



MANAGEMENT DISCUSSION & ANALYSIS

Q1'2023

Key Highlights – Q1'2023

UAB Reports Financial Results for Q1 2023

UAB reported Q1'2023 Net Profit of **AED 54.8 Mn** as compared to Net Profit of **AED 30.4 Mn** in Q1' 2022 (**↑ 80%**), similarly Net profit for Q1 2023 has increased by **54%** in comparison to Q4 2022

YoY Net Interest Income higher by 38%

from 67m in Q1 2022 to 92m in Q1 2023

Improvement in Asset Quality

NPL ratio improved from 11.4% in Q1 2022 to 7.8%
in Q1 2023,
Provision coverage improved from 70% in Q1 2022
to 102% in Q1 2023

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

CAR stands at 19.3%
Tier 1 stands at 18.1%
CET 1 stands at 13.3%

Well above the applicable regulatory requirements

YoY Total Income higher by 5%

from 117m in Q1 2022 to 123m in Q1 2023

91% YoY reduction in Provisions

Cost of Risk reduced from 1.1% in FY 2022 to -
0.1% in Q1 2023

Adequate Liquidity profile Maintained

(ASR 80%, ELAR 21%)

Loan: Deposit Ratio

managed to 88%

Management Discussion & Analysis – Q1'2023

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the quarter ending 31st Mar 2023. Strong performance continues during the quarter and is evidenced across the period with the Bank reporting a Net Profit of **AED 54.8m** for Q1 2023 compared to a Net Profit of **AED 30.4m** in Q1 2022 (**↑ 80%**), similarly Net profit for Q1 2023 has increased by **54%** in comparison to Q4 2022. 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 **5%** increase in Operating Income compared to Q1 2022.

The Balance Sheet has been significantly strengthened with a focus on quality assets which resulted in recording **91%** reduction in Provisions compared to the Q1 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 17 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 – Q1'2023

AED millions

Income Statement	2023- Actuals	2022 - Actuals					Variance	
	Q1'23	FY'22	Q4'22	Q3'22	Q2'22	Q1'22	QoQ%	YoY%
Net Interest Income	92.0	321.6	97.4	83.2	74.0	66.9	-6%	38%
Non-Interest Income	30.7	179.2	52.4	25.0	51.8	50.0	-41%	-39%
Total Operating Income	122.7	500.8	149.8	108.2	125.9	116.9	-18%	5%
Operating Expenses	(65.5)	(251.8)	(67.9)	(67.9)	(57.6)	(58.5)	-3%	12%
Profit before Impairment Loss	57.2	249.0	81.9	40.4	68.3	58.4	-30%	-2%
Net Impairment Loss	(2.4)	(94.3)	(46.3)	(4.6)	(15.4)	(28.0)	-95%	-91%
Net Profit	54.8	154.7	35.7	35.8	52.9	30.4	54%	80%

Balance Sheet	2023- Actuals	2022- Actuals				Variance	
	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22	QoQ%	YoY%
Loans and Advances	7,369	7,604	7,788	8,374	7,884	-3%	-7%
Investment Securities	3,876	3,887	3,435	3,425	3,808	0%	2%
Other Assets	3,181	2,589	2,843	2,949	2,328	23%	37%
Total Assets	14,426	14,080	14,066	14,748	14,021	2%	3%
Customer Deposits	8,339	8,569	9,241	10,517	10,120	-3%	-18%
Due to Banks	3,233	3,272	2,512	1,911	1,582	-1%	104%
Other Liabilities	786	740	930	919	818	6%	-4%
Total Liabilities	12,358	12,581	12,683	13,347	12,520	-2%	-1%
Shareholders' Equity	2,068	1,499	1,383	1,402	1,501	38%	38%
Total Liabilities & Shareholders' Funds	14,426	14,080	14,066	14,748	14,021	2%	3%

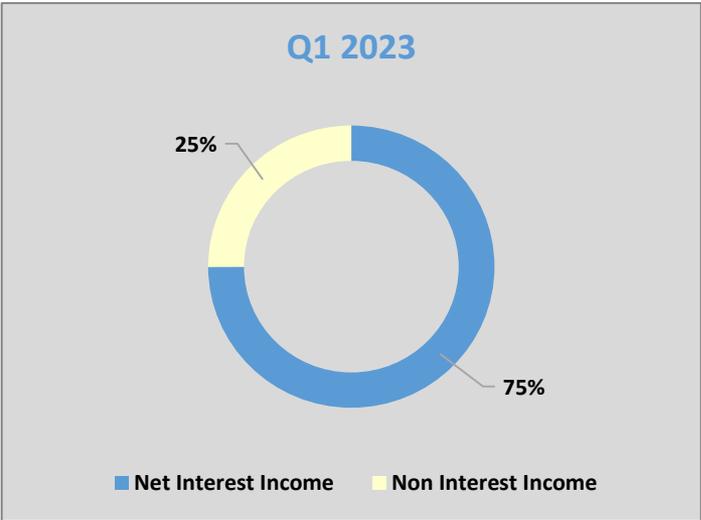
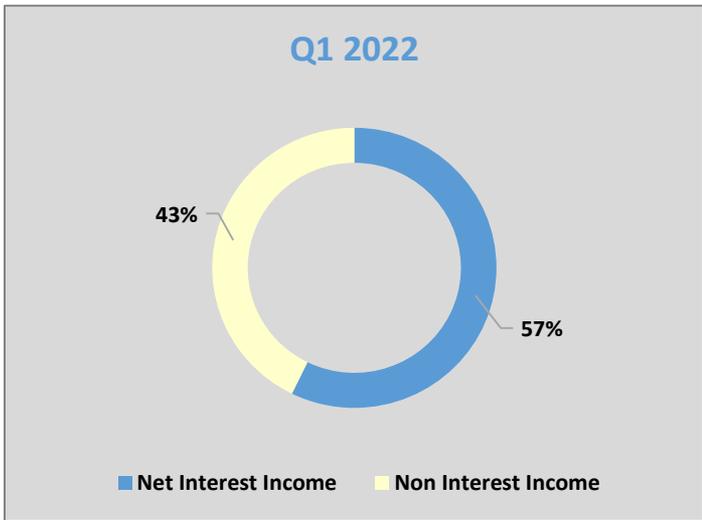


Key Ratios – Q1'2023

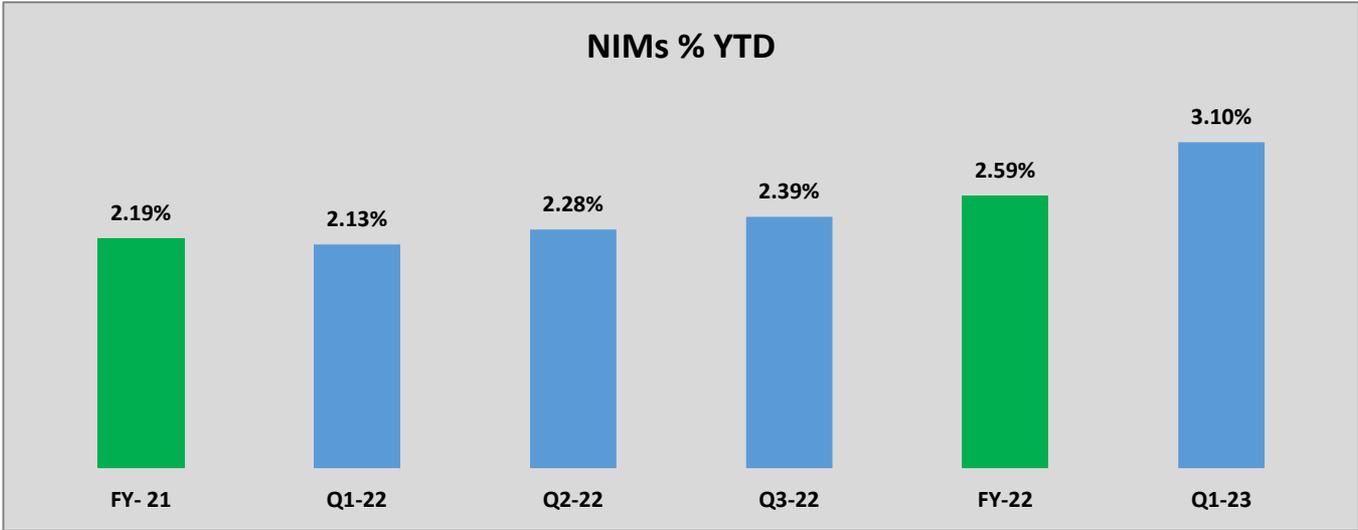
Key Ratios	2023	2022					Variance	
	Q1'23	FY'22	Q4'22	Q3'22	Q2'22	Q1'22	QoQ%	YoY%
Regulatory								
Capital Adequacy	19.3%	14.5%	14.5%	13.5%	13.2%	14.3%	4.8%	5.0%
Tier 1	18.1%	13.3%	13.3%	12.3%	12.0%	13.1%	4.8%	5.0%
CET 1	13.3%	13.3%	13.3%	12.3%	12.0%	13.1%	0.0%	0.2%
Advances to Stable Resources	80%	87%	87%	88%	83%	80%	-7%	0%
Eligible Liquid Assets	21%	18%	18%	17%	15%	16%	3%	5%
Performance								
Cost : Income Ratio	53%	50%	45%	63%	46%	50%	8%	3%
NPL's : Gross Loans	7.8%	8.2%	8.2%	10.3%	10.0%	11.4%	-0.4%	-3.6%
Provision Coverage	102%	94%	94%	81%	77%	70%	8%	32%
Provision Coverage(Including Collaterals)	175%	163%	163%	127%	139%	131%	12%	44%
Loans : Deposits Ratio	88%	89%	89%	84%	80%	78%	0%	10%
Return on Average Equity	12.4%	10.3%	9.9%	9.8%	15.0%	8.2%	2.6%	4.3%
Return on Average Assets	1.6%	1.1%	1.0%	1.0%	1.5%	0.8%	0.5%	0.7%
Cost of Risk	-0.1%	1.1%	2.4%	0.1%	0.8%	1.4%	-2.5%	-1.4%
CASA %	35%	36%	36%	31%	31%	30%	-1%	5%

Income Statement Review

Total Income

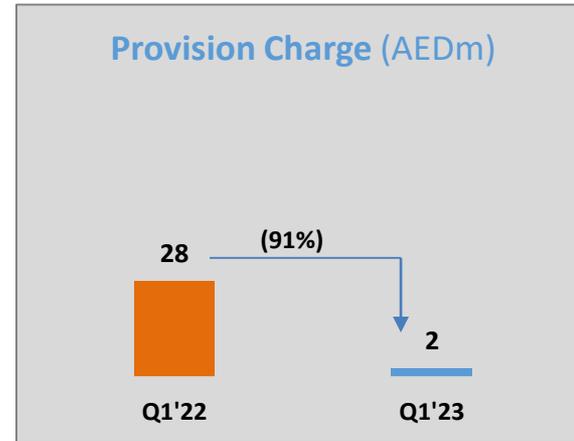
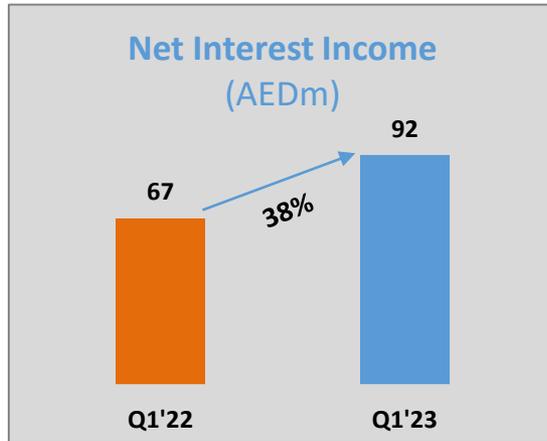


Total Income for Q1 2023 was **AED 123m**, increased 5% (YoY)



The **NIMs** have increased by 51 bps compared to 2022 as the bank benefits from the higher interest rate environment

Income Statement Review (cont.)

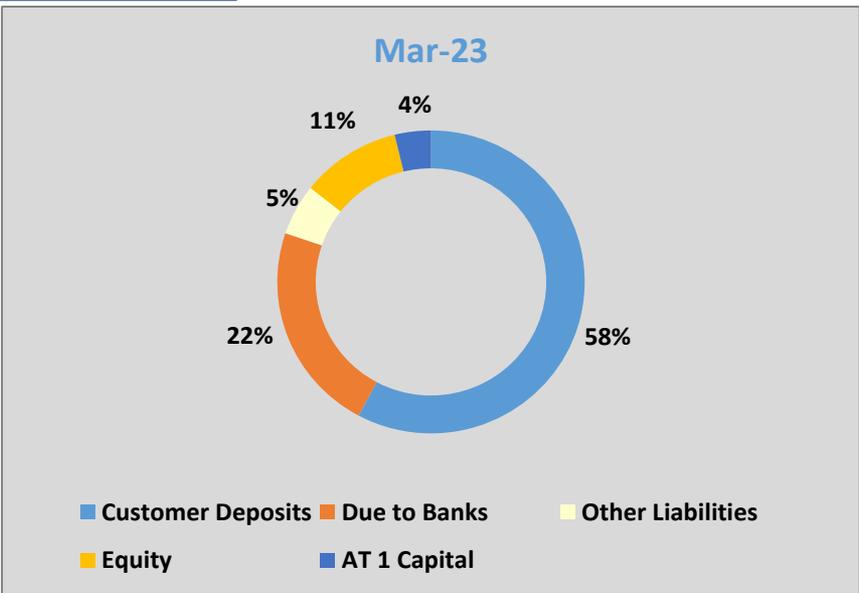
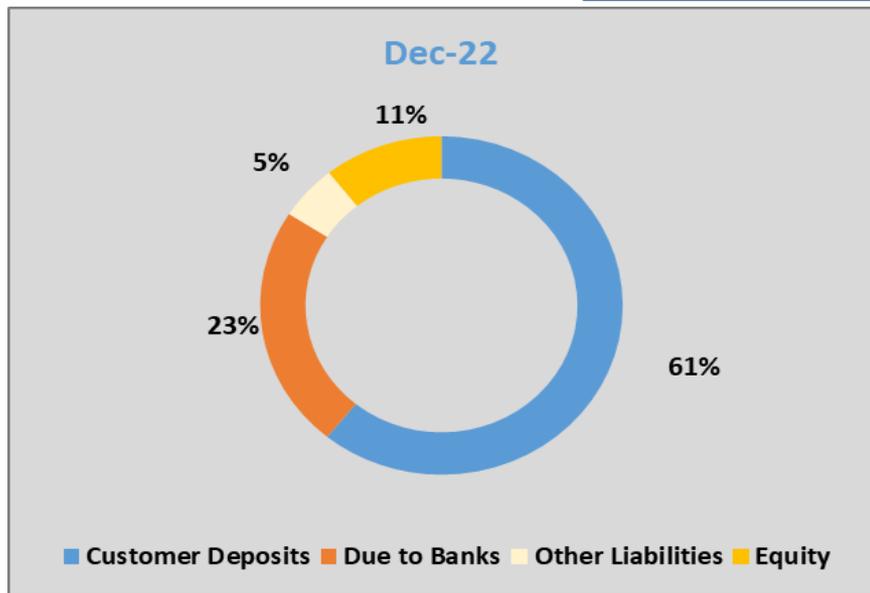


Net Interest Income for Q1 2023 was AED 92m, representing an increase of 38% against Q1 2022 on account of higher prevailing market rates as the bank benefits from the higher interest rate environment

Net Impairment Loss dropped (91%) vs. Q1 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 35% of total deposits which is marginally lower than Dec’22 that was recorded at 36% and higher than Sep’22 at 31%, as the Bank continues to deploy various initiatives to efficiently manage the cost of funds.

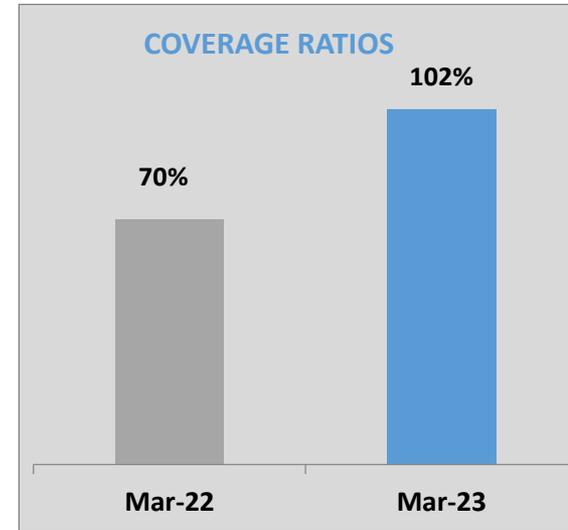
Liquidity Metrics and Capital Ratios



Loan : Deposit Ratio of 88% underpins a robust liquidity profile, whilst **CASA** composition at 35% 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 19.3% position with a Tier 1 ratio of 18.1% & Common Equity Tier1 (CET1) ratio of 13.3%, well above the applicable regulatory requirements



UAB continues with its prudent provisioning approach, and to proactively manage problem loans which has resulted in a reduction in NPL ratio of 7.8% in Mar 2023 compared to 11.4% in Mar 2022. The Provision Coverage ratio increased to 102% as at Mar 2023 compared to 70% in Mar 2022. The Provision Coverage Ratio (including collaterals) as on Mar 2023 stands at 175%.