

United Arab Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2017**

United Arab Bank P.J.S.C.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION**

For the six month period ended 30 June 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 June 2017, the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended 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

13 July 2017

Douglas O'Mahony

Registered Auditor Number 834

Dubai, United Arab Emirates

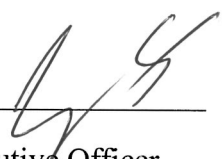
United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		<i>Unaudited 30 June 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
	<i>Note</i>		
Assets			
Cash and balances with the UAE Central Bank	5	1,942,622	2,766,528
Due from other banks	6	559,174	365,076
Loans and advances	7	13,397,896	13,345,562
Investments	8	3,427,466	3,313,753
Property, equipment and capital work-in-progress		587,729	584,325
Other assets		1,242,129	876,300
Total assets		21,157,016	21,251,544
Liabilities and shareholders' equity			
Liabilities			
Due to banks	9	2,247,632	1,095,482
Customers' deposits	10	13,880,787	15,538,015
Medium term borrowings	11	1,524,005	1,524,005
Other liabilities		1,322,420	1,007,325
Total liabilities		18,974,844	19,164,827
Shareholders' equity			
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		651	673
Retained earnings		(112,686)	(167,856)
Cumulative changes in fair values		1,990	(38,317)
Total shareholders' equity		2,182,172	2,086,717
Total liabilities and shareholders' equity		21,157,016	21,251,544

This condensed consolidated interim financial information was approved by the Board of Directors on 12th July 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 six month period ended 30 June 2017

		<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
		2017	2016	2017	2016
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Interest income		212,426	238,721	417,444	497,732
Interest expense		(86,366)	(80,130)	(172,078)	(150,605)
Net interest income		126,060	158,591	245,366	347,127
Net fees and commission income		31,793	28,476	61,660	46,919
Foreign exchange income		8,420	16,888	19,243	40,961
Other operating income		8,596	22,716	19,351	40,771
Operating income		174,869	226,671	345,620	475,778
Net impairment losses	7	(59,989)	(117,238)	(116,277)	(231,593)
Net operating income		114,880	109,433	229,343	244,185
Employee benefit expenses		(57,274)	(54,542)	(112,133)	(111,780)
Depreciation		(8,785)	(8,736)	(17,693)	(17,414)
Other operating expenses		(21,504)	(20,451)	(44,369)	(44,231)
Total operating expenses		(87,563)	(83,729)	(174,195)	(173,425)
Net profit for the period		27,317	25,704	55,148	70,760
Earnings per share (basic and diluted in AED)	4	0.02	0.02	0.04	0.05

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

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	27,317	25,704	55,148	70,760
Other comprehensive income:				
<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	10,145	29,252	47,484	48,197
Available for sale investments – reclassified to consolidated statement of income	(15,387)	(17,265)	(7,177)	(45,885)
	(5,242)	11,987	40,307	2,312
Total comprehensive income for the period	22,075	37,691	95,455	73,072

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

	<i>Six month period ended 30 June</i>	
	2017	2016
	AED'000	AED'000
Operating activities		
Net profit for the period	55,148	70,760
Adjustments for:		
Depreciation	17,693	17,414
Loss on write off of property and equipment	5,000	-
Gain from insurance proceeds	(5,201)	-
Net impairment losses	116,277	231,593
Amortisation of premium paid on investments	10,284	13,816
Net fair value gains on disposal of investments	5,114	(18,248)
Unrealised gain on investments	(1,341)	-
Operating profit before changes in operating assets and liabilities	202,974	315,335
Changes in operating assets and liabilities:		
Loans and advances	(378,611)	551,702
Balances with the UAE Central Bank maturing after three months	137,286	20,089
Due from other banks maturing after three months	(37,698)	(79,797)
Cash margin held by counterparty banks against borrowings and derivative transactions	(5,710)	(26,086)
Other assets	(155,829)	161,436
Due to banks maturing after three months	669,608	392,337
Customers' deposits	(1,657,228)	(1,516,439)
Other liabilities	305,124	(214,882)
Net cash used in operating activities	(920,084)	(396,305)
Investing activities		
Purchase of property, equipment and capital work-in-progress	(26,966)	(17,829)
Proceeds on sale of property and equipment	1,070	-
Proceeds from insurance claims	5,000	-
Purchase of investments	(1,311,251)	(2,539,496)
Proceeds from redemption / sale of investments	1,233,758	1,894,813
Net cash used in investing activities	(98,389)	(662,512)
Financing activities		
Repayment of medium term borrowings	-	(374,415)
Net change in cash and cash equivalents	(1,018,473)	(1,433,232)
Cash and cash equivalents at 1 January	1,631,477	2,610,146
Cash and cash equivalents at 30 June	613,004	1,176,914
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	961,340	1,124,214
Due from other banks	366,698	619,109
Due to banks	(715,034)	(566,409)
	613,004	1,176,914

United Arab Bank P.J.S.C.
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)
For the six month period ended 30 June 2017

	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 2016	1,375,033	412,659	495,214	9,311	714	354,794	(77,770)	2,569,955
Profit for the period	-	-	-	-	-	70,760	-	70,760
Other comprehensive income for the period	-	-	-	-	-	-	2,312	2,312
Total comprehensive income for the period	-	-	-	-	-	70,760	2,312	73,072
Depreciation transfer for land and buildings	-	-	-	-	(21)	21	-	-
At 30 June 2016	1,375,033	412,659	495,214	9,311	693	425,575	(75,458)	2,643,027
At 1 January 2017	1,375,033	412,659	495,214	9,311	673	(167,856)	(38,317)	2,086,717
Profit for the period	-	-	-	-	-	55,148	-	55,148
Other comprehensive income for the period	-	-	-	-	-	-	40,307	40,307
Total comprehensive income for the period	-	-	-	-	-	55,148	40,307	95,455
Depreciation transfer for land and buildings	-	-	-	-	(22)	22	-	-
At 30 June 2017	1,375,033	412,659	495,214	9,311	651	(112,686)	1,990	2,182,172

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

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 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 six month period ended 30 June 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 INFORMATION

For the six month period ended 30 June 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 amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2017.

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2017

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 2017 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

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.

United Arab Bank P.J.S.C.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six month period ended 30 June 2017****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>Six month period ended 30 June</i>	
	2017 AED	2016 AED
Net profit for the period	55,148,000	70,760,000
<i>Weighted average number of ordinary shares:</i>		
Weighted average number of shares of AED 1 each outstanding for the period	1,375,033,766	1,375,033,766
Basic earnings per share	AED 0.04	AED 0.05

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

	<i>Unaudited</i> 30 June 2017 AED'000	<i>Audited</i> 31 December 2016 AED'000
Cash on hand	90,759	107,616
Balances with the UAE Central Bank:		
Clearing accounts	520,582	690,345
Certificate of deposits	500,000	1,200,000
Reserve requirements	831,281	768,567
	1,942,622	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.

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2017

6 DUE FROM OTHER BANKS

	<i>Unaudited 30 June 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
Demand deposits	139,702	174,422
Term deposits	419,472	190,654
	<u>559,174</u>	<u>365,076</u>

Due from banks include AED 143,274,000 (31 December 2016: AED 208,279,000) placed with foreign banks outside the UAE. AED 29,778,000 (31 December 2016: AED 24,068,000) is held as margin for derivative transactions.

7 LOANS AND ADVANCES

	<i>Unaudited 30 June 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
Overdrafts	1,277,719	1,369,166
Term loans (medium and short term)	11,136,844	11,155,680
Loans against trust receipts	1,518,672	1,340,716
Bills discounted	283,159	304,153
Other cash advances	70,719	78,707
Bills drawn under letters of credit	102,566	86,132
	<u>14,389,679</u>	<u>14,334,554</u>
Gross amount of loans and advances	14,389,679	14,334,554
Less: Provision for impairment on loans and advances	(991,783)	(988,992)
	<u>13,397,896</u>	<u>13,345,562</u>
Net loans and advances	<u>13,397,896</u>	<u>13,345,562</u>

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

	<i>Unaudited 30 June 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
Balance at 1 January	988,992	819,025
Provided during the period / year	171,226	1,205,295
Released during the period / year	(43,476)	(175,734)
	127,750	1,029,561
Amounts written off (net) during the period / year	(124,959)	(859,594)
Balance	991,783	988,992

At 30 June 2017, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 941,302,000 (31 December 2016: AED 825,302,000).

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

	<i>Unaudited 30 June 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
Net impairment of loans and advances	127,750	1,029,561
Recovery on bad debt written off	(11,473)	(18,127)
Provision for credit losses	116,277	1,011,434

United Arab Bank P.J.S.C.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the six month period ended 30 June 2017
8 INVESTMENTS

	<i>Unaudited</i> <i>30 June 2017</i>			<i>Audited</i> <i>31 December 2016</i>		
	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Debt:						
<i>Held for trading</i>						
Local	-	-	-	18,572	-	18,572
Overseas	194,698	-	194,698	201,095	-	201,095
<i>Available for sale</i>						
Local	2,708,507	-	2,708,507	2,553,409	-	2,553,409
Overseas	496,382	-	496,382	531,520	-	531,520
<i>Held to maturity</i>						
Local	18,517	-	18,517	-	-	-
Total debt securities	3,418,104	-	3,418,104	3,304,596	-	3,304,596
Equity:						
<i>Available for sale</i>						
Overseas	8,985	377	9,362	9,081	76	9,157
Total equities	8,985	377	9,362	9,081	76	9,157
Total investments	3,427,089	377	3,427,466	3,313,677	76	3,313,753

Included in the above are investment securities amounting to AED 1,569,966,000 (31 December 2016: AED 554,968,000) pledged under repurchase agreements with the lenders (Note 9).

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

9 DUE TO BANKS

	<i>Unaudited</i> <i>30 June</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Demand deposits	21,015	12,491
Term deposits	2,226,617	1,082,991
	2,247,632	1,095,482

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2017

9 DUE TO BANKS (continued)

Due to banks include AED 2,662,000 (31 December 2016: Nil) held as margin for a derivative transaction.

Term deposits include borrowings through repurchase agreements of AED 1,277,330,000 (31 December 2016: AED 440,676,000).

10 CUSTOMERS' DEPOSITS

	<i>Unaudited</i> <i>30 June</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	9,503,057	11,054,363
Current accounts	4,009,559	4,108,846
Savings accounts	368,171	374,806
	<u>13,880,787</u>	<u>15,538,015</u>

11 MEDIUM TERM BORROWINGS

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

	<i>Unaudited</i> <i>30 June</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	1,524,005	2,313,549
New borrowings	-	550,845
Repayments	-	(1,340,389)
Balance as at period / year end	<u>1,524,005</u>	<u>1,524,005</u>

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>30 June</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED '000</i>
2017	USD	Floating	LIBOR + Margin	91,808	91,808
2018	USD	Floating	LIBOR + Margin	1,432,197	1,432,197
				<u>1,524,005</u>	<u>1,524,005</u>

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2017

12 DIVIDENDS

At the annual general meeting of the shareholders held on 10th April 2017, no cash or scrip dividend (30 June 2016: Nil) relating to the year 2016 (30 June 2016: Nil relating to the year 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 six month period ended 30 June 2017****13 SEGMENTAL INFORMATION (continued)**

Segmental information for the six month period ended 30 June 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	125,336	59,660	29,599	30,771	245,366
Other operating income	73,852	14,024	11,470	908	100,254
Operating expenses	(84,665)	(61,479)	(22,810)	(5,241)	(174,195)
Net impairment losses	17,450	(44,338)	-	(89,389)	(116,277)
Profit / (loss) for the period	<u>131,973</u>	<u>(32,133)</u>	<u>18,259</u>	<u>(62,951)</u>	<u>55,148</u>
Capital expenditure					
Property and equipment	<u>14,830</u>	<u>9,168</u>	<u>2,427</u>	<u>539</u>	<u>26,964</u>
At 30 June 2017					
Segment assets	<u>11,333,622</u>	<u>3,375,847</u>	<u>6,024,545</u>	<u>423,002</u>	<u>21,157,016</u>
Segment liabilities	<u>11,525,209</u>	<u>3,390,896</u>	<u>3,879,086</u>	<u>179,653</u>	<u>18,974,844</u>

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2017

13 SEGMENTAL INFORMATION (continued)

Segmental information for the six month period ended 30 June 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	169,273	71,153	13,068	93,633	347,127
Other operating income	61,756	17,663	45,836	3,396	128,651
Operating expenses	(80,652)	(58,612)	(20,249)	(13,912)	(173,425)
Impairment loss	9,578	(31,361)	-	(209,810)	(231,593)
Profit for the year	<u>159,955</u>	<u>(1,157)</u>	<u>38,655</u>	<u>(126,693)</u>	<u>70,760</u>
Capital expenditure Property and equipment	<u>9,806</u>	<u>6,062</u>	<u>1,605</u>	<u>356</u>	<u>17,829</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 six month period ended 30 June 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> 30 June 2017 AED'000	<i>Audited</i> 31 December 2016 AED'000
<i>Contingent liabilities</i>		
Letters of credit	517,964	420,563
Guarantees	3,361,933	3,218,243
	3,879,897	3,638,806
<i>Commitments</i>		
Undrawn loan commitments	2,429,707	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> 30 June 2017 AED'000	<i>Audited</i> 31 December 2016 AED'000
<u><i>Shareholders:</i></u>		
Loans and advances	2,956	-
Due from banks	1,656	2,022
Due to banks	4,405	1,752
Medium term borrowings	165,254	165,254
Commitments and contingencies	14,141	11,466

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2017

15 RELATED PARTY TRANSACTIONS (continued)

	<i>Unaudited 30 June 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
<i><u>Directors:</u></i>		
Loans and advances	250	501
Customers' deposits	11,180	36,033
Commitments and contingencies	45	45
<i><u>Other related entities of shareholders and directors:</u></i>		
Loans and advances	262,620	299,677
Investments	86,035	85,560
Due from banks	30	72
Due to banks	55,099	50
Customers' deposits	199,730	256,711
Commitments and contingencies	285,788	275,739
<i><u>Key management personnel of the Group:</u></i>		
Loans and advances	6,046	6,234
Customers' deposits	4,312	5,794
<i><u>Shareholders, directors, their related entities and key management personnel:</u></i>		
Accrued interest income	4,223	5,695
Accrued interest expense	5,836	2,646

United Arab Bank P.J.S.C.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six month period ended 30 June 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 six month period ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED'000</i>	<i>AED'000</i>
<i><u>Shareholders, directors and their related entities:</u></i>		
Interest income	10,316	11,061
Interest expense	3,249	3,577
Gain from sale of investments	145	2,922
Purchase of investments	19,555	224,136
Sale of investments	19,518	150,950
<i><u>Key management personnel:</u></i>		
Salaries and other short term benefits	8,857	9,246
Employees' end of service benefits	56	465
Total compensation to key management personnel	8,913	9,711
Interest income	82	41
Interest expense	23	9
Number of key management personnel	11	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 six month period ended 30 June 2017, the Group has not recorded any impairment on amounts owed by related parties (30 June 2016: AED Nil).

The Group has leased office space in various premises owned by a related party. The property rentals and associated expenses for the six month period ended 30 June 2017 amounted to AED 1,183,000 (30 June 2016: AED 1,181,000). 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 six month period ended 30 June 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 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:

	<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>
30 June 2017				
Investments	3,427,089	-	377	3,427,466
Derivative assets	-	95,283	-	95,283
	<u>3,427,089</u>	<u>95,283</u>	<u>377</u>	<u>3,522,749</u>
Derivative liabilities	-	107,449	-	107,449
31 December 2016				
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

During the six month period ended 30 June 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: 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 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.