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UNITED ARAB BANK

## PRESS RELEASE

# UAB Reports Financial Results for the Twelve Months to 31 December 2015

## FY 2015 Highlights

- Proactive asset deleveraging completed in Q4 with substantial reduction in higher risk portfolios
- Capital adequacy ratio maintained at 14.7%
- Funding and liquidity profiles strengthened
- Steps taken to build a more efficient, lower risk and sustainable bank

**Sharjah, UAE, 25 January 2016** - United Arab Bank P.J.S.C ("UAB") announces its Financial Results for the twelve months ended 31 December 2015.

2015 was a pivotal year for UAB. Faced with the negative effects of a slowing economy, the Bank revisited its direction during the fourth quarter to build a more efficient and sustainable bank, better focused on its historic strength of serving the UAE corporate market.

UAB's strong funding, capital and liquidity fundamentals supported its transformation efforts to proactively deleverage from its higher risk loan portfolio. As a result, UAB improved the quality of its loan portfolio and maintained its capital adequacy ratio at 14.7%, with its funding and liquidity profiles further strengthening in the fourth quarter of 2015.

As part of the restructuring drive, UAB enhanced its risk management culture and strengthened its Senior Management Team by appointing a number of senior executives. Moreover, the Bank's cost base has been overhauled to capture material year on year cost reductions from 2016 onwards with definitive actions taken to align both its headcount and branch network with its streamlined operating model. These measures will ensure UAB is in a solid position to support the UAE economy, as it has for the past 40 years, delivering value to its customers and generating sustainable returns for its shareholders.

UAB's prudent provisioning approach in the last 6 months of 2015 impacted its full year financial results. Consequently, the bank reported a net loss of AED 166 million for the twelve months ending 31 December 2015, compared to a net profit of AED 605 million in 2014. However, this decisive action enables UAB to retain a robust risk buffer, with a non-performing loan coverage ratio of 124%.

**Sheikh Faisal Bin Sultan Bin Salem Al Qassimi, Chairman of the Board of Directors, said,** "While the UAE's diversified economy remains significantly more protected from a lower oil price than its regional peers, UAB has taken decisive action now to ensure the Bank is aligned to the changing economic environment. Our ability to absorb significant provisions in 2015, whilst maintaining our capital base and strengthening funding and liquidity, underlines the strength of the Bank."

**Samer Tamimi, Acting Chief Executive Officer, commented,** "Our results were materially affected by the significant impact of provisions taken in the second half of 2015 following defaults predominantly in the SME segment. To improve financial stability, our first course of action was to deleverage from these higher risk portfolios, with significant efforts from our reinforced Credit Remedial Unit. I am satisfied with the swift progress the team has achieved during the fourth quarter, with Q4 provisions reducing by 38% when



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UNITED ARAB BANK

compared to Q3. We expect our provisions to moderate considerably in the future, ultimately returning to historic levels.”

“To better cater to our customers’ financial needs we have consolidated all business lines under the newly created position of Chief Business Officer and we are investing in our IT infrastructure and capabilities to underpin long-term growth.”

## Financial Review

UAB reported a net loss for the twelve months to 31 December 2015 of AED 166 million, primarily driven by provisions taken during the second half of the year. Total Income of AED 1,213 million represents a 12% reduction when compared to prior year, with operating expenses of AED 491 million. Consequently, UAB’s cost to income ratio increased to 40.5% in 2015 versus 28.7% for FY 2014, albeit with the uplift primarily driven by one-off restructuring initiatives to streamline the Bank’s ongoing cost base.

The Bank’s non-performing loan ratio of 4.01% was broadly in line with 3.93% in Q3 2015, albeit an increase on 2.56% recorded for FY 2014. UAB’s coverage ratio of 124% as at 31 December 2015 is consistent with the Bank’s policy of maintaining a ratio at or in excess of 100%.

UAB remains strongly capitalized with its capital adequacy ratio maintained at 14.7%, well above the regulatory requirement of 12%. The Bank’s robust liquidity profile is also demonstrated by an advances to stable resources ratio of 80.9% and an eligible liquid asset ratio of 18.7%, both comfortably above Central Bank thresholds.

UAB strengthened its funding profile in the fourth quarter as evidenced by its loan : deposit ratio, improving to 93% in Q4 2015, compared to 96% for both Q3 2015 and FY 2014 respectively. In line with the Bank’s focused deleveraging strategy, total customer loans and advances declined 13% on prior year to AED15.7 billion, with customer deposits of AED 16.8 billion as at 31 December 2015.

## OUTLOOK

**Mr Tamimi concluded,** “In 2016 UAB will continue to make progress on the actions taken in Q4 2015 in order to build a leaner and more efficient bank. With our reshaped operating model, we are confident in our ability to quickly respond and adapt to changes stemming from the current challenging operating environment.”

“Going forward, UAB will focus on its core business units, on cost leadership, on capital efficiency and on a prudent risk and funding profile to deliver growth and generate sustainable shareholder returns.”

The Bank is rated Baa1 by Moody's and BBB+ by Capital Intelligence.



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**About UAB:**

United Arab Bank P.J.S.C ("UAB") was established in 1975 as a joint venture between UAE investors and Societe Generale. As at 30 September 2015, the bank is operating with a network of 30 branches and offices spread across the UAE with its headquarters in Sharjah. UAB offers a range of financial services in both Corporate and Retail and is acknowledged as a leading solutions provider to the growing commercial and industrial base across the seven Emirates.

Through the provision of a comprehensive range of Corporate Banking, Retail Banking, Trade Finance and Treasury services, UAB is the Bank of choice among major corporate clientele segments in the UAE. With the launch of its 'Sadara' premium banking service, Islamic Banking Services and 'UAB Rewards' loyalty programme, the Bank has grown its retail customer base, aiming to expand further. All these initiatives and consistent year on year performance have positioned UAB as one of the fastest growing banks in the region.

As at 31 December 2014 the Bank was ranked 20<sup>th</sup> amongst the top listed companies in the UAE and is one of the top 50 banks in the GCC in terms of market capitalization. UAB announced a record net profit of AED605m for the year ended 31 December 2014, an increase of 10% over 2013 and the highest annual net profit ever reported by the Bank.

In December 2007, UAB became part of a GCC regional banking alliance upon the acquisition of 40% interest by The Commercial Bank, Qatar's largest private sector bank. UAB's strong financial performance in subsequent years is indicative of the benefits gleaned from its strategic alliance with the Qatari Bank.

The Commercial Bank has similar alliances with National Bank of Oman (NBO) and Alternatifbank in Turkey, thus providing a solid platform for all three banks to grow strongly as we move forward.