

**UNITED ARAB BANK P.J.S.C.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

**FOR THE THREE MONTH PERIOD ENDED  
31 MARCH 2016**

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION**

**For the three month period ended 31 March 2016**

	<b>Pages</b>
<b>Independent auditor's report</b>	<b>2</b>
<b>Consolidated interim statement of interim financial position</b>	<b>3</b>
<b>Consolidated interim statement of income</b>	<b>4</b>
<b>Consolidated interim statement of comprehensive income</b>	<b>5</b>
<b>Consolidated interim statement of cash flows</b>	<b>6</b>
<b>Consolidated interim statement of changes in equity</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8 - 22</b>



## **Review report to the 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.) (“the Bank”) and its subsidiary (together referred to as “the Group”) as at 31 March 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated 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 does not present fairly, in all material respects, the financial position of the entity as at 31 March 2016, and of its financial performance and its cash flows for the three month period then ended in accordance with IAS 34 – Interim Financial Reporting.

PricewaterhouseCoopers  
20 April 2016

A handwritten signature in blue ink that reads 'Paul Suddaby' with a stylized flourish at the end.

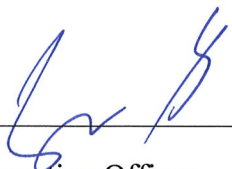
Paul Suddaby  
Registered Auditor Number 309  
Dubai, United Arab Emirates

*PricewaterhouseCoopers (Dubai Branch), License no. 102451  
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates  
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, [www.pwc.com/me](http://www.pwc.com/me)*

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2016**

	Note	Unaudited 31 March 2016 AED'000	Audited 31 December 2015 AED'000
<b>Assets</b>			
Cash and balances with the UAE Central Bank	5	2,038,340	3,075,352
Due from other banks	6	906,613	864,386
Loans and advances	7	15,254,360	15,671,631
Investments	8	3,042,544	2,559,350
Investment property	9	96,000	96,000
Property, equipment and capital work-in-progress		586,782	587,718
Other assets		763,448	827,186
<b>Total assets</b>		<b>22,688,087</b>	<b>23,681,623</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	10	2,191,799	1,037,946
Customer deposits	11	15,039,676	16,775,043
Medium term borrowings	12	1,939,134	2,313,549
Other liabilities		894,142	967,130
<b>Total liabilities</b>		<b>20,064,751</b>	<b>21,093,668</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		702	714
Retained earnings		449,958	404,890
Cumulative changes in fair values		(119,541)	(109,866)
<b>Total shareholders' equity</b>		<b>2,623,336</b>	<b>2,587,955</b>
<b>Total liabilities and shareholders' equity</b>		<b>22,688,087</b>	<b>23,681,623</b>

This condensed consolidated interim financial information was approved by the Board of Directors on 20 April 2016 and signed on its behalf by:

  
 \_\_\_\_\_  
 Samer Tamimi  
 Acting Chief Executive Officer  
 20 April 2016

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF INCOME (unaudited)**  
**For the three month period ended 31 March 2016**

	<i>Note</i>	Three month period ended 31 March	
		<b>2016</b> <b>AED'000</b>	2015 AED'000
Interest income		<b>259,011</b>	318,104
Interest expense		<b>(70,475)</b>	(53,746)
<b>Net interest income</b>		<b>188,536</b>	264,358
Net fees and commission income		<b>18,443</b>	35,397
Foreign exchange income		<b>24,073</b>	20,871
Other operating income		<b>18,055</b>	31,337
<b>Operating income</b>		<b>249,107</b>	351,963
Net impairment losses	7	<b>(114,355)</b>	(84,337)
<b>Net operating income</b>		<b>134,752</b>	267,626
Employee benefit expenses		<b>(57,238)</b>	(68,450)
Depreciation		<b>(8,678)</b>	(7,408)
Other operating expenses		<b>(23,780)</b>	(30,281)
<b>Total operating expenses</b>		<b>(89,696)</b>	(106,139)
<b>Net profit for the period</b>		<b>45,056</b>	161,487
<b>Earnings per share (basic and diluted in AED)</b>	4	<b>0.03</b>	0.12

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE**  
**INCOME (unaudited)**  
**For the three month period ended 31 March 2016**

	Three month period ended 31 March	
	<b>2016</b>	2015
	<b>AED'000</b>	AED'000
<b>Net profit for the period</b>	<b>45,056</b>	161,487
<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>18,945</b>	(5,192)
Available for sale investments – reclassified to consolidated statement of income	<b>(28,620)</b>	(9,626)
	<u><b>(9,675)</b></u>	<u>(14,818)</u>
<b>Total comprehensive income for the period</b>	<u><b>35,381</b></u>	<u>146,669</u>

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)**  
**For the three month period ended 31 March 2016**

	Three month period ended 31 March	
	2016 AED'000	2015 AED'000
<b>Operating activities</b>		
Net profit for the period	45,056	161,487
Adjustments for:		
Depreciation	8,678	7,408
Net impairment losses	114,355	84,337
Amortisation of premium paid on investments	5,012	-
Net fair value gains on disposal of investments	(6,387)	(16,682)
Operating profit before working capital changes	166,714	236,550
Changes in operating assets and liabilities:		
Loans and advances	302,916	(401,763)
Balances with the UAE Central bank maturing after three months	35,386	(26,454)
Cash margin held by counterparty banks against borrowings and derivative transactions	(17,125)	(29,491)
Other assets	63,738	(268,825)
Due to banks maturing after three months	509,071	344,519
Customer deposits	(1,735,367)	(372,337)
Other liabilities	(105,867)	366,853
Net cash used in operating activities	(780,534)	(150,948)
<b>Investing activities</b>		
Purchase of property, equipment and capital work-in-progress	(7,742)	(12,621)
Purchase of investments	(1,031,341)	(1,951,384)
Proceeds from redemption / sale of investments	572,725	1,781,185
Net cash used in investing activities	(466,358)	(182,820)
<b>Financing activities</b>		
Repayment of medium term borrowings	(374,415)	-
Cash dividends	-	(114,586)
Net cash used in financing activities	(374,415)	(114,586)
<b>Net change in cash and cash equivalents</b>	<b>(1,621,307)</b>	<b>(448,354)</b>
Cash and cash equivalents at the beginning of the period	2,610,146	1,970,311
<b>Cash and cash equivalents at the end of the period</b>	<b>988,839</b>	<b>1,521,957</b>

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	1,052,394	565,582
Due from other banks maturing within three months	732,770	1,848,292
Due to banks maturing within three months	(796,325)	(891,917)
	<b>988,839</b>	<b>1,521,957</b>

**United Arab Bank P.J.S.C.**  
**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)**  
**For the three month period ended 31 March 2016**

	Share capital AED'000	Special reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	Cumulative changes in fair value AED'000	Total AED'000
At 1 January 2015	1,145,861	412,659	495,214	9,311	750	914,759	(66,893)	2,911,661
Profit for the period	-	-	-	-	-	161,487	-	161,487
Other comprehensive loss for the period	-	-	-	-	-	-	(14,818)	(14,818)
Total comprehensive income for the period	-	-	-	-	-	161,487	(14,818)	146,669
Depreciation transfer for land and buildings	-	-	-	-	(9)	9	-	-
Scrip dividend (note 13)	229,172	-	-	-	-	(229,172)	-	-
Cash dividend (note 13)	-	-	-	-	-	(114,586)	-	(114,586)
At 31 March 2015	<u>1,375,033</u>	<u>412,659</u>	<u>495,214</u>	<u>9,311</u>	<u>741</u>	<u>732,497</u>	<u>(81,711)</u>	<u>2,943,744</u>
At 1 January 2016	1,375,033	412,659	495,214	9,311	714	404,890	(109,866)	2,587,955
Profit for the period	-	-	-	-	-	45,056	-	45,056
Other comprehensive loss for the period	-	-	-	-	-	-	(9,675)	(9,675)
Total comprehensive income for the period	-	-	-	-	-	45,056	(9,675)	35,381
Depreciation transfer for land and buildings	-	-	-	-	(12)	12	-	-
Scrip dividend (note 13)	-	-	-	-	-	-	-	-
Cash dividend (note 13)	-	-	-	-	-	-	-	-
At 31 March 2016	<u>1,375,033</u>	<u>412,659</u>	<u>495,214</u>	<u>9,311</u>	<u>702</u>	<u>449,958</u>	<u>(119,541)</u>	<u>2,623,336</u>

The notes on pages 8 to 22 form an integral part of the condensed consolidated interim financial information.

(7)



**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016**

**1 LEGAL STATUS AND ACTIVITIES**

United Arab Bank P.J.S.C. (the “Bank”) was incorporated as a public company with limited liability in the Emirate of Sharjah in 1975 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 period ended 31 March 2016 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 do 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 2015.

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 is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

**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 2015 except for the adoption of the new International Financial Reporting Standards (IFRSs) which became effective as of 1 January 2016.

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2016**

<b>IFRS No.</b>	<b>Title</b>	<b>Effective for annual period beginning on or after</b>
IAS 1	Presentation of financial statements (disclosure initiative)	1 January 2016
IFRS 7	Financial instruments: disclosures*	1 January 2016
IAS 19	Employee benefits*	1 January 2016
IAS 34	Interim financial reporting*	1 January 2016

\* These represent annual improvements issued from the 2012 - 2014 reporting cycle, amending the aforesaid standards.

There is no material impact of the above amendments 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 2016 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 2016 and not early adopted**

<b>IFRS No.</b>	<b>Title</b>	<b>Effective for annual period beginning on or after</b>
IAS 7	Statement of cash flows (disclosure initiative)	1 January 2017
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10	Consolidated financial statements	Date to be determined
IAS 28	Investments in associates and joint ventures	Date to be determined

The Group has plans in place for adhering to the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2016.

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

**For the three month period ended 31 March 2016** (continued)

**3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 2016 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

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 consolidated financial statements as at and for the year ended 31 December 2015.

**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.

**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 2015.

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**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:

	Unaudited three month period ended 31 March	
	<b>2016</b>	2015
	<b>AED</b>	AED
Net profit for the period	<b>45,056,000</b>	161,487,000
<i>Weighted average number of ordinary shares:</i>		
Ordinary shares of AED 1 each at the beginning of the period	<b>1,145,861,472</b>	1,145,861,472
Effect of scrip dividend of AED 0.20 per share of AED 1 each issued during 2015	<b>229,172,294</b>	229,172,294
Weighted average number of shares of AED 1 each outstanding for the period	<b>1,375,033,766</b>	1,375,033,766
Basic earnings per share	<b>AED 0.03</b>	AED 0.12

Weighted average number of shares outstanding for the period have been adjusted to include the effect of a scrip dividend issued in 2015 (refer to note 13).

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.

**5 CASH AND BALANCES WITH THE UAE CENTRAL BANK**

	Unaudited <b>2016</b> AED'000	Audited 2015 AED'000
Cash on hand	<b>117,215</b>	138,719
Balances with the UAE Central Bank:		
Clearing accounts	<b>385,179</b>	1,115,301
Certificate of deposits	<b>700,000</b>	800,000
Reserve requirements	<b>835,946</b>	1,021,332
	<b>2,038,340</b>	3,075,352

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2016 (continued)

#### 5 CASH AND BALANCES WITH THE UAE CENTRAL BANK (continued)

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

	<b>Unaudited 31 March 2016 AED'000</b>	<b>Audited 31 December 2015 AED'000</b>
Demand deposits	247,576	177,687
Term deposits	659,037	686,699
	<u>906,613</u>	<u>864,386</u>

Due from banks include AED 481,972,000 (31 December 2015: AED 554,091,000) placed with foreign banks outside the UAE. AED 82,035,000 (31 December 2015: AED 64,910,000) is held as margin for derivative transactions.

#### 7 LOANS AND ADVANCES

	<b>Unaudited 31 March 2016 AED'000</b>	<b>Audited 31 December 2015 AED'000</b>
The composition of the loans and advances portfolio is as follows:		
Overdrafts	1,550,167	1,548,208
Term loans (medium and short term)	11,958,808	12,286,125
Loans against trust receipts	1,735,435	1,640,225
Bills discounted	593,330	763,734
Other cash advances	89,479	95,681
Bills drawn under letters of credit	105,220	156,683
	<u>16,032,439</u>	<u>16,490,656</u>
Gross amount of loans and advances	16,032,439	16,490,656
Less: Provision for impairment on loans and advances	(778,079)	(819,025)
	<u>15,254,360</u>	<u>15,671,631</u>

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**7 LOANS AND ADVANCES** (continued)

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

	<b>Unaudited 31 March 2016 AED'000</b>	Audited 31 December 2015 AED'000
Balance at 1 January	<b>819,025</b>	525,531
Provided during the period / year	<b>224,063</b>	934,861
Released during the period / year	<b>(106,287)</b>	(32,212)
	<b>117,776</b>	902,649
Amounts written off (net) during the period / year	<b>(158,722)</b>	(609,155)
Balance	<b>778,079</b>	819,025

At 31 March 2016, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 694,598,000 (31 December 2015: AED 661,150,000).

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

	<b>Unaudited 31 March 2016 AED'000</b>	Audited 31 December 2015 AED'000
Net impairment of loans and advances	<b>117,776</b>	902,649
Recovery on bad debt written off	<b>(3,421)</b>	(14,858)
Provision for credit losses	<b>114,355</b>	887,791

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**8 INVESTMENTS**

	Unaudited 31 March 2016			Audited 31 December 2015		
	Quoted AED'000	Unquoted AED'000	Total AED'000	Quoted AED'000	Unquoted AED'000	Total AED'000
<b>Debt:</b>						
<i>Available for sale</i>						
Local	2,612,915	-	2,612,915	2,253,806	-	2,253,806
Overseas	420,268	-	420,268	295,854	-	295,854
<b>Total debt securities</b>	<b>3,033,183</b>	<b>-</b>	<b>3,033,183</b>	<b>2,549,660</b>	<b>-</b>	<b>2,549,660</b>
<b>Equity:</b>						
<i>Available for sale</i>						
Overseas	9,285	76	9,361	9,614	76	9,690
<b>Total equities</b>	<b>9,285</b>	<b>76</b>	<b>9,361</b>	<b>9,614</b>	<b>76</b>	<b>9,690</b>
<b>Total investments</b>	<b>3,042,468</b>	<b>76</b>	<b>3,042,544</b>	<b>2,559,274</b>	<b>76</b>	<b>2,559,350</b>

Included in the above are investment securities amounting to AED 1,297,204,000 (2015: AED 682,613,000) held under repurchase agreements with the lenders.

The Group has not purchased or invested in shares of companies in 2016 (2015: AED Nil).

**9 INVESTMENT PROPERTY**

Investment property represents a building in the UAE, which has been acquired through foreclosure of a loan. During the three month period ended 31 March 2016, the Group did not acquire any new investment properties (31 December 2015: AED Nil).

**10 DUE TO BANKS**

	Unaudited 31 March 2016 AED'000	Audited 31 December 2015 AED'000
Demand deposits	17,541	6,458
Term deposits	2,174,258	1,031,488
	<b>2,191,799</b>	<b>1,037,946</b>

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**11 CUSTOMER DEPOSITS**

	<b>Unaudited 31 March 2016 AED'000</b>	<b>Audited 31 December 2015 AED'000</b>
Term and call deposits	<b>9,685,030</b>	11,548,820
Current accounts	<b>4,927,242</b>	4,701,183
Savings accounts	<b>427,404</b>	525,040
	<b><u>15,039,676</u></b>	<b><u>16,775,043</u></b>

**12 MEDIUM TERM BORROWINGS**

	<b>Unaudited 31 March 2016 AED'000</b>	<b>Audited 31 December 2015 AED'000</b>
Balance as at 1 January	<b>2,313,549</b>	2,019,655
New borrowings	<b>-</b>	1,028,344
Repayments	<b>(374,415)</b>	(734,450)
Balance as at period / year end	<b><u>1,939,134</u></b>	<b><u>2,313,549</u></b>

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

Maturity	Currency	Fixed / Floating	Interest Rate	<b>Unaudited 31 March 2016 AED'000</b>	<b>Audited 31 December 2015 AED '000</b>
2016	USD	Floating	LIBOR + Margin	<b>-</b>	319,332
2017	USD	Floating	LIBOR + Margin	<b>1,057,780</b>	1,057,780
2018	USD	Floating	LIBOR + Margin	<b>881,354</b>	936,437
				<b><u>1,939,134</u></b>	<b><u>2,313,549</u></b>



**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**13 DIVIDENDS**

At the annual general meeting of the shareholders held on 14 March 2016, no cash dividend (31 March 2015: AED 0.10 per share of AED 1 each) relating to the year 2015 (31 March 2015: AED 114,586,147 relating to the year 2014) was approved and paid.

No scrip dividend (31 March 2015: AED 0.20 per share of AED 1 each) relating to the year 2015 (31 March 2015: AED 229,172,294) was approved and issued.

**14 SEGMENTAL INFORMATION**

**Primary segment information**

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

- |                   |   |   |
|-------------------|---|---|
| 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; |
| Corporate banking | - | principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;  |
| Treasury          | - | principally providing money market, trading and treasury services as well as management of the Group's funding operations.  |
| Others            | - | principally handling loans and other credit facilities to non-core segments as well as management of Al Sadarah Investment Company and Head Office functions.                                 |

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 three month period ended 31 March 2016** (continued)

**14 SEGMENTAL INFORMATION** (continued)

Segmental information for the three month period ended 31 March 2016 is as follows:

	<b>Corporate banking AED'000</b>	<b>Retail banking AED'000</b>	<b>Treasury AED'000</b>	<b>Others AED'000</b>	<b>Total AED'000</b>
Net interest income	87,415	40,814	6,531	53,776	188,536
Other operating income	27,028	9,179	21,962	2,402	60,571
Expenses	(37,788)	(35,780)	(9,136)	(6,992)	(89,696)
Impairment loss	10,346	(11,458)	-	(113,243)	(114,355)
Profit for the year	<u>87,001</u>	<u>2,755</u>	<u>19,357</u>	<u>(64,057)</u>	<u>45,056</u>
Capital expenditure - Property and equipment	<u>4,258</u>	<u>2,632</u>	<u>697</u>	<u>155</u>	<u>7,742</u>
At 31 March 2016					
Segment assets	<u>11,519,823</u>	<u>3,768,198</u>	<u>6,045,476</u>	<u>1,354,590</u>	<u>22,688,087</u>
Segment liabilities	<u>10,953,331</u>	<u>4,394,784</u>	<u>4,246,638</u>	<u>469,998</u>	<u>20,064,751</u>

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**14 SEGMENTAL INFORMATION** (continued)

Segmental information for the three month period ended 31 March 2015 was as follows:

	Corporate banking AED'000	Retail banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net interest income	110,432	46,527	16,136	91,263	264,358
Other operating income	35,120	10,407	29,827	12,251	87,605
Expenses	(40,457)	(40,685)	(9,711)	(15,286)	(106,139)
Impairment loss	(42,350)	(21,078)	-	(20,909)	(84,337)
Profit for the year	<u>62,745</u>	<u>(4,829)</u>	<u>36,252</u>	<u>67,319</u>	<u>161,487</u>
Capital expenditure - Property and equipment	<u>7,350</u>	<u>4,109</u>	<u>846</u>	<u>316</u>	<u>12,621</u>
At 31 December 2015					
Segment assets	<u>11,302,516</u>	<u>4,092,459</u>	<u>6,499,088</u>	<u>1,787,560</u>	<u>23,681,623</u>
Segment liabilities	<u>12,455,048</u>	<u>4,514,272</u>	<u>3,351,495</u>	<u>772,853</u>	<u>21,093,668</u>

**Secondary segment information**

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 three month period ended 31 March 2016** (continued)

**15 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 and other capital expenditure commitments of the Group that are undrawn as on the date of the consolidated interim statement of financial position. The Group has the following credit related commitments:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2016</b>	2015
	<b>AED'000</b>	AED'000
<i>Contingent liabilities</i>		
Letters of credit	<b>404,517</b>	461,358
Guarantees	<b>2,861,589</b>	3,023,975
	<b>3,266,106</b>	3,485,333
<i>Commitments</i>		
Undrawn loan commitments	<b>2,746,115</b>	2,784,629

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**16 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:

*Shareholders, directors, their related entities and key management personnel*

	<b>Unaudited 31 March 2016 AED'000</b>	Audited 31 December 2015 AED'000
Due from other banks	<b>2,902</b>	115,147
Due to banks	<b>187,005</b>	1,764
Medium term borrowings	<b>123,341</b>	141,703
Loans and advances	<b>336,019</b>	267,745
Customer deposits	<b>374,671</b>	373,759
Investments	<b>46,507</b>	9,336
Commitments and contingencies	<b>328,684</b>	297,836
Accrued interest income	<b>3,370</b>	4,231
Accrued interest expense	<b>2,189</b>	1,066

For the three month period ended 31 March 2016, the Group has not recorded any impairment on amounts owed by related parties (31 March 2015: AED Nil).

**United Arab Bank P.J.S.C.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**For the three month period ended 31 March 2016** (continued)

**16 RELATED PARTY TRANSACTIONS** (continued)

The income and expenses in respect of related parties included in the consolidated interim statement of income are as follows:

*Shareholders, directors, their related entities and key management personnel*

	Unaudited three month period ended 31 March	
	<b>2016</b>	2015
	<b>AED'000</b>	AED'000
Interest income	<b>4,564</b>	4,209
Interest expense	<b>1,828</b>	692
<b>Compensation of key management personnel is as follows:</b>		
Salaries and other short term benefits	<b>7,252</b>	7,576
Number of key management personnel	<b>22</b>	26

The Group has leased office space in various premises owned by a related party. The property rentals and associated expenses for the three month period ended 31 March 2016 amounted to AED 594,000 (31 March 2015: AED 585,000). 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 three month period ended 31 March 2016** (continued)

**17 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 and assets recorded at fair value**

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2016</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Investments	<b>3,042,468</b>	-	<b>76</b>	<b>3,042,544</b>
Derivative assets	-	<b>57,979</b>	-	<b>57,979</b>
Investment properties	-	<b>96,000</b>	-	<b>96,000</b>
	<b>3,042,468</b>	<b>153,979</b>	<b>76</b>	<b>3,196,523</b>
Derivative liabilities	-	<b>115,705</b>	-	<b>115,705</b>
<b>31 December 2015</b>				
Investments	2,559,274	-	76	2,559,350
Derivative assets	-	29,343	-	29,343
Investment properties	-	96,000	-	96,000
	2,559,274	125,343	76	2,684,693
Derivative liabilities	-	69,462	-	69,462

There were no movements in assets categorised as level 3 during the three month period ended 31 March 2016 (31 December 2015: AED 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 prepayments), due to banks, customer deposits and other liabilities that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair are not materially different from their carrying values.