



DIRECTORS REPORT – YEAR ENDED 31 DECEMBER 2016

On behalf of the Board of Directors of United Arab Bank (UAB), I am privileged to present to our shareholders our Annual Report for the year ended 31 December 2016.

Notably, 2016 was a year of transition for UAB as the Bank embarked on its journey to become a safer, stronger and sustainable Bank. Central to this Transformation Strategy were four key pillars: pro-actively deleverage higher risk non-core portfolios; reduce costs; enhance the Bank's risk and control frameworks; and strengthen key banking fundamentals.

Whilst the last 18 months have clearly been a challenging period for the Bank much has been achieved. We have substantially strengthened our Balance Sheet, focused on our core activities, de-risked the business and captured material cost savings across the successful execution of our strategy.

In 2016, the Bank has recognized Provisions for credit losses of **AED1,011m** which include a material one-time charge necessary to address legacy issues; consequently, UAB's full year financial results have been impacted with the Bank reporting a Net Loss of **AED523m**.

The Board and Management Team remain fully committed in completing the Transformation Strategy and ultimately generate sustainable returns for shareholders over the medium term.

With the enduring support and assistance of our alliance partner, The Commercial Bank, we are confident that we will continue to support the UAE economy as it continues on its prosperity.

The Board of Directors recommend the following appropriations of profit for the year ended 31 December 2016, subject to the approval of the Central Bank of UAE:

	2015 Restated	2016
Opening balance in Retained Earnings at 1 January	881,612	354,794
Loss for the year	(183,096)	(522,691)
Transfers from revaluation reserve	36	41
Dividend distributed relating to 2014	(343,758)	0
Balance available for appropriation	354,794	(167,856)



Proposed appropriation of profit		
Transfer to Special Reserve	0	0
Transfer to Statutory Reserve	0	0
Director's remuneration	0	0
Closing balance in Retained Earnings at 31 December	354,794	(167,856)

After the proposed appropriation of profit, and subject to the General Assembly's approval, total Shareholder's Funds will decrease to **AED2,087** million at 31 December 2016 compared with **AED2,570** million at the end of 2015 (Restated). The Directors propose no dividend award for the year 2016.

On behalf of the Board of Directors, whose unwavering commitment and guidance remain invaluable, my sincere appreciation goes to our valued customers and shareholders for their patronage, the top management and the employees for their commitment and dedication, and to the Central Bank of the UAE for regulating and supporting the UAE banking sector.

In conclusion, we wish to express our appreciation to the President of the United Arab Emirates, His Highness Sheikh Khalifa Bin Zayed Al Nahyan for his leadership, vision and support. We also wish to thank His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces; and His Highness Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah; for their support and guidance.

Faisal Bin Sultan Bin Salem Al Qassimi
Chairman
20 February 2017