



MANAGEMENT DISCUSSION & ANALYSIS

H1 2020

Management Discussion & Analysis – H1 2020

UAB Reports Financial Results for H1 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

**17% Reduction in YoY
Operating Expenses**
With ongoing focus to
rationalize costs

Loan : Deposit Ratio
managed to 89%

CAR at 14.3%
Well above currently applicable
regulatory requirements

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Financial Performance Summary

Moody's Rating		Fitch Rating	
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)	Distribution Network	
Outlook	Negative	Branches	8
		Automated Teller Machines	60

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Financial Performance

Income Statement

(AED millions)

	2020			2019					Variance		
	H1	Q2	Q1	FY	Q4	Q3	H1	Q2	Q1	QoQ%	YoY%
Net Interest Income	163.4	75.7	87.7	391.0	89.8	95.8	205.3	100.2	105.2	-14%	-20%
Non-Interest Income	55.6	17.6	38.0	153.8	39.9	37.5	76.4	29.5	46.9	-54%	-27%
Total Operating Income	219.0	93.4	125.6	544.8	129.7	133.3	281.7	129.7	152.0	-26%	-22%
Operating Expenses	-131.5	-67.9	-63.6	-314.1	-81.5	-74.4	-158.2	-77.1	-81.1	7%	-17%
Operating Profit	87.5	25.4	62.0	230.7	48.2	59.0	123.6	52.6	71.0	-59%	-29%
Provision for credit losses	-296.4	-114.4	-182.0	-701.5	-455.9	-157.7	-87.9	-38.4	-49.4	-37%	237%
Net Profit	-208.9	-89.0	-119.9	-470.8	-407.7	-98.7	35.7	14.1	21.6	-26%	-685%

Balance Sheet

(AED millions)

	2020		2019				Variance	
	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Loans and Advances	10,370	11,172	11,563	12,511	12,379	12,503	-7%	-10%
Investment Securities	3,337	3,124	3,503	3,794	3,847	3,889	7%	-5%
Other Assets	3,002	3,330	4,059	3,380	3,364	4,018	-10%	-26%
Total Assets	16,709	17,626	19,125	19,685	19,590	20,410	-5%	-13%
Customer Deposits	11,665	11,202	12,686	12,753	12,905	13,891	4%	-8%
Medium Term Borrowings		1,487	1,487	1,487	1,487	955	-100%	-100%
Due to Banks	2,407	2,370	1,878	2,042	1,653	1,988	2%	28%
Other Liabilities	865	931	914	872	938	1,015	-7%	-5%
Total Liabilities	14,936	15,990	16,965	17,154	16,983	17,849	-7%	-12%
Shareholders' Equity	1,773	1,636	2,160	2,530	2,607	2,561	8%	-18%
Total Liabilities & Shareholders' Funds	16,709	17,626	19,125	19,685	19,590	20,410	-5%	-13%

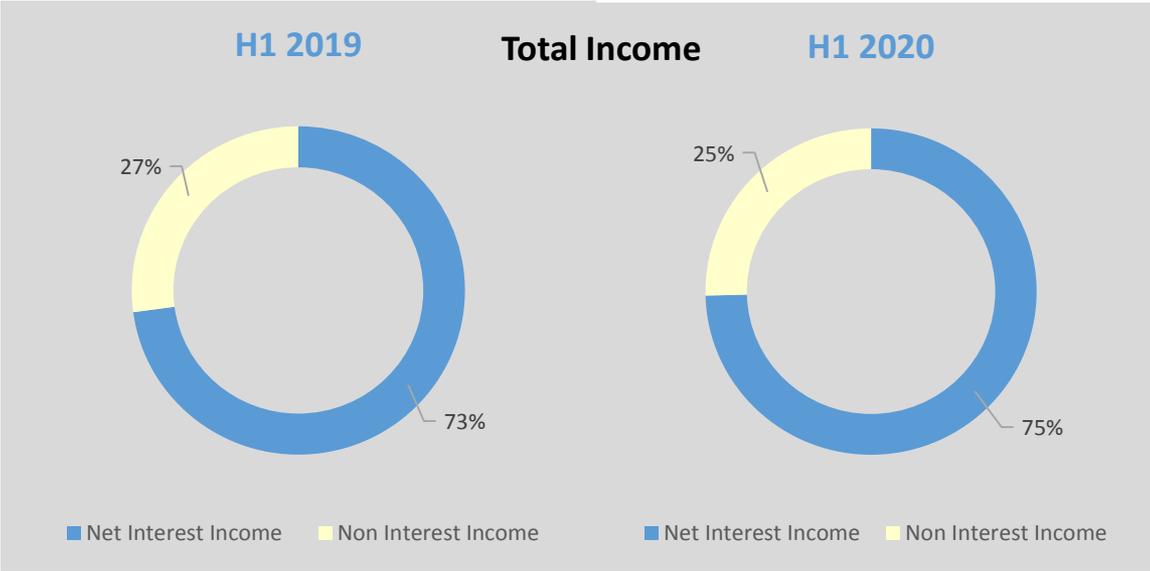
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Financial Performance (cont.)

Key Ratios	2020		2019				Variance	
	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory								
Capital Adequacy	14.3%	11.8%	14.7%	16.0%	16.5%	15.8%	2.5%	-0.5%
CET1/Tier 1	13.2%	10.6%	13.6%	14.9%	15.4%	14.7%	2.5%	-0.4%
Advances to Stable Resources	86.5%	89.8%	78.9%	84.8%	83.2%	77.2%	-3.4%	7.6%
Eligible Liquid Assets	15.6%	16.4%	18.7%	14.0%	14.6%	15.2%	-0.8%	-3.0%
Performance								
Cost : Income Ratio	72.8%	50.6%	57.7%	62.8%	55.8%	59.5%	22.2%	15.1%
NPL's : Gross Loans	14.9%	13.3%	11.4%	10.6%	9.2%	8.9%	1.6%	3.5%
Provision Coverage	86%	90%	99%	91%	94%	91%	-4.9%	-13.3%
Loans : Deposits Ratio	89%	100%	91%	98%	96%	90%	-10.8%	-2.3%

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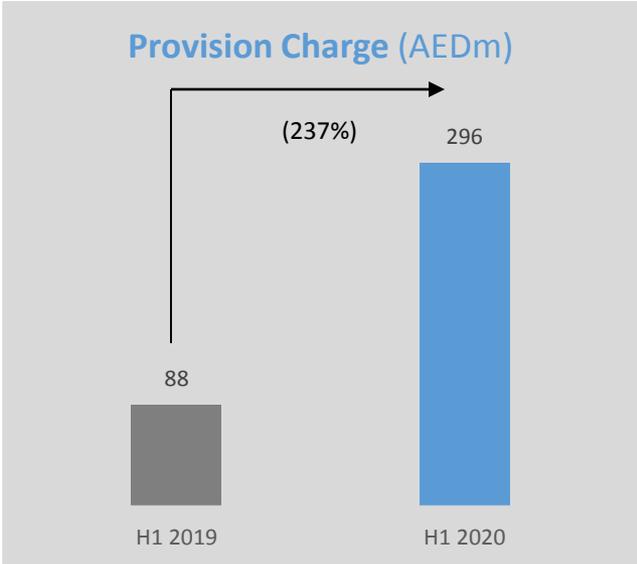
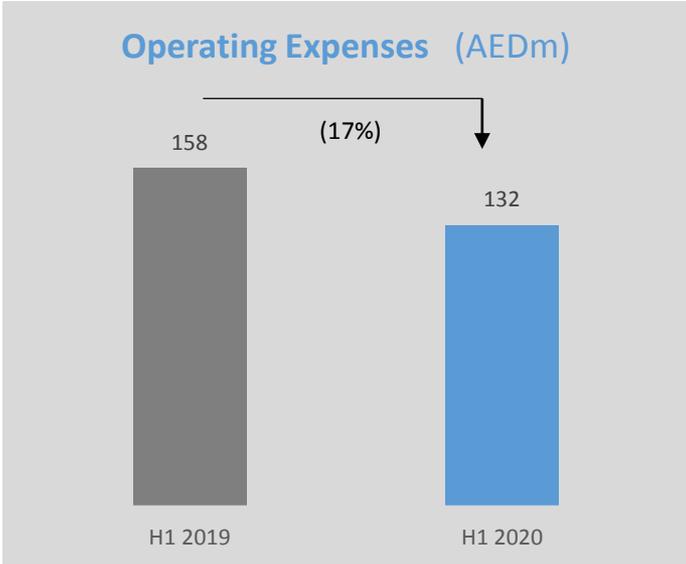
Income Statement Review



Total Income of AED219.0m in H1 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

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Income Statement Review (cont.)

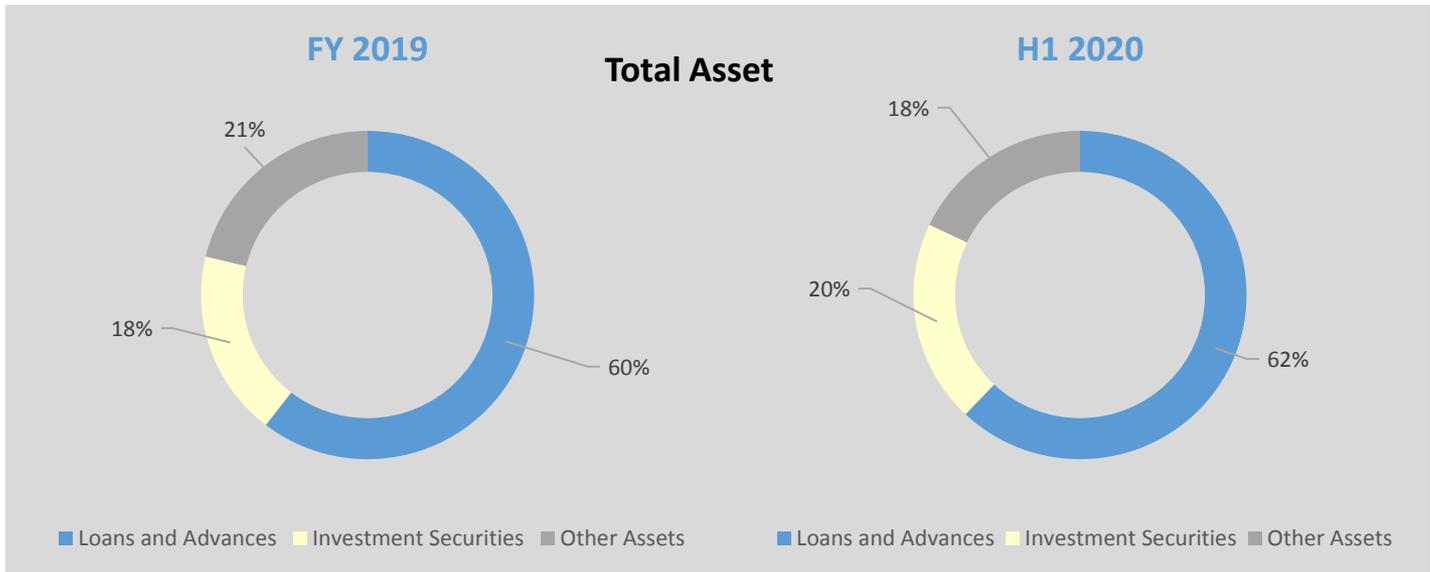


Operating Expenses for H1 2020 were AED132m, representing 17% reduction against H1 2019, as the Bank continues to rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure.

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 237% vs H1 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.

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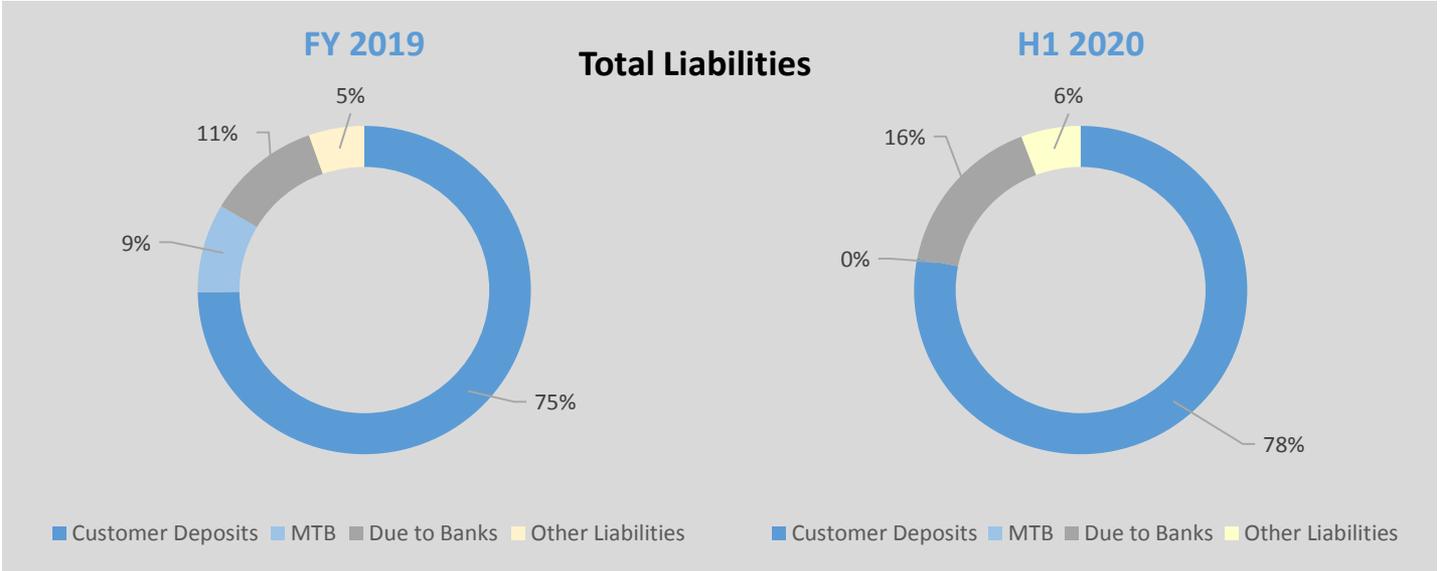
Balance Sheet Review



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.

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Balance Sheet Review (cont.)

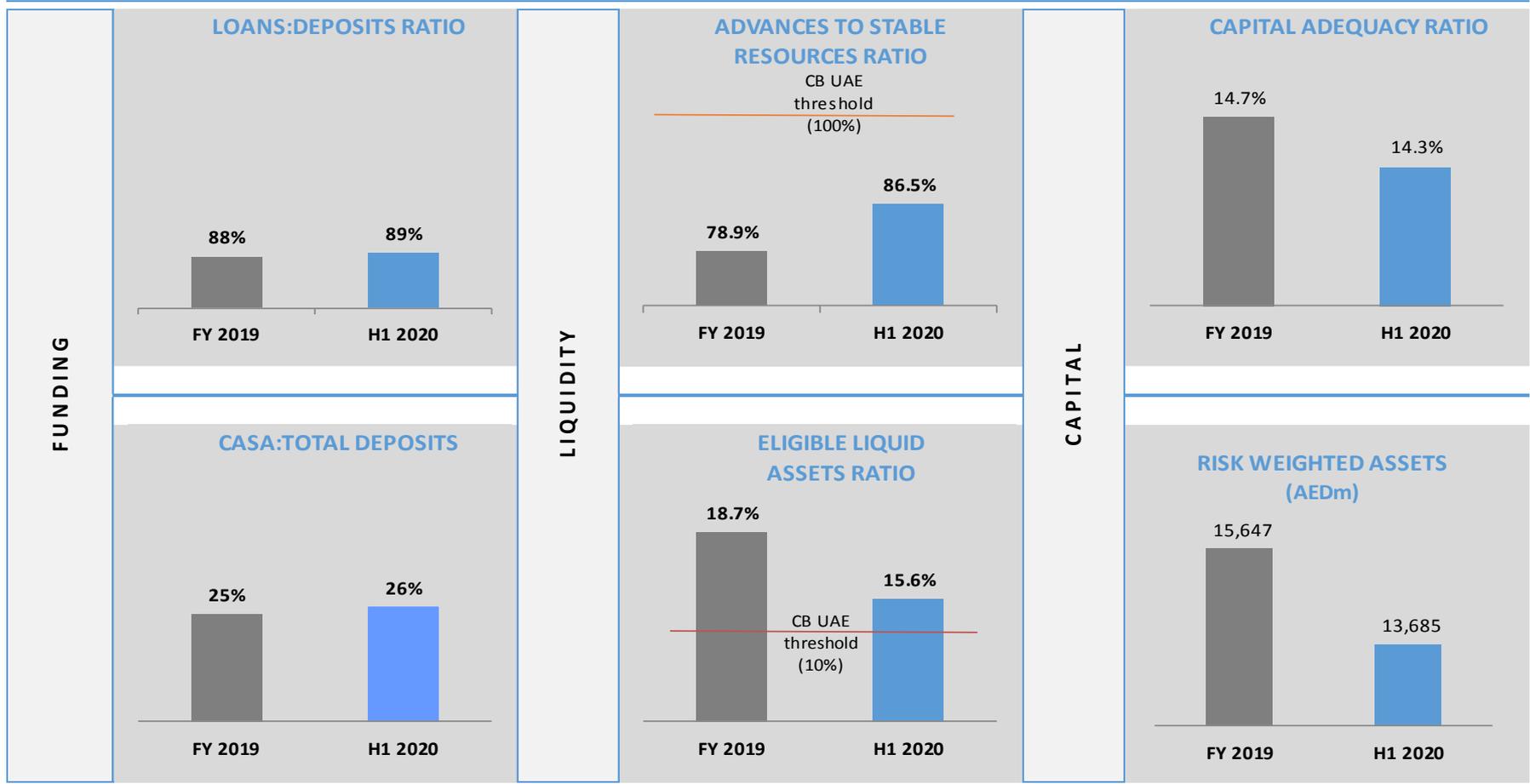


Customer Deposits have and will continue to represent the Bank’s key source of funds evidenced through a stable 78% concentration in Total Liabilities. CASA:TD ratio at 26% as the Bank continues to deploy various tactical initiatives to efficiently manage the cost of funds.

Medium Term Borrowings 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



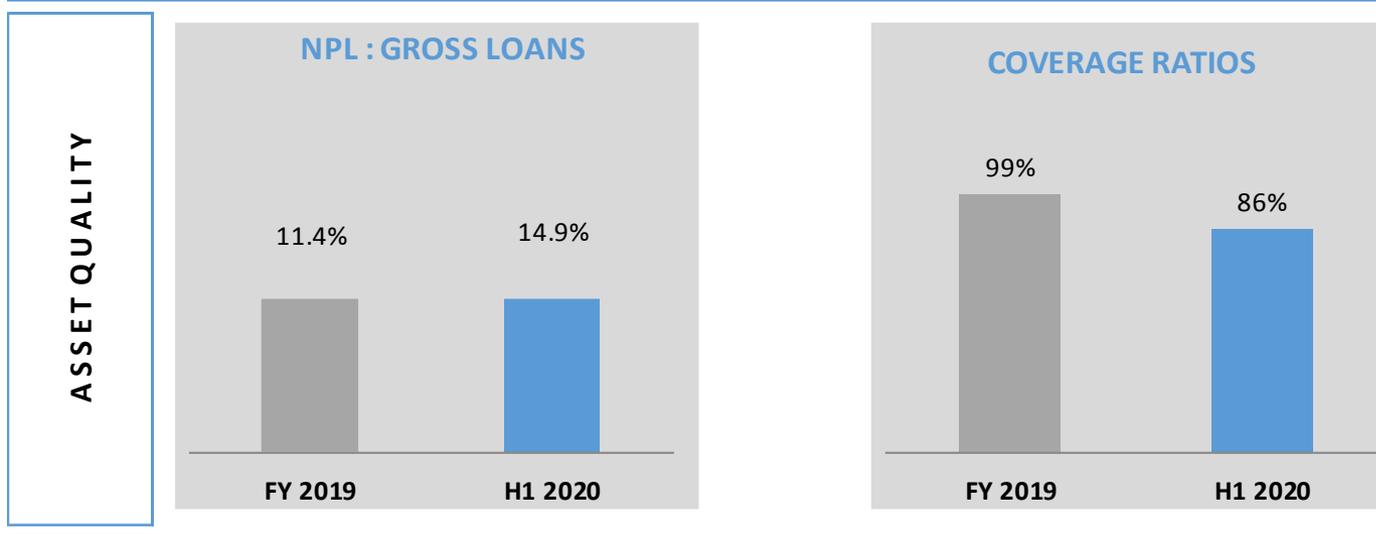
Loan : Deposit Ratio of 89% underpins a reasonable funding profile, whilst broadly **CASA%** at 26% which supports reduction in cost of funds

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

Overall Capital adequacy of 14.3% position with a Common Equity Tier1 (CET1) ratio of 13.2%, ahead of currently applicable regulatory requirements

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Asset Quality



In line with the Bank's approach to prudently manage credit risks, certain exposures were required to be classified during the period. 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 14.9% and **coverage ratio** decreased to 86% vs. FY 2019 with the Bank continuing its efforts to optimize low risk lending as per the Bank's revised strategy.