



MANAGEMENT DISCUSSION & ANALYSIS

FY 2018

Management Discussion & Analysis – FY 2018

UAB Reports AED77m Net Profit for FY 2018
representing 345% uplift vs. prior year 2017

16% reduction
in Impairment Losses Y-o-Y

Robust Liquidity profile
maintained

**11% Reduction in
Operating Expenses**
With ongoing focus to
rationalize costs

‘Non-core’ portfolio
managed down to 1% of Total Loans

Loan : Deposit Ratio
managed to 91%

CAR at 15.8%
Post successful completion of
AED688m Rights Issue in early 2018

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Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") reports its Financial Results for the Twelve Months to 31st December 2018.

UAB reported a Net Profit of **AED77m** in 2018 which represents an increase of **345%** compared to 2017 as the successful execution of its Transformation Strategy paved the way for a return to sustainable profitability. UAB embarked on its journey to become a safer, stronger and sustainable Bank. Central to this Transformation Strategy were four key pillars: pro-actively deleverage higher risk non-core portfolios; reduce costs; enhance the Bank's risk and control frameworks; and strengthen key banking fundamentals.

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi, Chairman of the Board of Directors, said, "The Bank's improved financial performance in 2018 was the direct result of placing our customers first, which is at the core of the business strategy led by our management team.

We are in a continuous journey of improvement and change, it requires a delicate balance of focus, dedication and constant enhancement of the banking experience we deliver and strengthening of the bank in every dimension to ensure it remains well positioned to deliver sustainable returns."

Sheikh Mohamed Bin Abdulla Al Nuaimi, Acting Chief Executive Officer, commented, "I am pleased to report that our financial performance in 2018 was aided by significant progress within our 'core' businesses and a reduction in impairment charges which resulted in recording a significant uplift in Net Profit.

These positive results provide tangible evidence that our revised business model is appropriate with UAB returning to its traditional Corporate Banking roots, complimented by Retail and Treasury propositions."

Moody's Rating

Bank Deposits	Baa3/P-3
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Outlook	Stable

Distribution Network

Branches	14
Automated Teller Machines	67



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Financial Performance

Income Statement <i>(AED millions)</i>	2018					2017					Variance	
	FY	Q4	Q3	Q2	Q1	FY	Q4	Q3	Q2	Q1	QoQ%	YoY%
Net Interest Income	488	114	122	125	128	489	114	130	126	119	-7%	0%
Non-Interest Income	159	33	38	43	46	188	48	40	49	51	-15%	-15%
Total Operating Income	647	146	160	167	174	677	162	170	175	171	-9%	-4%
Provision for credit losses	-242	-92	-58	-38	-54	-289	-79	-94	-60	-56	60%	-16%
Net Operating Income	406	55	102	129	120	388	82	76	115	114	-47%	5%
Operating Expenses	-328	-82	-78	-84	-84	-370	-115	-82	-88	-87	5%	-11%
Net Profit	77	-28	24	45	36	17	-32	-5	27	28	-214%	345%

Balance Sheet

(AED millions)

	2018				2017				Variance	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Loans and Advances	12,759	13,082	12,757	12,781	13,128	12,851	13,398	13,384	-2%	-3%
Investment Securities	3,824	3,807	3,798	3,725	3,413	3,306	3,427	3,387	0%	12%
Other Assets	3,928	3,766	3,625	3,936	4,197	4,442	4,332	4,502	4%	-6%
Total Assets	20,511	20,654	20,180	20,442	20,739	20,599	21,157	21,273	-1%	-1%
Customer Deposits	14,039	13,494	13,881	14,969	15,050	14,316	13,881	15,673	4%	-7%
Medium Term Borrowings	955	1,102	845	845	845	1,432	1,524	1,524	-13%	13%
Due to Banks	2,151	2,606	2,057	1,234	1,544	1,450	2,248	827	-17%	39%
Other Liabilities	836	847	865	856	1,136	1,214	1,322	1,090	-1%	-26%
Total Liabilities	17,982	18,049	17,648	17,904	18,574	18,412	18,975	19,113	0%	-3%
Total Shareholders' Funds	2,529	2,605	2,532	2,538	2,165	2,187	2,182	2,160	-3%	17%
Total Liabilities & Shareholders' Funds	20,511	20,654	20,180	20,442	20,739	20,599	21,157	21,273	-1%	-1%



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Financial Performance (cont.)

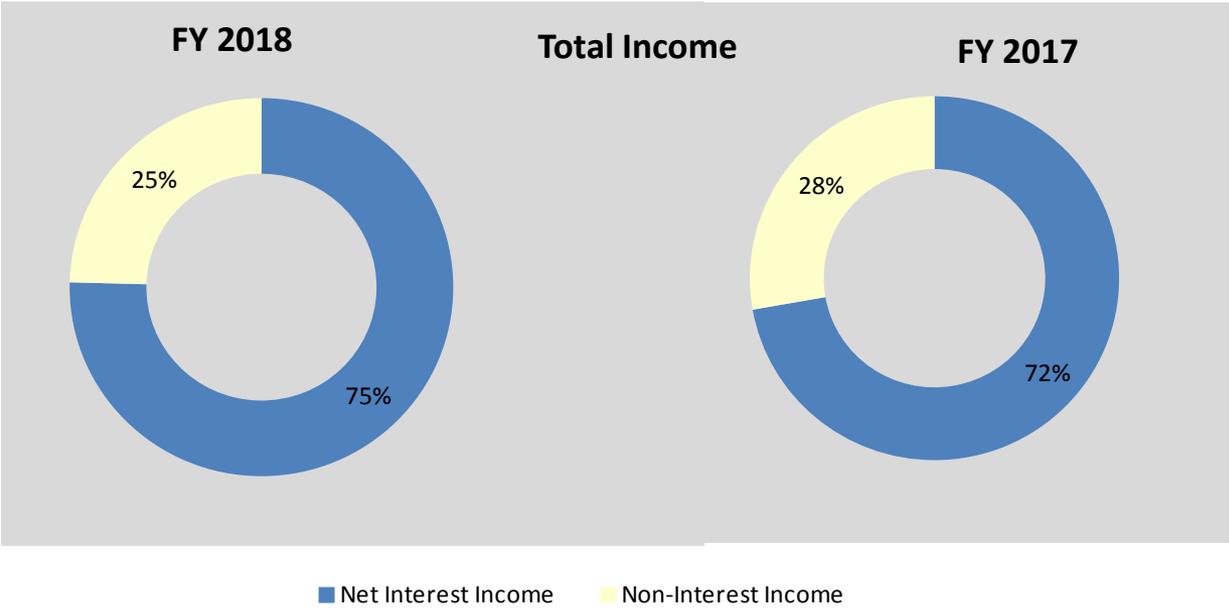
Key Ratios

	2018				2017				Variance	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory										
Capital Adequacy	15.8%	15.6%	15.5%	15.7%	13.2%	13.3%	13.1%	13.2%	0.8%	19.5%
Tier 1	14.6%	14.5%	14.4%	14.6%	12.0%	12.1%	11.9%	12.1%	0.7%	22%
Advances to Stable Resources	80.7%	84.0%	85.0%	81.4%	82.0%	81.7%	81.8%	77.9%	-3.8%	-2%
Eligible Liquid Assets	15.4%	14.9%	14.1%	14.5%	15.2%	14.4%	14.3%	18.6%	3.5%	1%
Performance										
Cost : Income Ratio	56.1%	48.9%	50.4%	48.1%	71.0%	48.0%	50.1%	50.7%	14.8%	-20.9%
NPL's : Gross Loans	9.0%	8.4%	8.8%	8.8%	8.5%	6.5%	6.5%	5.9%	6.5%	5.6%
Provision Coverage	91%	91%	104%	107%	85%	102%	105%	117%	0.8%	7.1%
Loans : Deposits Ratio	91%	97%	92%	85%	87%	90%	97%	85%	-6.2%	4.0%



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Income Statement Review



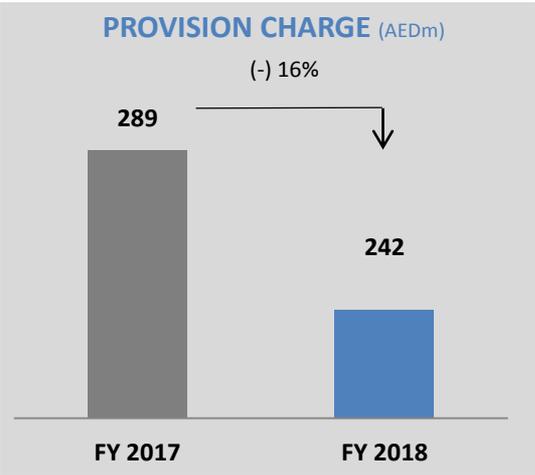
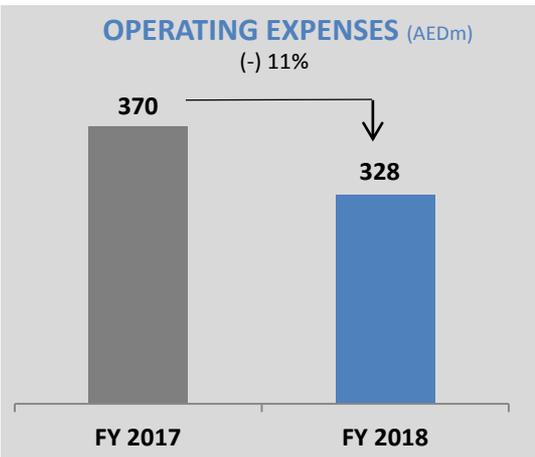
Total Income of **AED647m** in FY 2018 was aided by capturing growth opportunities in the core businesses through proactively re-pricing the Bank’s assets, generating stable non-interest income, increasing the investment book and prudent management of the cost of funds.

The Bank continues to generate stable **Net Interest Income** streams (AED488m in 2018 vs. AED489m in 2017) given the strategic emphasis placed on deepening relationships within the Corporate Banking Unit supported by proactive cost of funds management.



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Income Statement Review (cont.)

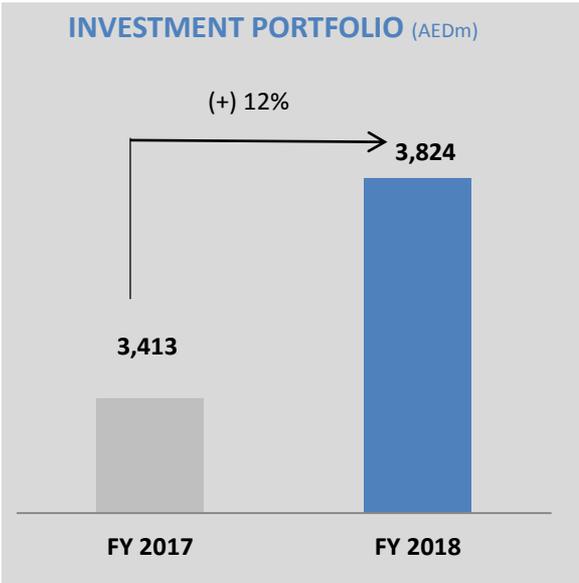
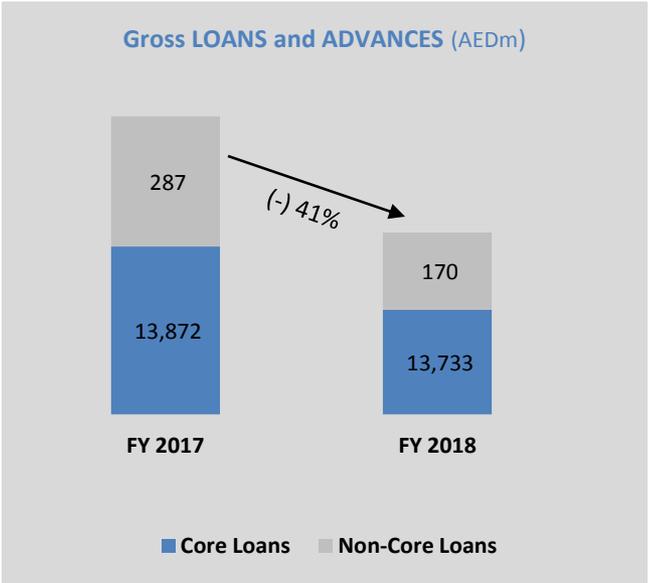


Operating Expenses for FY 2018 were AED328m representing a 11% reduction against FY 2017, as the Bank continues to rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure.

Provision Charges on a total portfolio basis continue to demonstrate significant improvement with a 16% reduction vs. prior year given prudent risk management and focused reduction in higher risk assets. Bank focused on its remediation and recovery efforts.

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Balance Sheet Review

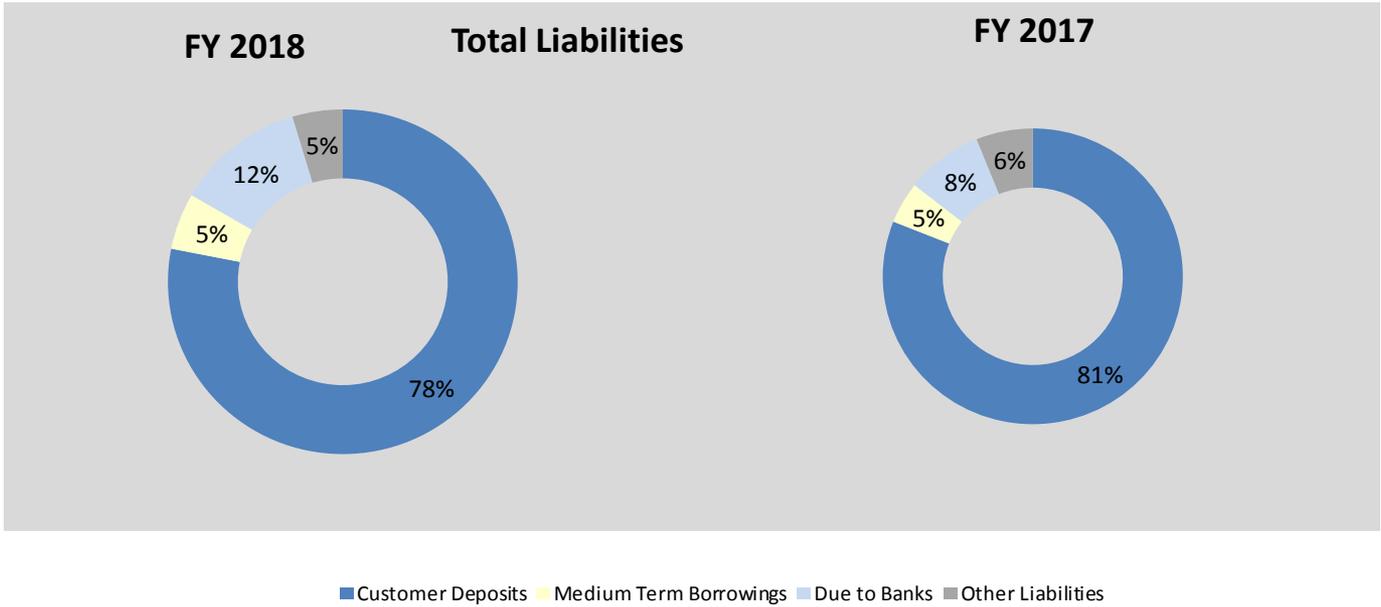


Non-Core portfolio continued on its downward trajectory with contraction of more than 41% across 2018. The Bank will continue to recycle risk weighted assets released from the deleveraged 'non-core' portfolios to support growth in 'core' businesses, whilst ensuring it captures all available cross-sales opportunities.

Investment portfolio recorded an uplift of 12% vs. 2017 as surplus funds continue to be placed in High Quality Liquid Assets, whilst providing the Bank with a stable income stream.

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Balance Sheet Review (cont.)

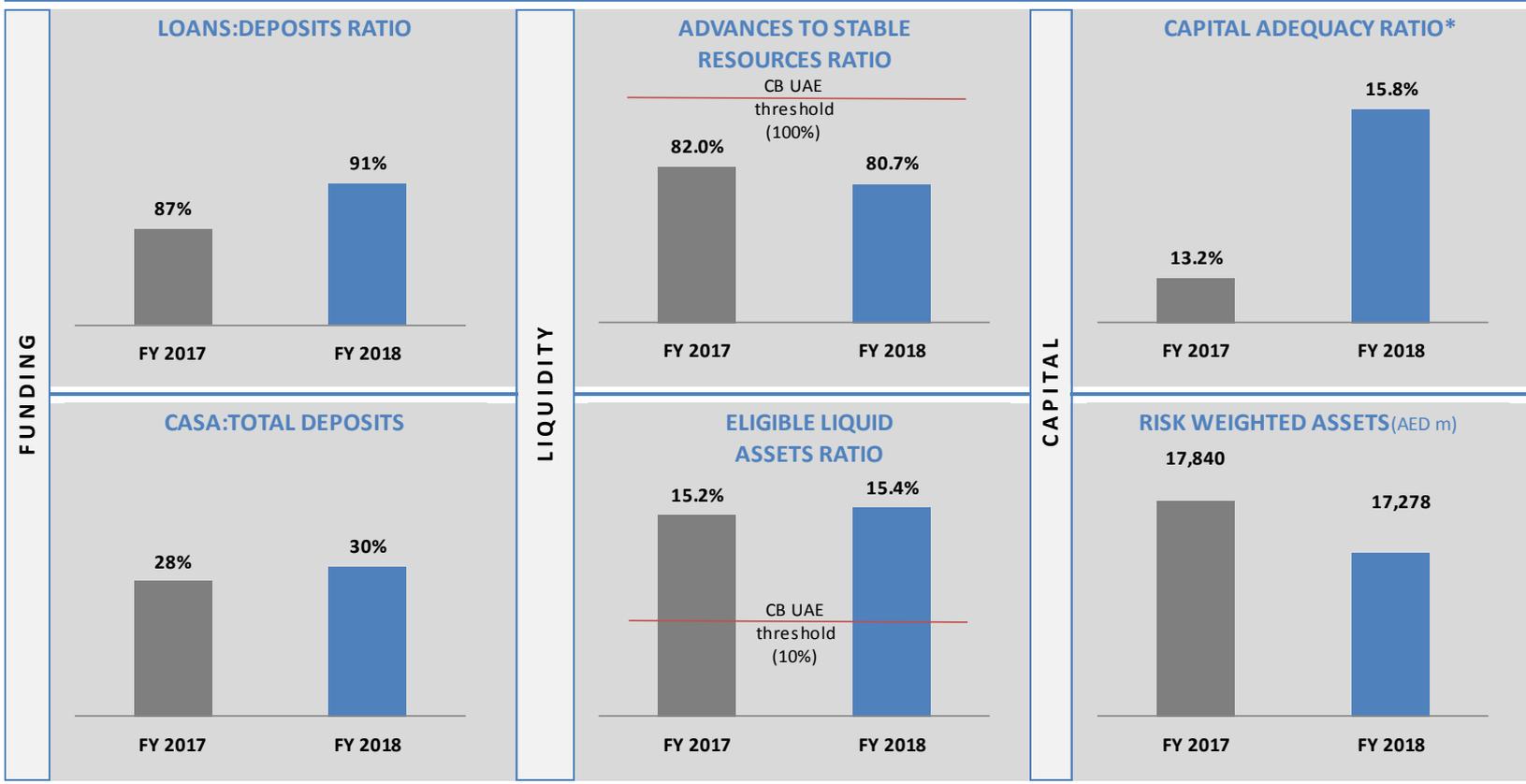


Customer Deposits have and will continue to represent the Bank’s key source of funds as evidenced through a stable 78% concentration in Total Liabilities. CASA:TD ratio improved to 30% from 28% in FY 2017 as the Bank continues to deploy various tactical initiatives to manage the increasing cost of funds.

Medium Term Borrowings representing 5% of the total liabilities of the Bank continue to be effectively utilized to aid tenor management and represent a key part of UAB’s liquidity and funding strategy.

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Solid Banking Fundamentals



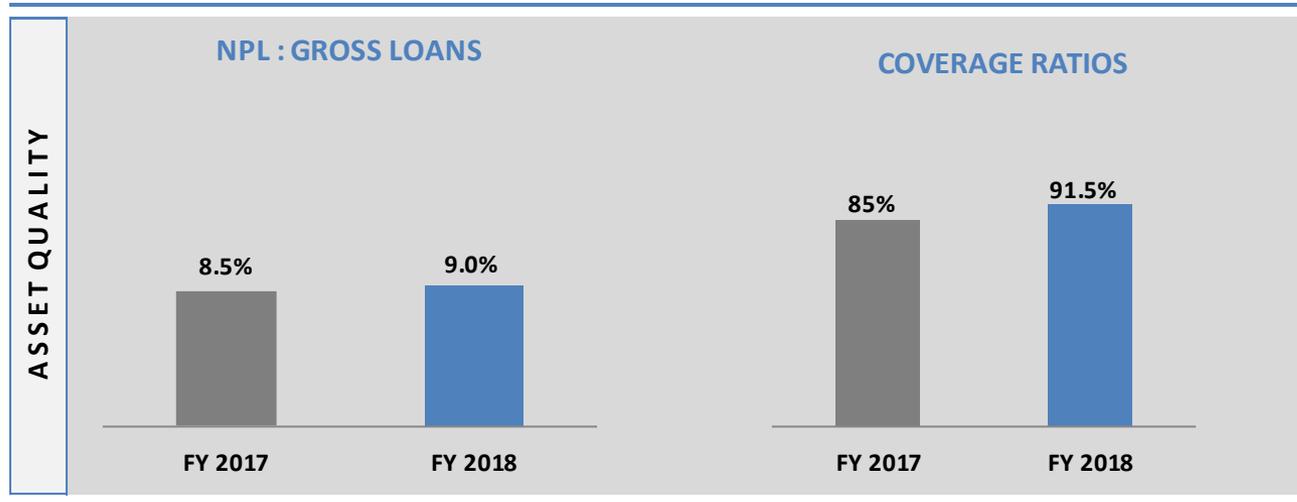
Loan : Deposit Ratio of 91% underpins a robust funding profile, whilst broadly stable **CASA%** supports reduction in cost of funds

Strong **Liquidity base** substantiated by both ASR / ELAR Ratios managed well above CB UAE thresholds

The ***Rights Issue** completed in early 2018 helped maintain satisfactory buffer against regulatory requirements, whilst supporting 'core' business growth.

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Asset Quality



The proactive focus on de-risking the Balance Sheet has aided UAB in maintaining steady **NPL** ratio vs. FY 2017 with the Bank continuing its efforts to seek optimal resolution from exiting its riskier assets.

UAB continued with its decisive and prudent provisioning approach to proactively recognize problem loans. Accordingly, the Bank's **coverage ratio** increased to 91.5% from 85% in 2017.

