

## **UAE banks face another tough year: UAB chief Zawya Dow Jones /Dubai**

UAE banks face another tough year as lenders continue to deleverage and with few signs of recovery emerging from the region's property sector, the chief executive of United Arab Bank said yesterday. "The outlook for the year for the banking sector and for the economy is that it is still a year of challenges and it is tough," Paul Trowbridge told Zawya Dow Jones in an interview at the bank's Sheikh Zayed Road branch in Dubai.

"UAB is a good indicator of the underlying economy because of the nature of our customers and businesses and I think we will reflect that," the former National Bank of Oman executive said in reference to the bank's upcoming second-quarter results.

UAB made a net profit of 61mn dirhams (\$16.6mn) in the first quarter of 2011. Banks deleveraging balance sheets following the financial crisis and tight central bank requirements for provisions are the main reasons behind the lacklustre outlook for UAB and the broader UAE sector, Trowbridge said.

"There is still a lot of deleveraging to be done throughout the world. The UAE is not that any more special or different to anyone else," he said. All banks are also affected by the central bank's provisioning requirements but "you can't argue with any central bank to ask you to take provisions in line with the world's best practices," he added.

The Sharjah-based lender that is listed on the Abu Dhabi bourse is predominantly active in the corporate and commercial sector, in areas such as trade services and manufacturing. In past years, however, the bank expanded in Islamic finance and wealth management and most recently started offering mortgages as well at, according to the bank, the lowest interest rate in the country. "The important thing is we are a late entrant to this in some ways but in fact we are actually an early entrant to the next generation of mortgage banking in the UAE," he said about the mortgage offering. Being a newcomer to the mortgage market enables UAB to avoid some of the handover, ownership issues and other legal aspects that have plagued the sector in recent years as the local real estate market's boom came to a brutal end and values plunged more than 50%.

"The (real estate) market probably is reaching or has reached the bottom. There could be some further softness. I think there is confidence the worst is behind us but I wouldn't say there is confidence the market is rising. It is moving but not rising," he said, adding that people not building anymore "are going to be a feature of the market place for the next five years."

UAB is 40% owned by Commercialbank of Qatar and also counts several prominent Emirati business families among its main shareholders. The bank has about 13 branches across the UAE and plans to open 7 more later this year.

"More branches, more products and services, we think we are pretty much there. We will not do anything which is much outside that. We won't be going out of the border, we don't want to be a high street bank," Trowbridge said.