

**United Arab Bank P.J.S.C.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

**FOR THE NINE MONTH PERIOD ENDED  
30 SEPTEMBER 2017**

**United Arab Bank P.J.S.C.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION**

**For the nine month period ended 30 September 2017**

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## **Review report on the condensed consolidated interim financial information to the board of directors of United Arab Bank (P.J.S.C.)**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of United Arab Bank (P.J.S.C) and its subsidiary (together referred to as the “group”) as at 30 September 2017 , the related condensed consolidated interim statements of income and comprehensive income for the three-month and nine-month periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

**PricewaterhouseCoopers**

**15 October 2017**


**Mohamed ElBorno**  
**Registered Auditor Number 946**  
**Dubai, United Arab Emirates**

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**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2017**

		<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
	<i>Note</i>		
<b>Assets</b>			
Cash and balances with the UAE Central Bank	5	1,886,980	2,766,528
Due from other banks	6	668,082	365,076
Loans and advances	7	12,851,329	13,345,562
Investments	8	3,306,176	3,313,753
Property, equipment and capital work-in-progress		593,492	584,325
Other assets		1,293,388	876,300
<b>Total assets</b>		<b>20,599,447</b>	<b>21,251,544</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	9	1,450,237	1,095,482
Customers' deposits	10	14,316,281	15,538,015
Medium term borrowings	11	1,432,197	1,524,005
Other liabilities		1,213,575	1,007,325
<b>Total liabilities</b>		<b>18,412,290</b>	<b>19,164,827</b>
<b>Shareholders' equity</b>			
Share capital		1,375,033	1,375,033
Special reserve		412,659	412,659
Statutory reserve		495,214	495,214
General reserve		9,311	9,311
Revaluation reserve		641	673
Retained earnings		(118,070)	(167,856)
Cumulative changes in fair values		12,369	(38,317)
<b>Total shareholders' equity</b>		<b>2,187,157</b>	<b>2,086,717</b>
<b>Total liabilities and shareholders' equity</b>		<b>20,599,447</b>	<b>21,251,544</b>

This condensed consolidated interim financial information was approved by the Board of Directors on 15<sup>th</sup> October 2017 and signed on its behalf by:

  
 \_\_\_\_\_  
 Samer Tamimi  
 Acting Chief Executive Officer

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF INCOME (unaudited)**  
**For the nine month period ended 30 September 2017**

	<i>Note</i>	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
		<i>2017 AED'000</i>	<i>2016 AED'000</i>	<i>2017 AED'000</i>	<i>2016 AED'000</i>
Interest income		<b>220,981</b>	229,610	<b>638,425</b>	727,342
Interest expense		<b>(90,772)</b>	(81,474)	<b>(262,850)</b>	(232,079)
<b>Net interest income</b>		<b>130,209</b>	148,136	<b>375,575</b>	495,263
Net fees and commission income		<b>21,483</b>	13,921	<b>83,143</b>	60,840
Foreign exchange income		<b>10,306</b>	16,348	<b>29,549</b>	57,309
Other operating income		<b>7,961</b>	32,467	<b>27,312</b>	73,238
<b>Operating income</b>		<b>169,959</b>	210,872	<b>515,579</b>	686,650
Net impairment losses	7	<b>(93,705)</b>	(104,346)	<b>(209,982)</b>	(335,939)
<b>Net operating income</b>		<b>76,254</b>	106,526	<b>305,597</b>	350,711
Employee benefit expenses		<b>(50,969)</b>	(56,944)	<b>(163,102)</b>	(168,724)
Depreciation		<b>(8,981)</b>	(8,279)	<b>(26,674)</b>	(25,693)
Other operating expenses		<b>(21,698)</b>	(24,319)	<b>(66,067)</b>	(68,550)
<b>Total operating expenses</b>		<b>(81,648)</b>	(89,542)	<b>(255,843)</b>	(262,967)
<b>Net (loss) / profit for the period</b>		<b>(5,394)</b>	16,984	<b>49,754</b>	87,744
<b>(Losses) / earnings per share (basic and diluted in AED)</b>	4	<b>(0.00)</b>	0.01	<b>0.04</b>	0.06

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE**  
**INCOME (unaudited)**  
**For the nine month period ended 30 September 2017**

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<b>2017</b> <i>AED'000</i>	2016 <i>AED'000</i>	<b>2017</b> <i>AED'000</i>	2016 <i>AED'000</i>
<b>Net (loss) / profit for the period</b>	<b>(5,394)</b>	16,984	<b>49,754</b>	87,744
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to the consolidated statement of income</i>				
Net changes in fair value of available for sale investments	<b>4,389</b>	732	<b>51,873</b>	48,929
Available for sale investments – reclassified to consolidated statement of income	<b>5,990</b>	9,414	<b>(1,187)</b>	(36,471)
	<b>10,379</b>	10,146	<b>50,686</b>	12,458
<b>Total comprehensive income for the period</b>	<b>4,985</b>	27,130	<b>100,440</b>	100,202

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)**  
**For the nine month period ended 30 September 2017**

	<i>Nine month period ended 30 September</i>	
	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Operating activities</b>		
Net profit for the period	<b>49,754</b>	87,744
Adjustments for:		
Depreciation	<b>26,674</b>	25,693
Loss on write off of property and equipment	<b>5,000</b>	-
Gain from insurance and sale of property and equipment	<b>(5,247)</b>	-
Net impairment losses	<b>209,982</b>	335,939
Amortisation of premium paid on investments	<b>17,902</b>	23,611
Net fair value loss / (gains) on disposal of investments	<b>4,976</b>	(40,045)
Unrealised gain on investments	<b>(1,341)</b>	-
Operating profit before changes in operating assets and liabilities	<b>307,700</b>	432,942
Changes in operating assets and liabilities:		
Loans and advances	<b>70,081</b>	1,451,702
Balances with the UAE Central Bank maturing after three months	<b>155,243</b>	(179,789)
Due from other banks maturing after three months	<b>-</b>	(103,240)
Cash margin held by counterparty banks against borrowings and derivative transactions	<b>(7,440)</b>	(6,678)
Other assets	<b>(202,918)</b>	(8,581)
Due to banks maturing after three months	<b>93,057</b>	270,371
Customers' deposits	<b>(1,221,734)</b>	(2,236,215)
Other liabilities	<b>202,354</b>	(89,664)
Net cash used in operating activities	<b>(603,657)</b>	(469,152)
<b>Investing activities</b>		
Purchase of property, equipment and capital work-in-progress	<b>(41,710)</b>	(27,685)
Proceeds on sale of property and equipment	<b>1,116</b>	-
Proceeds from insurance claims	<b>5,000</b>	-
Purchase of investments	<b>(1,491,512)</b>	(4,539,606)
Proceeds from redemption / sale of investments	<b>1,532,134</b>	3,892,327
Net cash from investing activities	<b>5,028</b>	(674,964)
<b>Financing activities</b>		
Repayment of medium term borrowings	<b>(91,808)</b>	(422,314)
Net cash used in financing activities	<b>(91,808)</b>	(422,314)
<b>Net change in cash and cash equivalents</b>	<b>(690,437)</b>	(1,566,430)
Cash and cash equivalents at 1 January	<b>1,631,477</b>	2,610,146
<b>Cash and cash equivalents at 30 September</b>	<b>941,040</b>	1,043,716
Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:		
Cash and balances with the UAE Central Bank	923,656	1,364,605
Due from other banks	511,574	212,325
Due to banks	(494,190)	(533,214)
	<b>941,040</b>	1,043,716

**United Arab Bank P.J.S.C.**

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)**

**For the nine month period ended 30 September 2017**

	<i>Share capital AED'000</i>	<i>Special reserve AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Revaluation reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Cumulative changes in fair value AED'000</i>	<i>Total AED'000</i>
At 1 January 2016	1,375,033	412,659	495,214	9,311	714	354,794	(77,770)	2,569,955
Profit for the period	-	-	-	-	-	87,744	-	87,744
Other comprehensive income for the period	-	-	-	-	-	-	12,458	12,458
Total comprehensive income for the period	-	-	-	-	-	87,744	12,458	100,202
Depreciation transfer for land and buildings	-	-	-	-	(31)	31	-	-
At 30 September 2016	<u>1,375,033</u>	<u>412,659</u>	<u>495,214</u>	<u>9,311</u>	<u>683</u>	<u>442,569</u>	<u>(65,312)</u>	<u>2,670,157</u>
At 1 January 2017	<b>1,375,033</b>	<b>412,659</b>	<b>495,214</b>	<b>9,311</b>	<b>673</b>	<b>(167,856)</b>	<b>(38,317)</b>	<b>2,086,717</b>
Profit for the period	-	-	-	-	-	<b>49,754</b>	-	<b>49,754</b>
Other comprehensive income for the period	-	-	-	-	-	-	<b>50,686</b>	<b>50,686</b>
Total comprehensive income for the period	-	-	-	-	-	<b>49,754</b>	<b>50,686</b>	<b>100,440</b>
Depreciation transfer for land and buildings	-	-	-	-	(32)	32	-	-
At 30 September 2017	<u><b>1,375,033</b></u>	<u><b>412,659</b></u>	<u><b>495,214</b></u>	<u><b>9,311</b></u>	<u><b>641</b></u>	<u><b>(118,070)</b></u>	<u><b>12,369</b></u>	<u><b>2,187,157</b></u>



**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the nine month period ended 30 September 2017**

**1 LEGAL STATUS AND ACTIVITIES**

United Arab Bank P.J.S.C. (the “Bank”) was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness The Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank’s registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

The condensed consolidated interim financial information for the nine month period ended 30 September 2017 comprise the Bank and its subsidiary, Al Sadarah Investment Company (together referred to as the “Group”).

**2 BASIS OF PREPARATION**

The condensed consolidated interim financial information of the Group are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at 31 December 2016.

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Group has come into effect from 1 July 2015. The Group has assessed and evaluated the provisions of the Companies Law and has ensured its compliance.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2016 except for the adoption of the new International Financial Reporting Standards (IFRSs) which became effective as of 1 January 2017.

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
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**For the nine month period ended 30 September 2017**

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2017**

IFRS No.	Title	Effective for annual period beginning on or after
IAS 7	Statement of cash flows (disclosure initiative)	1 January 2017

There is no material impact of the above amendment on the condensed consolidated interim financial information of the Group.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2017 that have had a material impact on the Group's condensed consolidated interim financial information.

**Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2017 and not early adopted**

IFRS No.	Title	Effective for annual period beginning on or after
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

The Group has plans in place for adhering to the above new standards and IFRIC interpretation issued but not yet effective for the Group's financial year beginning on 1 January 2017 and is currently assessing the impact of the above new standards and IFRIC interpretation.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2017 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

## United Arab Bank P.J.S.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Key accounting estimates and judgments

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

In preparing these condensed consolidated interim financial information, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's audited consolidated financial statements as at and for the year ended 31 December 2016.

##### Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2016.

#### 4 EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	<i>Unaudited</i> <i>Nine month period ended 30</i> <i>September</i>	
	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Net profit for the period	<u>49,754,000</u>	<u>87,744,000</u>
<i>Weighted average number of ordinary shares:</i> Weighted average number of shares of AED 1 each outstanding for the period	<u>1,375,033,766</u>	<u>1,375,033,766</u>
Basic earnings per share	<b>AED 0.04</b>	AED 0.06

The figures for diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have an impact on earnings per share if or when exercised.

**United Arab Bank P.J.S.C.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the nine month period ended 30 September 2017****5 CASH AND BALANCES WITH THE UAE CENTRAL BANK**

	<i>Unaudited</i> <b>30 September</b> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Cash on hand	<b>80,514</b>	107,616
Balances with the UAE Central Bank:		
Clearing accounts	<b>393,142</b>	690,345
Certificate of deposits	<b>700,000</b>	1,200,000
Reserve requirements	<b>713,324</b>	768,567
	<b>1,886,980</b>	2,766,528

The reserve requirements kept with the UAE Central Bank in AED and USD, are not available for use in the Group's day to day operations and cannot be withdrawn without its approval. However, the UAE Central Bank, in its Circular 4310/2008 dated 24 September 2008, has temporarily permitted banks to overdraw their current accounts (a) upto the amount of reserves at an interest rate of 3% per annum above the prevailing Central Bank repo rate; and (b) in excess of reserves at an interest of 5% per annum above the prevailing Central Bank repo rate. The level of reserve required changes every month in accordance with the UAE Central Bank directive.

**6 DUE FROM OTHER BANKS**

	<i>Unaudited</i> <b>30 September</b> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Demand deposits	<b>175,852</b>	174,422
Term deposits	<b>492,230</b>	190,654
	<b>668,082</b>	365,076

Due from other banks include AED 139,057,000 (31 December 2016: AED 208,279,000) placed with foreign banks outside the UAE. AED 31,508,000 (31 December 2016: AED 24,068,000) is held as margin for derivative transactions.

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
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**For the nine month period ended 30 September 2017**

**7 LOANS AND ADVANCES**

	<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
The composition of the loans and advances portfolio is as follows:		
Overdrafts	<b>1,462,214</b>	1,369,166
Term loans (medium and short term)	<b>10,395,438</b>	11,155,680
Loans against trust receipts	<b>1,474,477</b>	1,340,716
Bills discounted	<b>293,409</b>	304,153
Other cash advances	<b>70,059</b>	78,707
Bills drawn under letters of credit	<b>74,348</b>	86,132
	<hr/>	<hr/>
Gross amount of loans and advances	<b>13,769,945</b>	14,334,554
Less: Provision for impairment on loans and advances	<b>(918,616)</b>	(988,992)
	<hr/>	<hr/>
Net loans and advances	<b>12,851,329</b>	13,345,562
	<hr/> <hr/>	<hr/> <hr/>

Loans and advances are stated net of provision for impairment of loans and advances. The movements in provisions are as follows:

	<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Balance at 1 January	<b>988,992</b>	819,025
	<hr/>	<hr/>
Provided during the period / year	<b>389,375</b>	1,205,295
Released during the period / year	<b>(164,380)</b>	(175,734)
	<hr/>	<hr/>
Amounts written off (net) during the period / year	<b>224,995</b>	1,029,561
	<b>(295,371)</b>	(859,594)
	<hr/>	<hr/>
Balance	<b>918,616</b>	988,992
	<hr/> <hr/>	<hr/> <hr/>

At 30 September 2017, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 897,201,000 (31 December 2016: AED 825,302,000).

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the nine month period ended 30 September 2017**

**7 LOANS AND ADVANCES (continued)**

Provision for credit losses recognised in the consolidated statement of income is as follows:

	<i>Unaudited</i> <b>30 September</b> <i>2017</i> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <i>2016</i> <b>AED'000</b>
Net impairment of loans and advances	<b>224,995</b>	1,029,561
Recovery of bad debts written off	<b>(15,013)</b>	(18,127)
Provision for credit losses	<b><u>209,982</u></b>	<b><u>1,011,434</u></b>

**8 INVESTMENTS**

	<i>Unaudited</i> <b>30 September 2017</b>			<i>Audited</i> <b>31 December 2016</b>		
	<i>Quoted</i> <b>AED'000</b>	<i>Unquoted</i> <b>AED'000</b>	<i>Total</i> <b>AED'000</b>	<i>Quoted</i> <b>AED'000</b>	<i>Unquoted</i> <b>AED'000</b>	<i>Total</i> <b>AED'000</b>
<b>Debt:</b>						
<i>Held for trading</i>						
Local	-	-	-	18,572	-	18,572
Overseas	<b>183,615</b>	-	<b>183,615</b>	201,095	-	201,095
<i>Available for sale</i>						
Local	<b>2,583,573</b>	-	<b>2,583,573</b>	2,553,409	-	2,553,409
Overseas	<b>511,066</b>	-	<b>511,066</b>	531,520	-	531,520
<i>Held to maturity</i>						
Local	<b>18,503</b>	-	<b>18,503</b>	-	-	-
<b>Total debt securities</b>	<b><u>3,296,757</u></b>	<b><u>-</u></b>	<b><u>3,296,757</u></b>	<b><u>3,304,596</u></b>	<b><u>-</u></b>	<b><u>3,304,596</u></b>
<b>Equity:</b>						
<i>Available for sale</i>						
Overseas	<b>9,042</b>	<b>377</b>	<b>9,419</b>	9,081	76	9,157
<b>Total equities</b>	<b><u>9,042</u></b>	<b><u>377</u></b>	<b><u>9,419</u></b>	<b><u>9,081</u></b>	<b><u>76</u></b>	<b><u>9,157</u></b>
<b>Total investments</b>	<b><u>3,305,799</u></b>	<b><u>377</u></b>	<b><u>3,306,176</u></b>	<b><u>3,313,677</u></b>	<b><u>76</u></b>	<b><u>3,313,753</u></b>

Included in the above are investment securities amounting to AED 693,195,000 (31 December 2016: AED 554,968,000) pledged under repurchase agreements with the lenders (Note 9).

During the nine month period ended 30 September 2017, the Group has invested in unquoted shares of a company amounting to AED 301,000 (31 December 2016: Nil).

**United Arab Bank P.J.S.C.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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**9 DUE TO BANKS**

	<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Demand deposits	<b>39,106</b>	12,491
Term deposits	<b>1,411,131</b>	1,082,991
	<b><u>1,450,237</u></b>	<b><u>1,095,482</u></b>

Due to banks include AED 20,881,000 (31 December 2016: Nil) held as margin for a derivative transaction.

Term deposits include borrowings through repurchase agreements of AED 550,845,000 (31 December 2016: AED 440,676,000).

**10 CUSTOMERS' DEPOSITS**

	<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Term and call deposits	<b>10,229,033</b>	11,054,363
Current accounts	<b>3,749,625</b>	4,108,846
Savings accounts	<b>337,623</b>	374,806
	<b><u>14,316,281</u></b>	<b><u>15,538,015</u></b>

**11 MEDIUM TERM BORROWINGS**

Movement in medium term borrowings during the period/year is as follows:

	<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Balance as at 1 January	<b>1,524,005</b>	2,313,549
New borrowings	-	550,845
Repayments	<b>(91,808)</b>	(1,340,389)
	<b><u>1,432,197</u></b>	<b><u>1,524,005</u></b>

## United Arab Bank P.J.S.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2017

#### 11 MEDIUM TERM BORROWINGS (continued)

The below table details the maturity, currency and interest rate details of the medium term borrowings:

Maturity	Currency	Fixed / Floating	Interest Rate	<i>Unaudited</i>	<i>Audited</i>
				<i>30 September 2017</i>	<i>31 December 2016</i>
				<i>AED'000</i>	<i>AED '000</i>
2017	USD	Floating	LIBOR + Margin	-	91,808
2018	USD	Floating	LIBOR + Margin	<b>1,432,197</b>	1,432,197
				<b>1,432,197</b>	<b>1,524,005</b>

#### 12 DIVIDENDS

At the annual general meeting of the shareholders held on 10<sup>th</sup> April 2017, no cash or scrip dividend (30 September 2016: Nil) relating to 2016 (30 September 2016: Nil relating to 2015) was proposed or subsequently approved.

#### 13 SEGMENTAL INFORMATION

For the purposes of reporting to the chief operating decision makers, the Group is organised into four segments:

- Corporate banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Retail banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services;
- Treasury - principally providing money market, trading and treasury services as well as management of the Group's funding operations including overseeing the operations of Al Sadarah Investment Company; and
- Others - Includes the non-core portfolio of SME and Personal Loans to Self-Employed businesses.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a pool rate which approximates the marginal cost of funds.



**United Arab Bank P.J.S.C.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the nine month period ended 30 September 2017****13 SEGMENTAL INFORMATION (continued)**

Segmental information for the nine month period ended 30 September 2017 is as follows:

	<i>Corporate banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Net interest income	207,723	85,197	42,302	40,353	375,575
Other operating income	100,677	20,188	18,000	1,139	140,004
Operating expenses	(128,518)	(87,585)	(33,736)	(6,004)	(255,843)
Net impairment losses	7,071	(72,977)	-	(144,076)	(209,982)
Profit / (loss) for the period	<u>186,953</u>	<u>(55,177)</u>	<u>26,566</u>	<u>(108,588)</u>	<u>49,754</u>
Capital expenditure Property and equipment	<u>22,941</u>	<u>14,181</u>	<u>3,754</u>	<u>834</u>	<u>41,710</u>
At 30 September 2017					
Segment assets	<u>10,982,190</u>	<u>3,346,803</u>	<u>5,968,002</u>	<u>302,452</u>	<u>20,599,447</u>
Segment liabilities	<u>11,373,225</u>	<u>3,848,973</u>	<u>3,012,450</u>	<u>177,642</u>	<u>18,412,290</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
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**For the nine month period ended 30 September 2017**

**13 SEGMENTAL INFORMATION (continued)**

Segmental information for the nine month period ended 30 September 2016 was as follows:

	<i>Corporate banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Net interest income	249,300	97,894	24,644	123,425	495,263
Other operating income	79,809	25,356	79,578	6,644	191,387
Operating expenses	(122,381)	(90,379)	(30,927)	(19,280)	(262,967)
Net impairment losses	3,712	(47,737)	-	(291,914)	(335,939)
Profit / (loss) for the period	<u>210,440</u>	<u>(14,866)</u>	<u>73,295</u>	<u>(181,125)</u>	<u>87,744</u>
Capital expenditure Property and equipment	<u>15,227</u>	<u>9,413</u>	<u>2,492</u>	<u>553</u>	<u>27,685</u>
At 31 December 2016					
Segment assets	<u>10,688,533</u>	<u>3,367,086</u>	<u>6,555,320</u>	<u>640,605</u>	<u>21,251,544</u>
Segment liabilities	<u>11,913,057</u>	<u>4,318,704</u>	<u>2,702,294</u>	<u>230,772</u>	<u>19,164,827</u>

The Group operates in only one geographic area, the Middle East. Accordingly, no further geographical analysis of operating income, net profit and net assets is given.

## United Arab Bank P.J.S.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2017

#### 14 COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities represent credit related commitments under letters of credit and guarantees that are designed to meet the requirements of the Group's customers towards third parties. Commitments represent credit facilities that are undrawn as on the date of the consolidated interim statement of financial position. The Group has the following credit related commitments:

	<i>Unaudited</i> <b>30 September</b> <b>2017</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2016</b> <i>AED'000</i>
<i>Contingent liabilities</i>		
Letters of credit	<b>535,692</b>	420,563
Guarantees	<b>3,514,716</b>	3,218,243
	<b>4,050,408</b>	3,638,806
<i>Commitments</i>		
Undrawn loan commitments	<b>2,404,672</b>	2,716,966

#### 15 RELATED PARTY TRANSACTIONS

The Group carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Group, directors of the Group, key management personnel of the Group and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly.

The significant balances outstanding are as follows:

	<i>Unaudited</i> <b>30 September</b> <b>2017</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2016</b> <i>AED'000</i>
<i>Shareholders:</i>		
Due from banks	<b>1,452</b>	2,022
Due to banks	<b>4,788</b>	1,752
Medium term borrowings	<b>165,254</b>	165,254
Commitments and contingencies	<b>13,141</b>	11,466

**United Arab Bank P.J.S.C.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the nine month period ended 30 September 2017****15 RELATED PARTY TRANSACTIONS (continued)**

	<i>Unaudited</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
<i>Directors:</i>		
Loans and advances	<u>151</u>	<u>501</u>
Customers' deposits	<u>22,984</u>	<u>36,033</u>
Commitments and contingencies	<u>45</u>	<u>45</u>
<i>Other related entities of shareholders and directors:</i>		
Loans and advances	<u>264,701</u>	<u>299,677</u>
Investments	<u>86,054</u>	<u>85,560</u>
Due from banks	<u>60</u>	<u>72</u>
Due to banks	<u>15</u>	<u>50</u>
Customers' deposits	<u>192,691</u>	<u>256,711</u>
Commitments and contingencies	<u>250,826</u>	<u>275,739</u>
<i>Key management personnel of the Group:</i>		
Loans and advances	<u>6,046</u>	<u>6,234</u>
Customers' deposits	<u>7,542</u>	<u>5,794</u>
<i>Shareholders, directors, their related entities and key management personnel:</i>		
Accrued interest income	<u>4,226</u>	<u>5,695</u>
Accrued interest expense	<u>3,453</u>	<u>2,646</u>

**United Arab Bank P.J.S.C.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the nine month period ended 30 September 2017****15 RELATED PARTY TRANSACTIONS (continued)**

The income, expenses, purchase and sale of investments in respect of related parties during the period included in the consolidated interim statement of income are as follows:

	<i>Unaudited nine month period ended 30 September</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Shareholders, directors and their related entities:</i>		
Interest income	<b>15,763</b>	16,725
Interest expense	<b>5,029</b>	4,596
Gain from sale of investments	<b>146</b>	4,600
Purchase of investments	<b>20,434</b>	346,874
Sale of investments	<b>20,398</b>	273,690
<i>Key management personnel:</i>		
Salaries and other short term benefits	<b>12,927</b>	13,370
Employees' end of service benefits	<b>2,671</b>	1,439
Total compensation to key management personnel	<b>15,598</b>	14,809
Interest income	<b>120</b>	162
Interest expense	<b>35</b>	13
Number of key management personnel	<b>11</b>	12

**Terms and conditions of transactions with related parties**

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length basis. The interest charged to and by related parties is at normal commercial rates. Outstanding balances at year end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the nine month period ended 30 September 2017, the Group has not recorded any impairment on amounts owed by related parties (30 September 2016: Nil).

The Group has leased office space in various premises owned by a related party. The property rentals and associated expenses for the nine month period ended 30 September 2017 amounted to AED 1,777,000 (30 September 2016: AED 1,809,000). The property rentals are negotiated each year at market rates.

## United Arab Bank P.J.S.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2017

#### 16 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - other techniques for which all inputs have a significant effect on the recorded fair value that are observable, either directly or indirectly; and
- Level 3 - techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>30 September 2017</b>				
Investments	3,287,296	-	377	3,287,673
Derivative assets	-	106,764	-	106,764
	<u>3,287,296</u>	<u>106,764</u>	<u>377</u>	<u>3,394,437</u>
Derivative liabilities	-	130,016	-	130,016
	<u>-</u>	<u>130,016</u>	<u>-</u>	<u>130,016</u>
<b>31 December 2016</b>				
Investments	3,313,677	-	76	3,313,753
Derivative assets	-	109,963	-	109,963
	<u>3,313,677</u>	<u>109,963</u>	<u>76</u>	<u>3,423,716</u>
Derivative liabilities	-	82,807	-	82,807
	<u>-</u>	<u>82,807</u>	<u>-</u>	<u>82,807</u>

During the nine month period ended 30 September 2017 the Group has invested in unquoted shares of a company amounting to AED 301,000 which have been categorised as level 3 (31 December 2016: Nil).

#### Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with the UAE Central Bank, due from other banks, loans and advances, other assets (excluding derivative assets), due to banks, customer's deposits and other liabilities (excluding derivative liabilities) that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different from their carrying values.