

Management Discussion & Analysis – H1 2018

UAB Reports AED81m Net Profit for H1 2018

representing 46% uplift vs. same period in prior year

5% increase

in 'Core' Income Y-o-Y

Robust Liquidity profile

maintained

Cost Base

Ongoing focus to rationalize costs

'Non-core' portfolio

managed down to less than 2% of Total Loans

Loan : Deposit Ratio

managed at 92%

CAR at 15.5%

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") announces its Financial Results for the six months ended 30th June 2018 reporting Net Profit of **AED81m** for the period representing an uplift of 46% against the same period in prior year and continue to rebuild the bank by strengthening its core businesses, streamlining the cost base and maintaining key banking fundamentals.

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi, Chairman of the Board of Directors, said, "UAB delivered enhanced profits in the first half of 2018 in an increasingly competitive environment whilst maintaining a strong balance sheet and robust capital position. These results were achieved on the back of a healthy operating performance driven by higher 'core' business volumes and supported by disciplined risk management."

Sheikh Mohamed Bin Abdulla Al Nuaimi, Acting Chief Executive Officer, commented, "With the successful completion of rights issue in early 2018, we have started a new chapter in UAB's journey on a solid footing which positions us well to deliver sustainable returns for our shareholders. As we look forward to the second half of 2018 and beyond, we will continue to strategically focus on our core businesses and continue to invest in our people, processes, systems and other critical infrastructure."

Moody's Rating

Bank Deposits	Baa2/P-2
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	Baa1(cr)/P2(cr)
Outlook	Negative

Distribution Network

Branches	14
Automated Teller Machines	64



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Financial Performance

Income Statement

(AED millions)

	2018			2017			Variance	
	H1	Q2	Q1	H1	Q2	Q1	Y-o-Y%	Q-o-Q%
Net Interest Income	253	125	128	245	126	119	+3%	-3%
Non-Interest Income	88	43	46	100	49	51	-12%	-6%
Total Operating Income	341	167	174	346	175	171	-1%	-4%
Provision for credit losses	-93	-38	-54	-116	-60	-56	-20%	-29%
Net Operating Income	249	129	120	229	115	114	+8%	+8%
Operating Expenses	-168	-84	-84	-174	-88	-87	-4%	+1%
Net Profit	81	45	36	55	27	28	+46%	+24%

Balance Sheet

(AED millions)

	2018		2017				Variance	
	Q2	Q1	Q4	Q3	Q2	Q1	Y-o-Y%	Q-o-Q%
Loans and Advances	12,757	12,781	13,128	12,851	13,398	13,384	-5%	0%
Investment Securities	3,798	3,725	3,413	3,306	3,427	3,387	11%	2%
Other Assets	3,625	3,936	4,197	4,442	4,332	4,502	-16%	-8%
Total Assets	20,180	20,442	20,739	20,599	21,157	21,273	-5%	-1%
Customer Deposits	13,881	14,969	15,050	14,316	13,881	15,673	0%	-7%
Medium Term Borrowings	845	845	845	1,432	1,524	1,524	-45%	0%
Due to Banks	2,057	1,234	1,544	1,450	2,248	827	-9%	67%
Other Liabilities	865	856	1,136	1,214	1,322	1,090	-35%	1%
Total Liabilities	17,648	17,904	18,574	18,412	18,975	19,113	-7%	-1%
Total Shareholders' Funds	2,532	2,538	2,165	2,187	2,182	2,160	16%	0%
Total Liabilities & Shareholders' Funds	20,180	20,442	20,739	20,599	21,157	21,273	-5%	-1%



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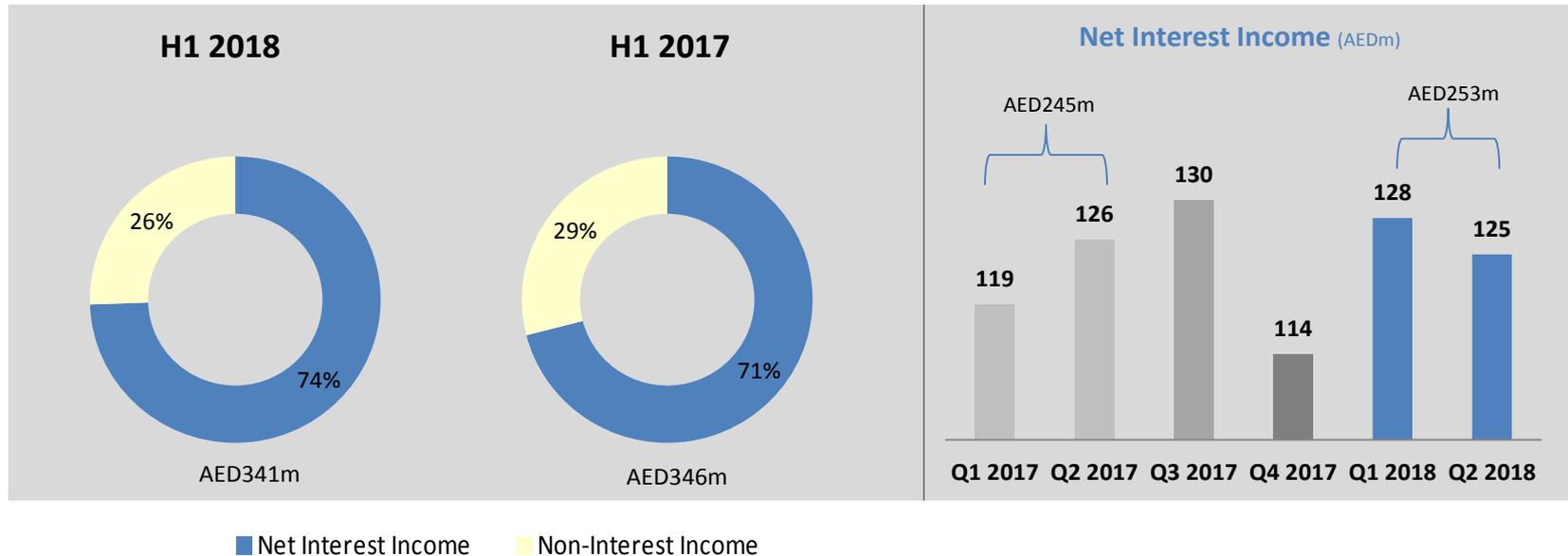
Financial Performance (cont.)

Key Ratios	2018		2017				Variance	
	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory								
Capital Adequacy	15.5%	15.7%	13.2%	13.3%	13.1%	13.2%	-1.8%	18.4%
Tier 1	14.4%	14.6%	12.0%	12.1%	11.9%	12.1%	-1.9%	20%
Advances to Stable Resources	85.0%	81.4%	82.0%	81.7%	81.8%	77.9%	2.6%	2%
Eligible Liquid Assets	14.1%	14.5%	15.2%	14.4%	14.3%	18.6%	-2.6%	-1%
Performance								
Cost : Income Ratio	50.4%	48.1%	71.0%	48.0%	50.1%	50.7%	4.8%	1%
NPL's : Gross Loans	8.8%	8.8%	8.5%	6.5%	6.5%	5.9%	0.2%	35%
Provision Coverage	104%	107%	85%	102%	105%	117%	-2.9%	-1%
Loans : Deposits Ratio	92%	85%	87%	90%	97%	85%	7.5%	-5%



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Income Statement Review



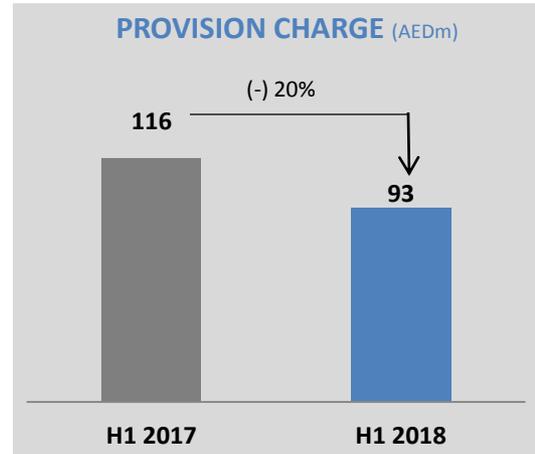
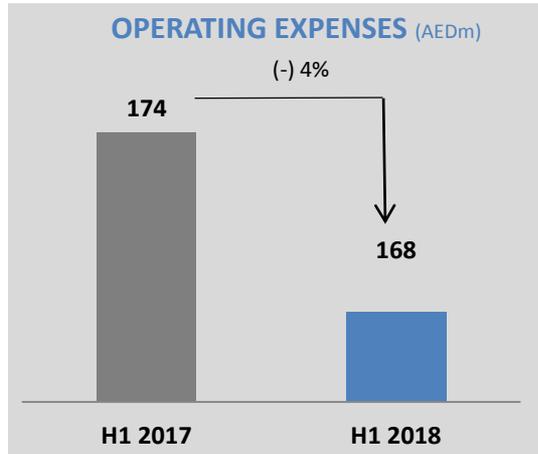
Total Income of **AED341m** in H1 2018 was aided by capturing growth opportunities in the core businesses through proactively re-pricing the Bank's assets, generating stable non-interest income, increasing the investment book and cost of fund management. Income generated from core businesses recorded **5%** increase Y-o-Y with significant reduction in non-core segments as the Bank continues to exit its higher risk assets.

The Bank continues to generate stable **Net Interest Income** streams recording a **3%** Y-on-Y uplift (AED253m in H1 2018 vs. AED245m in H1 2017) given the strategic emphasis placed on deepening relationships within the Corporate Banking Unit and supported by proactive cost of funds management.



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Income Statement Review (cont.)



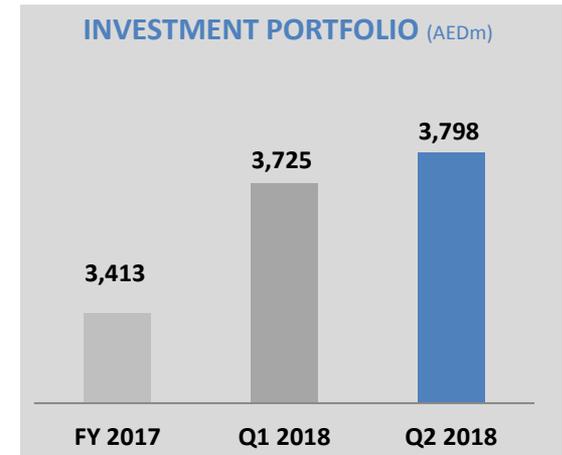
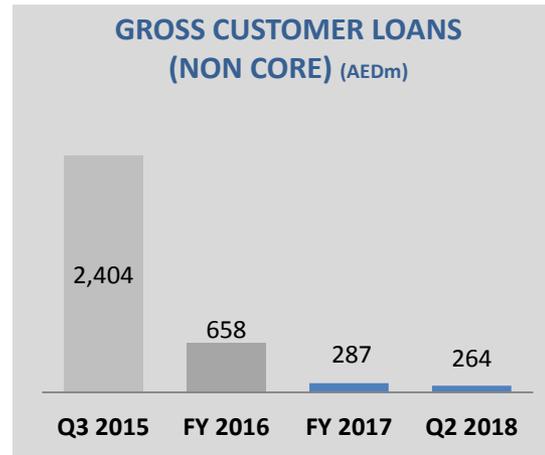
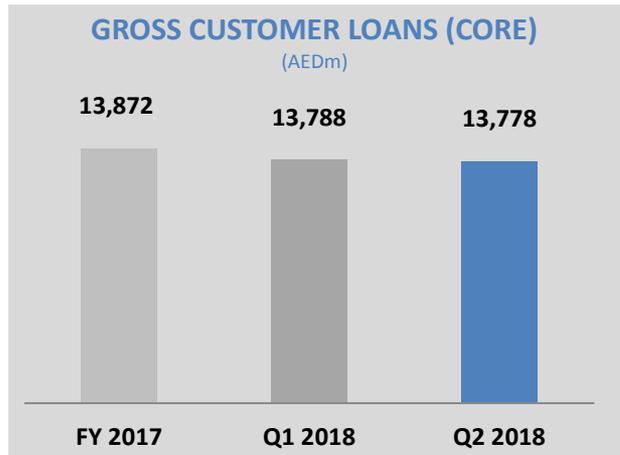
Operating Expenses for H1 2018 were AED168m representing a **4%** reduction against H1 2017, as the Bank continues to capture the benefits of the comprehensive review of its cost base completed as part of the wider transformation strategy.

Provision Charges on a total portfolio basis continue to demonstrate significant improvement with a solid **20%** reduction vs. H1 2017 given prudent risk management and focused reduction in higher risk assets.



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Balance Sheet Review



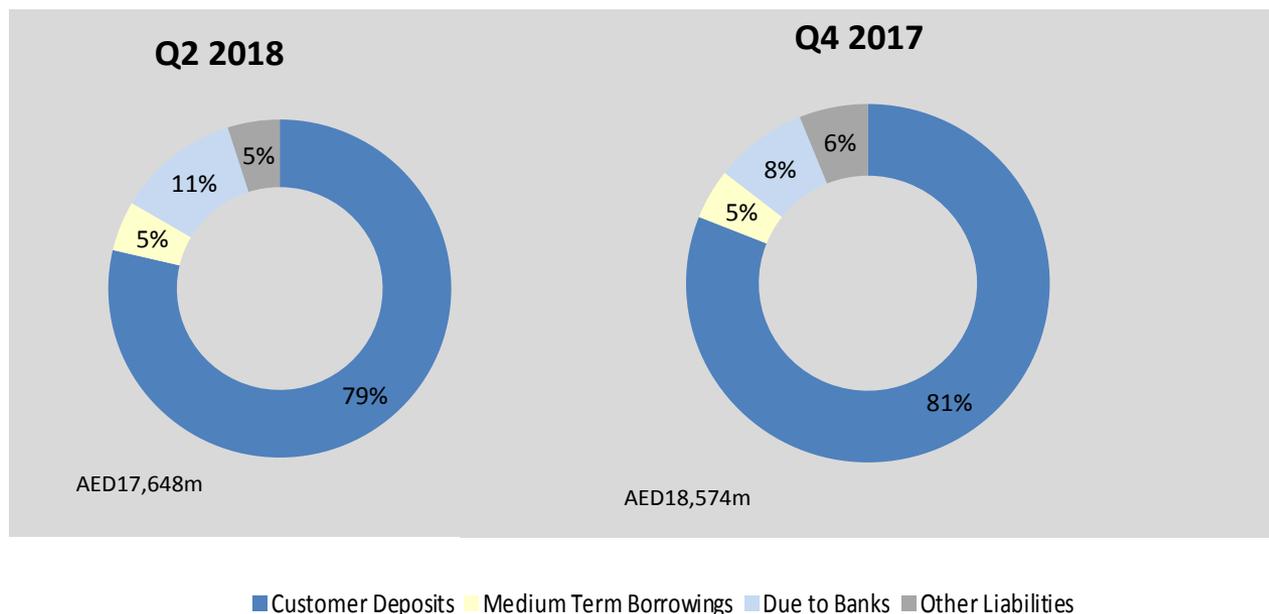
Customer Loans across the Bank's core Corporate and Retail units remained stable compared to FY 2017 whilst the 'non-core' portfolio continued on its downward trajectory being managed down **89%** since Q3 2015 and now constitutes less than 2% of Total Loans with this absolute reduction driving the decrease in Impairment Losses. The Bank will continue to recycle risk weighted assets released from the deleveraged 'non-core' portfolios to support growth of 'core' activities, whilst ensuring it captures all available cross-sales opportunities.

Investment portfolio recorded an uplift of **11%** vs. FY 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.)



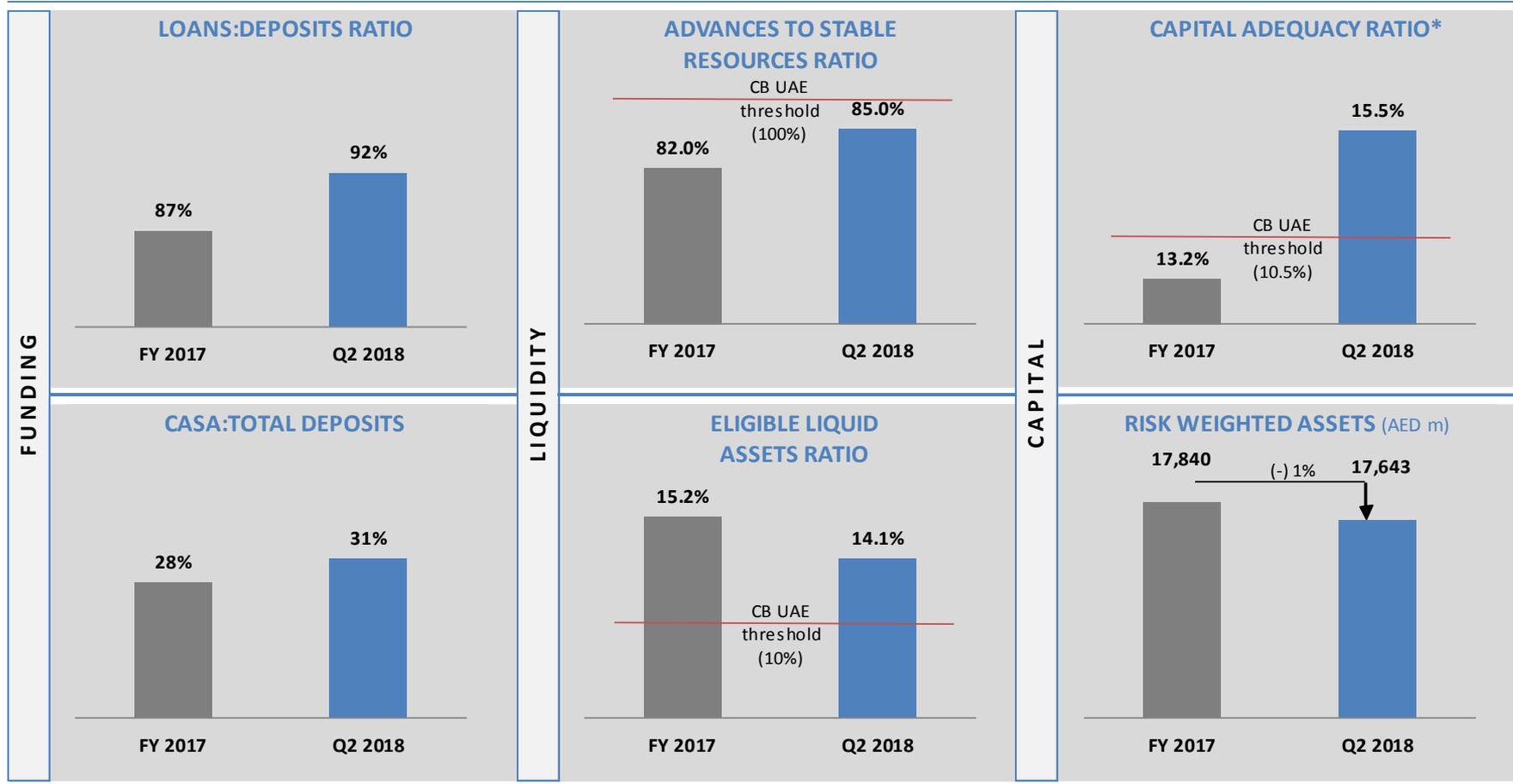
Customer Deposits have and will continue to represent the Bank's key source of funds as evidenced through **79%** concentration in Total Liabilities as on 30th June 2018. CASA:TD ratio improved to 31% from 28% in FY 2017 as the Bank continue to deploy various tactical initiatives to manage the increasing 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

Significant focus placed on Capital Adequacy, Funding and Liquidity which represent the fundamentals of a solid Bank.



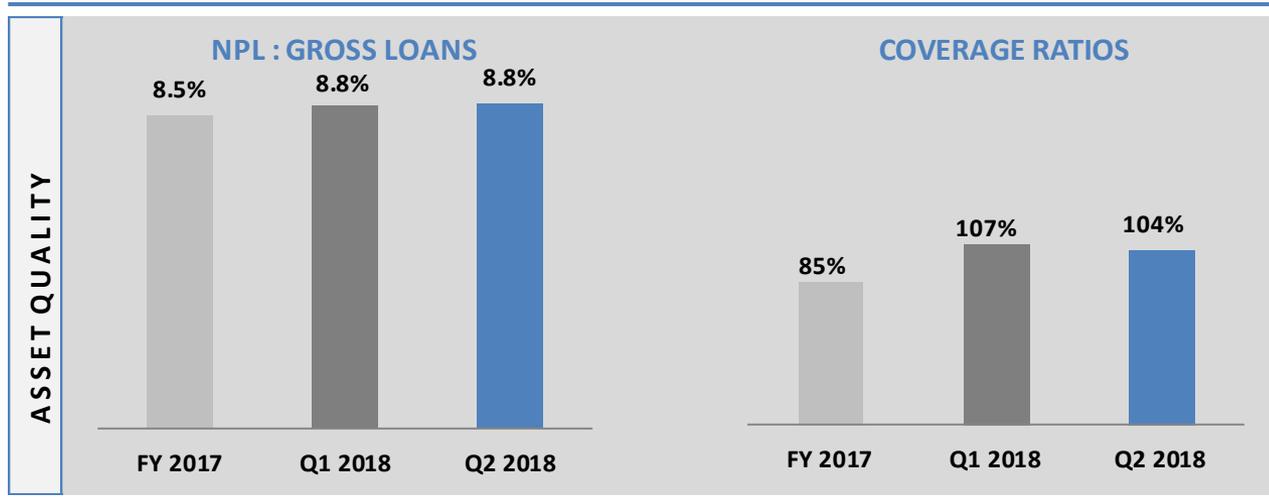
Loan : Deposit Ratio of 92% underpins a robust funding profile, whilst broadly stable **CASA%** supports reduction in cost of funds.

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 the **NPL** ratio steady vs. Q1 2018 with the Bank continuing its efforts to seek optimal resolution from exiting its riskier assets. In addition, UAB's decisive and prudent approach to provisioning and its commitment to maintaining its **Provision Coverage** is demonstrated with the ratio maintained above **100%** in 2018 compared to 85% in 31st December 2017.

