



MANAGEMENT DISCUSSION & ANALYSIS

Q1 2020

Management Discussion & Analysis – Q1 2020

UAB Reports Financial Results for Q1 2020

UAB continues to focus on its' 3Es: Excellence, Experience and Efficiency in which delivering an excellent customer experience comes at the top of management's priority and that what would ultimately lead to generating sustainable returns to the Bank's shareholders.

Adequate Liquidity profile
maintained

**22% Reduction in YoY
Operating Expenses**
With ongoing focus to
rationalize costs

Loan : Deposit Ratio
managed to 100%

CAR at 11.8%
Above currently applicable regulatory
requirements

Management Discussion & Analysis – Q1 2020

Financial Performance Summary

<u>Moody's Rating</u>		<u>Fitch Rating</u>	
Bank Deposits	Baa3/P-3	Long Term IDR	BBB+
Baseline Credit Assessment	ba3	Outlook	Stable
Adjusted Baseline Credit Assessment	ba2		
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)	<u>Distribution Network</u>	
Outlook	Negative	Branches	11
		Automated Teller Machines	61

Management Discussion & Analysis – Q1 2020

Financial Performance

Income Statement <i>(AED millions)</i>	2020		2019			Variance		
	Q1	FY	Q4	Q3	Q2	Q1	QoQ%	YoY%
Net Interest Income	87.7	391.0	89.8	95.8	100.2	105.2	-2%	-17%
Non-Interest Income	38.0	153.8	39.9	37.5	29.5	46.9	-5%	-19%
Total Operating Income	125.6	544.8	129.7	133.3	129.7	152.0	-3%	-17%
Operating Expenses	-63.6	-314.1	-81.5	-74.4	-77.1	-81.1	-22%	-22%
Operating Profit	62.0	230.7	48.2	59.0	52.6	71.0	29%	-13%
Provision for credit losses	-182.0	-701.5	-455.9	-157.7	-38.4	-49.4	-60%	268%
Net Profit	-119.9	-470.8	-407.7	-98.7	14.1	21.6	-71%	-656%

Balance Sheet <i>(AED millions)</i>	2020		2019			Variance	
	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Loans and Advances	11,172	11,563	12,511	12,379	12,503	-3%	-11%
Investment Securities	3,124	3,503	3,794	3,847	3,889	-11%	-20%
Other Assets	3,330	4,059	3,380	3,364	4,018	-18%	-17%
Total Assets	17,626	19,125	19,685	19,590	20,410	-8%	-14%
Customer Deposits	11,202	12,686	12,753	12,905	13,891	-12%	-19%
Medium Term Borrowings	1,487	1,487	1,487	1,487	955	0%	56%
Due to Banks	2,370	1,878	2,042	1,653	1,988	26%	19%
Other Liabilities	931	914	872	938	1,015	2%	-8%
Total Liabilities	15,990	16,965	17,154	16,983	17,849	-6%	-10%
Shareholders' Equity	1,636	2,160	2,530	2,607	2,561	-24%	-36%
Total Liabilities & Shareholders' Funds	17,626	19,125	19,685	19,590	20,410	-8%	-14%

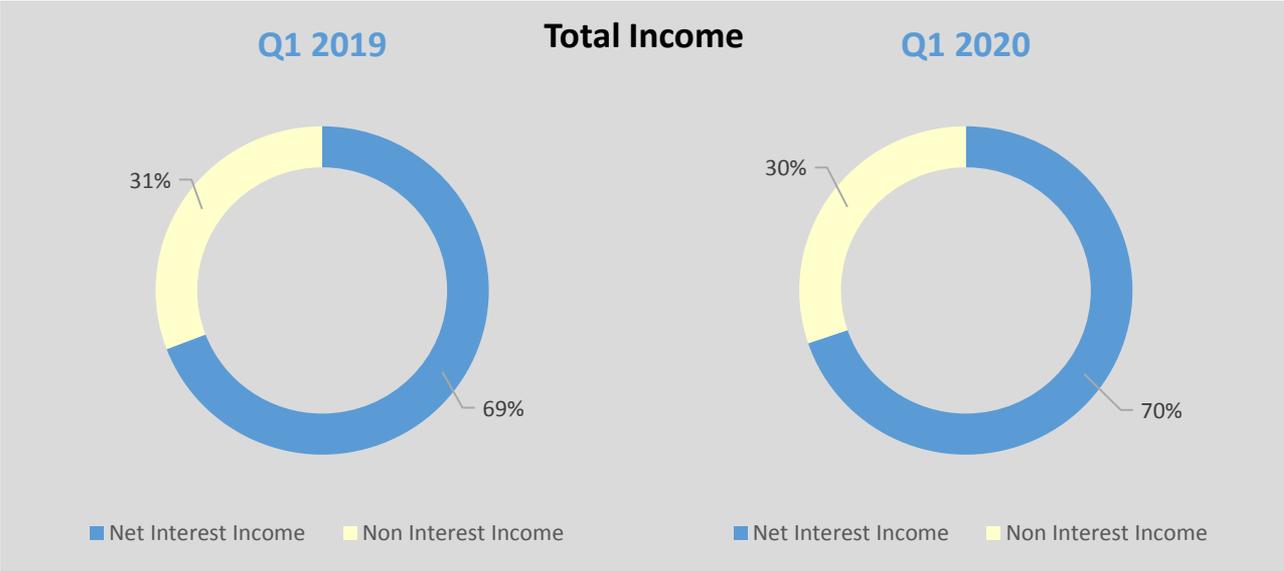
Management Discussion & Analysis – Q1 2020

Financial Performance (cont.)

Key Ratios	2020		2019			Variance	
	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory							
Capital Adequacy	11.8%	14.7%	16.0%	16.5%	15.8%	-3.0%	-4.0%
Tier 1	10.6%	13.6%	14.9%	15.4%	14.7%	-3.0%	-4.1%
Advances to Stable Resources	89.8%	78.9%	84.8%	83.2%	77.2%	10.9%	12.6%
Eligible Liquid Assets	16.4%	18.7%	14.0%	14.6%	15.2%	-2.3%	1.2%
Performance							
Cost : Income Ratio	50.6%	57.7%	62.8%	55.8%	59.5%	-7.0%	-8.9%
NPL's : Gross Loans	13.3%	11.4%	10.6%	9.2%	8.9%	1.9%	4.4%
Provision Coverage	90%	99%	91%	94%	91%	-8.4%	-0.6%
Loans : Deposits Ratio	100%	91%	98%	96%	90%	8.6%	9.7%

Management Discussion & Analysis – Q1 2020

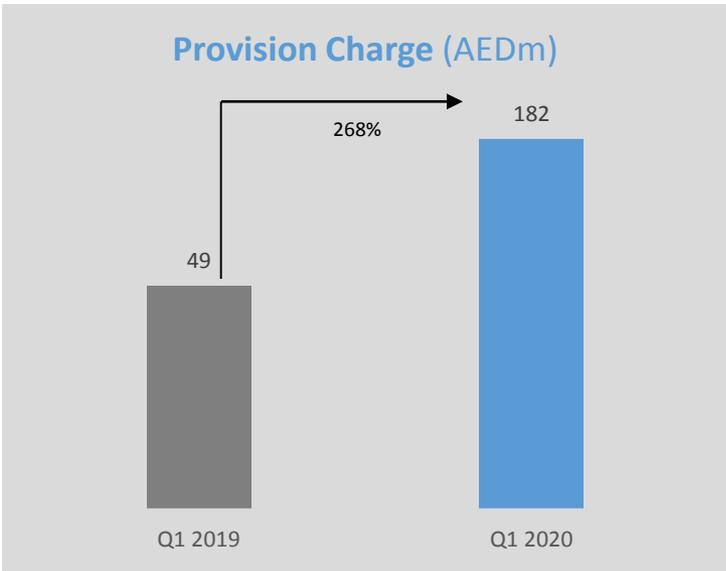
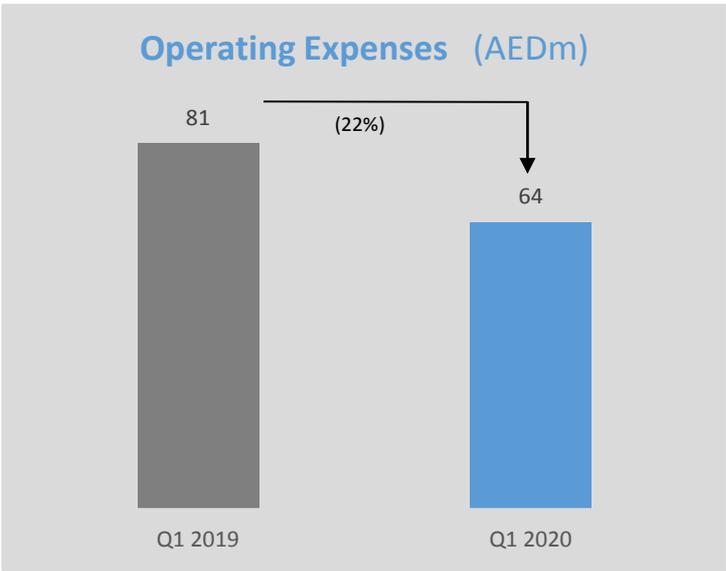
Income Statement Review



Total Income of AED125.6m in Q1 2020 was aided by capturing growth opportunities in the core businesses through proactively protecting net interest margin, generating stable non-interest income and prudent management of cost of funds, given the strategic emphasis placed on deepening relationships within Wholesale and Retail Banking

Management Discussion & Analysis – Q1 2020

Income Statement Review (cont.)

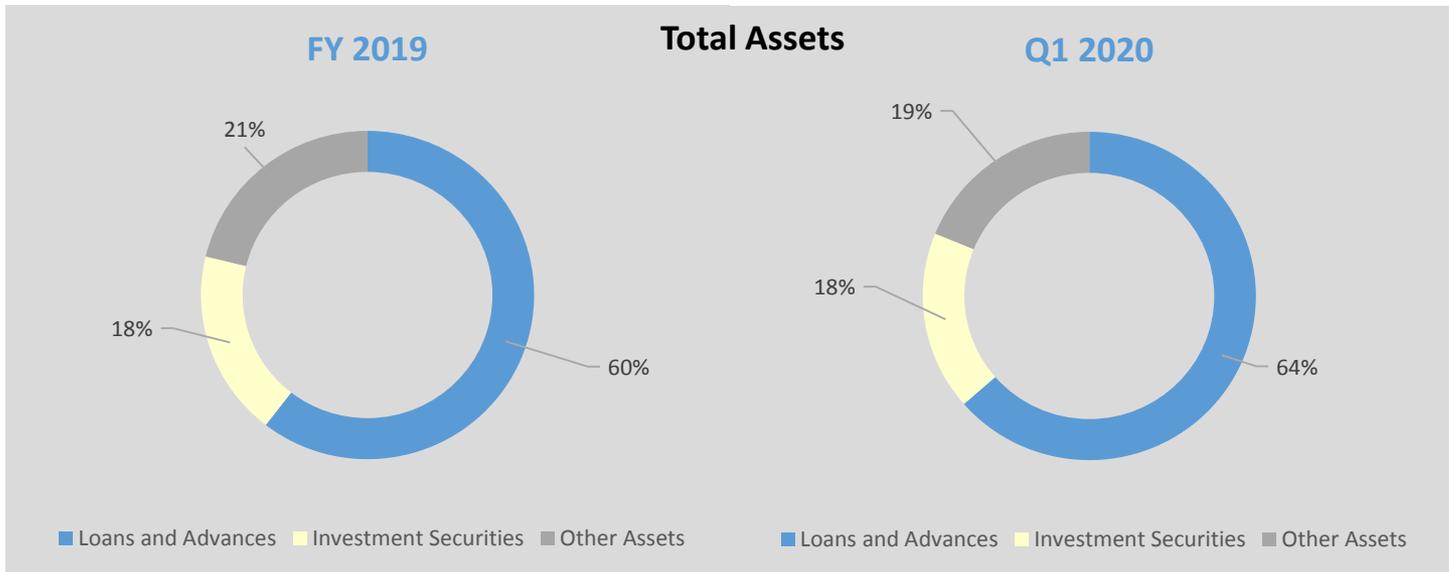


Operating Expenses for Q1 2020 were AED64m, representing 22% reduction against Q1 2019, as the Bank continues to rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure.

Provision Charges: Businesses across all sectors continue to be impacted due to the COVID-19 pandemic. The Bank is prudently managing risks to demonstrate transparency and take timely actions. This has resulted in increased Net Provisions charge by 268% vs Q1 2019. The Bank will continue to focus on its remediation and recovery efforts noting that the Bank has taken additional impairment charge due to COVID'19 related Expected credit loss and on certain exposure that were classified as nonperforming loans during the quarter.

Management Discussion & Analysis – Q1 2020

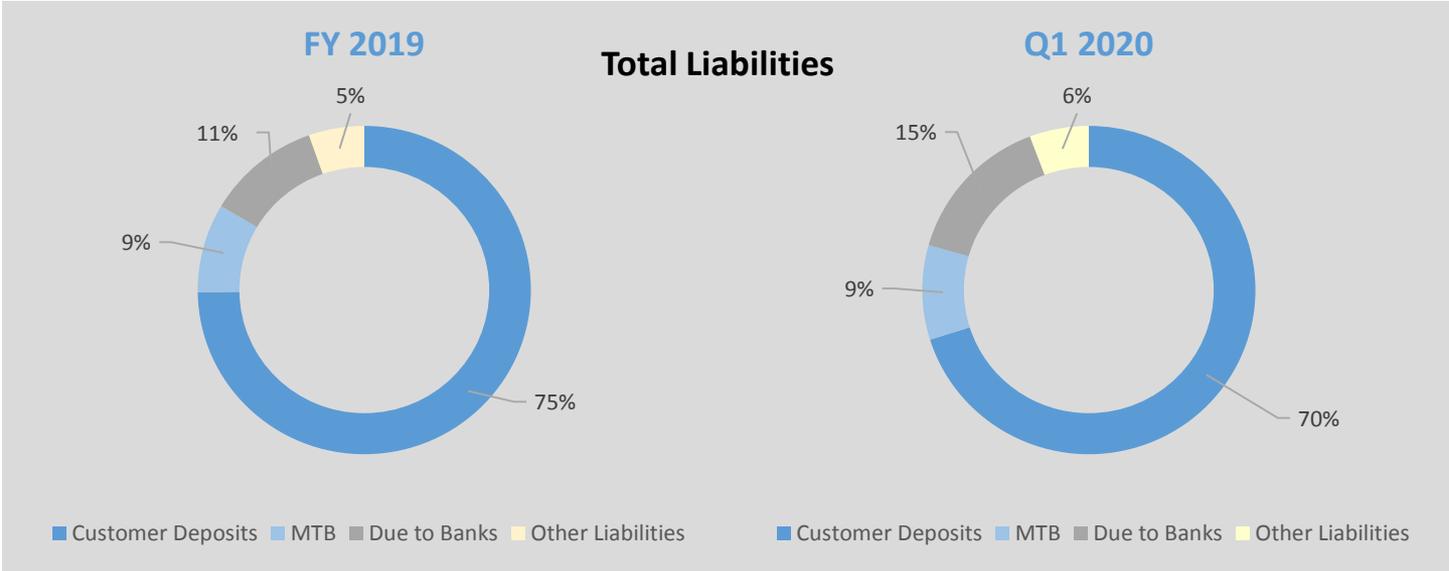
Balance Sheet Review



Total Asset mix is broadly in line with YE 2019. The Bank continues to support growth in ‘core’ businesses, whilst ensuring it captures all available cross-sales opportunities.

Management Discussion & Analysis – Q1 2020

Balance Sheet Review (cont.)

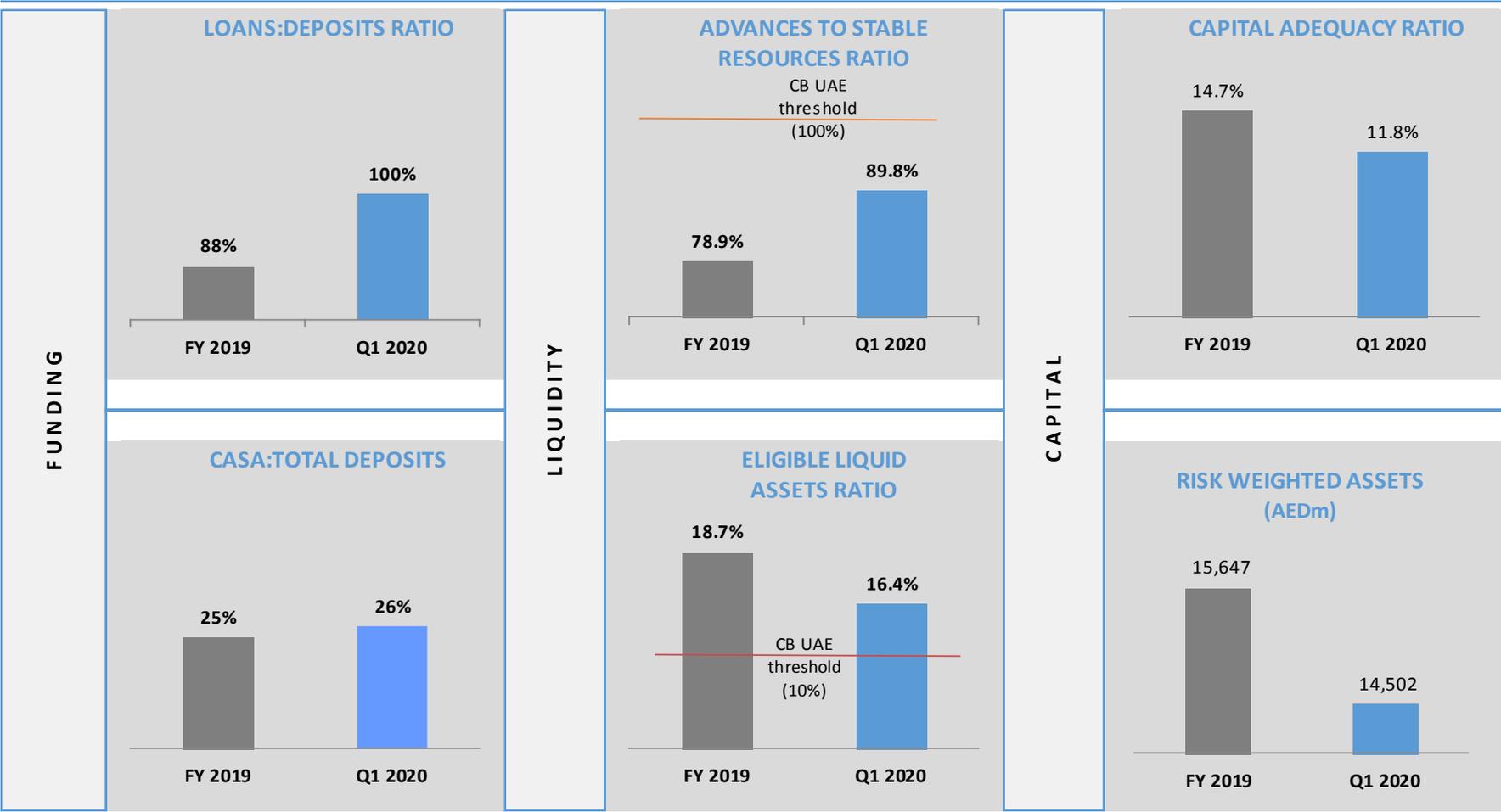


Customer Deposits have and will continue to represent the Bank’s key source of funds evidenced through a stable 70% concentration in Total Liabilities. CASA:TD ratio at 26% as the Bank continues to deploy various tactical initiatives to efficiently manage the cost of funds.

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 – Q1 2020

Liquidity Metrics and Capital Ratios



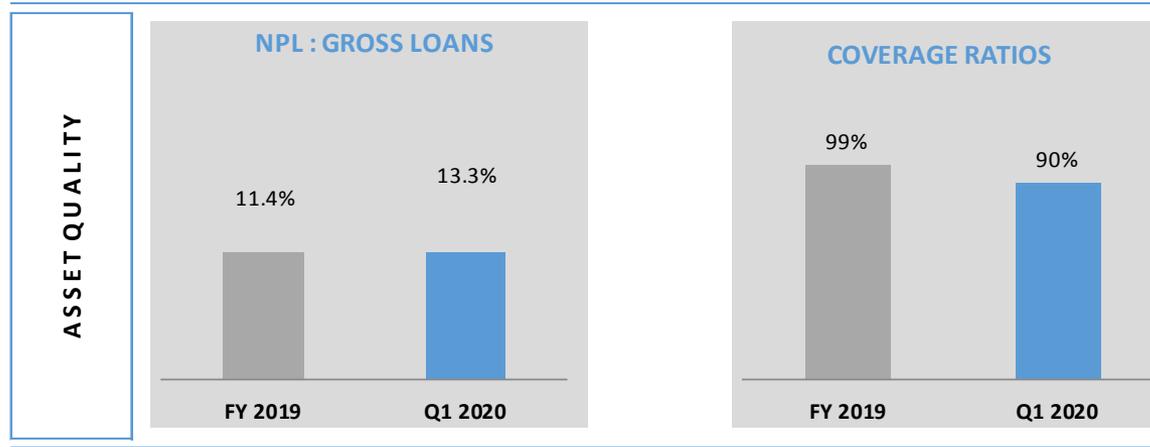
Loan : Deposit Ratio of 100% underpins a reasonable funding profile, whilst broadly **CASA%** at 26% which supports reduction in cost of funds

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

Overall Capital adequacy of 11.8% position with a Common Equity Tier1 (CET1) ratio of 10.6%, ahead of currently applicable regulatory requirements

Management Discussion & Analysis – Q1 2020

Asset Quality



In line with the Bank's approach to prudently manage credit risks, certain exposures were required to be classified during the quarter. This along with a reduction in the loan book led to an increase in the NPL ratio.

Accordingly, the Bank's **NPL ratio** increased to 13.3% and **coverage ratio** decreased to 90% vs. FY 2019 with the Bank continuing its efforts to optimize low risk lending as per the Bank's new strategy post transformation.