



MANAGEMENT DISCUSSION & ANALYSIS

Q3 2019

Management Discussion & Analysis – Q3 2019

UAB Reports Financial Results for the nine months to 30 September 2019

12% increase
in QoQ Operating profit

Robust Liquidity profile
maintained

**6% Reduction in
Operating Expenses**
With ongoing focus to
rationalize costs

Interest Income
up by 3% vis-à-vis same period - 2018

Loan : Deposit Ratio
managed to 98%

CAR at 16%
Well above regulatory requirements

Management Discussion & Analysis – Q3 2019

Financial Performance Summary

Sharjah, UAE, 14th November 2019 - United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the nine months ended 30th September 2019.

The Bank has reported an increase in interest income of 3% and a reduction of 6% in Operating Expenses.

UAB's prudent provisioning approach in the last 9 months of 2019 impacted its financial results, consequently, the bank reported a net loss of AED 63 million for the nine months ending 30 September 2019, compared to a net profit of AED 104.8 million during the same period in 2018. However, these decisive actions enable UAB to be fit for future growth whilst addressing its legacy issues.

Ahmad Abu Eideh, Chief Executive Officer of "United Arab Bank", commented: "I would like to thank the Board for their unwavering support as the Bank continues to take a number of bold and decisive actions to address and recognize legacy issues. UAB remains true in its intent to become a Bank that is prudently managing risks, efficient and delivers sustainable future growth. Our Management team will remain focused in delivering on its business plan based on the 3Es, Excellence, Experience and Efficiency and is well equipped to face future challenges. We look forward with optimism to the future, however, will not compromise on the quality of our Asset book."

"The Management Team remains fully committed to working harder towards the 3'Es and exceeding the expectations of our customers and shareholders. We are pursuing our ambitious vision and currently investing in modern technology to more effectively manage our resources and serve our customers" **Mr. Abu Eideh** concluded.

Moody's Rating

Bank Deposits	Baa3/P-3
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Outlook	Stable

Fitch Rating

Long Term IDR	BBB+
Outlook	Stable

Distribution Network

Branches	11
Automated Teller Machines	66



Management Discussion & Analysis – Q3 2019

Financial Performance

Income Statement (AED millions)	2019				2018				Variance	
	YTD	Q3	Q2	Q1	YTD	Q3	Q2	Q1	QoQ%	YoY%
Net Interest Income	301.2	95.8	100.2	105.2	374.6	121.7	124.5	128.4	-4%	-20%
Non-Interest Income	113.9	37.5	29.5	46.9	126.6	38.3	42.7	45.6	27%	-10%
Total Operating Income	415.1	133.3	129.7	152.0	501.2	159.9	167.3	174.0	3%	-17%
Operating Expenses	-232.6	-74.4	-77.1	-81.1	-246.2	-78.2	-84.4	-83.7	-4%	-6%
Operating Profit	182.5	59.0	52.6	71.0	254.9	81.8	82.9	90.2	12%	-28%
Provision for credit losses	-245.5	-157.7	-38.4	-49.4	-150.1	-57.5	-38.3	-54.3	310%	64%
Net Profit	-63.0	-98.7	14.1	21.6	104.8	24.3	44.6	35.9	-799%	-160%

Balance Sheet (AED millions)	2019			2018				Variance	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Loans and Advances	12,511	12,379	12,503	12,759	13,082	12,757	12,781	1%	-2%
Investment Securities	3,794	3,847	3,889	3,824	3,807	3,798	3,724	-1%	-1%
Other Assets	3,380	3,364	4,018	3,928	3,766	3,625	3,936	0%	-14%
Total Assets	19,685	19,590	20,410	20,511	20,654	20,180	20,441	0%	-4%
Customer Deposits	12,753	12,905	13,891	14,039	13,494	13,881	14,969	-1%	-9%
Medium Term Borrowings	1,487	1,487	955	955	1,102	845	845	0%	56%
Due to Banks	2,042	1,653	1,988	2,151	2,606	2,057	1,234	24%	-5%
Other Liabilities	872	938	1,015	836	847	865	856	-7%	4%
Total Liabilities	17,154	16,983	17,849	17,982	18,049	17,648	17,904	1%	-5%
Shareholders' Equity	2,530	2,607	2,561	2,529	2,605	2,532	2,536	-3%	0%
Total Liabilities & Shareholders' Funds	19,685	19,590	20,410	20,511	20,654	20,180	20,441	0%	-4%



Management Discussion & Analysis – Q3 2019

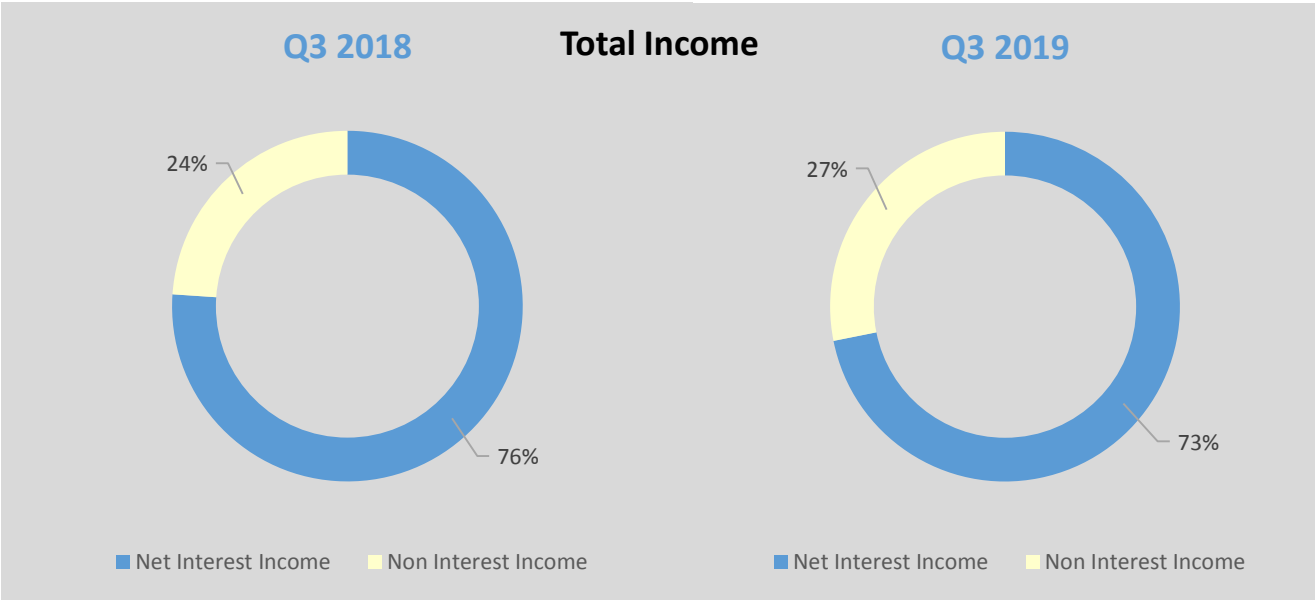
Financial Performance (cont.)

Key Ratios	2019			2018				Variance	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory									
Capital Adequacy	16.0%	16.5%	15.8%	15.8%	15.6%	15.5%	15.7%	-0.5%	0.2%
Tier 1	14.9%	15.4%	14.7%	14.6%	14.5%	14.4%	14.6%	-0.5%	0.2%
Advances to Stable Resources	84.8%	83.2%	77.2%	80.7%	84.0%	85.0%	81.4%	1.6%	4.1%
Eligible Liquid Assets	14.0%	14.6%	15.2%	15.4%	14.9%	14.1%	14.5%	-0.6%	-1.4%
Performance									
Cost : Income Ratio	55.8%	59.5%	53.3%	56.1%	48.9%	50.4%	48.1%	-3.7%	-0.3%
NPL's : Gross Loans	10.6%	9.2%	8.9%	9.0%	8.4%	8.8%	8.8%	1.5%	1.6%
Provision Coverage	91%	94%	91%	91%	91%	104%	107%	-2.8%	-0.6%
Loans : Deposits Ratio	98%	93%	90%	91%	97%	92%	85%	5.2%	7.2%



Management Discussion & Analysis – Q3 2019

Income Statement Review

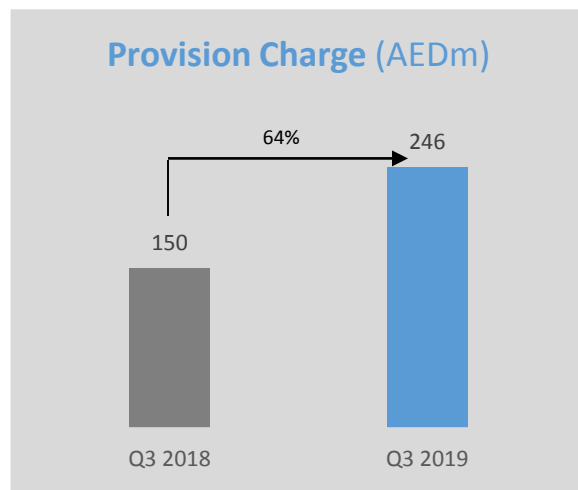
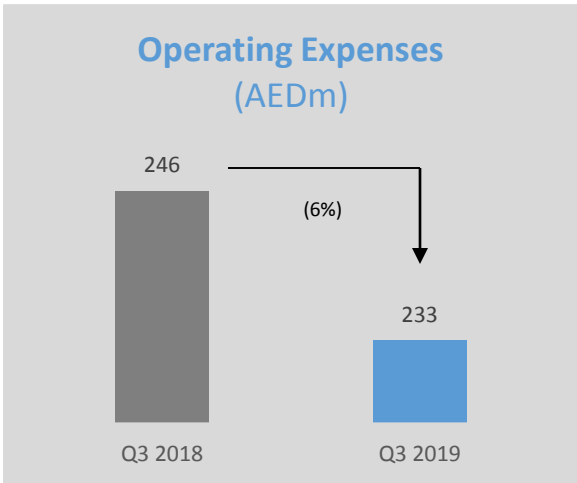


Total Income of **AED415.1m** in Q3 2019 was aided by capturing growth opportunities in the core businesses through proactively re-pricing the Bank’s assets, generating stable non-interest income and prudent management of cost of funds.

The Bank continues to generate stable **Interest Income** streams (AED712m in Q3 2019 vs. AED689m in Q3 2018, up by 3%), given the strategic emphasis placed on deepening relationships within the Corporate and Retail Banking Unit.

Management Discussion & Analysis – Q3 2019

Income Statement Review (cont.)

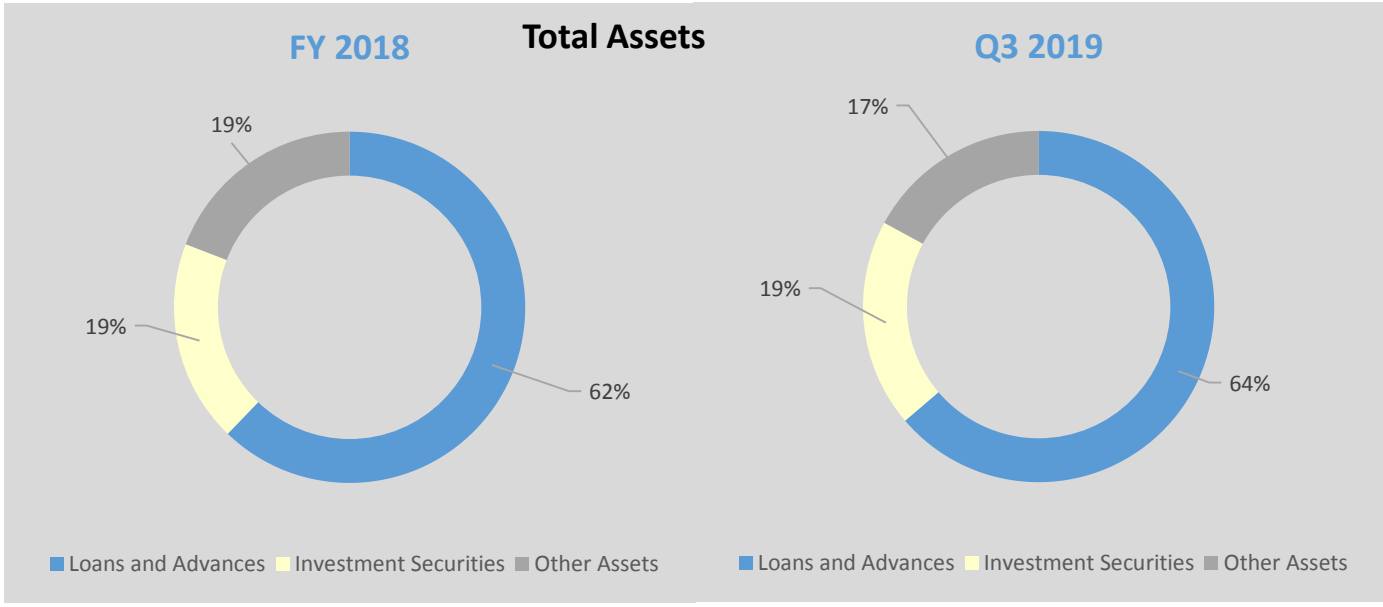


Operating Expenses for Q3 2019 were AED233m, representing 6% reduction against Q3 2018, as the Bank continues to rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure.

Provision Charges: Bank continues its prudent approach to recognize provisions to demonstrate transparency and take timely actions, resulting in increase in charge by AED95.4m vs. Q3 2018 given prudent risk management with the Bank focusing on its remediation and recovery efforts.

Management Discussion & Analysis – Q3 2019

Balance Sheet Review

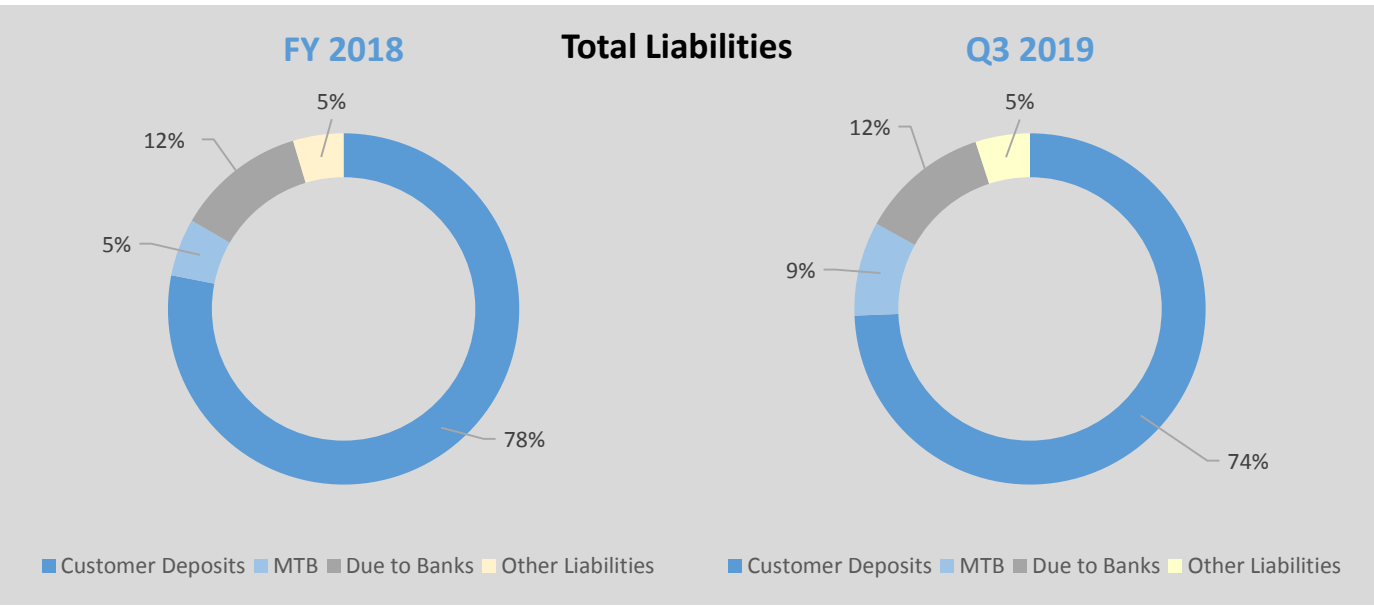


Total Asset mix in line with YE 2018. The Bank continues to recycle risk weighted assets to support growth in ‘core’ businesses, whilst ensuring it captures all available cross-sales opportunities.

Investment portfolio recorded a drop of 1% vs. FY 2018 as the Bank moves forward with its Strategy to enhance business model centered around Core Business Segments

Management Discussion & Analysis – Q3 2019

Balance Sheet Review (cont.)

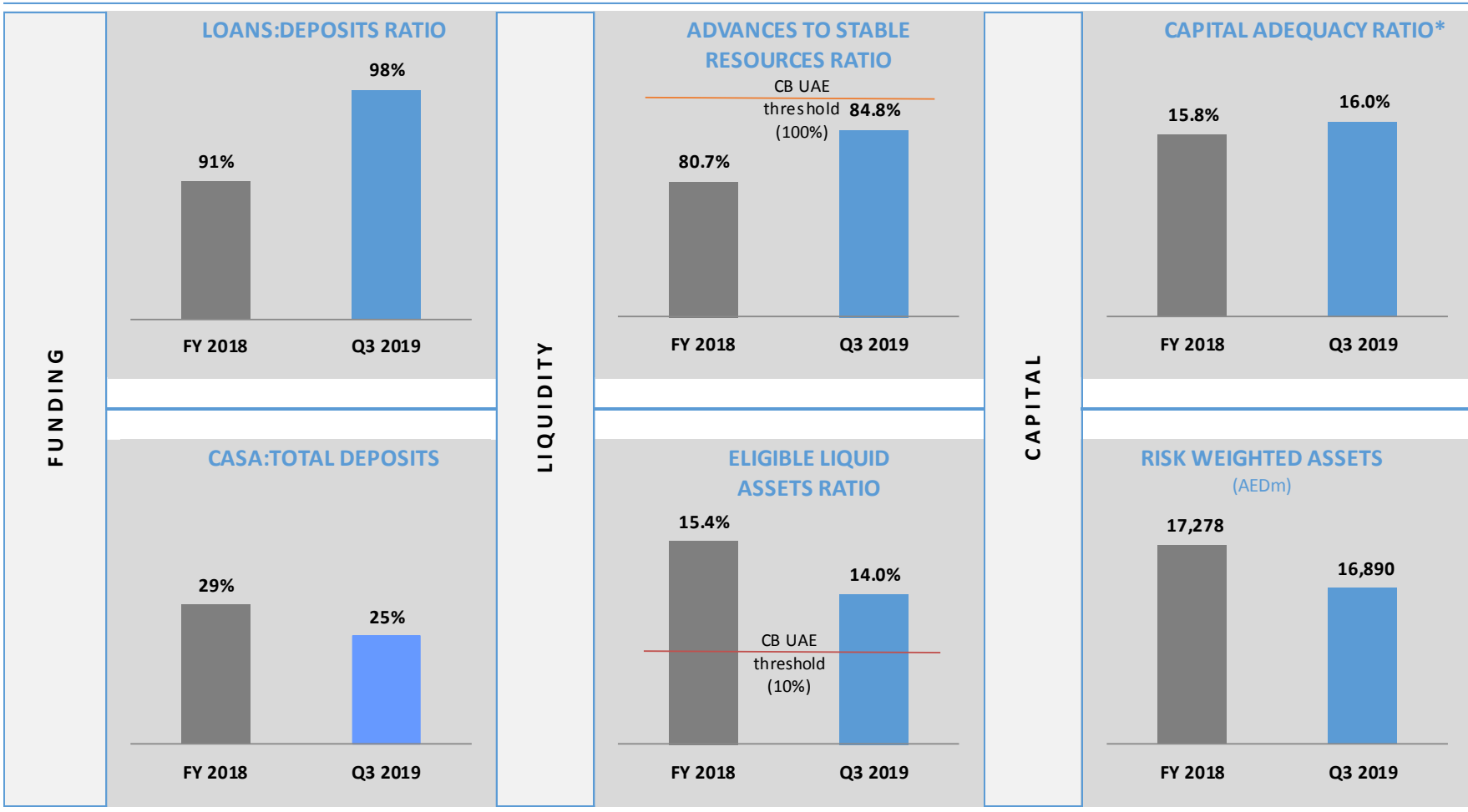


Customer Deposits have and will continue to represent the Bank’s key source of funds evidenced through a stable 74% concentration in Total Liabilities. CASA:TD ratio at 25% as the Bank continues to deploy various tactical initiatives to manage the increasing cost of funds.

Medium Term Borrowings representing 9% of the Banks total liabilities continue to be effectively utilized to aid tenor management and represent a key part of UAB’s liquidity and funding strategy.

Management Discussion & Analysis – Q3 2019

Solid Banking Fundamentals



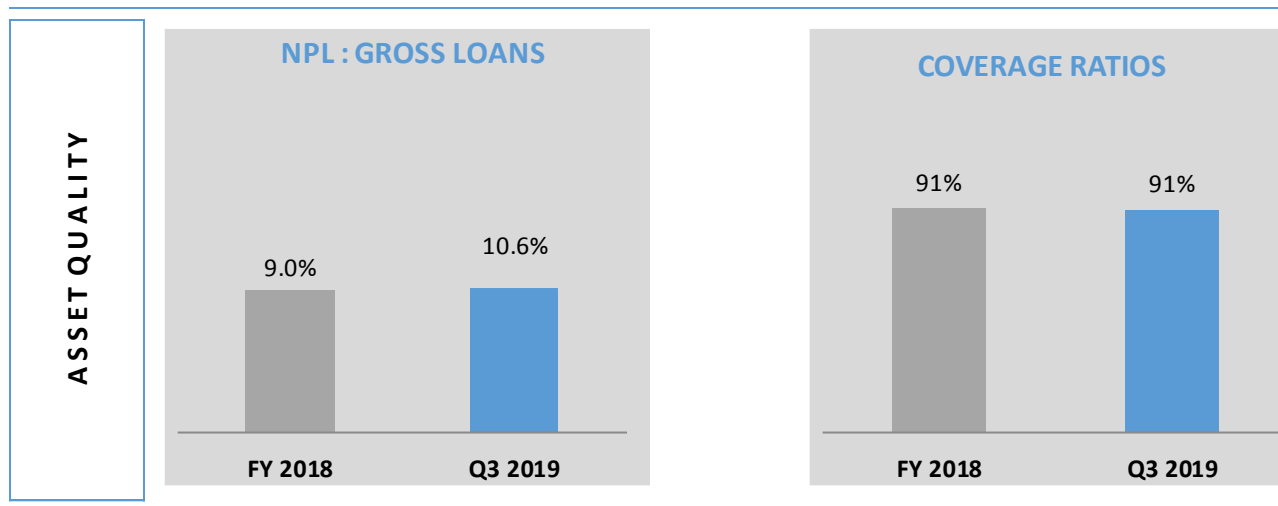
Loan : Deposit Ratio of 98% underpins a robust funding profile, whilst broadly **CASA%** at 25% which supports reduction in cost of funds

Strong Liquidity base substantiated by both ASR / ELAR Ratios managed well above CB UAE thresholds

The ***Rights Issue** completed in early 2018 helped maintain satisfactory buffer against regulatory requirements, whilst supporting 'core' business growth.

Management Discussion & Analysis – Q3 2019

Asset Quality



UAB continued with its decisive and prudent provisioning approach to proactively recognize problem loans. The Bank has taken a number of bold and decisive actions to address and recognize legacy issues.

Accordingly, the Bank's **NPL ratio** increased to 10.6% and **coverage ratio** is constant at 91% vs. FY 2018 at 91% with the Bank continuing its efforts to optimize low risk lending as per the Bank's new strategy post transformation.

