

United Arab Bank

Management Discussion & Analysis – for the six months ended 30 June 2012

This Management Discussion & Analysis (MD&A) should be read in conjunction with the unaudited interim condensed Consolidated Financial Statements for the six months ended 30 June 2012 in addition to the audited Financial Statements for the year ended 31 December 2011.

United Arab Bank recorded an operating profit of AED 243.4 million for the first six months of 2012, a growth of 44% compared with AED 168.6 million recorded for the same period in 2011. In line with the Bank's prudent provisioning policies, additional provisions against lending of AED 50.1 million were made, an increase from AED 35.8 million for the corresponding period last year. The net profit for the first half of 2012 is AED 193.3 million, representing an increase of 45% when compared to the first half of 2011 and the highest first half net profit ever reported by the Bank.

The Bank continues to achieve significant growth in business volumes with total customer loans and advances increasing by 19% to AED 9.6 billion at 30 June 2012 from AED 8.1 billion at the end of December 2011. Customer deposits grew by 8% to AED 8.4 billion over the same period.

During the first quarter, the Bank distributed a cash dividend of 20% (AED 0.20 per share) totaling to AED 199.3 million.

In accordance with the Bank's ongoing branch expansion plans, a number of branches are targeted for launch in 2012 to meet the growing demand for the Bank's products and services. This will increase the Bank's presence, particularly in Abu Dhabi and the Northern Emirates. Significant investment initiatives continue to be implemented to enhance the depth and range of products and delivery channels through which our customers can interact with the Bank. A new core banking system was successfully implemented in the first half of the year and many back office processes were outsourced to a globally recognized third party service provider. More recently, our Call Centre was recognized by an award for "Call Centre Outsource Provider of the year" and we launched an SME business segment which is proving successful, supporting the Bank's commitment to offer a range of quality products and services to our customers.

The Bank will continue to focus on maintaining the quality of its assets and building a diversified portfolio of customers. Such an approach will support the Bank's long term strategic objectives and ongoing plans for controlled and sustained growth across all business segments. In this way, the UAE's Bank of the Year for 2011 will continue to improve its capacity to meet its customers' needs, improve customer experience, customer quality and deliver true value to its shareholders.

Awni Alami
Deputy Chief Executive Officer
xx July 2012