



البنك العربي المتحد  
UNITED ARAB BANK

## PRESS RELEASE

# Financial Results – Q3 2016 UAB's Transformation Strategy Delivering Ahead of Plan

## Q3 2016 Highlights

- AED88m Net Profit (22% uplift vs. PY 2015)
- Capital Adequacy increased to 16.1%
- Provision for Credit Losses decreased 44% vs. Q3 2015
- Robust cost management delivering 19% YoY savings
- Solid liquidity / funding profile with UAB comfortably above regulatory requirements
- Loans : Deposits Ratio improving to 95%
- 59% reduction in 'Non-core' portfolio vs. Q3 2015

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**Sharjah, UAE, 23<sup>rd</sup> October 2016** - United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the nine months ended 30<sup>th</sup> September 2016.

The performance in the third quarter reflects continued positive traction against the Bank's transformation strategy. Aided by a substantial 44% reduction in Provisions for Credit Losses, stable Non-Interest Income and material cost savings from its streamlined operating model, UAB recorded a Net Profit of AED88m for Q3 2016, a 22% uplift against prior year.

These positive results provide tangible evidence that the revised strategy adopted in the Q4 2015 is the right way to move forward on the path to becoming a more efficient, lower risk and sustainable Bank.

**Sheikh Faisal Bin Sultan Bin Salem Al Qassimi, Chairman of the Board of Directors, said,** "We are pleased with the financial performance in the third quarter of 2016 as the Bank continues to progress well against its strategy. The Board and Management Team are committed to a clear approach: we set our priorities, we commit to our targets; and then we deliver.

Thus, over the past 12 months we have significantly strengthened the Balance Sheet, concentrated on our core activities, de-risked the business and captured bank-wide cost savings through the successful execution of our strategy, all of which have enabled the Bank to report a 22% uplift in Net Profit, whilst simultaneously enhancing our key funding, capital and liquidity metrics.

For UAB, our low risk and efficient UAE focused business model, together with the simplification and transformation of the Bank, positions us well to continue doing the right thing for our customers and deliver sustainable returns for our shareholders."

**Samer Tamimi, Acting Chief Executive Officer, commented,** "We have seen another period of good financial and operating performance in Q3 2016 with the Bank reporting an underlying Net Profit of AED88m, supported by a robust capital, funding and liquidity profile. As in previous quarters, these results further support our belief that the revised business plan is appropriate given the macro-economic environment and taken together, the picture in the third quarter is one of strong and accelerating progress against our transformation plan.



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Non-core deleveraging continues apace with 59% reduction since 30<sup>th</sup> September 2015 whilst this portfolio now represents less than 7% of our total loan book. Moving ahead, this remains a key element of the Bank's transformation with the recycled Risk Weighted Assets the key to unlocking the full earnings power of our core business units."

## Financial Review

Total Income was AED211m in Q3 2016 as the Bank continues to deleverage its higher risk, albeit higher yielding non-core portfolios, offset by proactive cost of funds management. Given the strategic emphasis placed on deepening relationships within our core Corporate Banking unit and capturing associated cross-sales opportunities via complimentary Treasury services, the Bank continues to generate solid performance across Net Fees & Commissions and Other Operating Income with Non-Interest income up 42% vs. Q3 2015.

Operating Expenses for the quarter were AED90m, 19% lower year on year and 18% down against the same three month period in 2015 as the Bank captures the benefits associated with the comprehensive review and subsequent overhaul of its cost base. A key pillar of the Bank's cost reduction strategy has been the rationalization of the branch network. To date approximately, a third of its branches have been closed whilst UAB retains a pan-Emirate physical footprint.

Provision for Credit Losses in Q3 2016 were AED104m, c.10% lower than Q1 / Q2 2016 respectively, being a significant reduction compared to Q3 2015 (AED466m) and Q4 2015 (AED288m) given prudent risk management and focused reduction in risk weighted assets. Going forward, although provisions have decreased significantly, UAB's transition to a lower risk model should see these moderate further in the coming years.

UAB remains strongly capitalized with its Capital Adequacy Ratio improving to 16.1% in Q3 2016, comfortably above the regulatory requirement of 12%. Similarly, the importance the Bank places on maintaining a robust liquidity profile is demonstrated by its historically high Advances to Stable Resources Ratio (78.5%) and Eligible Liquid Asset Ratio of 18.4%, again comfortably above Central Bank of the U.A.E. thresholds.

## OUTLOOK

**Mr. Tamimi concluded,** "Moving ahead the Bank remains committed to realize the full potential of our core business, supported by prudent risk management and implementation of lean operating model, whilst continuing to manage the fundamental pillars of capital, funding and liquidity.

I am satisfied with the success achieved to date and remain cautiously optimistic that we will continue to deliver ahead of plan."

The Bank is rated Baa2 by Moody's with 'Stable' Outlook.

## 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



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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 with Stable Outlook.

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