



MANAGEMENT DISCUSSION & ANALYSIS

Q1 2021

Management Discussion & Analysis – Q1 2021

UAB Reports Financial Results for Q1 2021

UAB reported Q1 2021 Net Profit of **AED10.2m** as compared to Net loss of AED119.9m Q1 2020

Adequate Liquidity profile

Maintained
(ASR 78.9%, ELAR 15.1%)

Coverage Ratio further increased

from 99% in FY2020 to 105% in Q1
2021

6% YoY Reduction in Operating Expenses

With ongoing focus to rationalize
costs

Loan : Deposit Ratio

managed to 78%

5% YoY increase in Income

(32% QoQ increase)

66% YoY reduction in Provisions

(82% QoQ decrease)

CAR at 14.2%

CET1 at 13.0%

Well above currently applicable
regulatory requirements

Management Discussion & Analysis – FY 2021

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the three months ended 31st March 2021.

Strong performance is evidenced across the period with the Bank reporting a Net Profit of **AED10.2m** for Q1 2021 compared to a Net Loss of **AED119.9m** in Q1 2020, as the successful execution of the turnaround strategy paved the way for a return to profitability with UAB continuing to: strengthen its core businesses; streamline the cost base; and maintain key banking fundamentals.

UAB's financial performance was aided by a significant progress within the 'core' businesses recording a **5% YoY** uplift in Total Income (**32% QoQ** increase) , whilst Operating Expenses continue to be robustly managed and recorded a reduction of **6% YoY**.

The Balance sheet has been significantly strengthened with a focus on quality assets which resulted in recording 66% YoY reduction in Provisions compared to Q1 2020 (82% QoQ reduction).

These positive results provide tangible evidence that the Bank's low risk and efficient UAE focused business model is appropriate.

Moody's Rating

Bank Deposits	Ba1/NP
Baseline Credit Assessment	b1
Adjusted Baseline Credit Assessment	ba3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Outlook	Negative

Fitch Rating

Long Term IDR	BBB+
Outlook	Stable

Distribution Network

Branches	7
Automated Teller Machines	55

Management Discussion & Analysis – Q1 2021

AED millions

Income Statement

(AED millions)

	2021	2020					Variance	
	Q1	FY	Q4	Q3	Q2	Q1	QoQ%	YoY%
Net Interest Income	64.1	293.4	68.9	61.1	75.7	87.7	7%	27%
Non-Interest Income	68.2	109.5	31.4	22.4	17.6	38.0	117%	80%
Total Operating Income	132.3	402.9	100.4	83.5	93.4	125.6	32%	5%
Operating Expenses	-59.6	-262.0	-63.4	-67.1	-67.9	-63.6	6%	6%
Operating Profit	72.7	140.8	37.0	16.4	25.4	62.0	97%	17%
Provision for credit losses	-62.5	-808.1	-339.3	-172.4	-114.4	-182.0	82%	66%
Net Profit	10.2	-667.3	-302.4	-156.0	-89.0	-119.9	103%	109%

Balance Sheet

(AED millions)

	2021	2020					Variance	
	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%	
Loans and Advances	8,501	9,014	10,005	10,370	11,172	6%	24%	
Investment Securities	3,299	3,282	3,400	3,337	3,124	1%	6%	
Other Assets	2,620	2,554	4,576	3,002	3,330	3%	21%	
Total Assets	14,419	14,849	17,982	16,709	17,626	3%	18%	
Customer Deposits	10,839	11,247	14,104	11,665	11,202	4%	3%	
Medium Term Borrowings	0	0	0	0	1,487	0%	100%	
Due to Banks	1,373	1,233	1,364	2,407	2,370	11%	42%	
Other Liabilities	772	914	846	865	931	16%	17%	
Total Liabilities	12,984	13,395	16,313	14,936	15,990	3%	19%	
Shareholders' Equity	1,435	1,455	1,669	1,773	1,636	1%	12%	
Total Liabilities & Shareholders' Funds	14,419	14,849	17,982	16,709	17,626	3%	18%	

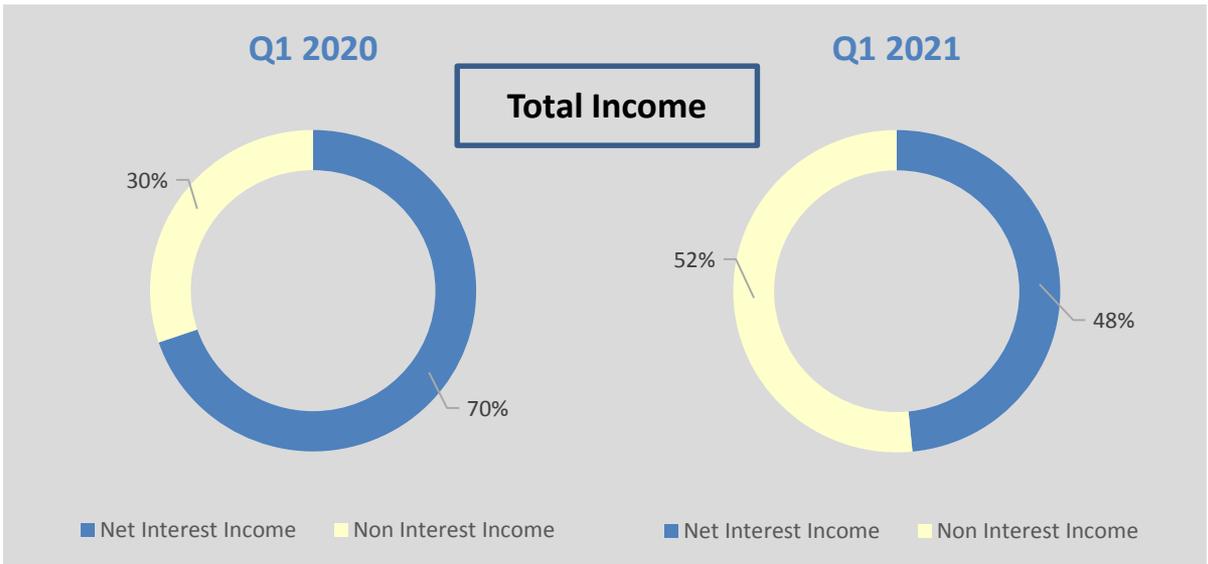
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Financial Performance (cont.)

Key Ratios	2021		2020			Variance		Regulatory Limits under TESS
	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%	till 31st Dec'21
	Regulatory							
Capital Adequacy	14.2%	13.7%	14.0%	14.3%	11.8%	0.5%	2.4%	Min 11.5%
Tier 1	13.0%	12.5%	12.9%	13.2%	10.6%	0.5%	2.4%	Min 9.5%
CET 1	13.0%	12.5%	12.9%	13.2%	10.6%	0.5%	2.4%	Min 8.0%
Advances to Stable Resources	78.9%	80.5%	74.7%	86.5%	89.8%	1.7%	11.0%	Max 110%
Eligible Liquid Assets	15.1%	16.4%	23.6%	15.6%	16.4%	1.3%	1.3%	Min 7%
Performance								
Cost : Income Ratio	45.1%	65.0%	65.7%	60.1%	50.6%	20.0%	5.5%	
NPL's : Gross Loans	12.2%	15.7%	14.1%	14.9%	13.3%	3.5%	1.1%	
Provision Coverage	105.2%	98.7%	88.1%	85.5%	90.4%	6.5%	14.8%	
Loans : Deposits Ratio	78.4%	80.1%	70.9%	88.9%	78.4%	1.7%	0.0%	
Return on Average Equity	2.9%	-36.9%	-29.0%	-21.4%	-25.4%	11.5%	0.0%	
Return on Average Assets	0.3%	-3.8%	-3.0%	-2.3%	-2.6%	1.2%	0.0%	
Cost of Risk	2.9%	6.5%	5.7%	5.3%	6.2%	0.3%	0.0%	
CASA %	27.1%	25.7%	22.3%	25.8%	26.2%	0.5%	0.0%	

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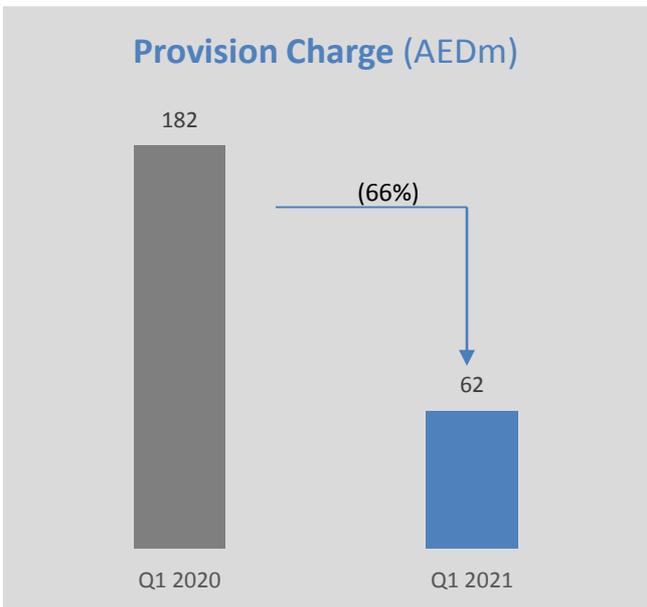
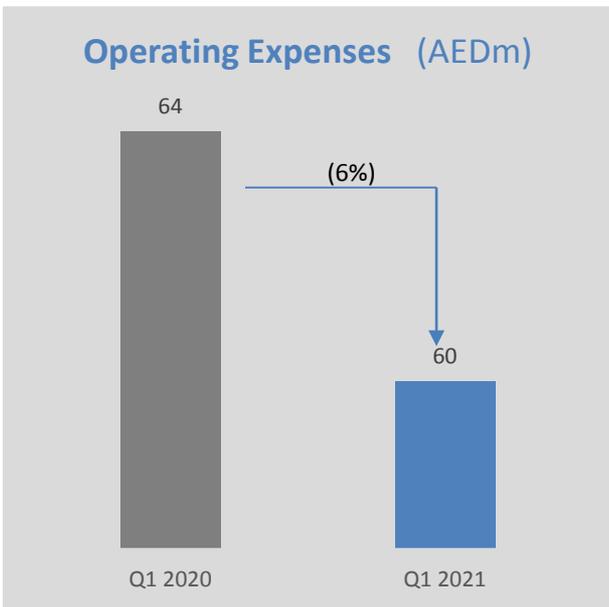
Income Statement Review



Total Income of **AED132.3m** in Q1 2021 is 32% above Q4 2020 and 5% above Q1 2020.

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Income Statement Review (cont.)

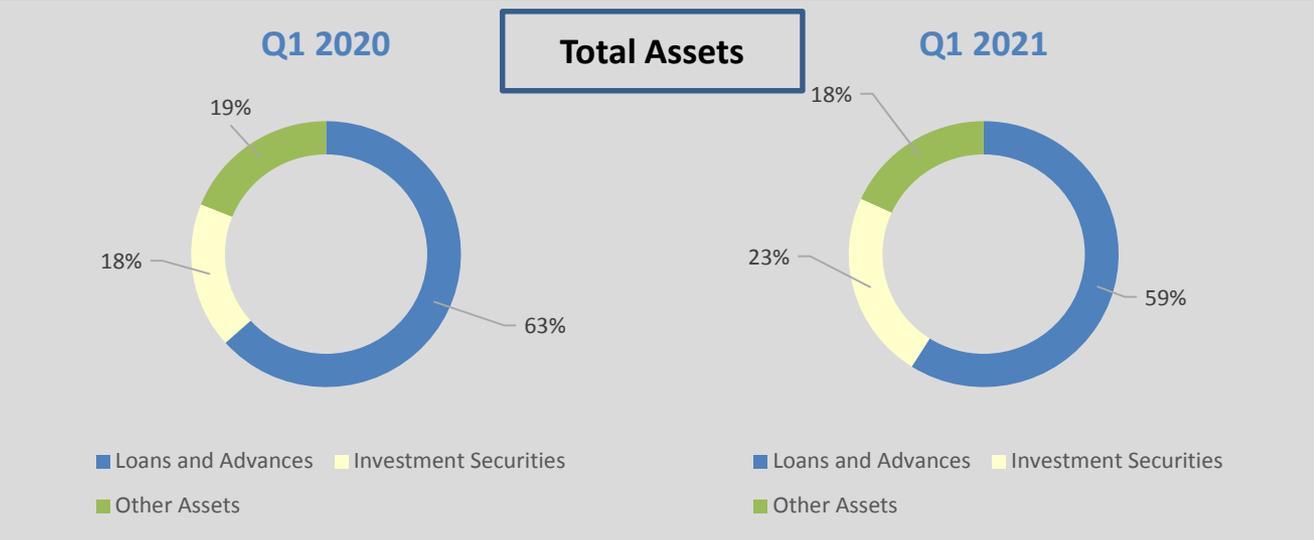


Operating Expenses for Q1 2021 were AED60m, representing 6% reduction against Q1 2020, as the Bank continues to rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure and branch rationalization.

Provision Charges on a total portfolio basis, the bank continues to demonstrate significant improvement with a solid 66% reduction vs. Q1 2020 as the Bank focuses on its remediation efforts and recoveries.

Management Discussion & Analysis – Q1 2021

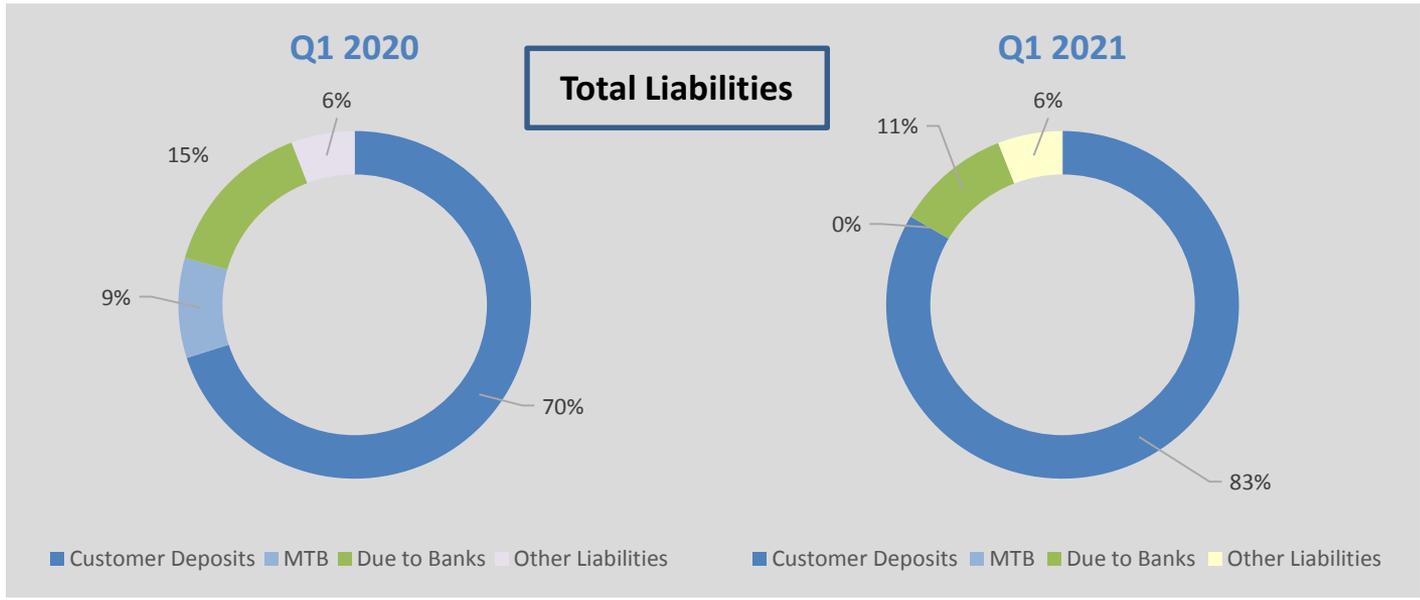
Balance Sheet Review



Asset mix is broadly in line with Q1 2020. The Bank continues to support growth in ‘core’ businesses, whilst ensuring it captures all available cross-sales opportunities.

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Balance Sheet Review (cont.)

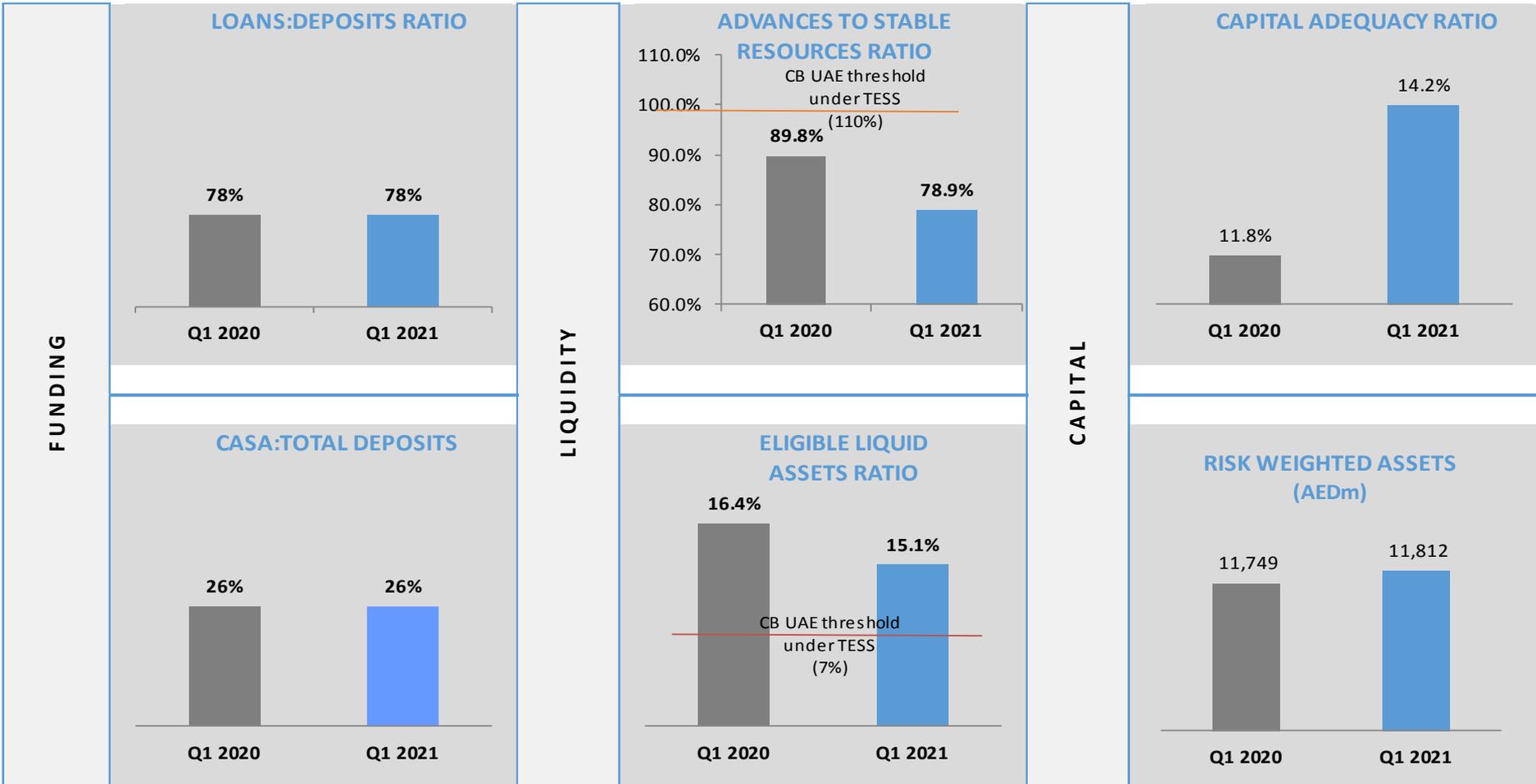


Customer Deposits have and will continue to represent the Bank’s key source of funds evidenced through 83% concentration in Total Liabilities compared to 70% in the same period last year. CASA:TD ratio at 27% as the Bank continues to deploy various tactical initiatives to efficiently manage the cost of funds.

Medium Term Borrowings In order to actively manage its balance sheet and optimize fund usage, the Bank has early repaid all its outstanding medium term borrowings in June 2020

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Liquidity Metrics and Capital Ratios



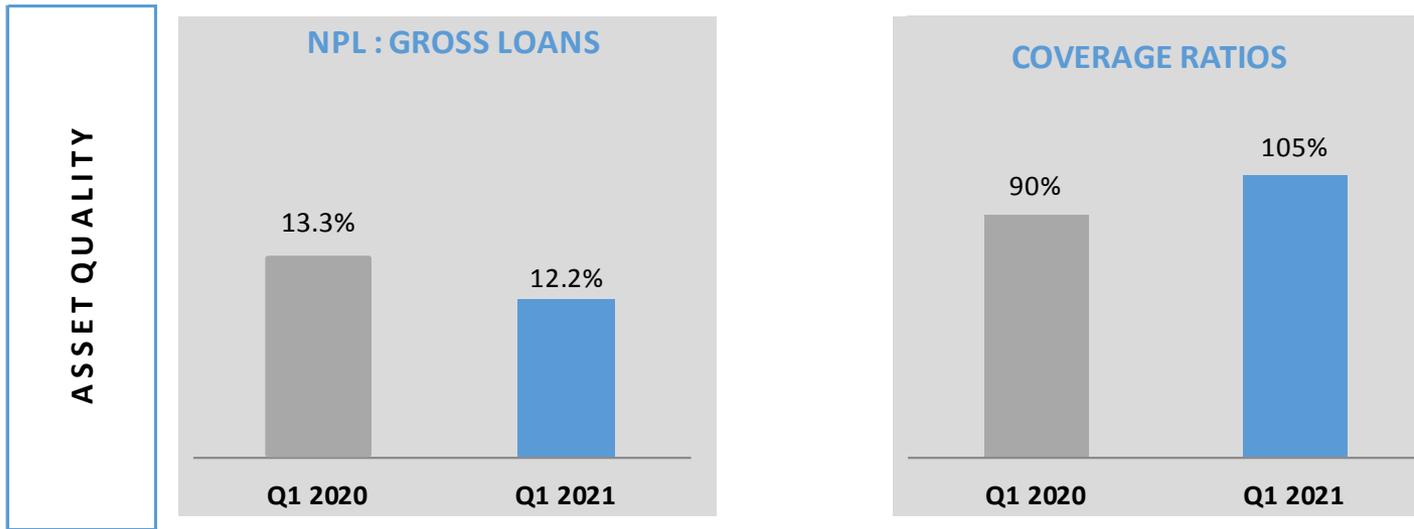
Loan : Deposit Ratio of 78% underpins a robust funding profile, whilst broadly **CASA%** at 26% which supports reduction in cost of funds

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

Overall Capital adequacy of 14.2% position with a Common Equity Tier1 (CET1) ratio of 13%, ahead of currently applicable regulatory requirements.

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Asset Quality



The proactive focus on de-risking the Balance Sheet has aided UAB in reducing **NPL** ratio to 12.2% in Q1 2021 in comparison to 13.3% in Q1 2020 with the Bank continuing its efforts to seek optimal resolution from exiting its riskier assets.

UAB continued with its decisive and prudent provisioning approach to proactively recognize problem loans. Accordingly, UAB's decisive and prudent approach to provisioning and its commitment to maintaining adequate Provision Coverage is demonstrated with the ratio increasing to 105% as at 31st March 2021 compared to 90% in Q1 2020.