



HEAD OFFICE

المكتب الرئيسي

DIRECTORS REPORT – YEAR ENDED 31 DECEMBER 2015

On behalf of the Board of Directors of United Arab Bank (UAB), I am privileged to present our Annual Report for the year ended 31 December 2015.

2015 represented a historic milestone as it marked UAB's 40th anniversary. Unfortunately, this was against the backdrop of a slowing economy driven by lower oil prices, deteriorating credit profiles and increase in problem loan formation, specifically in the small and medium-sized company segment. Nevertheless, throughout the Bank's long and illustrious history it has always proved resilient to such challenges and I am confident we will navigate through these current economic conditions, emerging again in a much stronger position, to continue supporting the UAE economy.

Whilst our prudent provisioning approach impacted the full year financial results, with the bank reporting a net loss of AED 166 million for the twelve months ending 31 December 2015, UAB has demonstrated its strength by maintaining its capital adequacy ratio at 14.7%, comfortably above regulatory requirements, and improving its funding and liquidity profiles.

UAB has taken decisive action to proactively deleverage from its higher risk loan portfolios in order to improve asset quality and to retain a non-performing loan coverage ratio of 124%. This allowed the Bank to create a solid platform from which to move forward in a challenging market. In addition, UAB completed a number of other key restructuring initiatives that included enhancing its risk management framework and culture, strengthening its senior leadership team and rationalizing its cost base to ensure it's aligned to our new streamlined operating model thus capturing real cost savings from 2016 onwards.

With the continued support and assistance of our alliance partner, The Commercial Bank, we will leverage our historical strength of serving the UAE corporate market and maintain our focus on optimal capital utilization, cost management and Balance Sheet efficiencies, to deliver value for our shareholders and customers.

The Board of Directors recommend the following appropriations of profit for the year ended 31 December 2015, subject to the approval of the Central Bank:

	(AED'000)
Opening Balance in Retained Earnings at 1 January	914,759
Loss for the year	(166,147)
Transfers from Revaluation Reserve	36
Dividend distributed relating to 2014	(343,758)
Balance available for appropriation	404,890
<u>Proposed Appropriation of Profit</u>	
Transfer to Special Reserve	Nil
Transfer to Statutory Reserve	Nil
Directors' Remuneration	Nil
Closing Balance in Retained Earnings at 31 December 2015	404,890

After the proposed appropriation of profit, and subject to the General Assembly's approval, total Shareholders' Funds will decrease to AED 2,588 million at 31 December 2015 compared with AED 2,912 million at the end of 2014. The Directors propose no dividend award for the year 2015.



On behalf of the Board of Directors, whose unwavering commitment and guidance remain invaluable, my sincere appreciation goes to our valued customers and shareholders. To all members of our management team and employees, we greatly value your continued professionalism and dedication. I would like to express our special thanks to the UAE Government for its ongoing support to the banking sector. We also wish to highlight our gratitude to the Central Bank, and all our regulators, for their beneficial support. We look forward to building a more efficient business in 2016 and beyond, delivering sustainable returns within a prudent risk appetite structure.

A handwritten signature in blue ink, appearing to be 'Faisal Bin Sultan Bin Salem Al Qassimi', written over a horizontal line.

Faisal Bin Sultan Bin Salem Al Qassimi
Chairman
24 January 2016