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UNITED ARAB BANK

IPRESS RELEASE

Financial Results – Q2 2016 UAB's Transformation Strategy Remains on Track

Q2 2016 Highlights

- AED71m Net Profit in H1 2016
- Capital Adequacy maintained above 15%
- Robust liquidity profile with UAB comfortably above regulatory requirements
- 'Non-core' higher risk portfolios reduced by half as part of ongoing deleveraging strategy
- Provisions for Credit Losses remain broadly in line with Q1 2016, with H1 2016 significantly below H2 2015
- Cost reduction program delivering material savings with 20% YoY reduction in Operating Expenses
- Transformation strategy remains ahead of plan to build a more efficient, lower risk and sustainable Bank

Sharjah, UAE, 18th July 2016 - United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the six months ended 30th June 2016.

Building on the Bank's progress to date, UAB's transformation strategy implemented in H2 2015 continues to yield benefits. Aided by solid performance across Net-Interest Income, material cost savings from its streamlined operating model and a substantial reduction in Provisions for Credit Losses, the Bank generated a Net Profit of AED71m for the first half of 2016, versus a Net Loss of AED511m in H2 2015.

These positive results provide further support that the path UAB embarked on 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, is suitable given the economic backdrop. With the objective to build a more efficient, lower risk and sustainable Bank, UAB is returning to its traditional 'core' corporate roots, complimented by focused Retail and Treasury propositions, whilst continuing to proactively deleverage from its 'non-core' higher risk portfolios in an economically rationale manner. This transition has enabled the Bank to comprehensively streamline its cost base, which will underpin delivery of sustainable returns going forward.

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi, Chairman of the Board of Directors, said, "The Board is pleased to see the improved operating performance continue into the second quarter, demonstrating the strength of our 'core' business. 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.

We continue to explore various options to accelerate the process of managing down the 'non-core' elements of our business so that the Bank's performance converges with our 'core' segments within an optimal timeframe.

Whilst the transformation strategy has delivered substantial changes to the size, shape and risk profile of the business, we realize the continued uncertainty in the macro-economic environment will require robust oversight of the Bank's governance and control frameworks across 2016 and beyond to protect the long-term interests of our shareholders."



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Samer Tamimi, Acting Chief Executive Officer, commented, “These positive results provide further tangible evidence that our revised strategy is appropriate given the economic environment. I am pleased to report that our financial performance is aided by a significant progress within our ‘core’ business in addition to reduction in provisions and material cost savings. Non-Interest Income is up by 12% quarter on quarter due to increased focus on generating ancillary revenue streams, and our ‘core’ Customer Deposits grew by 3% against March 2016. Gross Loans remained in line with Q1 2016 despite a further 17% reduction in our ‘non-core’ in the second quarter.

Our Provisions are stable at Q1 2016 levels, however, H1 2016 has experienced a substantial reduction compared H2 2015. Looking further ahead, as UAB continues its transition to a lower risk model, these reductions will moderate further in the medium to long term.”

Financial Review

UAB reported a Net Profit for the six months to 30th June 2016 of AED71m, primarily driven by growth in Non-Interest Income and reduction in Operating Expenses following the comprehensive review of the Bank’s streamline business model.

Provisions for Credit Losses in Q2 2016 were AED117m, broadly in line with Q1 2016 (AED114m) and significantly lower compared to Q3 2015 (AED466m) and Q4 2015 (AED288m) respectively, where the Bank adopted a proactive approach to manage the deterioration in asset quality within its ‘non-core’ portfolios.

Non-Interest Income of AED68m represents a 12% uplift compared to prior quarter, although Net Interest Income is 16% lower due to the planned reduction across the Bank’s higher risk ‘non-core’ portfolios. Given the strategic decision to deepen relationships by targeting ancillary revenue streams within our ‘core’ Corporate Banking segment and capture cross-sales opportunities via complimentary Treasury and Retail offerings, the Bank recorded a 54% uplift in quarterly Fees & Commissions.

Operating Expenses of AED84m for the quarter were 7% lower than Q1 2016 and AED173m for H1 2016 were 20% below the first six months of 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 H1 2016, which compares favorably against FY 2015 (41%), with UAB firmly on track to deliver year on year cost savings in excess of its 20% target.

UAB has maintained its Non-Performing Loan Ratio at 4.3% by prudently managing growth in its ‘core’ Customer Loans and continuing its strategy to proactively deleverage ‘non-core’ portfolios. In the first 6 months of 2016 these ‘non-core’ portfolios have reduced by 34%, whilst overall they have been managed down 52% since 30th September 2015. UAB’s Coverage Ratio of 105% as at 30th June 2016 is consistent with the Bank’s policy of maintaining coverage at or in excess of 100%.

In line with the Bank’s ongoing deleveraging strategy, gross customer loans remained in line with Q1 2016 despite a 17% reduction in the ‘non-core’ portfolio. The importance of maintaining an adequate funding base is demonstrated by a 3% uplift in ‘core’ customer deposits compared to first quarter, with the Bank’s Loan : Deposit Ratio improving to 98% as at 30th June 2016.

UAB remains strongly capitalized with its Capital Adequacy Ratio maintained above 15% in Q2 2016, comfortably exceeding the regulatory requirement of 12%. Similarly, the importance the Bank places on



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maintaining a robust liquidity profile is displayed by its Advances to Stable Resources Ratio of 82% and Eligible Liquid Asset Ratio of 15%, similarly well within Central Bank thresholds.

OUTLOOK

Mr. Tamimi concluded, “Our strategy is on track, with both the Board and Management Team fully aware of the challenges the current economic climate presents. As we remain vigilant to the macro-economic changes and ensure we continue to enhance our enterprise risk management capabilities, our objective to build a lower risk, more efficient Bank is unchanged.”

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 stock company pursuant to Emiri Decree No. 17/82 issued by His Highness the Ruler of the Emirate of Sharjah on 29th July 1982. On 21st 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 31st December 2015 the Bank was ranked 11th 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.