



البنك العربي المتحد
UNITED ARAB BANK

Growth momentum continues at UAB

9M'23 Earnings presentation

24 October 2023

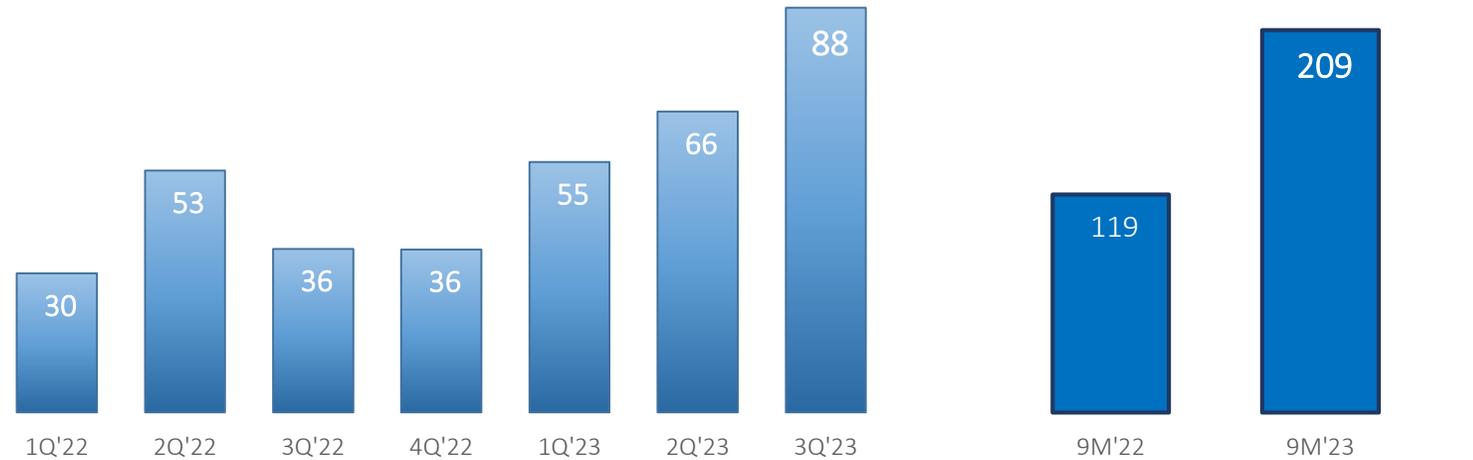
Growth momentum continues at UAB



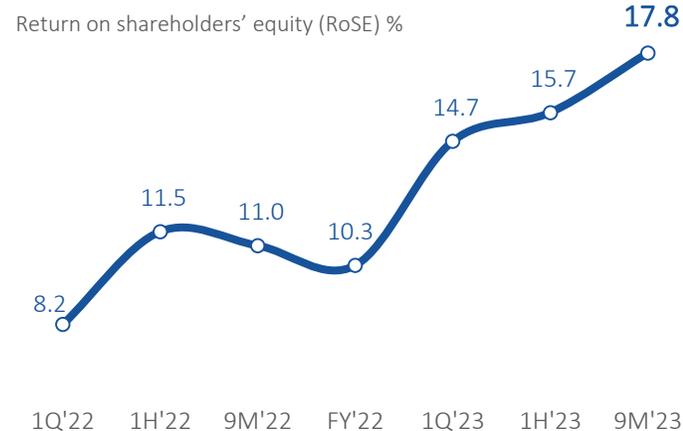
- Execution of turnaround strategy progressing well
- Delivering growth in profitability and enhancing shareholder returns
- Capitalising on the favourable environment, whilst maintaining focus on quality of assets
- Solidified our financial position, keeping a robust liquidity and funding profile
- Affirmation of credit ratings by Fitch (BBB+/Stable) and Moody's (Ba1/Positive) with the outlook being upgraded to positive by Moody's is a testament of the progress made over the past year

“Transforming UAB into an agile and customer-oriented financial institution - strengthening and deepening our existing client relationships and carefully expand our client base in all the business segments, in line with our risk appetite”

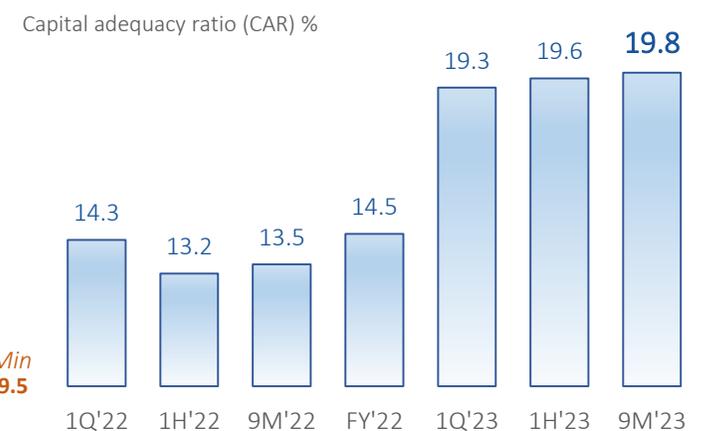
Delivering growth in net profits quarter on quarter, ...



Enhancing returns for our shareholders, ...



Ensuring a solid financial position



Higher profitability driven by increase in operating income, amid focus on quality of assets

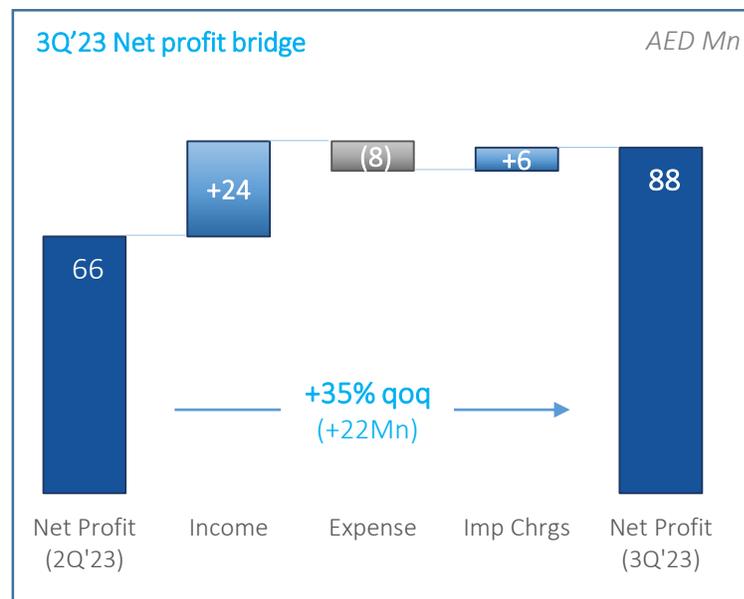
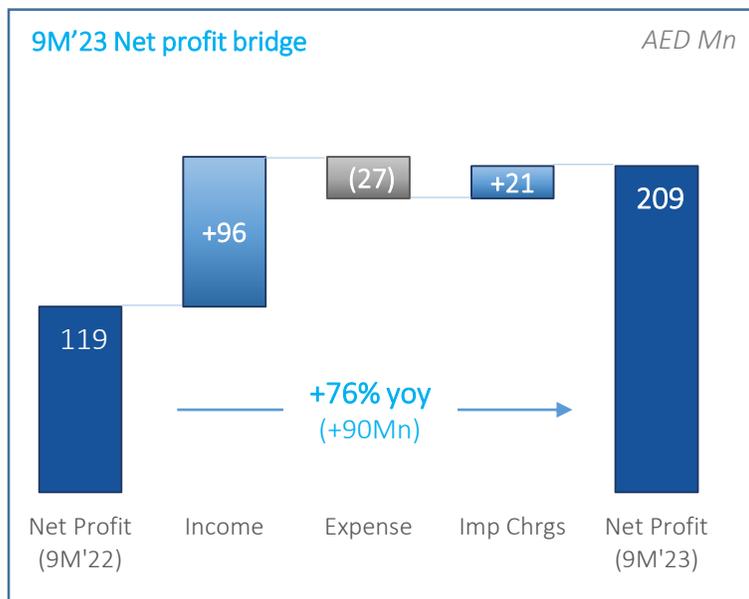


Net profit growth driven by higher operating income across core business, ...

- Operating income in 9M'23, +27% yoy led by higher NII and non-interest income
- NII +31% in 9M'23, driven by higher interest rates, while efficiently managing funding costs
- Non-interest income helped by higher gains from sale of fixed assets

... while maintaining cost discipline and focus on quality of assets

- YoY increase in costs reflects business growth as we invest in people, systems and products; CI ratio improves to 47% in 9M'23
- Decline in impairment charges given the improvements in asset quality and over 100% NPL coverage



Income statement highlights (AED Million)

	9M'23	ΔYoY%	3Q'23	ΔQoQ%	ΔYoY%
Net Interest Income	295	31	102	2	23
Non-Interest Income	152	20	72	45	188
Total Income	447	27	174	16	61
Operating Expenses	(211)	14	(76)	11	12
Operating Profit	236	41	98	21	143
Impairment charges, net	(27)	(43)	(9)	(39)	106
Net Profit	209	76	88	35	147

Key Ratios ¹ (%)	9M'23	ΔYoY (bps)	3Q'23	ΔQoQ (bps)	ΔYoY (bps)
Net Interest Margin (NIM)	3.16	77	3.17	(5)	54
Cost-Income ratio	47.1	(528)	43.8	(205)	(1,892)
Cost of Risk (CoR)	0.41	(35)	0.49	(34)	38
Return on Shareholders' Equity (RoSE)	17.8	685	21.8	482	1,158
Return on Assets (RoA)	1.9	85	2.4	58	142

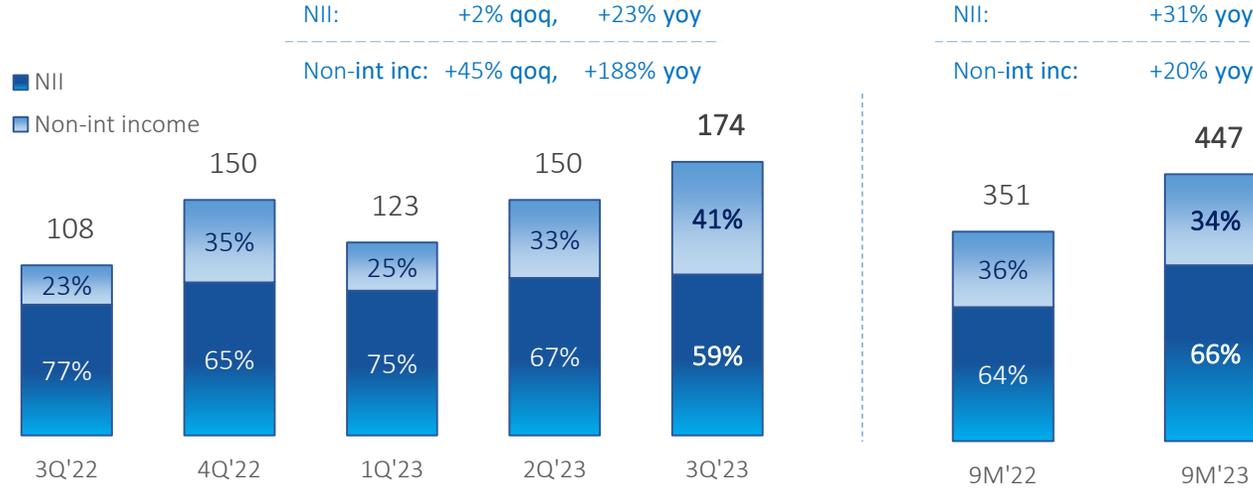
¹ Ratios are annualized, where relevant

Operating income growth driven by NII benefitting from higher interest rates and gain on sale of fixed assets



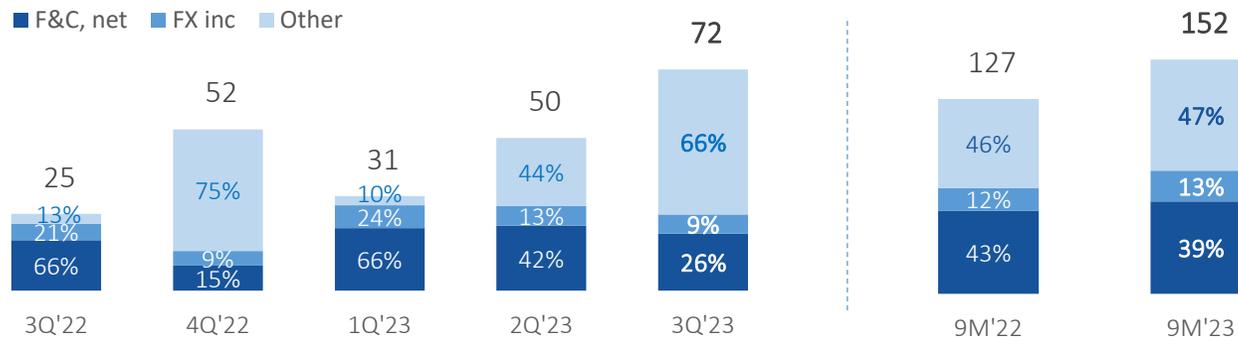
Operating income: both, NII and non-interest income, grew year-on-year in double-digits

AED Mn



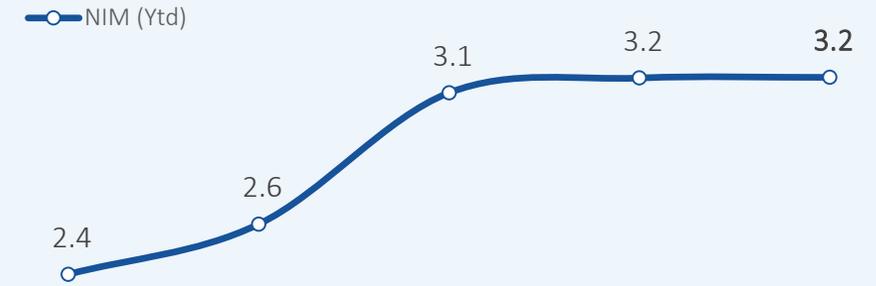
Non-interest income increased on higher gains from sale of fixed assets

AED Mn

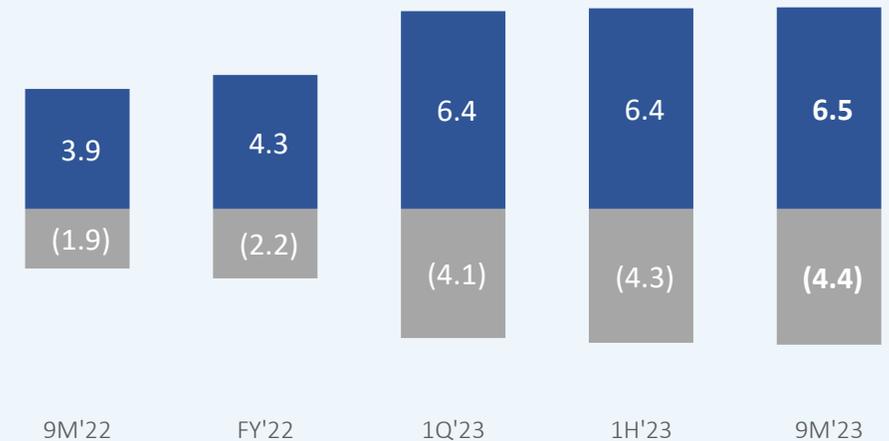


Higher interest rates and efficient management of funding costs lead to higher NIM

(%)



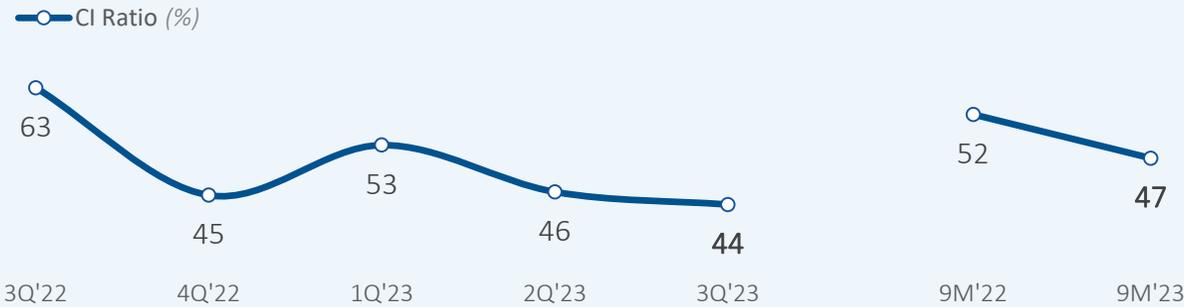
■ Asset yield (Ytd)
■ Cost of Funds (Ytd)



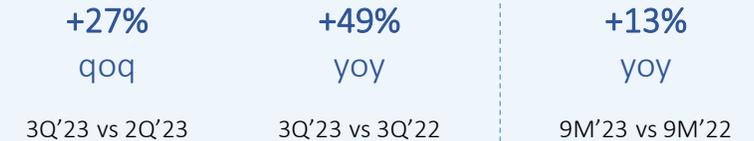
Higher expenses reflect business growth, albeit lower CI ratio on positive operating leverage



Efficiently managing expenses, albeit investing across people, products and systems, in line with medium-term growth strategy



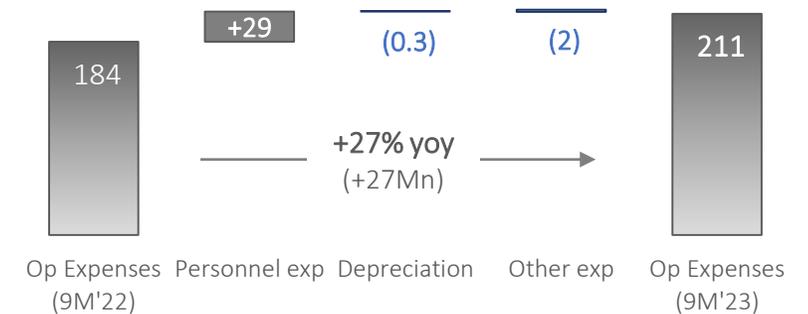
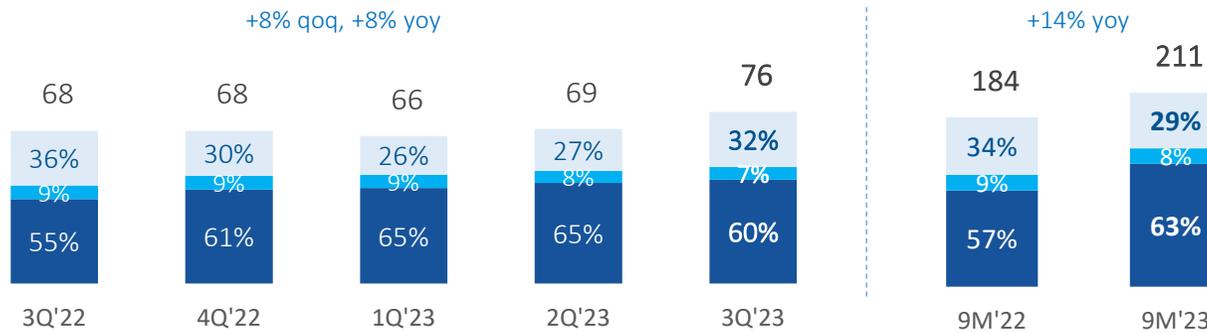
Delivering positive operating leverage (JAWS¹)



Operating expenses by type & 9M'23 bridge

■ Personnel exp ■ Depreciation ■ Other exp

AED Mn



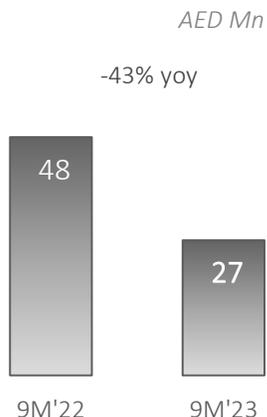
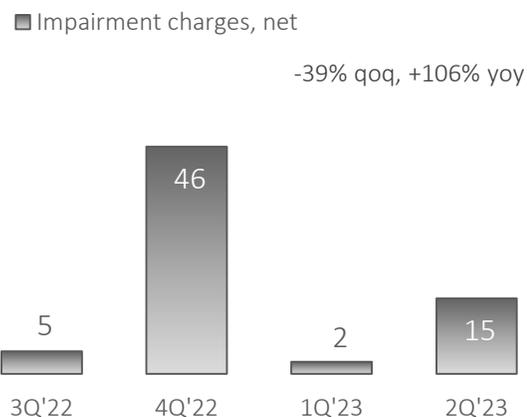
¹ JAWS is defined as difference of growth in operating income versus operating expense

Focus on quality of assets has resulted in significant improvement across metrics



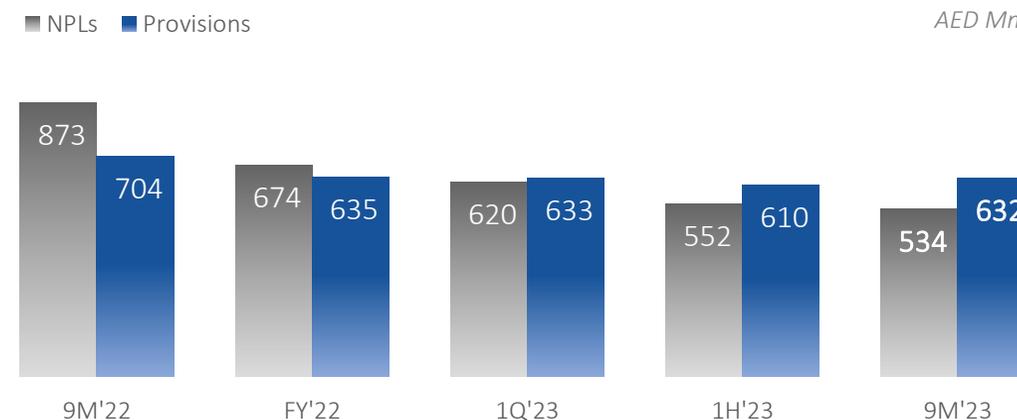
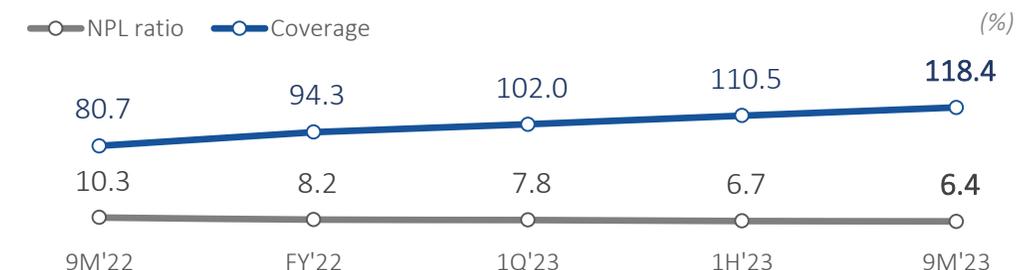
Continue to prudently manage risk and maintain focus on improving and preserving good asset quality

Cost of risk and impairment charges stabilising ..



... with decline in non-performing loans and enhanced coverage

Coverage including collaterals is at 195% as of Sep'23



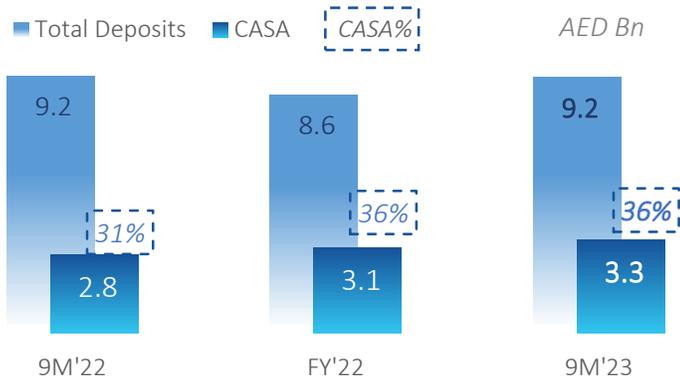
1 NPLs and Gross Loans are net of Interest in suspense

Solid financial position laying the foundation for continued growth

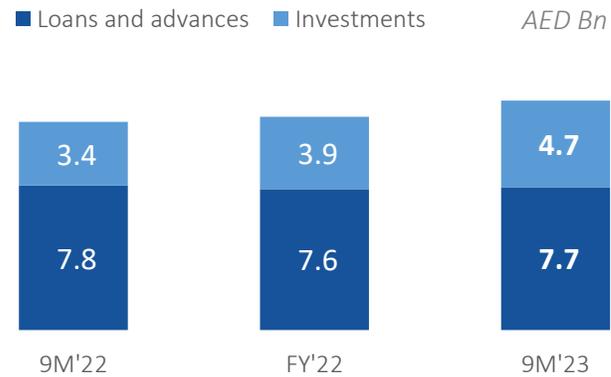


Robust foundation with a solid capital position and adequate liquidity; business pipelines across the various segments look healthy and are now beginning to convert, translating into robust top-line loan growth ahead

Attracting CASA deposits through various initiatives



Prudently managing loan growth, deploying liquidity efficiently in high-quality investments

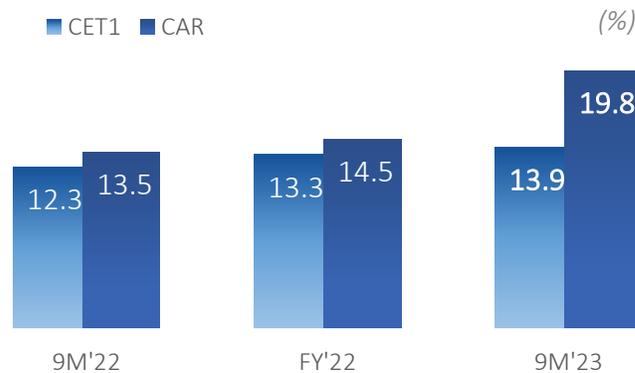


Adequate liquidity and funding ratios

- LCR & NSFR are well above 100%



Enhanced capital position



Balance Sheet highlights (AED Billion)

	9M'23	ΔQoQ%	ΔYtd%	ΔYoY%
Total Assets	14.7	2	5	5
Loans and advances	7.7	2	1	(1)
Investments	4.7	12	20	36
Customers' deposits	9.2	9	7	(1)
of which CASA deposits	3.3	2	9	19
Total Equity (incl AT1)	2.2	1	44	56

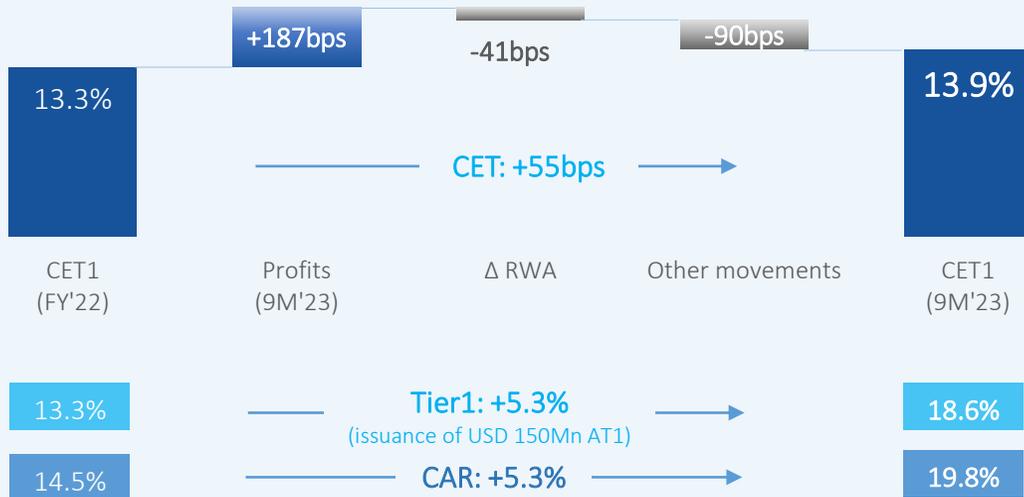
Key ratios (%)

	9M'23	ΔQoQ (bps)	ΔYtd (bps)	ΔYoY (bps)
NPL ratio	6.4	(33)	(178)	(387)
Provision coverage	118	794	2,414	3,777
Provision coverage (incl collaterals)	195	2,070	3,260	6,830
Advances to Stable Resources ratio (ASRR)	73	(821)	(1,348)	(1,437)
Eligible Liquid Assets ratio (ELAR)	18	(52)	34	54
CASA%	36	(237)	49	593
CET1 ratio	13.9	16	55	151
Tier1 ratio	18.6	15	531	627
CAR%	19.8	15	531	627

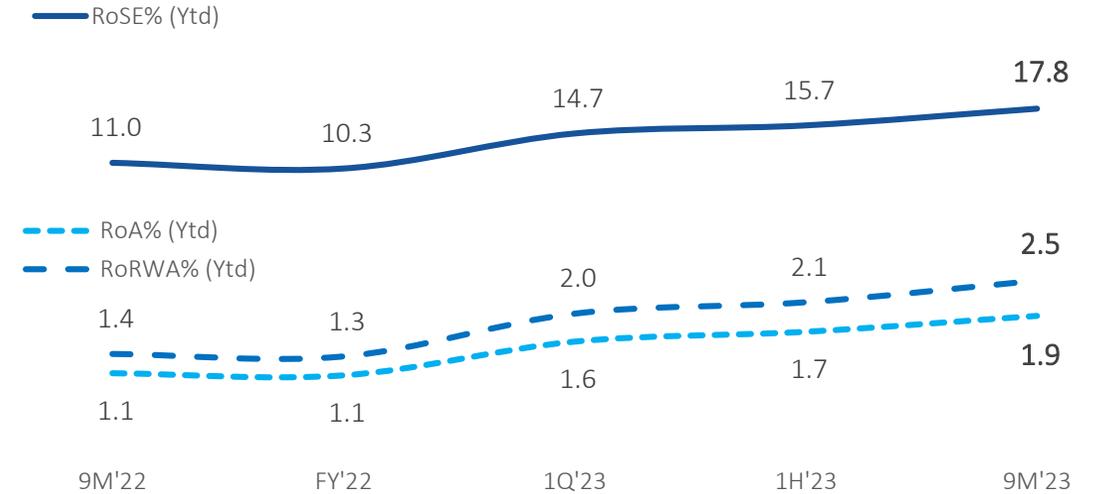
Strengthened capital position through AT1 issuance and profit generation



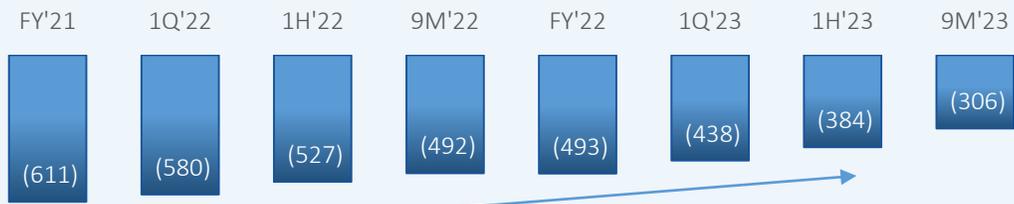
Strong organic capital generation & issuance of AT1 in Q1'23 strengthens capital position



Delivering enhanced returns to shareholders



Erasing the accumulated losses through profit generation



Risk-weighted assets



* Market RWA are negligible (below AED 10Mn) across the periods and hence not visible on the chart

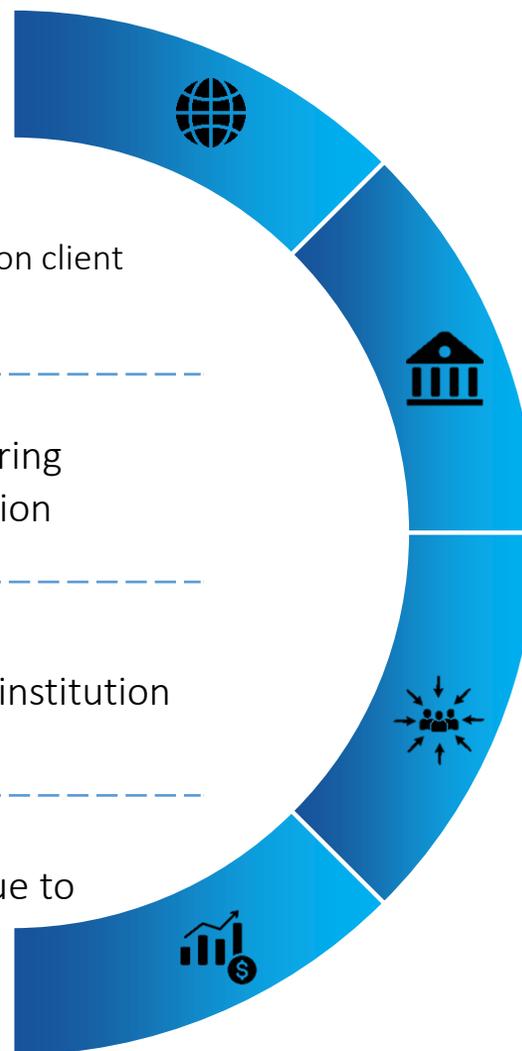
Cautiously optimistic on the macroeconomic outlook:

- positive GDP growth, further picking up pace in 2024¹
- expectations of ‘higher for longer’ interest rates and its potential impact on client demand and their creditworthiness

Solid foundation: maintaining our focus on quality of assets, ensuring adequate buffers and liquidity, while preserving a solid capital position

Transforming UAB into an agile and customer-oriented financial institution

Execution of turnaround strategy progressing well as we continue to deliver growth and enhance shareholder returns



***Well-positioned
for the growth
ahead***

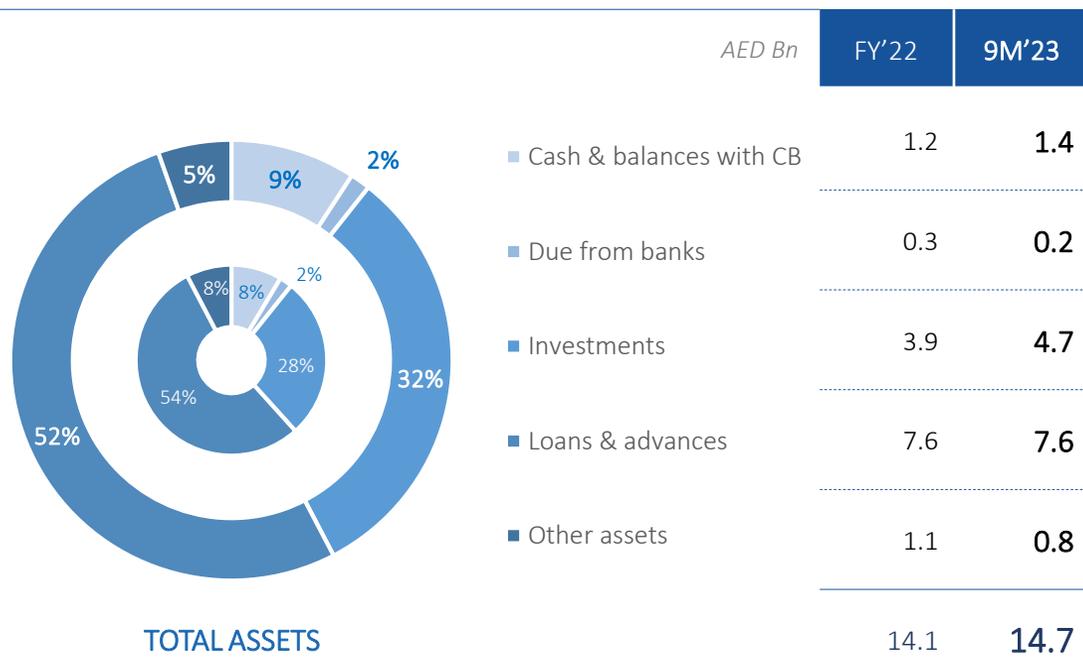
¹ IMF forecast for UAE real GDP growth 2023 – 3.4%, 2024 – 4.0%; World Bank 2023 – 3.4%, 2024 – 3.7%

Appendix

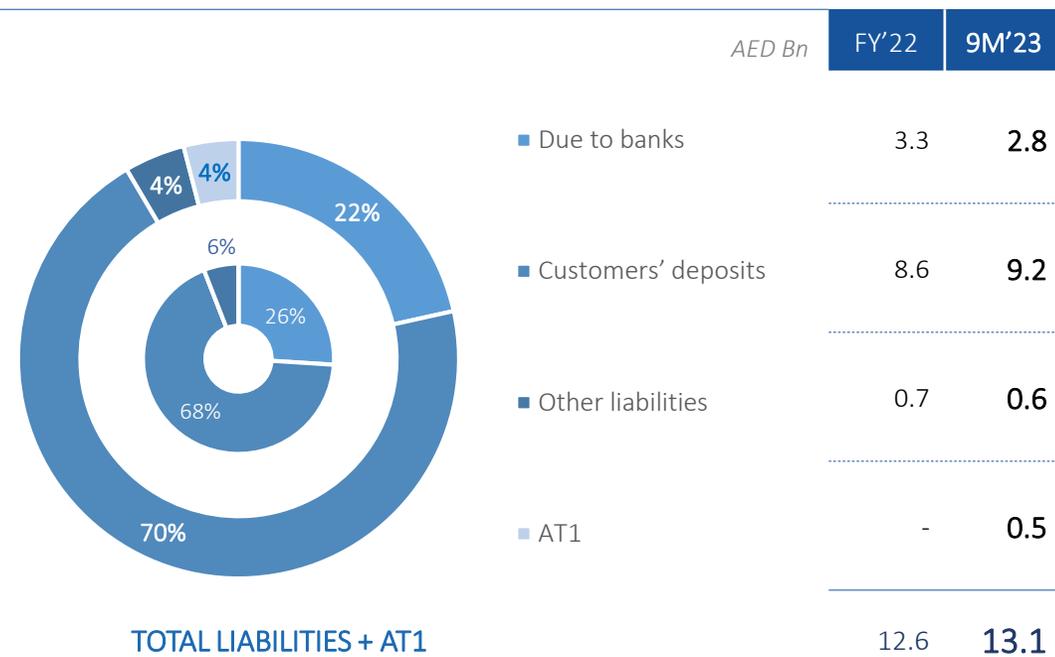
Traditional and conservative mix of assets and liabilities



Assets primarily deployed across loans and high-quality investments ...



... funded by customer deposits as the major source



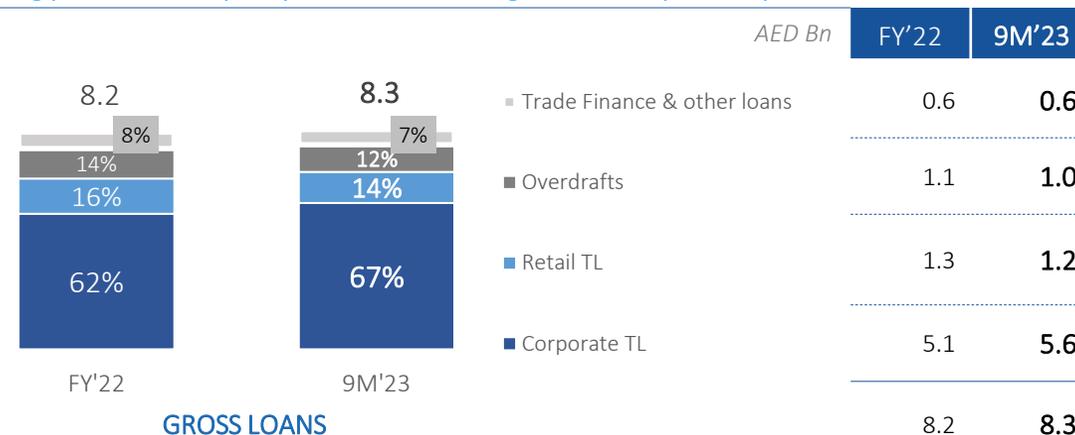
Loan book growth being managed prudently with focus on quality and client relationship



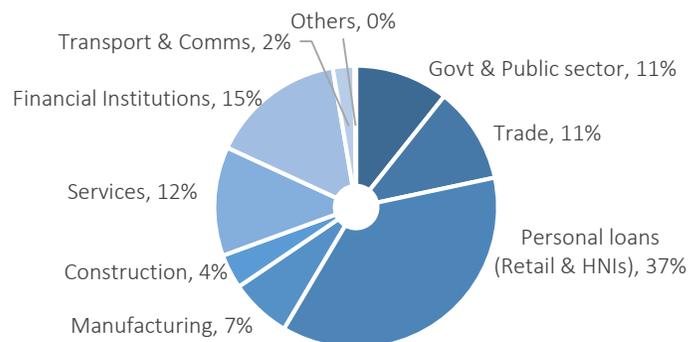
Loan book growth being managed prudently; pipeline looks healthy across businesses



Lending predominantly corporate led, with significant scope to expand into retail



Diversified loan book across economic sectors and emirates



GROSS LOANS by ECONOMIC SECTOR¹

¹ Gross Loans by economic sector as of December 2022 (AED 8.2Bn)

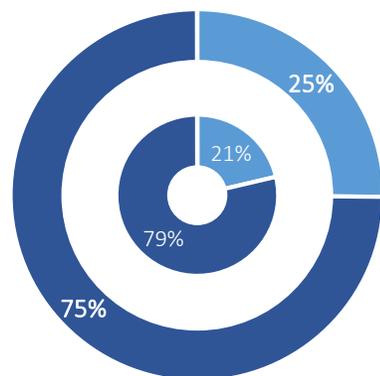
88% of loans are in Stage 1 with coverage being adequate across stages

AED Bn	FY'22			9M'23		
	Exposure	ECL	Coverage	Exposure	ECL	Coverage
Stage 1	6.9	0.1	1.3%	7.3	0.1	1.4%
Stage 2	0.6	0.2	39%	0.5	0.2	46%
Stage 3	0.7	0.3	44%	0.5	0.3	59%
GROSS LOANS	8.2	0.6		8.3	0.6	

Quality investment portfolio mandated to meet liquidity requirements and enhance yield



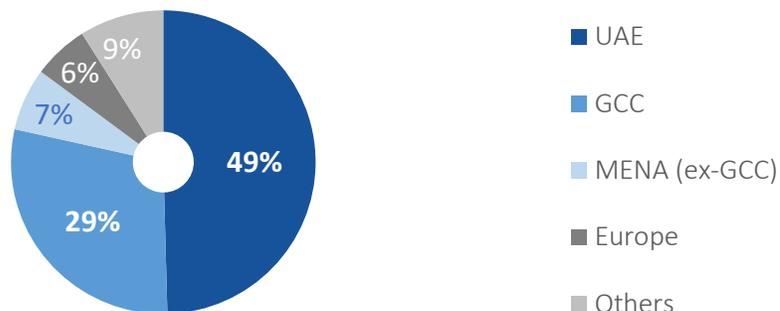
Investments book primarily consist of debt instruments, majority marked-to-market



TOTAL INVESTMENTS (pre-ECL)

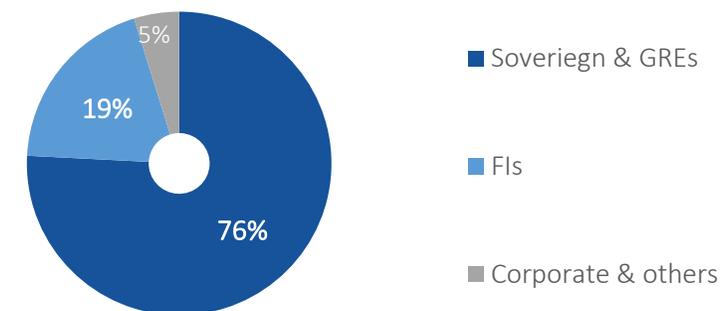
	AED Bn	
	FY'22	9M'23
■ Debt - Amortised cost	0.8	1.2
■ Debt - FVOCI	3.1	3.5
■ Equity - FVOCI	0.001	0.001
	3.9	4.7

50% of exposure to UAE, 85% to MENA (incl GCC and UAE)



TOTAL INVESTMENTS (pre-ECL)¹

Major exposure to sovereign and GREs



TOTAL INVESTMENTS (pre-ECL)¹

¹ Composition of investments is based on the face value of the underlying investments

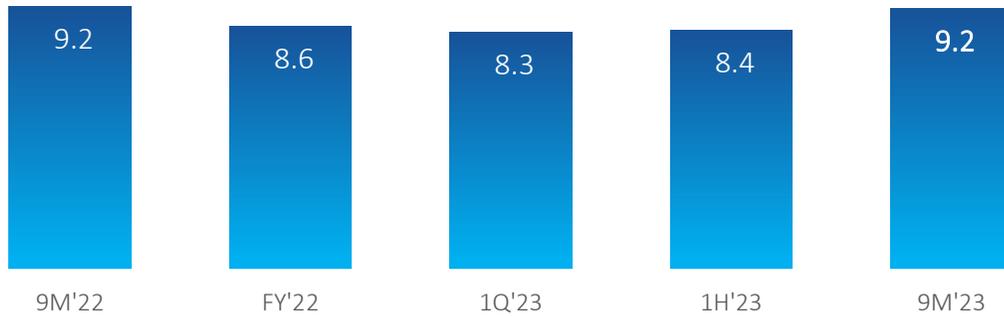
Strong growth in customer deposits driven by increase in CASA



Strong growth in customer deposits

+1% qoq, ↔ yoy, +1% ytd

AED Bn

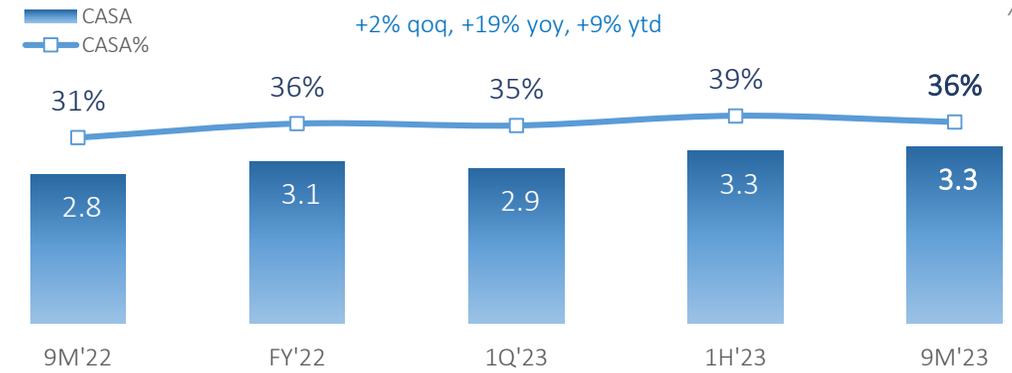


CUSTOMER DEPOSITS

Healthy CASA deposits growth on the back of various initiatives

+2% qoq, +19% yoy, +9% ytd

AED Bn



CASA (Current & Savings Accounts)

Regulatory liquidity ratios well above minimum requirements

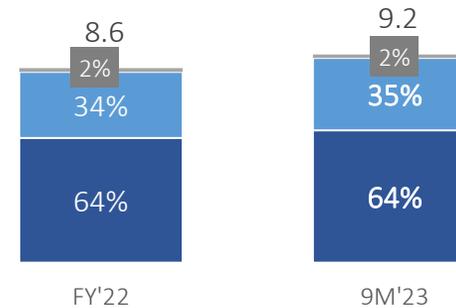
Eligible Liquid Assets Ratio

Advances to Stable Resources Ratio



Customer deposits by type

AED Bn



CUSTOMER DEPOSITS

	FY'22	9M'23
Call and savings	0.2	0.2
Current accounts	2.9	3.2
Term deposits	5.5	5.8
Total	8.2	8.3

Summary financials – Income statement and Balance sheet



Income statement highlights (AED Million)	9M'23	9M'22	ΔYoY%	3Q'23	2Q'23	3Q'22	ΔQoQ%	ΔYoY%
Net Interest Income	295	224	31	102	100	83	2	23
Non-Interest Income	152	127	20	72	50	25	45	188
Total Income	447	351	27	174	150	108	16	61
Operating Expenses	(211)	(184)	14	(76)	(69)	(68)	11	12
Operating Profit	236	167	41	98	81	40	21	143
Impairment charges, net	(27)	(48)	(43)	(9)	(15)	(5)	(39)	106
Net Profit	209	119	76	88	66	36	35	147

Balance sheet highlights (AED Billion)	9M'23	9M'22	ΔYoY%	9M'23	1H'23	FY'22	ΔQoQ%	ΔYtd%
Total Assets	14.7	14.1	5	14.7	14.4	14.1	2	5
Loans and advances	7.7	7.8	(1)	7.7	7.6	7.6	2	1
Investments	4.7	3.4	36	4.7	4.2	3.9	12	20
Customers' deposits	9.2	9.2	(1)	9.2	8.4	8.6	9	7
<i>of which CASA deposits</i>	3.3	2.8	19	3.3	3.3	3.1	2	9
Total Equity (incl AT1)	2.2	1.4	56	2.2	2.1	1.5	1	44

Summary financials – Key ratios



Key Ratios (%)	9M'23			3Q'23				
	9M'23	9M'22	ΔYoY (bps)	3Q'23	2Q'23	3Q'22	ΔQoQ (bps)	ΔYoY (bps)
Net Interest Margin (NIM)	3.16	2.39	77	3.17	3.22	2.63	(5)	54
Cost-Income ratio	47.1	52.4	(528)	43.8	45.8	62.7	(205)	(1,892)
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Return on Shareholders' Equity (RoSE)	17.8	11.0	685	21.8	17.0	10.2	482	1,158
Return on Assets (RoA)	1.9	1.1	85	2.4	1.8	1.0	58	142
Non-performing loans ratio (NPL)	6.4	10.3	(387)	6.4	6.7	10.3	(33)	(387)
Provision coverage	118	81	3,777	118	110	81	794	3,777
Provision coverage (incl collaterals)	195	127	6,830	195	175	127	2,070	6,830
Advances to Stable Resources ratio (ASRR)	73	88	(1,437)	73	82	88	(821)	(1,437)
Eligible Liquid Assets ratio (ELAR)	18	17	54	18	18	17	(52)	54
CASA%	36	31	593	36	39	31	(237)	593
Common Equity Tier 1 (CET1) ratio	13.9	12.3	151	13.9	13.7	12.3	16	151
Tier 1 ratio	18.6	12.3	627	18.6	18.5	12.3	15	627
Capital Adequacy ratio (CAR)	19.8	13.5	627	19.8	19.6	13.5	15	627

- *Comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in the financial statements*
- *Please note that rounding differences may appear throughout the presentation*
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