



Board of Directors Report – Year Ended 31 December 2018

Driven by ambition and guided by discipline, United Arab Bank (UAB), has once again demonstrated the strength and the resilience required to deliver a strong return for its shareholders. Today, I am pleased to report to you, and on behalf of the Board of Directors of the United Arab Bank (UAB), a strong set of results alongside with the bank's Annual Report for the year ended 31 December 2018.

Against the economic backdrop, we saw our full year net profit rise by 345%, reporting an amount of AED77m in 2018 compared to AED17m in 2017, this is a result of the successful execution of the Bank's Transformation Strategy that continues to yield solid results and had paved the way for a return to sustainable profitability.

Our strong four core pillars; pro-actively deleverage higher risk non-core portfolios; reduce costs; enhance the Bank's risk and control frameworks; and strengthen key banking fundamentals, have served to build a resilient and innovative organization with exceptional customer service and a strong brand.

The Board and I are delighted about the improved financial performance in 2018, which is a direct result of placing our customers first, being at the core of the business strategy led by our management team. The Bank had embarked on a journey to become a safer, stronger and sustainable Bank.



In 2018, despite continued headwinds, our net profit improved significantly year on year, our operating income rose to a high record, while all other significant metrics remained healthy. As we continue to grow, we transform the Bank to provide customers with greater choice of products and services and an outstanding banking experience.

We have focused on our core activities and de-risked the business recording a significant reduction of 'non-core' higher risk portfolios to 1% of Total Loans at the end of 2018.

The Bank's Provisions for Credit Losses of AED242m represent a healthy reduction of 16% compared to 2017 supported by prudent risk management and focused reduction in risk weighted assets. Going forward, UAB's transition to a lower risk model should see these moderate further in the medium term.

While we expect much to change in the next year, the culture and values that have delivered UAB to this point will not change. The Bank remains committed to contributing to the development of the UAE banking sector and the country, and we (myself and the Board) are confident that our revised and efficient UAE focused business model positions us well to continue doing the right thing for our customers and deliver sustainable returns for our shareholders.



The Board of Directors recommend the following appropriations of profit for the year ended 31 December 2018, approved by the Central Bank of UAE.

| | 2017 AED'000 | 2018 AED'000 |
|--|-----------------|-----------------|
| Opening balance in Accumulated Losses at 1 January | (167,856) | (153,940) |
| Impact of adopting IFRS 9 at 1 January 2018 | 0 | (330,119) |
| Restated balance in Accumulated Losses at 1 January | (167,856) | (484,059) |
| | | |
| Profit for the year | 17,343 | 77,227 |
| Transfers from revaluation reserve | 41 | 39 |
| Rights issue cost | 0 | (2,216) |
| Loss on sale of equity reclassified from changes in fair value | 0 | (2,471) |
| Balance available for appropriation | (150,472) | (411,480) |
| | | |
| Transfer to Special Reserve | (1,734) | (7,723) |
| Transfer to Statutory Reserve | (1,734) | (7,723) |
| Director's remuneration | 0 | 0 |
| | | |
| Closing balance in Accumulated Losses at 31 December | (153,940) | (426,926) |



After the proposed appropriation of profit, and subject to the General Assembly's approval, total Shareholder's Funds will increase to AED2,529m at 31 December 2018 compared with AED2,165m at the end of 2017. The Directors propose nil dividend award for the year 2018.

On behalf of the Board of Directors, whose unwavering commitment and guidance remain invaluable, my sincere appreciation goes to our valued customers and shareholders for their patronage, the top management and the employees for their commitment and dedication, and to the Central Bank of the UAE for regulating and supporting the UAE banking sector.

In conclusion, we wish to express our appreciation to the President of the United Arab Emirates, His Highness Sheikh Khalifa Bin Zayed Al Nahyan for his leadership, vision and support. We also wish to thank His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai; His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces; and His Highness Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah for their support and guidance.

Faisal Bin Sultan Bin Salem Al Qassimi

Chairman

28 February 2019