



البنك العربي المتحد  
UNITED ARAB BANK

## PRESS RELEASE

### Slow and steady

By Soraya Darghous on March 05, 2010

**United Arab Bank's chief executive talks up his banks conservative approach**

*Paul Trowbridge is the chief executive officer of the United Arab Bank (UAB), with a proven track record in top managerial roles. Australian-born Trowbridge started his career with Price Waterhouse, and then spent more than 20 years in a range of general management, credit risk, as well as retail, private and corporate banking positions with Westpac Corporation, the largest Australian bank. Prior to his new role at UAB, he was deputy CEO at the National Bank of Oman. Last month, Executive spoke with Trowbridge at UAB's newest Sadara Wealth Management branch in Sharjah in the United Arab Emirates.*



**E In January you announced a 12 percent growth in profits for 2009. How were you able to achieve growth when so many banks in the region saw major losses, especially in the UAE?**

I think UAB is an unusual bank. It was established 35 years ago by a group of business people to meet the needs of their community. We haven't changed; we're a business bank lending to the services and manufacturing segments. Historically we've never done much property, but where we have it's been dealing with 'active assets,' where people have used real estate as part of their activities, so factories, car parks, shopping centers, accommodation and hospitals.

This has meant that the percentage of our book that is speculative is very, very low. In the very exciting years, particularly in Dubai, we looked very boring. I don't think any of the directors would be embarrassed by that, looking back. They adopted a steady approach and were always on the right track; we haven't moved away from that.

The type of people we lent to 35 years ago are the same people we lend to today; they are larger private companies, which were once smaller private companies, and some public companies.

Going forward, we'd like to find the next generation of successful family companies, at a time when other banks are saying they want to consolidate what they've got.

So the 12 percent was perhaps a little disappointing for us because we have always planned to have growth of more than 20 percent. But it was a tough year because it was a new experience for all the banks in the UAE; whether it be funding, quality of loans, et cetera.

We focus on the business — there's no magic. We're a very conservative provider when it comes to making provisions against loans. We keep very close to our customers. The founding chairman of the bank is the same chairman 35 years on; we've got several directors that have been with us for most of the 35 years.

We've got a large staff that have been relationship managers to the same clients for a large number of years, and they know those businesses very, very well.

**E Why did you choose to open Sadara Wealth Management at a time when personal fortunes are suffering from the financial crisis?**

One thing about Sadara is that it's not a private bank, it doesn't have leveraged, structured products. It's designed to be a very high quality service proposition. In the UAE, we want to give very traditional, high standard, consistent service. I'm very open with giving my business card out. If there's a problem, I say happily, 'Give me a call.' I've got my mobile number on there so I'm pretty contactable.

The sort of customers that we have and want to attract in Sadara are the people that say, 'I've got a problem, I recognize that bad things happen from time to time, but I don't really want to be put through a call center, I want to talk to the person that deals with the problem.'

So the concept of Sadara is a restoration of high service, or maybe for the first time, a high service proposition. It's not a club — banking in many ways is not fun, it's just part of every day life and we aim to make it smoother. Certainly our clients want to be recognized when they come in to the bank, they don't want to have to tell someone in front of them who they are and what they do. We have a hightouch, high-feel banking service.

On the business side, we've got a niche operation with the trade, services and manufacturing segments. We want to replicate that in the consumer part of the bank. We want to make sure we've got a small number of customers with whom we have good, intimate relationships and that we service those very well. We've got business clients and now we've also got private clients.

Before, we sort of had an imbalance: we had lots of business on one side and little or no private or individual business. So we're addressing that issue with Sadara.

**E HSBC's business confidence indicator showed that confidence in the Gulf fell from the fourth quarter of 2009 to the first quarter of 2010. Have you felt this lack of confidence in your customers?**

We have certainly seen that our customers in the last 12 months have had lower volumes across the board and we've seen lower revenues from our customers. Generally our customers are sensible people who have been in business for a long time. In terms of business confidence, there are some parts of the UAE that had unrealistic expectations and now people are getting used to the new level. Business confidence is just adjustment; it will take some years to recover.

**E How have you changed your lending practices since the crisis?**

In October 2008 we started to ramp up our overall risk management, and thus recruited a new head of risk management. The best indication is whether we did anything dramatically different [following the Dubai World debt debacle]. The answer is no. We'd done a lot of work before

that. We haven't been a big lender to the government anyway. We started doing a lot of work around risk in early 2009 onwards.

In terms of our lending practices, it goes back to what I said earlier, a good customer will always dictate their reaction to the business cycle.

**E What percentage of bad loans are on your books and how do you plan on addressing these?**

We're running at slightly less than normal. The central bank is suggesting some provision changes for both corporate and personal [loans]. We have come out quite handsomely on both of those. Obviously, [there are] a couple of banks that have been potentially impacted by that.

We've been very cautious on the consumer side, so we actually tend to take provisions much earlier when it comes to personal loans than other banks. In terms of bad loans I think we've been very fortunate; in the last few years we might make provisions but our write-offs have always been pretty successful. Normally, if you look at a lot of the consumer books, they run at 30 percent recovery and we tend to get 50 percent recovery.

**E What challenges do you see ahead in 2010?**

I think 2010 will have fewer surprises than 2009, but it won't be an easy year. We've seen a lot of bad news come out in the last 12 months, I don't think we'll see more bad news but we'll still see people adjusting to the impact of 2009. People are still going to be cautious. I think people will sit and wait to see what else happens. I don't see any headline events for 2010.

For the banks I think it will very much be 'back to basics.' Lending will continue to be very tight and selective. In terms of spending power, we won't see too much change in the demographic landscape; I think those that are here now are those that are going to stay. I think we'll see some people and projects moving to Abu Dhabi.

**E What about challenges for UAB specifically?**

We have a slightly different story. We want to expand and we want to re-weight the book. We've got some long-term gaps in our portfolio, which we want to address.

For example, we're opening branches in places that we see as business centers. We've been in the northern Emirates for 35 years, but have nothing in Fujairah. Now we think that's an area for opportunity for two reasons: there is great growth opportunity in Fujairah, but more importantly any bank wants to have a well-spread risk. We've got a physical footprint that we need to spend some time on.