review and subsequent overhaul of the Bank's cost base is demonstrated by an improving Cost : Income Ratio of 36% in Q1 2016, which compares favorably against FY 2015 (41%), with UAB firmly on track to deliver 20% year on year cost savings.

Although the Bank's Non-Performing Loan Ratio of 4.33% represents an increase on FY 2015 (4.01%), this has been impacted by our ongoing strategy to proactively deleverage our 'non-core' higher risk portfolios. In the first 3 months of 2016 these 'non-core' portfolios have reduced by 20% vs. 31<sup>st</sup> December 2015, whilst in total they have been managed down 41% since 30<sup>th</sup> September 2015. UAB's Coverage Ratio of 112% as at 31<sup>st</sup> March 2016 is consistent with the Bank's policy of maintaining a ratio at or in excess of 100%.

In line with the Bank's ongoing deleveraging strategy, Customer Loans and Advances have declined 3% against 31<sup>st</sup> December 2015 to AED15.3bn, with Customer Deposits managed efficiently to AED15.0bn.

UAB remains strongly capitalized with its Capital Adequacy Ratio improving to 15% in Q1 2016, comfortably above the regulatory requirement of 12%. Similarly, the importance the Bank places on maintaining a robust liquidity profile is demonstrated by its Advances to Stable Resources Ratio of 83.9% and Eligible Liquid Asset Ratio of 13.2%, both comfortably above Central Bank thresholds.

## OUTLOOK

**Mr Tamimi concluded,** "Our strategy is still in its early stages, with both the Board and Management Team fully conscious of the challenges that the current economic climate presents. Nevertheless, given the early recognition of the issues facing the Bank and decisive actions taken, we are well placed to continue our journey of building a leaner and more efficient bank capable of generating 'through the cycle' returns."

The Bank is rated Baa2 by Moody's.



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### **About UAB:**

United Arab Bank was incorporated in 1975 as a private joint stock company in the Emirate of Sharjah, United Arab Emirates. UAB is acknowledged as an established, leading financial solutions provider to the growing commercial and industrial base across the UAE. The legal form of the Bank was converted to a public joint stock company pursuant to Emiri Decree No. 17/82 issued by His Highness the Ruler of the Emirate of Sharjah on 29<sup>th</sup> July 1982. On 21<sup>st</sup> March 2005, the Bank's issued share capital was listed on the Abu Dhabi Securities Exchange.

UAB offers its customers a comprehensive suite of Corporate and Institutional Banking services supported by Trade Finance, Retail Banking and Treasury services, in addition to Islamic Banking solutions, thus positioning the Bank as the partner of choice among major corporate clientele segments. The Bank is also known for its award-winning 'UAB Rewards' loyalty program – the best loyalty program in the UAE.

As at 31<sup>st</sup> December 2015 the Bank was ranked 11<sup>th</sup> amongst listed banks in the UAE in terms of market capitalization.

In December 2007, UAB became part of a banking alliance upon the acquisition of 40% interest by The Commercial Bank, Qatar's largest private sector bank. UAB's strong financial performance in subsequent years is indicative of the benefits gleaned from its strategic alliance with the Qatari Bank. The Commercial Bank has similar alliances with National Bank of Oman (NBO) and Alternatifbank in Turkey, thus providing a solid platform for all three banks to grow strongly as we move forward.

The Bank is rated Baa2 by Moody's.