



البنك العربي المتحد
UNITED ARAB BANK

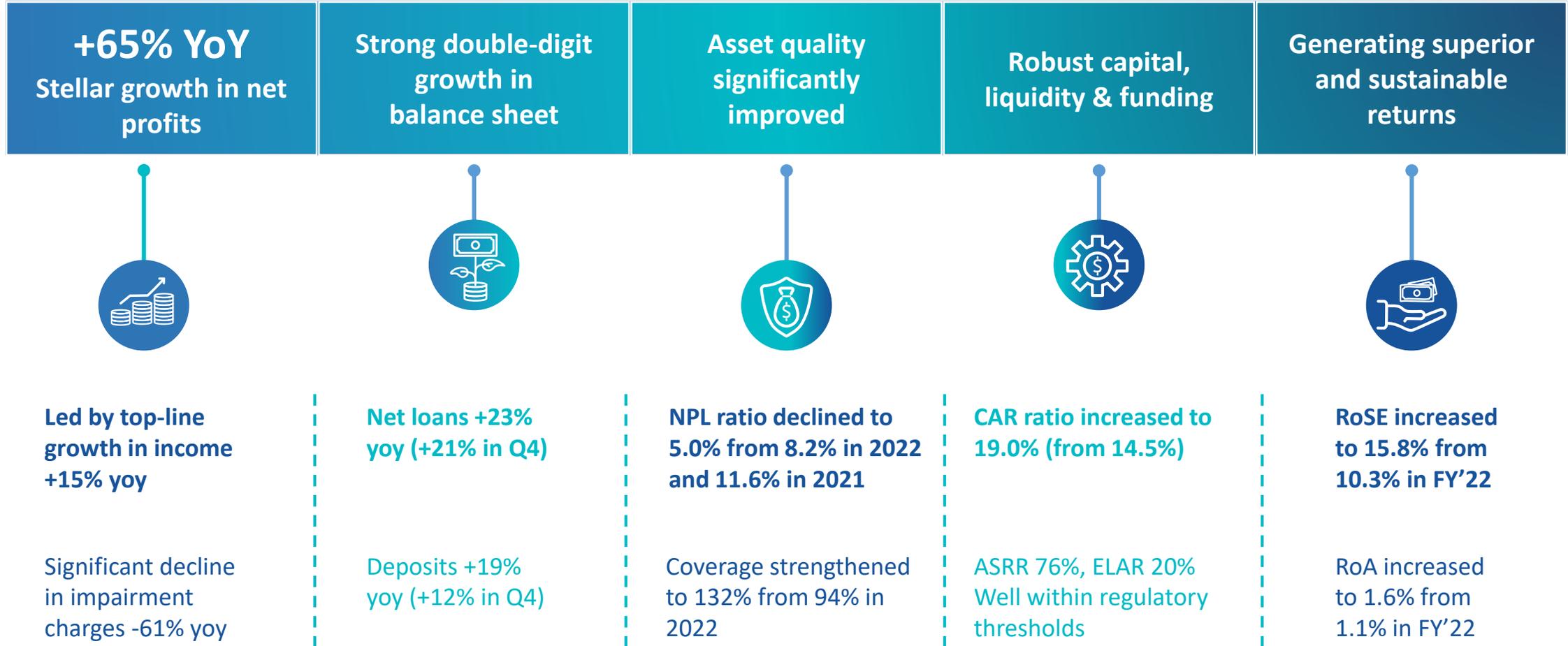
Delivering Growth

responsibly & sustainably

FY'23 Earnings presentation

8 February 2024

Stellar operating performance coupled with significant improvements across key financial metrics



Strategic progress achieved in 2023 laying the foundation for accelerated growth ahead



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Execution of turnaround strategy progressing well

Onboarded new clients coupled with **new product launches** across business segments, including green sustainable finance products, helping to raise new CASA deposits and **improving client connectivity**

Setup a new Customer Contact Centre to deliver on our promise of **client centricity** and 24x7 availability

Balance sheet strengthened with USD 150 million AT1 capital raised and further complemented by 2-yr AED 735 million medium term borrowing raised at market competitive rates

“Our relentless focus remains on delivering relevant products and services to our customers, and using technology and service to constantly enhance their banking experience.”

The central graphic features a large teal circle containing a quote. Surrounding the quote are six icons: two hands holding a heart, a lightbulb, a smartphone with a star, a trophy, two people, and a circular refresh icon.

Launched multiple green sustainable finance products coinciding with COP28 in support of UAE’s Net Zero by 2050 strategic initiative

Enhanced gender diversity with addition of another female Board member in 2023 (2 female directors now on UAB BoD)

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

Growth in profitability driven by strong top-line growth and prudent risk management



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

- Operating income in FY'23, +15% yoy, primarily led by higher NII
- NII +23% in FY'23, driven by higher interest rates, double-digit asset growth and efficiency in managing funding costs
- Non-interest income +1% in FY'23, with fees & commissions +14% yoy and FX income +44% yoy on higher volumes, offset lower 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 improved slightly to 49% in FY'23 from 50% in the prior period
- Improvements in asset quality and strong provision coverage guided the significant decline in impairment charges by 61% yoy

FY'23 Net profit bridge

AED Mn



Income statement highlights (AED Million)

	FY'23	FY'22	%chg
Net Interest Income	395	322	23
Non-Interest Income	182	179	1
Total Income	576	501	15
Operating Expenses	(285)	(252)	13
Operating Profit	292	249	17
Impairment charges, net	(36)	(94)	(61)
Net Profit	255	155	65

Key Ratios (%)

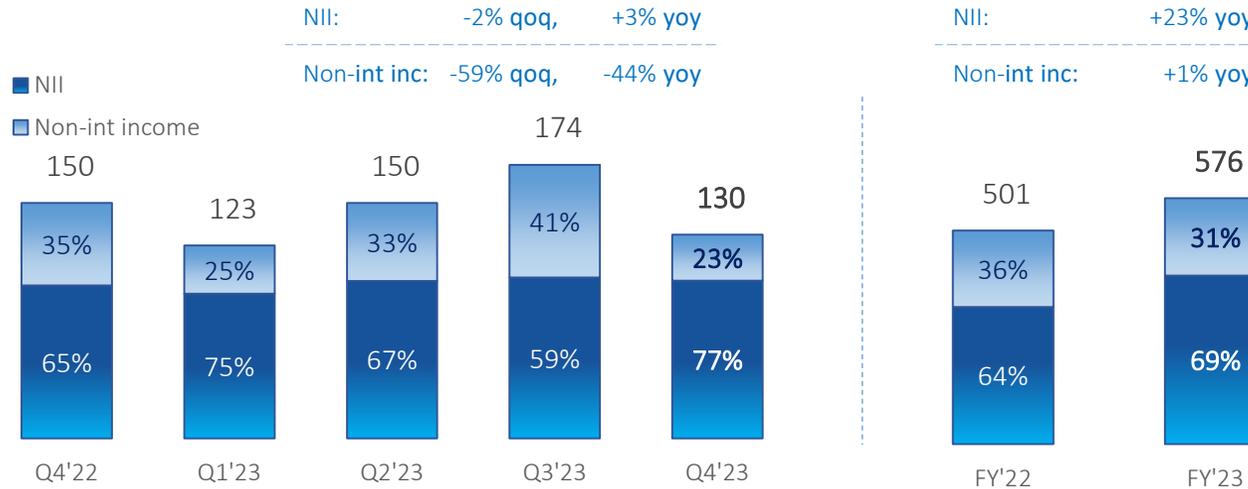
	FY'23	FY'22	%chg
Net Interest Margin (NIM)	3.06	2.59	0.5
Cost-Income ratio	49.4	50.3	(0.9)
Cost of Risk (CoR)	0.39	1.14	(0.8)
Return on Shareholders' Equity (RoSE)	15.8	10.3	5.5
Return on Assets (RoA)	1.6	1.1	0.6

Operating income growth primarily led by NII benefitting from higher interest rates and funding costs efficiency, as well as increased fees and FX income on higher volumes



Operating income: NII grew in double-digits year-on-year

AED Mn

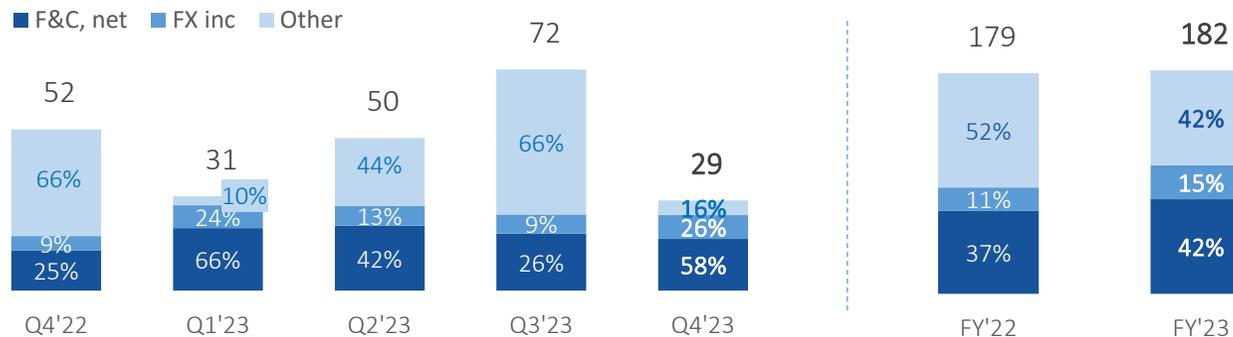


Higher interest rates and efficient management of funding costs led to 47bps yoy improvement in NIM in FY'23



Non-interest income increased +1% yoy driven by higher F&C +14% and FX income +44% on higher volumes

AED Mn



Higher expenses reflect business growth and continued investments, whilst maintaining discipline and enhancing efficiency

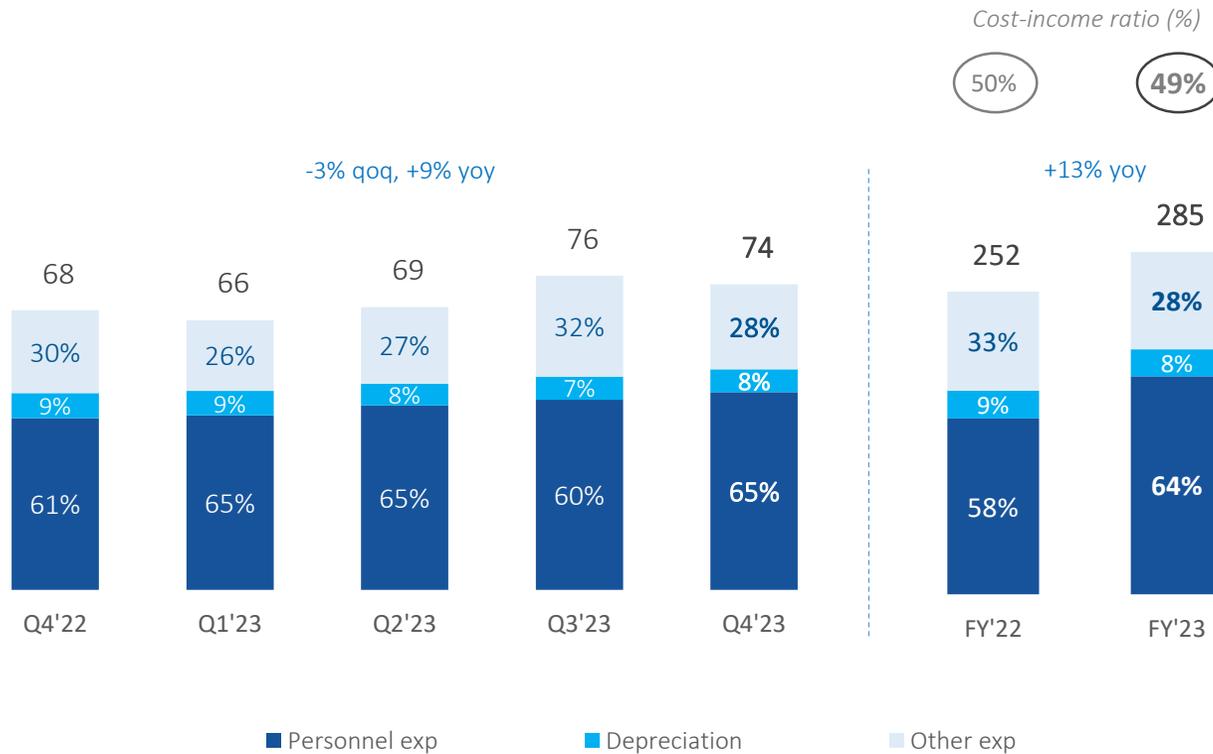


Efficiently managing expenses and investing across people, products and systems, in line with medium-term growth strategy

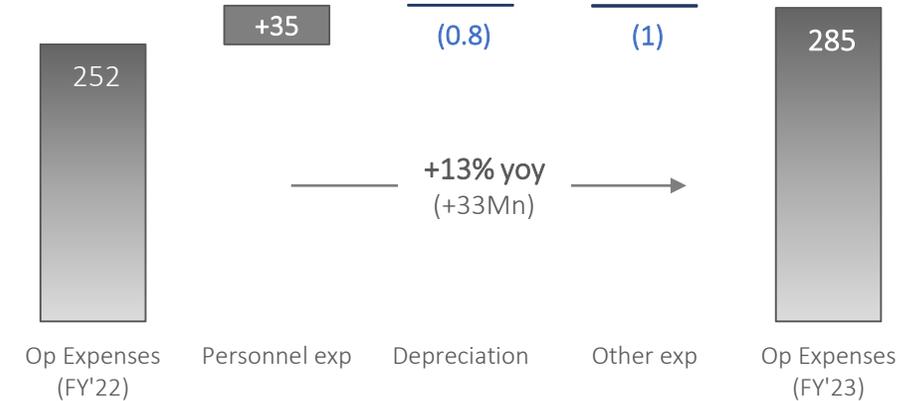
Delivering positive operating leverage (JAWS¹)

+2% yoy (FY'23 vs FY'22)

Operating expenses by type (AED Mn) & Cost-income ratio (%)



Operating expenses FY'23 bridge (AED Mn)

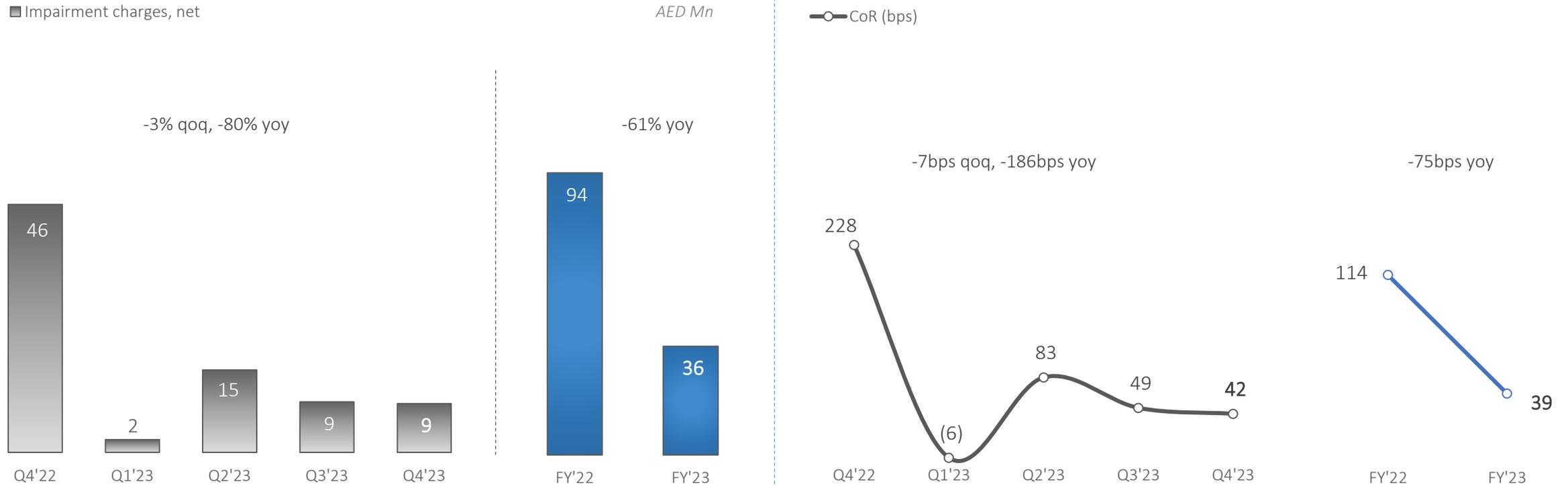


¹ JAWS is defined as difference of growth in operating income versus operating expense

Significant reduction in cost of risk aided by strong recoveries, and complemented by adequate buffers



Firmly focused on ensuring asset quality and implementation of prudent risk management practices, amid strong business growth



1 NPLs and Gross Loans are net of Interest in suspense

Double-digit growth in assets driven by higher lending and additions to investments portfolio; supported by solid growth in deposits

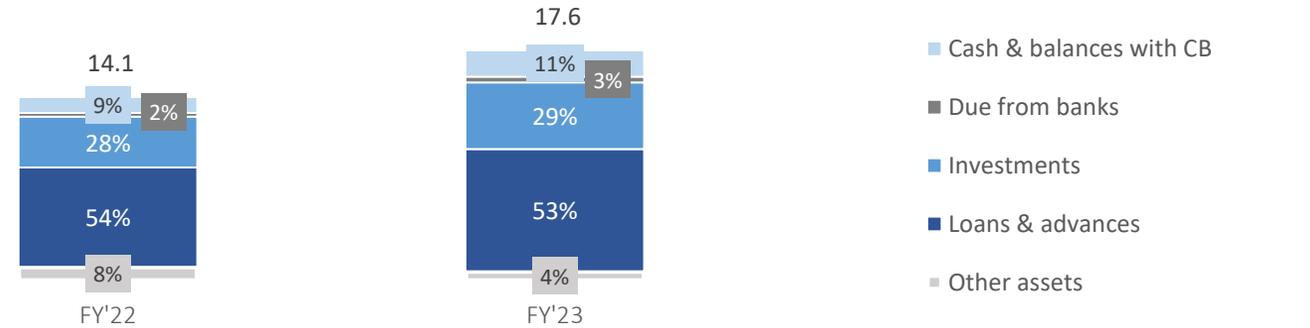


Balance Sheet highlights (AED Billion)	FY'23	%chg vs 9M'23	%chg vs FY'23
Total Assets	17.6	20	25
Loans and advances	9.4	21	23
Investments	5.1	9	31
Customers' deposits	10.2	12	19
<i>of which CASA deposits</i>	3.7	12	22
Total Equity (incl AT1)	2.3	6	53

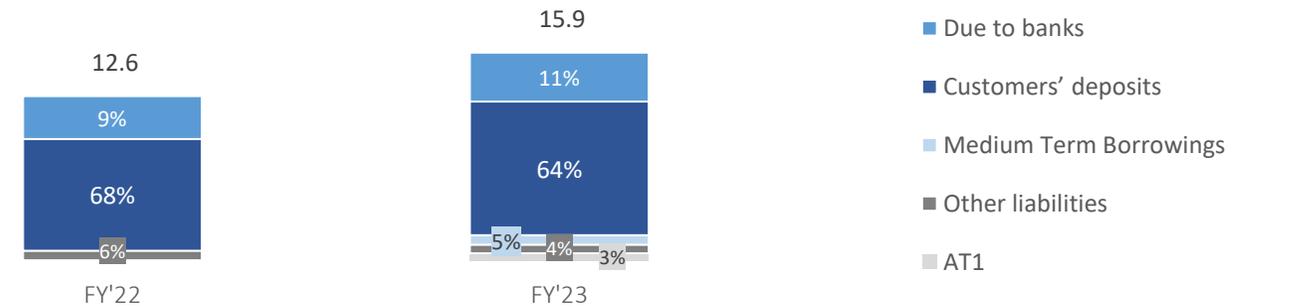
Key ratios (%)	FY'23	%chg vs 9M'23	%chg vs FY'23
NPL ratio	5.0	(1.4)	(3.2)
Provision coverage	132	13.4	37.5
Provision coverage (incl collaterals)	200	4.7	37.3
Advances to Stable Resources ratio (ASRR)	76	2.3	(11.2)
Eligible Liquid Assets ratio (ELAR)	20	2.1	2.5
CASA%	37	-	0.7
CET1 ratio	13.5	(0.3)	(0.2)
Tier1 ratio	17.8	(0.8)	4.5
CAR%	19.0	(0.8)	4.5

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

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



... funded by customer deposits as the major source



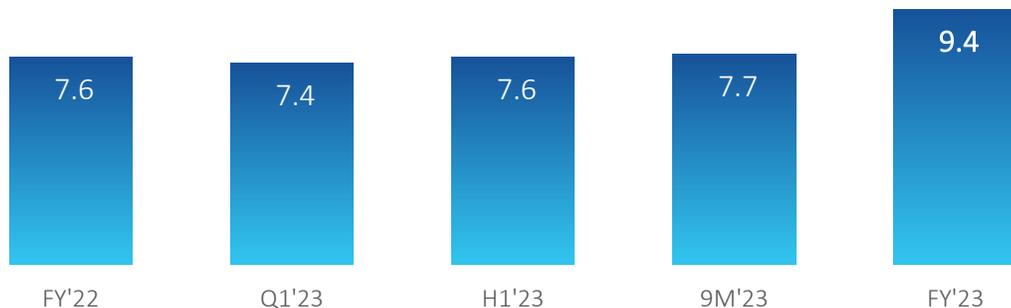
Lending momentum picks up with double-digit growth as pipeline gets converted; demand expected to remain robust in 2024



Pipeline conversion picked up strongly in Q4'23

AED Bn

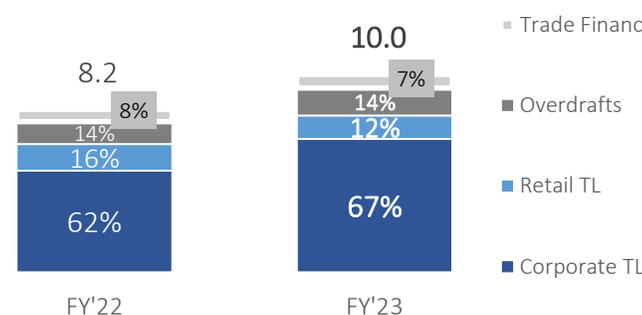
+21% qoq, +23% yoy



LOANS, ADVANCES & ISLAMIC FINANCING (NET)

Primarily corporate led, with high-double digit growth in Islamic financing

AED Bn

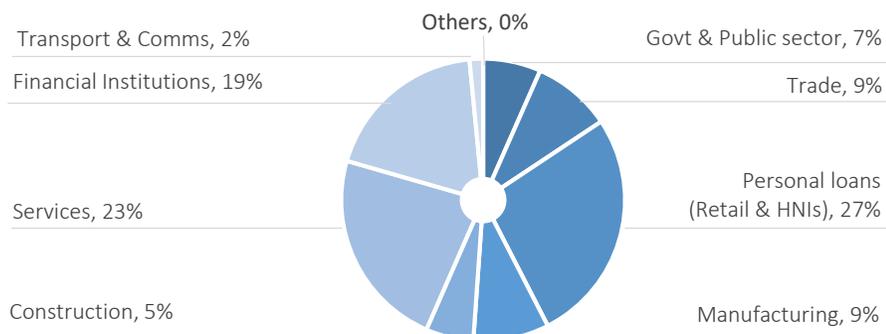


GROSS LOANS, ADVANCES & ISLAMIC FINANCING

	FY'22	FY'23
Trade Finance & other loans	0.6	0.7
Overdrafts	1.1	1.4
Retail TL	1.3	1.2
Corporate TL	5.1	6.7
Total	8.2	10.0

- Islamic financing now represents 8.0% of total loan book (FY'22: 5.2%)

Diversified loan book across economic sectors



GROSS LOANS, ADVANCES & ISLAMIC FINANCING BY ECONOMIC SECTOR¹

¹ Gross Loans by economic sector as of December 2023 (AED 10.0Bn)

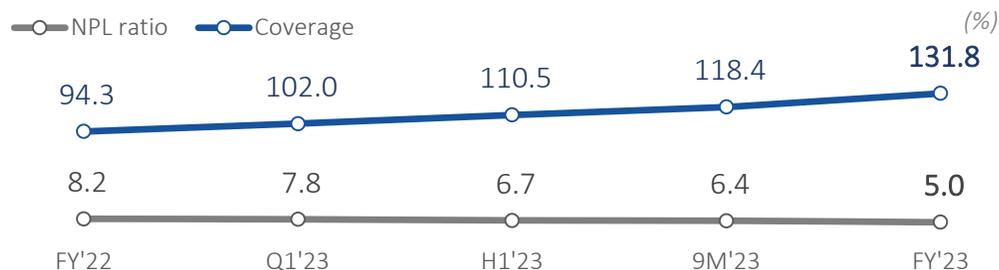
Asset quality metrics at a multi-year best - lowest NPL ratio since 2015 with more than adequate coverage across portfolio



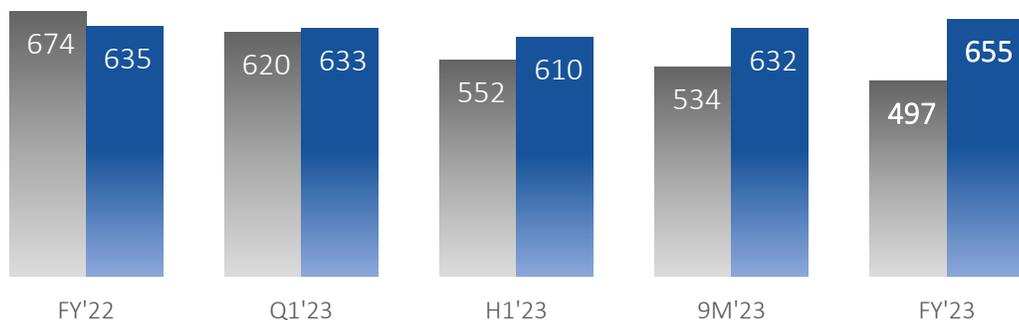
Continue to prudently manage risk and maintain focus on improving and preserving good asset quality

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

Coverage including collaterals is at 200% as of Dec'23



■ NPLs ■ Provisions AED Mn



1 NPLs and Gross Loans are net of Interest in suspense

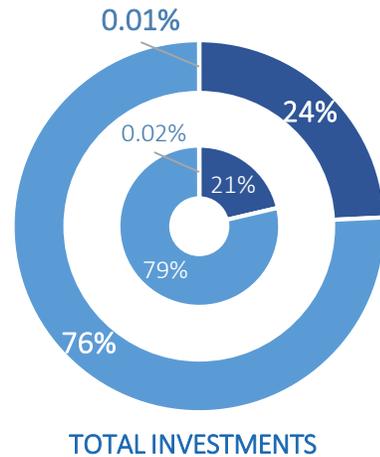
90% of loans are in Stage 1

AED Bn	FY'22			FY'23		
	Exposure	ECL	Coverage	Exposure	ECL	Coverage
Stage 1	6.9	0.1	1.3%	9.0	0.1	1.4%
Stage 2	0.6	0.2	39%	0.5	0.2	36%
Stage 3	0.7	0.3	44%	0.5	0.4	71%
GROSS LOANS	8.2	0.6		10.0	0.7	

Quality investment portfolio mandated to meet liquidity requirements and enhance yield



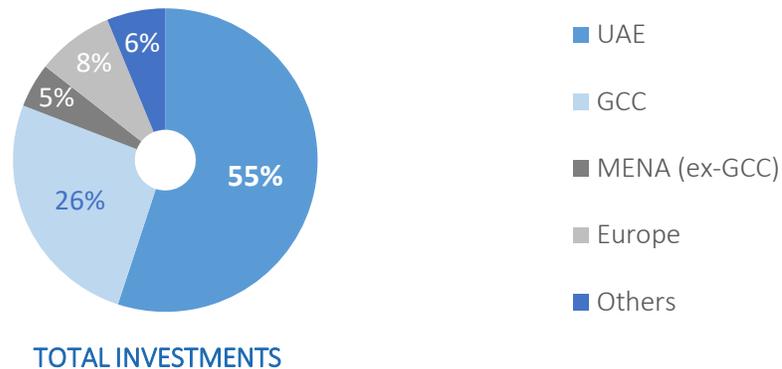
Investments book primarily consist of debt instruments, majority marked-to-market



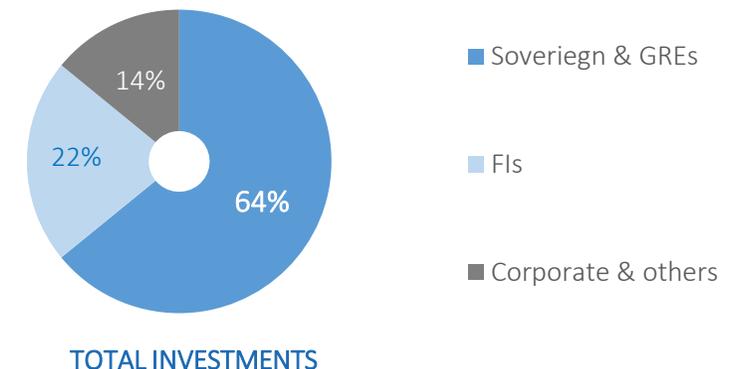
- Debt - Amortised cost
- Debt - FVOCI
- Equity - FVOCI

AED Bn	FY'22	FY'23
Debt - Amortised cost	0.8	1.2
Debt - FVOCI	3.1	3.9
Equity - FVOCI	0.001	0.001
Total	3.9	5.1

55% of exposure to UAE, 86% to MENA (incl GCC and UAE)



Major exposure to sovereign and GREs



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

Strong growth in customer deposits and robust liquidity metrics



Strong growth in customer deposits

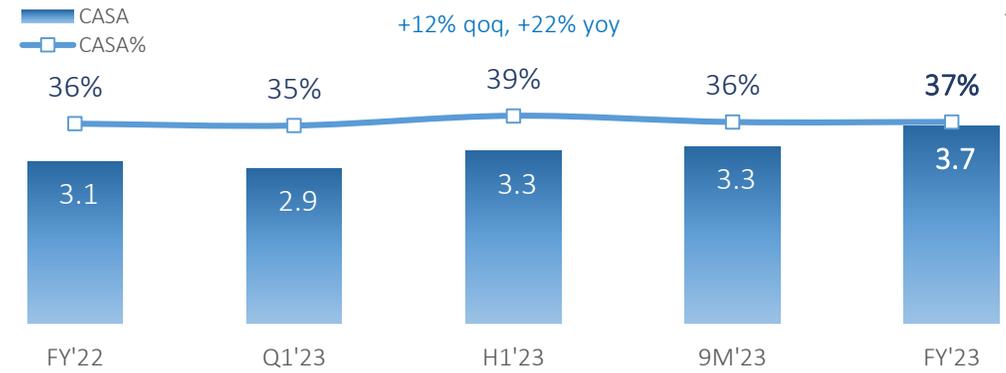
+12% qoq, +19% yoy AED Bn



CUSTOMER DEPOSITS

Healthy CASA deposits growth on the back of various initiatives

+12% qoq, +22% yoy AED Bn



CASA (Current, Call & Savings Accounts)

Regulatory liquidity ratios well within regulatory thresholds

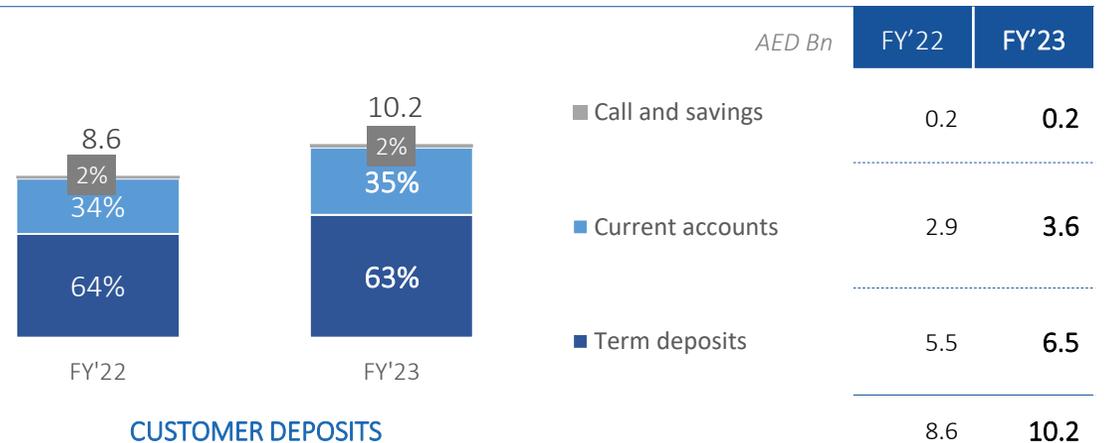
Eligible Liquid Assets Ratio



Advances to Stable Resources Ratio



Customer deposits by type

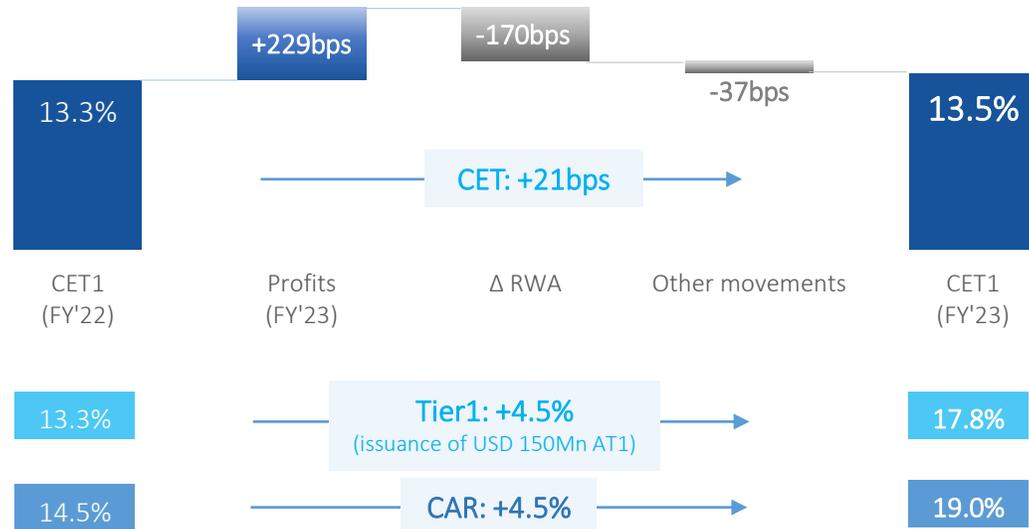


CUSTOMER DEPOSITS

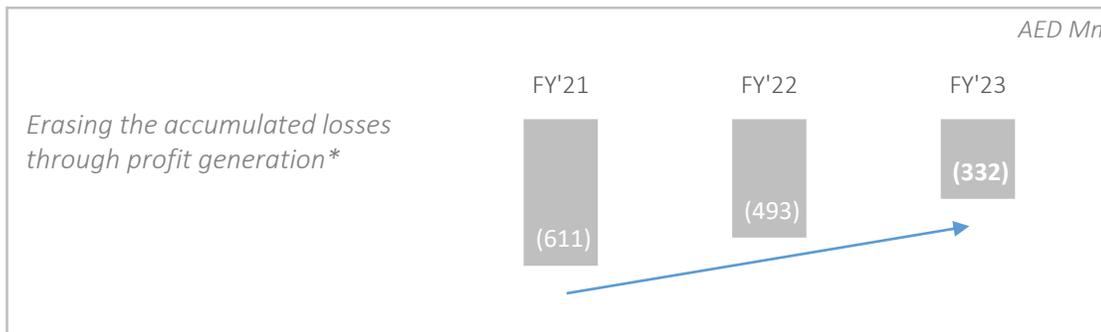
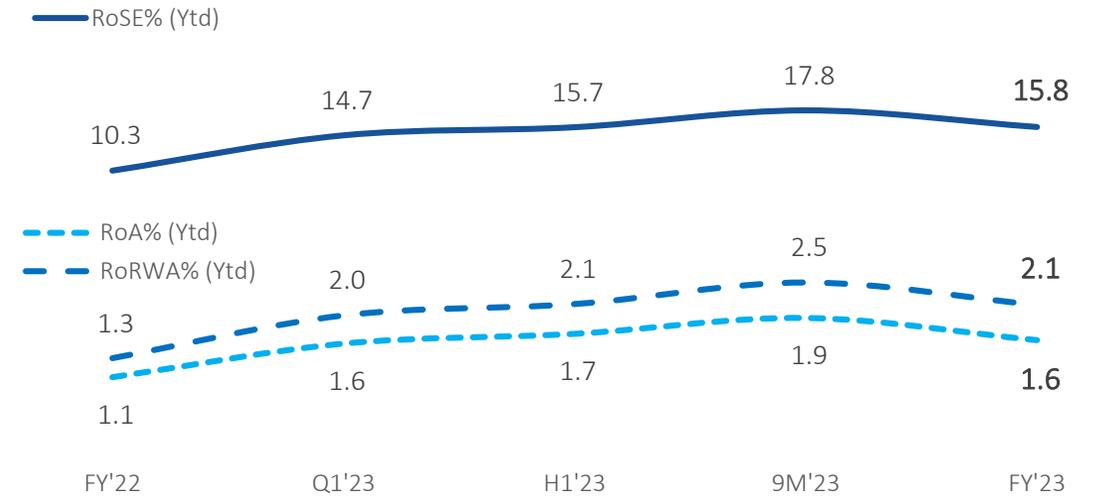
Strengthened capital position through AT1 issuance and profit generation



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



Delivering enhanced returns to shareholders



Risk-weighted assets



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

We remain agile and steadfast in executing on our new strategy



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We remain **cautiously optimistic** on the macroeconomic outlook:

- positive GDP growth, further picking up pace in 2024¹, with strong contribution from non-oil sectors
- potential impact of existing high interest rates on client demand and their creditworthiness
- expected decline in interest rates to impact NIMs
- geopolitical risks may impact growth sentiment and momentum



Continue to strengthen our foundation

- maintaining our focus on quality of assets
- ensuring adequate buffers and liquidity
- preserving a solid capital position



Transform into an agile & customer-centric institution

- deliver relevant products and services
- improving client connectivity
- constantly look to enhance customer experience through technology and improved service



Focused on delivering sustainable returns

- capitalise on positive GDP growth in UAE and strong client demand
- further enhance contribution of core businesses
- deliver superior and sustainable returns to our shareholders



Well-positioned for the growth ahead

¹ UAE real GDP growth forecast for 2024 – UAE CB 5.7%, IMF 4.0%, World Bank – 4.0%

Appendix

Summary financials – Income statement and Balance sheet



Income statement highlights (AED Million)	FY'23	FY'22	%chg vs FY'22	4Q'23	Q3'23	4Q'22	%chg vs Q3'23	%chg vs Q4'22
Net Interest Income	395	322	23	100	102	97	(2)	3
Non-Interest Income	182	179	1	29	72	52	(59)	(44)
Total Income	576	501	15	130	174	150	(26)	(13)
Operating Expenses	(285)	(252)	13	(74)	(76)	(68)	(3)	9
Operating Profit	292	249	17	55	98	82	(43)	(32)
Impairment charges, net	(36)	(94)	(61)	(9)	(9)	(46)	(3)	(80)
Net Profit	255	155	65	46	88	36	(48)	30

Balance sheet highlights (AED Billion)	FY'23	9M'23	FY'22	%chg vs 9M'23	%chg vs FY'22
Total Assets	17.6	14.7	14.1	20	25
Loans and advances	9.4	7.7	7.6	21	23
Investments	5.1	4.7	3.9	9	31
Customers' deposits	10.2	9.2	8.6	12	19
<i>of which CASA deposits</i>	3.7	3.3	3.1	12	22
Total Equity (incl AT1)	2.3	2.2	1.5	6	53

Summary financials – Key ratios



Key Ratios (%)	FY'23	FY'22	% chg vs FY'22	4Q'23	Q3'23	Q4'22	% chg vs Q3'23	% chg vs Q4'22
Net Interest Margin (NIM)	3.06	2.59	0.5	2.80	3.17	3.19	(0.4)	(0.4)
Cost-Income ratio	49.4	50.3	(0.9)	57.3	43.8	45.3	13.5	12.0
Cost of Risk (CoR)	0.39	1.14	0.8	0.42	0.49	2.28	(0.1)	(1.9)
Return on Shareholders' Equity (RoSE)	15.8	10.3	5.5	10.9	21.8	9.8	(10.9)	1.1
Return on Assets (RoA)	1.6	1.1	0.6	1.1	2.4	1.0	(1.3)	0.1
Non-performing loans ratio (NPL)	5.0	8.2	(3.2)	5.0	6.4	8.2	(1.4)	(3.2)
Provision coverage	132	94	37.5	132	118	94	13.4	37.5
Provision coverage (incl collaterals)	202	163	39.3	202	195	163	6.7	39.3
Advances to Stable Resources ratio (ASRR)	76	87	(11.2)	76	73	87	2.3	(11.2)
Eligible Liquid Assets ratio (ELAR)	20	18	2.5	20	18	18	2.1	2.5
CASA%	37	36	0.7	37	36	36	-	0.7
Common Equity Tier 1 (CET1) ratio	13.5	13.3	0.2	13.5	13.9	13.3	(0.3)	0.2
Tier 1 ratio	17.8	13.3	4.5	17.8	18.6	13.3	(0.8)	4.5
Capital Adequacy ratio (CAR)	19.0	14.5	4.5	19.0	19.8	14.5	(0.8)	4.5

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