



MANAGEMENT DISCUSSION & ANALYSIS

H1'2023

Key Highlights – H1'2023

UAB Reports Financial Results for H1 2023

UAB reported H1 2023 Net Profit of **AED 120.5 Mn** as compared to Net Profit of **AED 83.3 Mn** in H1 2022 (**↑ 45%**), similarly Net profit for Q2 2023 has increased by **20%** in comparison to Q1 2023

YoY Net Interest Income higher by 36%

from 141m in H1 2022 to 192m in H1 2023

Improvement in Asset Quality

NPL ratio improved from 10.0% in H1 2022 to 6.7%
in H1 2023,
Provision coverage improved from 77% in H1 2022
to 110% in H1 2023

Additional Tier 1 capital instrument of USD 150m (AED 551m) issued in H1'23 and as a result:

CAR stands at 19.6%

Tier 1 stands at 18.5%

CET 1 stands at 13.7%

Well above the applicable regulatory requirements

YoY Total Income higher by 12%

from 243m in H1 2022 to 273m in H1 2023

59% YoY reduction in Provisions

Cost of Risk reduced from 1.1% in FY 2022 to -
0.4% in H1 2023

Adequate Liquidity profile Maintained

(ASR 82%, ELAR 18%)

(LCR 153%, NSFR 113%)

Loan: Deposit Ratio

Managed to 90%

Management Discussion & Analysis – H1'2023

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the half year ending 30th June 2023. Strong performance continues and is evidenced across the period with the Bank reporting a Net Profit of **AED 120.5m** for H1 2023 compared to a Net Profit of **AED 83.3m** in H1 2022 (**↑ 45%**), similarly Net profit for Q2 2023 has increased by **20%** in comparison to Q1 2023. The strong growth in net profit is a result of improved operating performance and lower expected credit losses as a result of prudent approach to risk management which resulted in lower cost of risk.

UAB's financial performance was aided by a significant progress within the 'core' businesses recording a **12%** increase in Operating Income compared to H1 2022.

The Balance Sheet has been significantly strengthened with a focus on quality assets which resulted in recording **59%** reduction in Provisions compared to the H1 2022. These results provide further evidence that the Bank is well positioned to set sail on its growth journey.

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

The Bank's distribution network comprises of 6 full fledged commercial branches and 18 ATMs providing full banking services to our customers.

Moody's Rating

Bank Deposits- Long Term	Ba1
Outlook	Stable
Counterparty Risk Rating	Baa3

Fitch Rating

Long Term IDR	BBB+
Outlook	Stable

Financial Performance – H1'2023

AED millions

Income Statement	2023					2022			Variance	
	H1'23	Q2'23	Q1'23	Q4'22	Q3'22	H1'22	Q2'22	Q1'22	QoQ%	YTD%
Net Interest Income	192.2	100.2	92.0	97.4	83.2	140.9	74.0	66.9	9%	36%
Non-Interest Income	80.4	49.7	30.7	52.4	25.0	101.8	51.8	50.0	62%	-21%
Total Operating Income	272.6	149.9	122.7	149.8	108.2	242.7	125.9	116.9	22%	12%
Operating Expenses	(134.3)	(68.7)	(65.5)	(67.9)	(67.9)	(116.0)	(57.6)	(58.5)	5%	16%
Profit before Impairment Loss	138.3	81.2	57.2	81.9	40.4	126.7	68.3	58.4	42%	9%
Net Impairment Loss	(17.8)	(15.4)	(2.4)	(46.3)	(4.6)	(43.4)	(15.4)	(28.0)	540%	-59%
Net Profit	120.5	65.8	54.8	35.7	35.8	83.3	52.9	30.4	20%	45%

Balance Sheet	2023			2022			Variance	
	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22	QoQ%	YoY%
Loans and Advances	7,585	7,369	7,604	7,788	8,374	7,884	3%	-9%
Investment Securities	4,176	3,876	3,887	3,435	3,425	3,808	8%	22%
Other Assets	2,687	3,181	2,589	2,843	2,949	2,328	-16%	-9%
Total Assets	14,448	14,426	14,080	14,066	14,748	14,021	0%	-2%
Customer Deposits	8,410	8,339	8,569	9,241	10,517	10,120	1%	-20%
Due to Banks	3,257	3,233	3,272	2,512	1,911	1,582	1%	70%
Other Liabilities	653	786	740	930	919	818	-17%	-29%
Total Liabilities	12,320	12,358	12,581	12,683	13,347	12,520	0%	-8%
Shareholders' Equity	2,128	2,068	1,499	1,383	1,402	1,501	3%	52%
Total Liabilities & Shareholders' Funds	14,448	14,426	14,080	14,066	14,748	14,021	0%	-2%

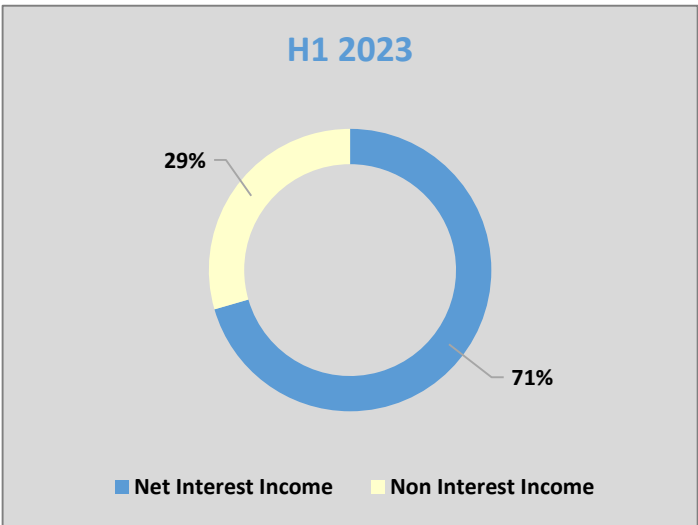
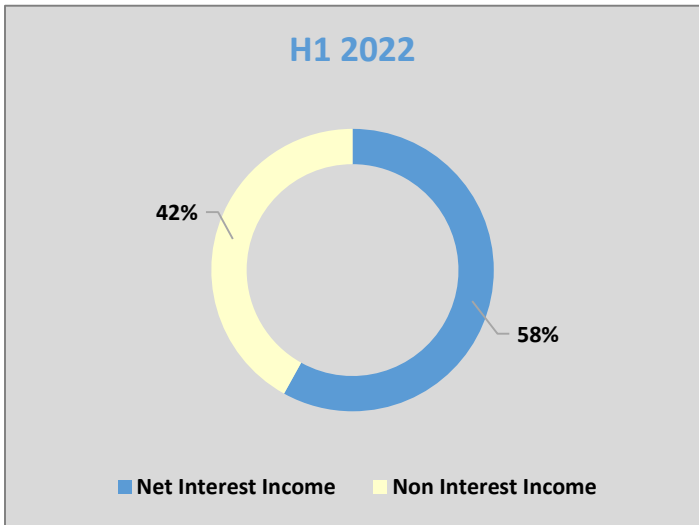


Key Ratios – H1'2023

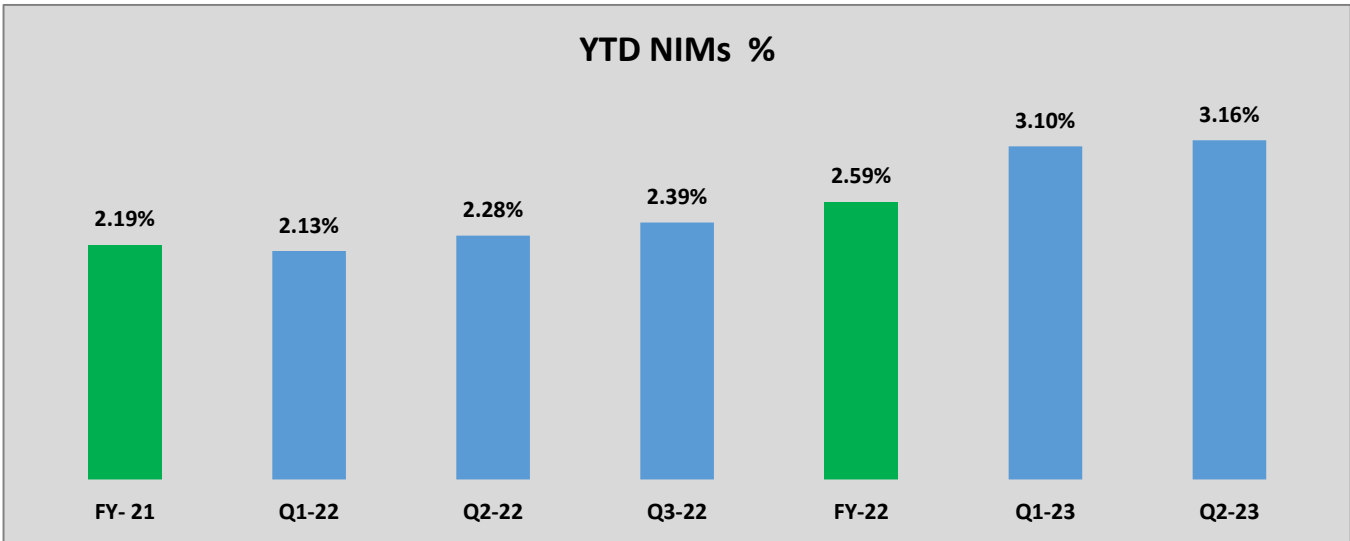
Key Ratios	2023		2022					Variance	
	Q2	Q1	FY'22	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory									
Capital Adequacy	19.6%	19.3%	14.5%	14.5%	13.5%	13.2%	14.3%	0.3%	6.5%
Tier 1	18.5%	18.1%	13.3%	13.3%	12.3%	12.0%	13.1%	0.3%	6.5%
CET 1	13.7%	13.3%	13.3%	13.3%	12.3%	12.0%	13.1%	0.4%	1.7%
Advances to Stable Resources	82%	80%	87%	87%	88%	83%	80%	1%	-1%
Eligible Liquid Assets	18%	21%	18%	18%	17%	15%	16%	-3%	3%
Performance									
Cost : Income Ratio (YTD)	49%	53%	50%	50%	52%	48%	50%	-4%	1%
NPL's : Gross Loans	6.7%	7.8%	8.2%	8.2%	10.3%	10.0%	11.4%	-1.0%	-3.2%
Provision Coverage	110%	102%	94%	94%	81%	77%	70%	8%	34%
Provision Coverage(Including Collaterals)	175%	175%	163%	163%	127%	139%	131%	0%	36%
Loans : Deposits Ratio	90%	88%	89%	89%	84%	80%	78%	2%	11%
Return on Average Equity (YTD)	13.4%	12.4%	10.3%	10.3%	11.0%	11.5%	8.2%	1.0%	1.9%
Return on Average Assets (YTD)	1.7%	1.6%	1.1%	1.1%	1.1%	1.1%	0.8%	0.1%	0.6%
Cost of Risk (YTD)	0.4%	-0.1%	1.1%	1.1%	0.8%	1.1%	1.4%	0.4%	-0.7%
CASA %	39%	35%	36%	36%	31%	31%	30%	4%	8%

Income Statement Review

Total Income

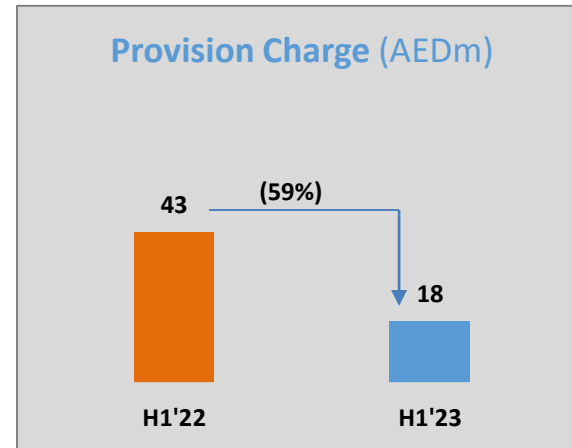
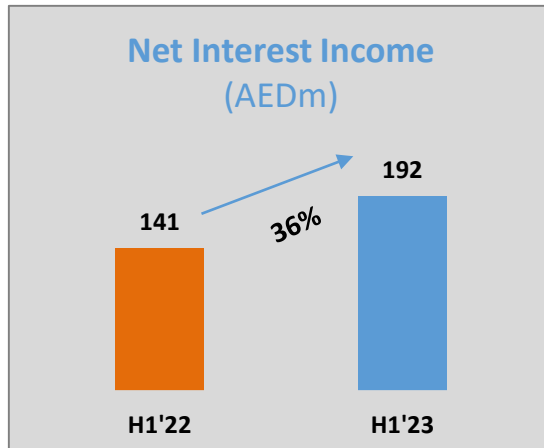


Total Income for H1 2023 was **AED 273m**, increased by 12% (YoY)



The **NIMs** have increased by 57 bps compared to 2022 as the bank benefits from the higher interest rate environment

Income Statement Review (cont.)

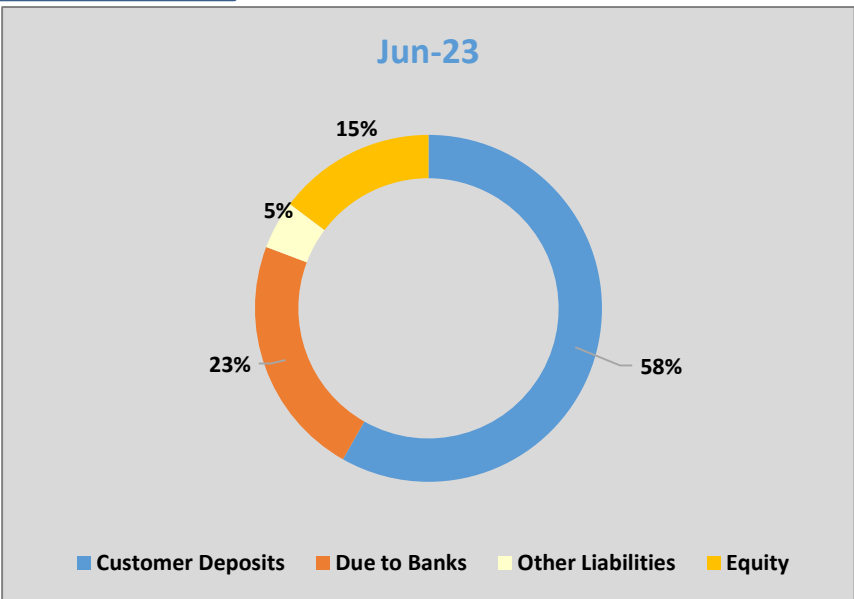
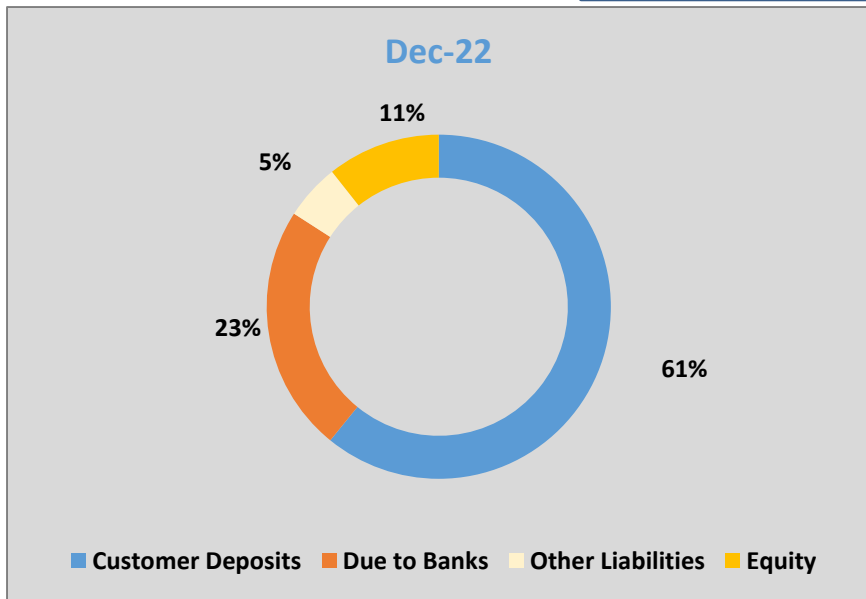


Net Interest Income for H1 2023 was AED 192m, representing an increase of 36% against H1 2022 on account of higher prevailing market rates as the bank benefits from the higher interest rate environment

Net Impairment Loss dropped (59%) vs. H1 2022 on a total portfolio basis, as the bank focuses on higher quality assets in addition to renewed focus on remediation efforts and recoveries.

Balance Sheet Review

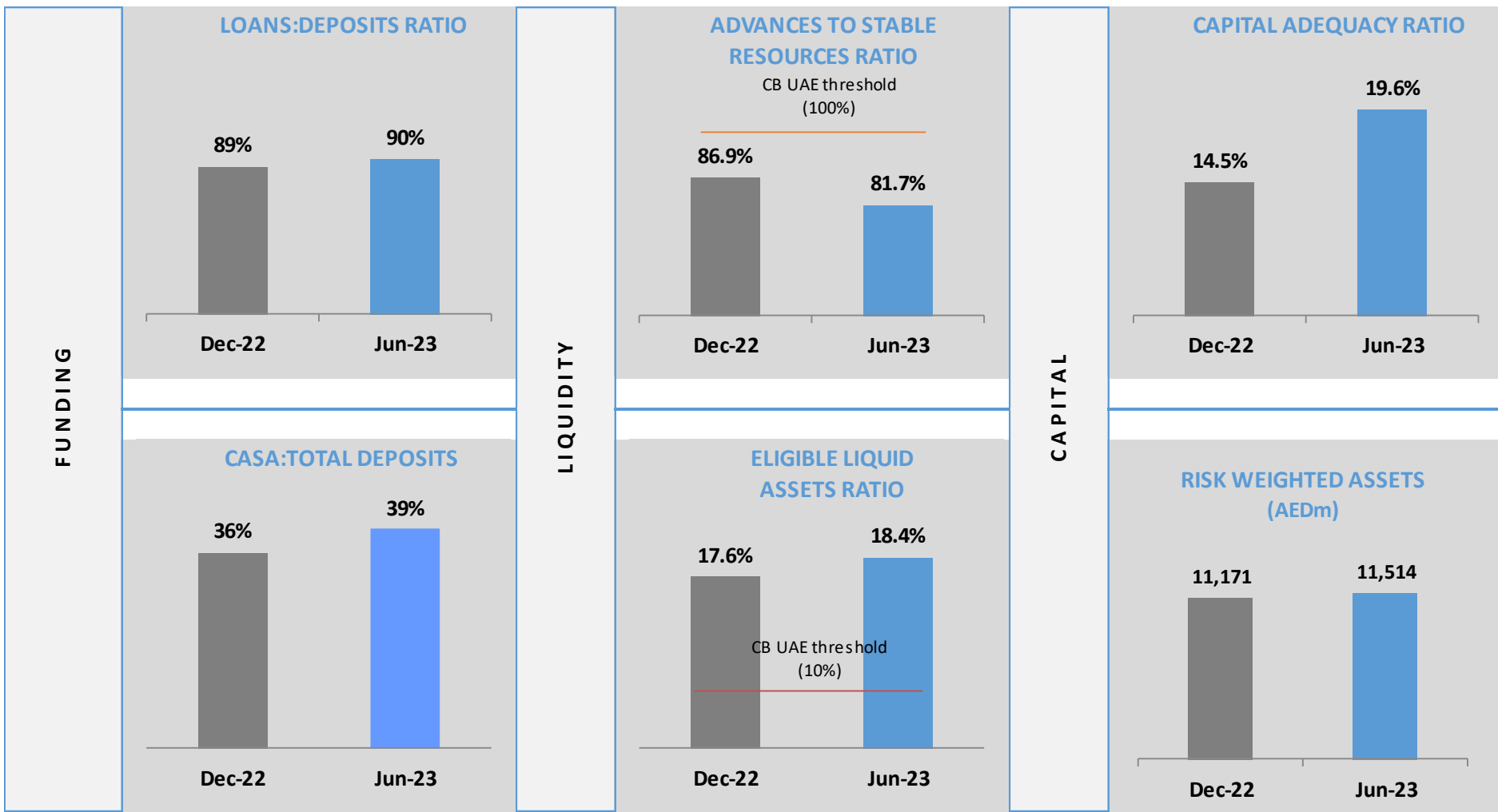
Total Funding



Customer Deposits have and will continue to represent the Bank's key source of funds contributing 58% of total funding compared to 61% in Dec'22.

CASA Deposits continue to grow and are now 39% of total deposits which is higher than Dec'22 that was recorded at 36% and higher than Mar'23 at 35%, as the Bank continues to deploy various initiatives to efficiently manage the cost of funds.

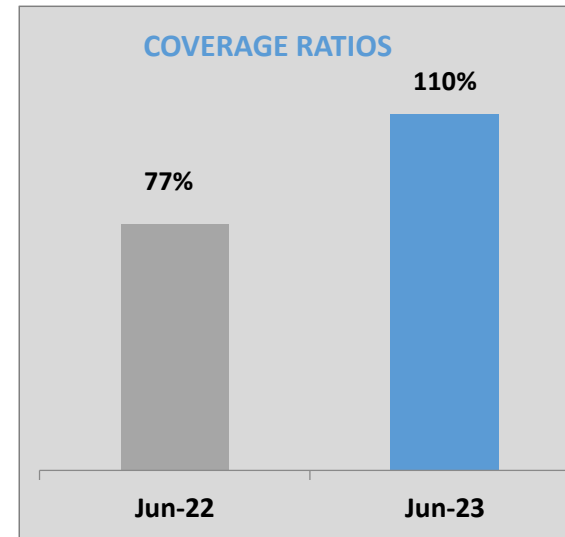
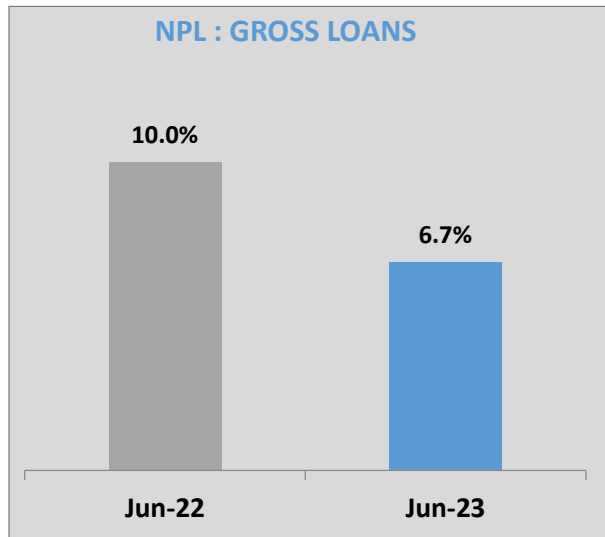
Liquidity Metrics and Capital Ratios



Loan : Deposit Ratio of 90% underpins a robust liquidity profile, whilst **CASA** composition at 39% 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 19.6% position with a Tier 1 ratio of 18.5% & Common Equity Tier1 (CET1) ratio of 13.7%, well above the applicable regulatory requirements



UAB continues with its prudent provisioning approach, and to proactively manage problem loans which has resulted in a significant reduction in NPL ratio of 6.7% in Jun 2023 compared to 10.0% in Jun 2022. The Provision Coverage ratio increased to 110% as at Jun 2023 compared to 77% in Jun 2022. The Provision Coverage Ratio (including collaterals) as on Jun 2023 stands at 175%.