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UNITED ARAB BANK

# Marching ahead steadily

## Q2/H1'24 Earnings presentation

25 July 2024

# Firmly marching ahead on our transformative growth journey



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## UAB's transformation journey is progressing well



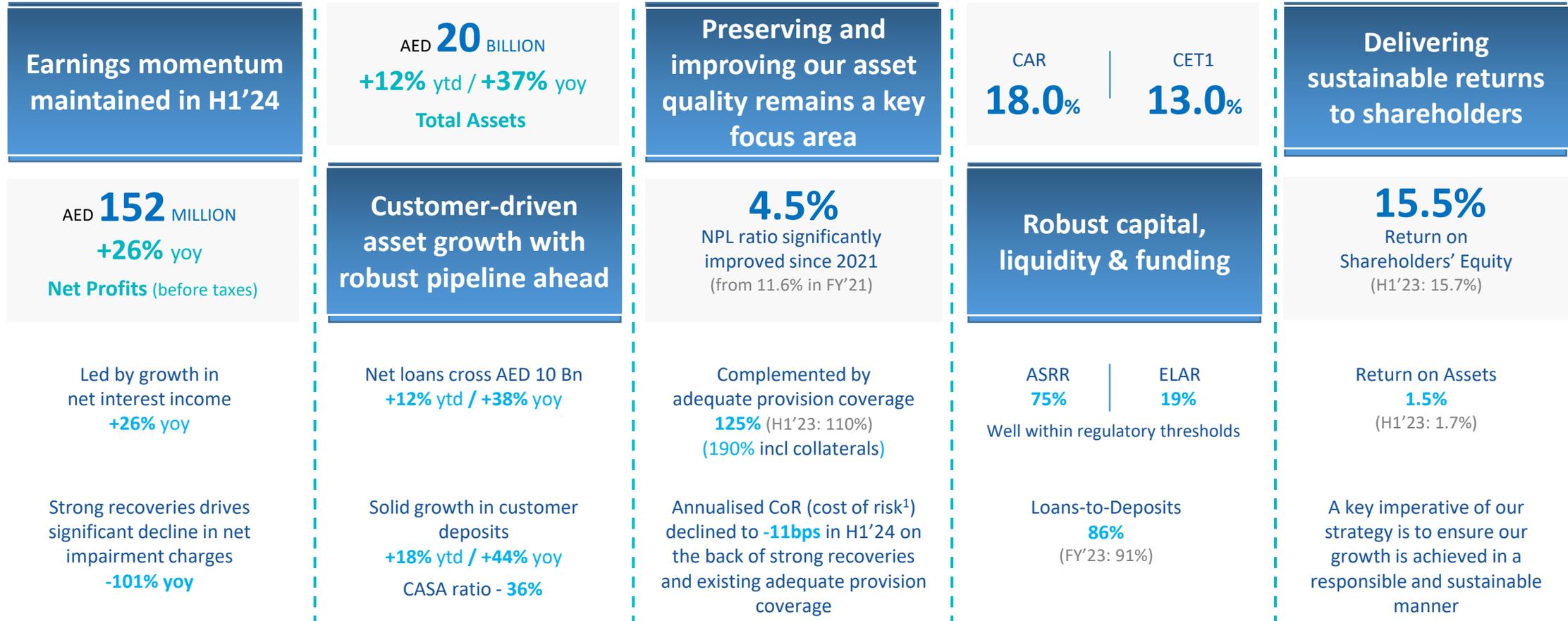
Ensuring sustainable growth and stability through ongoing transformation efforts

# Strong asset growth and recoveries propel H1 2024 profits

## On track with our guidance for the year



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<sup>1</sup> Cost of risk on loans, advances & Islamic financing

# Higher net interest income and strong recoveries lead to double-digit growth in net profits



## H1'24 net profit growth primarily driven by higher net interest income ...

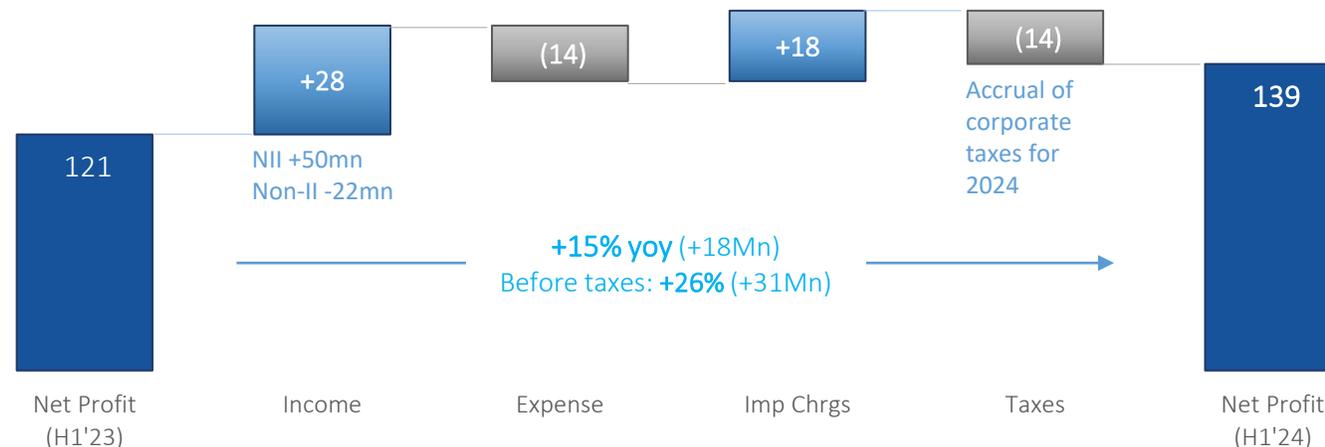
- Operating income in H1'24, +10% yoy, primarily led by higher NII
- NII +26% yoy in H1'24, driven by strong asset growth and higher interest rates vs H1'23
- Non-interest income was lower by 28% in H1'24, due to non-recurrence of one-off income from asset sale last year; core fees & commissions increased +3% yoy

## ... coupled with strong recoveries and prudent risk management

- Strong recoveries in Q2'24 led to a net reversal in impairment charges of (0.2) million in H1'24, translating into an annualised cost of risk of -11bps
- Costs increased by 11% yoy, in line with growth in business activity; CI ratio improved was stable at 49% as compared to prior year period
- Taxes of AED 14 million were accrued in H1'24 (applicable starting this year)

### H1'24 Net profit bridge

AED Mn



### Income statement highlights (AED Million)

	H1'24	%chg vs H1'23	Q2'24	%chg vs Q1'24	%chg vs Q2'23
Net Interest Income	243	26	111	(16)	10
Non-Interest Income	58	(28)	26	(16)	(47)
<b>Total Income</b>	<b>300</b>	<b>10</b>	<b>137</b>	<b>(16)</b>	<b>(9)</b>
Operating Expenses	(148)	11	(71)	(9)	3
<b>Operating Profit</b>	<b>152</b>	<b>10</b>	<b>66</b>	<b>(23)</b>	<b>(18)</b>
Impairment charges, net	0	(101)	11	(202)	(171)
<b>Profit before taxes</b>	<b>152</b>	<b>26</b>	<b>77</b>	<b>3</b>	<b>17</b>
Taxes	(14)	na	(7)	2	na
<b>Net Profit</b>	<b>139</b>	<b>15</b>	<b>70</b>	<b>3</b>	<b>7</b>

### Key Ratios <sup>1</sup> (%)

	H1'24	chg vs H1'23	Q2'24	chg vs Q1'24	chg vs Q2'23
Net Interest Margin (NIM)	2.97	(0.2)	2.62	(0.7)	(0.6)
Cost-Income ratio	49.4	0.2	51.7	4.2	5.8
Cost of Risk (CoR)	(0.11)	(0.5)	(0.53)	(0.9)	(1.3)
Return on Shareholders' Equity (RoSE)	15.5	(0.3)	15.4	(0.1)	(1.6)
Return on Assets (RoA)	1.5	(0.2)	1.5	(0.0)	(0.3)

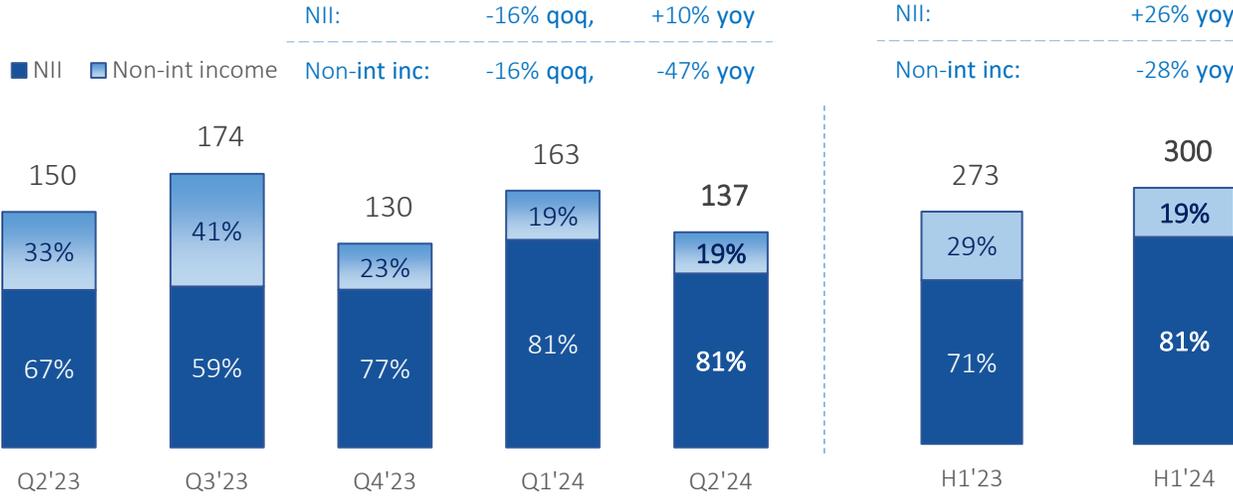
<sup>1</sup> Ratios are annualised, where relevant

# Strong asset growth coupled with higher interest rates drive NII and total operating income higher



## Operating income: NII recorded double-digit growth in H1'24 yoy

AED Mn

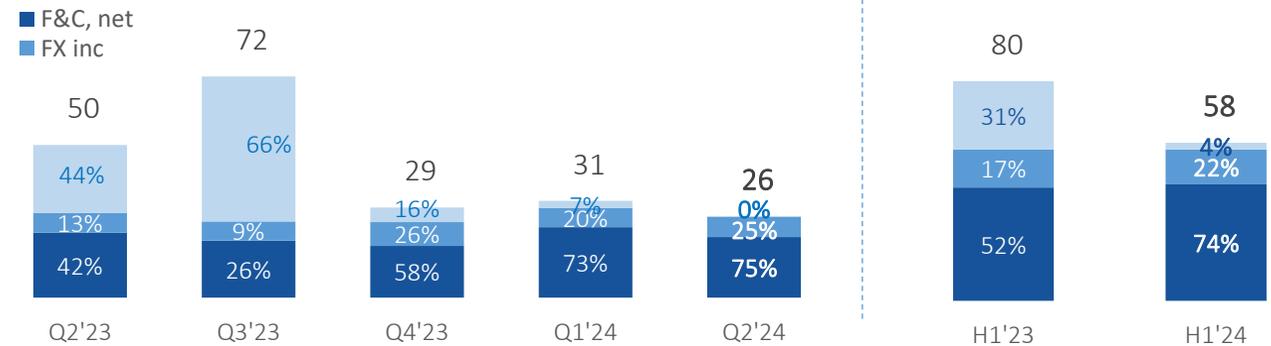


## NIM declined 19bps yoy and 9bps ytd due to margin compression



## Non-interest income primarily declined due to non-recurrence of one-off income in prior year period

AED Mn

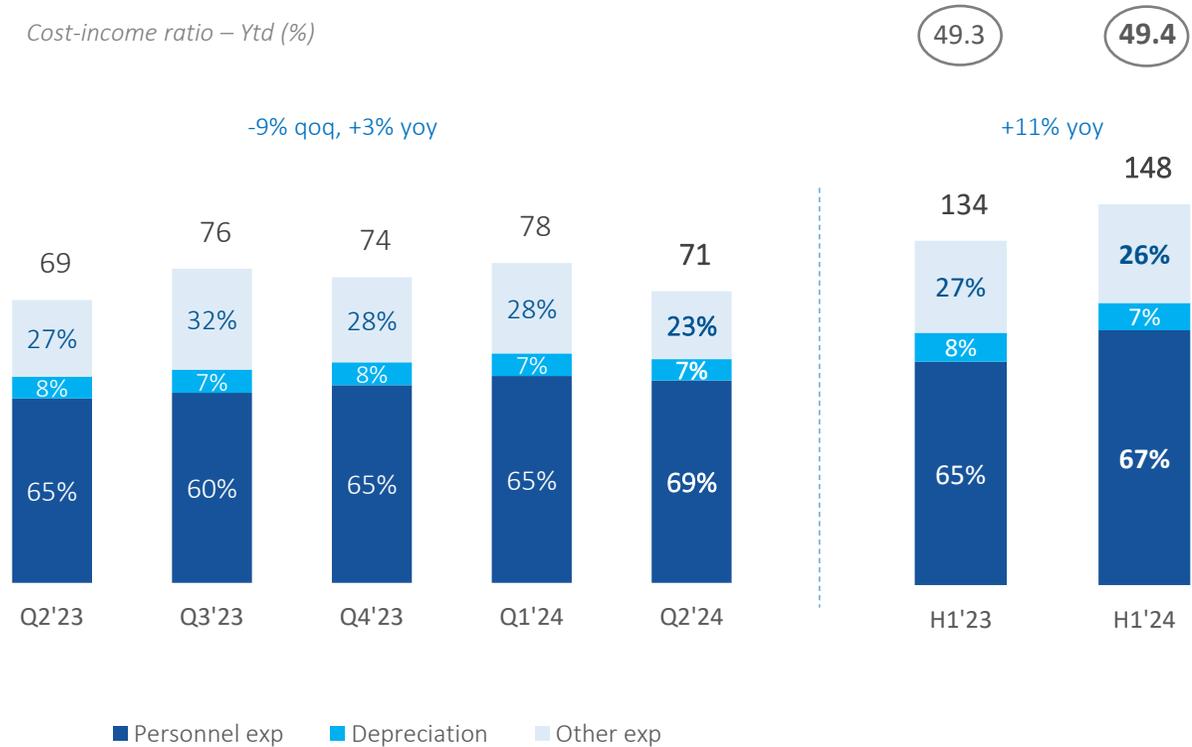


# Expense growth reflects investment in human capital and technology, whilst maintaining discipline and enhancing efficiency

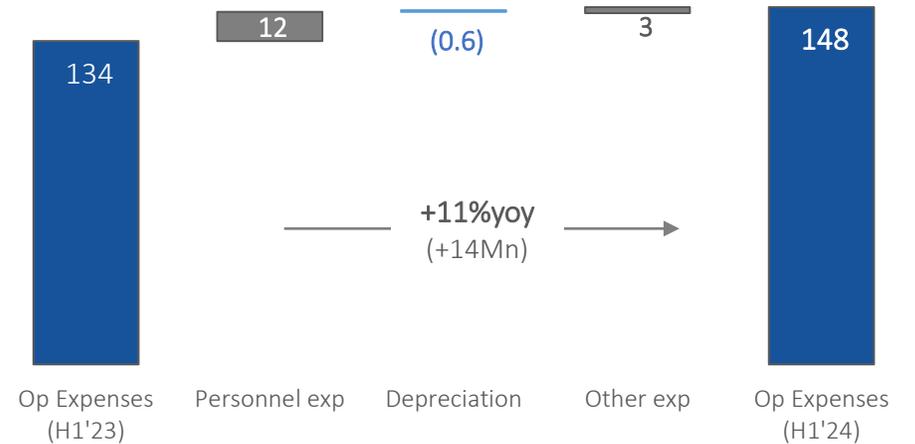


Efficiently managing expenses and investing across people, products, processes and systems, in line with the medium-term growth strategy

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



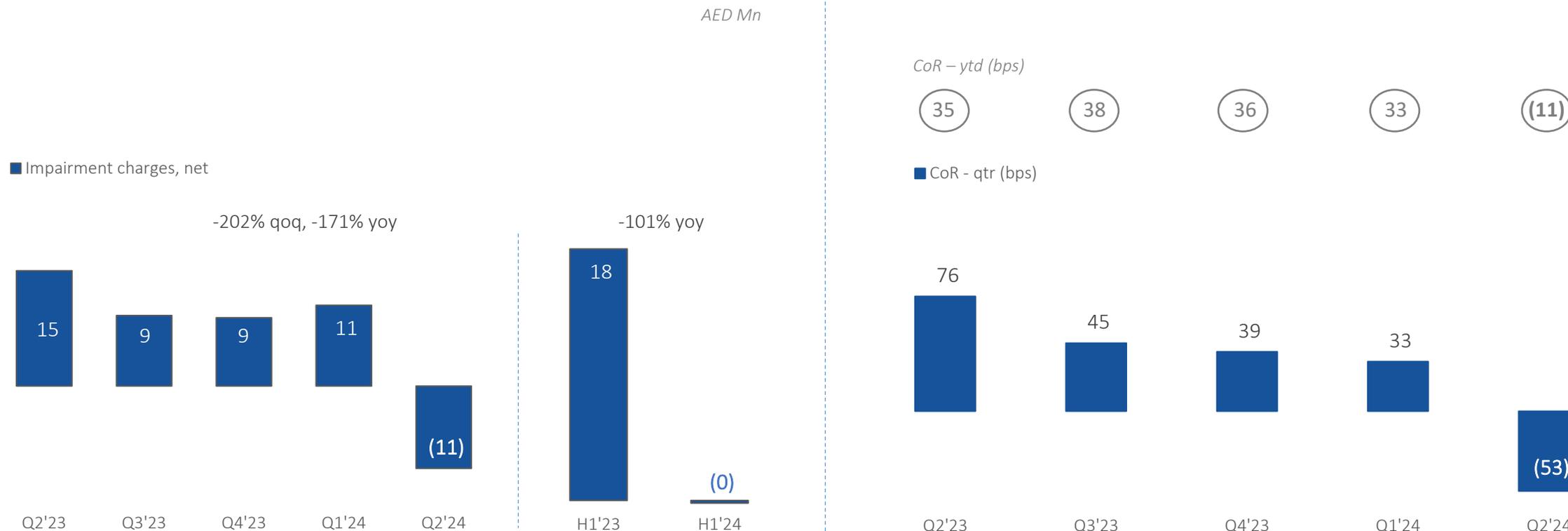
Operating expenses H1'24 bridge (AED Mn)



# Strong recoveries and prudent risk management drive impairment charges and cost of risk lower



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



1 NPLs and Gross Loans are net of Interest in suspense

2 CoR – annualised, calculated as net impairment charges on loans and advances as a percentage of gross loans and advances

# Well-funded balance sheet with adequate liquidity to meet our customers' demand for loans



## Balance Sheet highlights

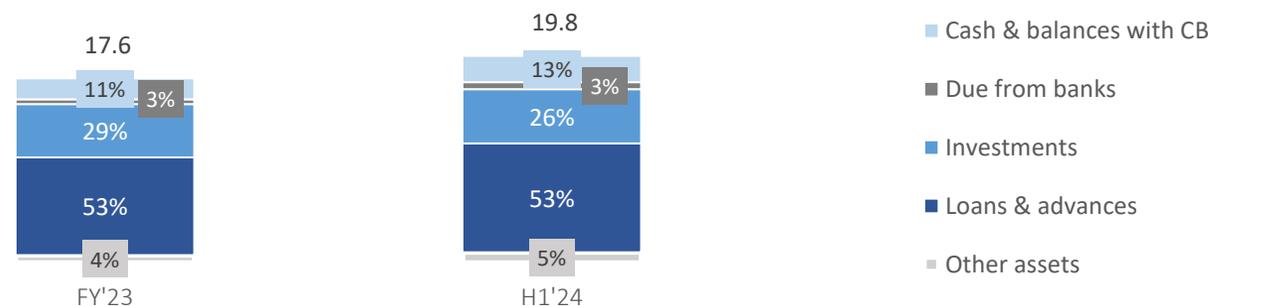
(AED Billion)	H1'24	%chg vs Mar'24	%chg vs Dec'23	%chg vs Jun'23
Total Assets	19.8	11	12	37
Loans and advances	10.4	9	12	38
Investments	5.2	(2)	2	24
Customers' deposits	12.1	14	18	44
<i>of which CASA deposits</i>	4.4	20	18	35
Total Equity (incl AT1)	2.4	2	5	13

## Key ratios (%)

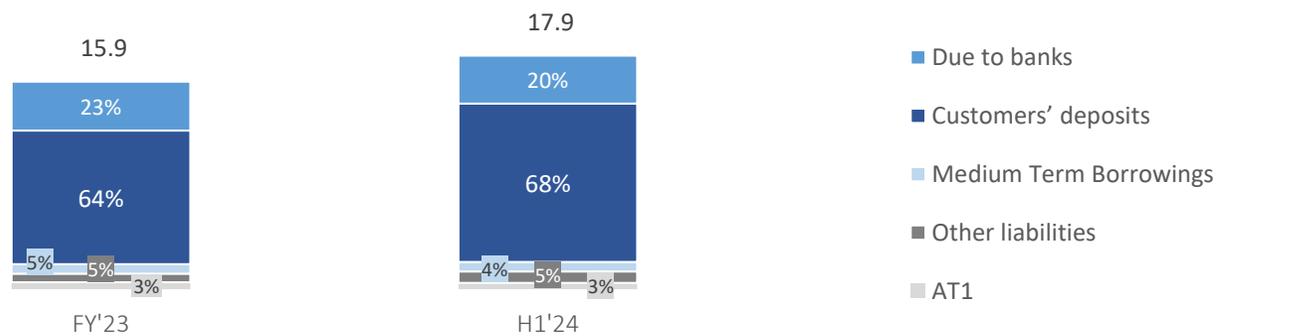
	Jun'24	Mar'24	Dec'23	Jun'23
NPL ratio	4.5	4.8	5.0	6.7
Provision coverage	125	127	132	110
Provision coverage (incl collaterals)	190	194	200	175
Advances to Stable Resources ratio (ASRR)	75	76	76	82
Eligible Liquid Assets ratio (ELAR)	19	16	20	18
CASA%	36	34	37	39
CET1 ratio	13.0	13.1	13.5	13.7
Tier1 ratio	16.8	17.2	17.8	18.5
CAR%	18.0	18.4	19.0	19.6

Robust foundation with a solid capital position and adequate liquidity; business pipeline remains robust as we diligently execute and fulfill our customers' borrowing needs

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



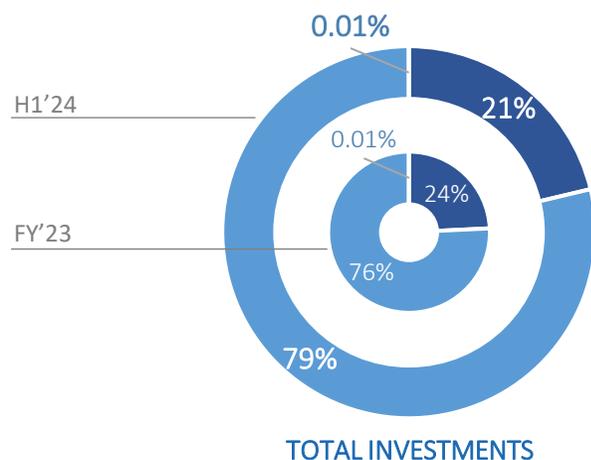
... funded by customer deposits as the major source



# Quality investment portfolio mandated to meet liquidity requirements and enhance yield

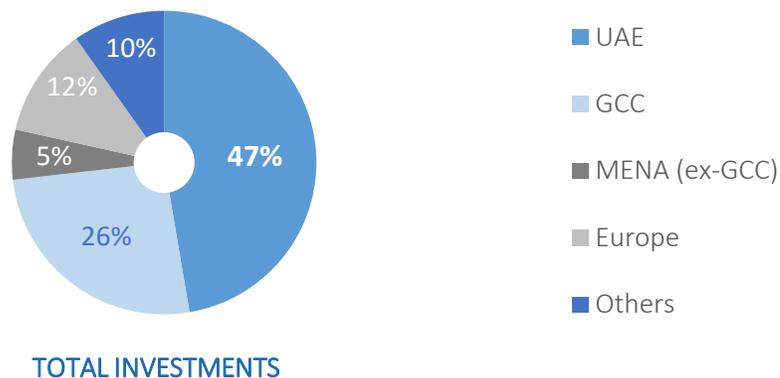


## Investments book primarily consist of debt instruments

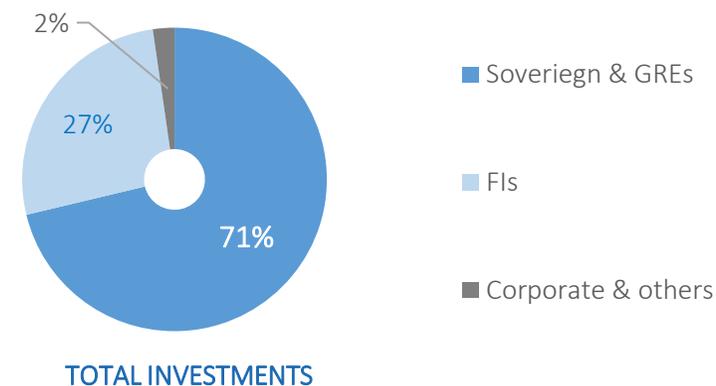


	AED Bn	
	FY'23	H1'24
Debt - Amortised cost	1.2	1.1
Debt - FVOCI	3.9	4.1
Equity - FVOCI	0.001	0.001
<b>Total</b>	<b>5.1</b>	<b>5.2</b>

## 47% of exposure to UAE, 78% to MENA (incl GCC and UAE)



## Major exposure to sovereign and GREs

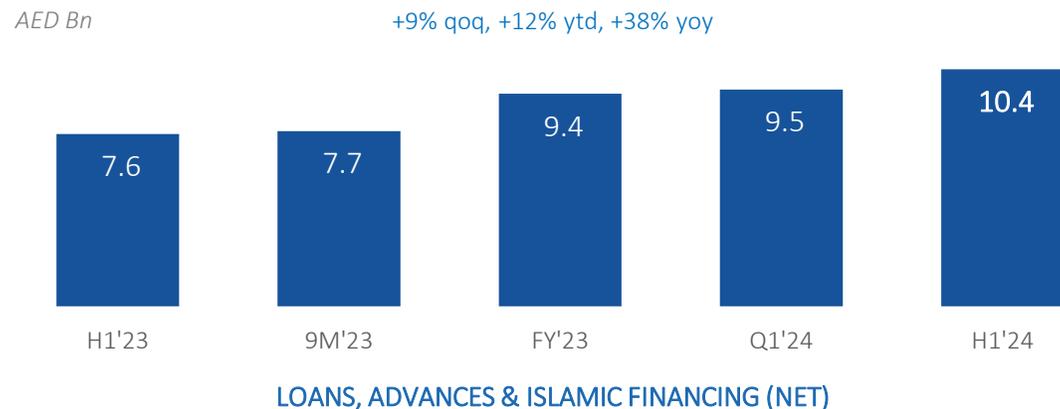


1 Composition of investments is based on the market value of the underlying investments

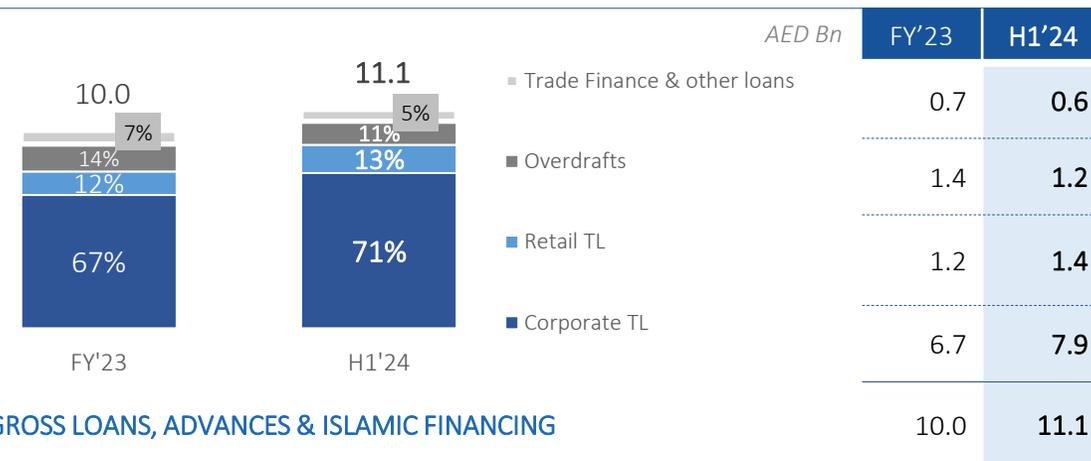
# Lending growth led by corporates, with retail lending showing positive momentum; business pipeline remains robust with proficient execution



## Lending grew by 9% in Q2'24 and 12% ytd; business pipeline remains robust

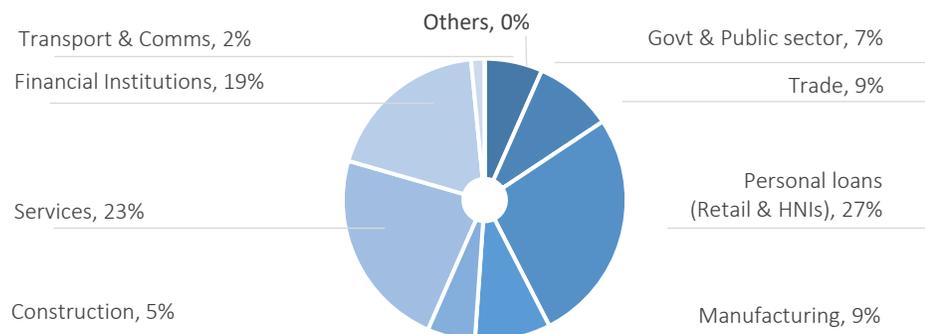


## Growth in loans was corporate-led, while retail lending is gaining momentum



- Islamic financing represents 6.5% of total gross loan book (FY'23: 8.0%)

## Diversified loan book across economic sectors

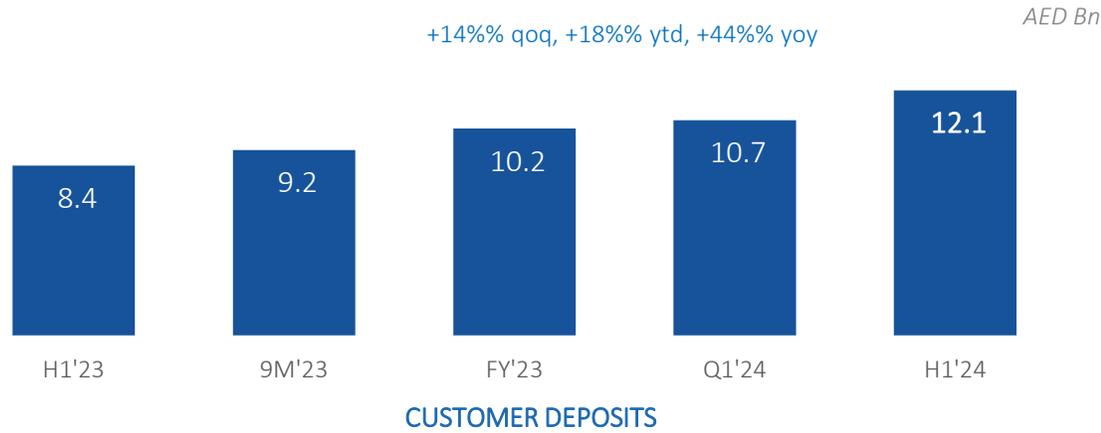


<sup>1</sup> Gross Loans by economic sector as of December 2023 (AED 10.0Bn)

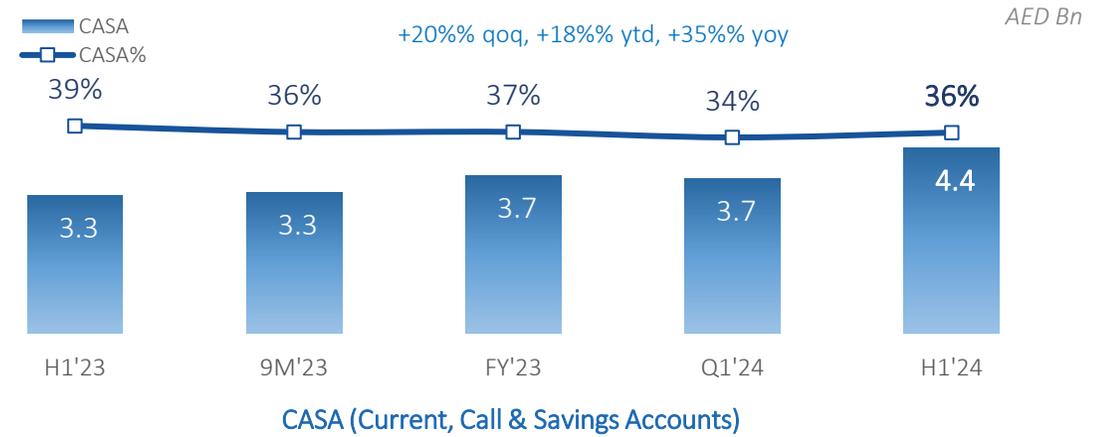
# Solid growth in customer deposits, as liquidity metrics remain robust



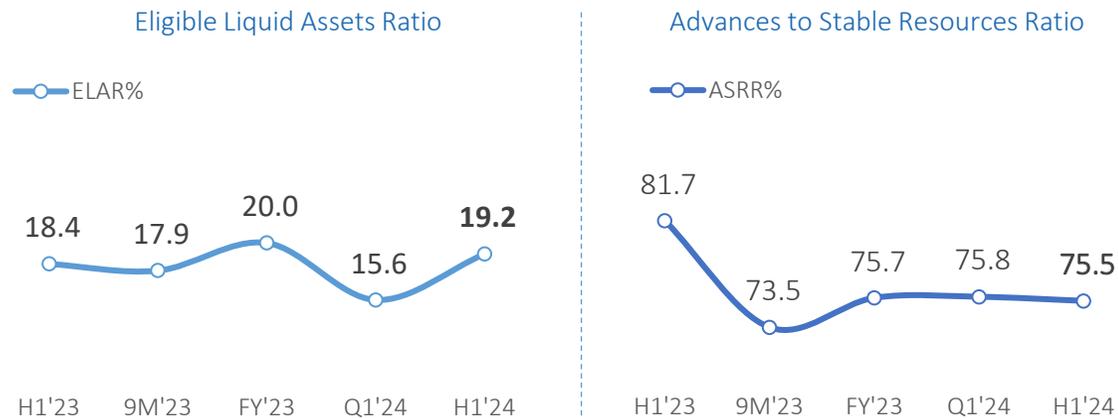
## Solid growth in customer deposits



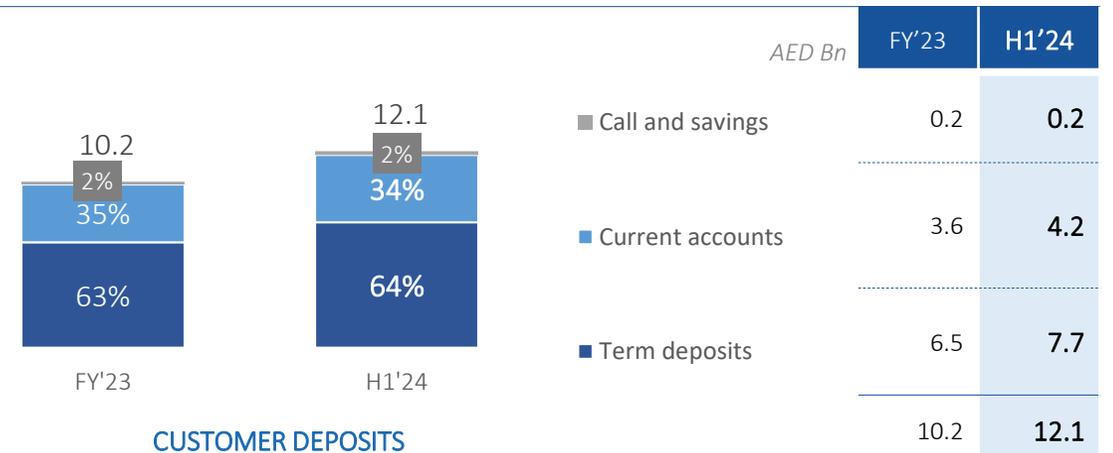
## Strong growth in CASA deposits driven by focus on enhancing customer experience



## Regulatory liquidity ratios well within regulatory thresholds



## Customer deposits by type



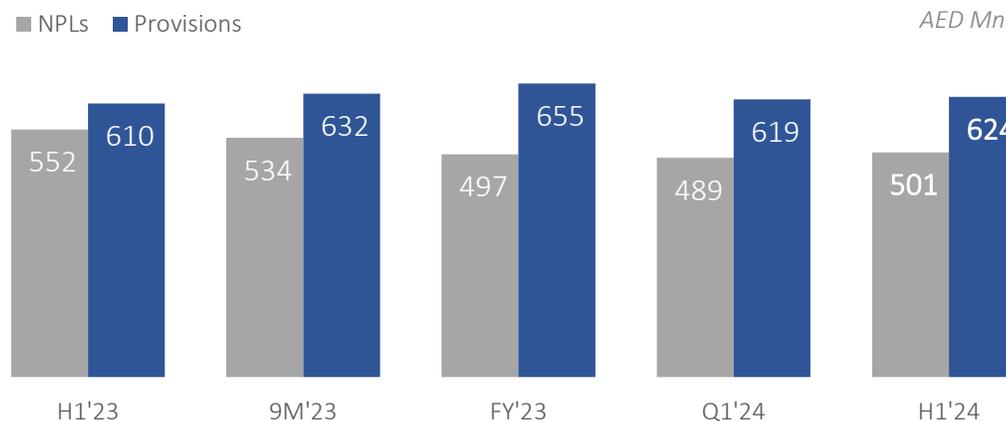
# NPL ratio significantly improved to 4.5% from 11.6% in FY'21, while provision coverage remains adequate across the portfolio



Committed to ensuring adherence to prudent risk practices with proactive portfolio management being a key focus area

## Significant improvement in NPL ratio coupled with strengthened provision coverage

Provision coverage including collaterals is at 190% as of Jun-24



## 92% of loans are in Stage 1

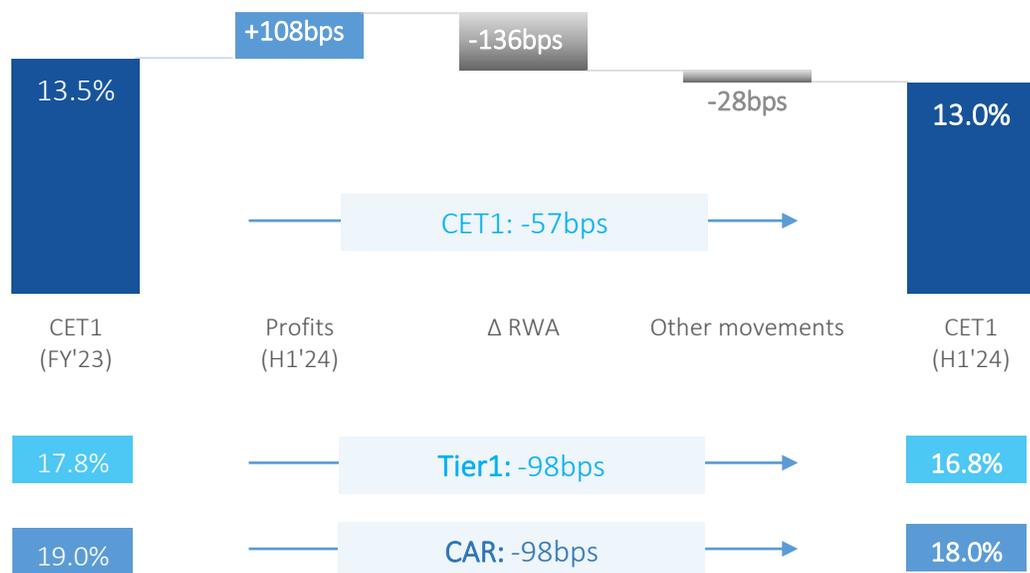
AED Bn	FY'23			H1'24		
	Exposure	ECL	Provision Coverage	Exposure	ECL	Provision Coverage
Stage 1	9.0	0.1	1.4%	10.2	0.1	1.1%
Stage 2	0.5	0.2	36%	0.4	0.2	47%
Stage 3	0.5	0.4	71%	0.5	0.3	68%
<b>GROSS LOANS</b>	10.0	0.7		11.1	0.6	

1 NPLs and Gross Loans are net of Interest in suspense

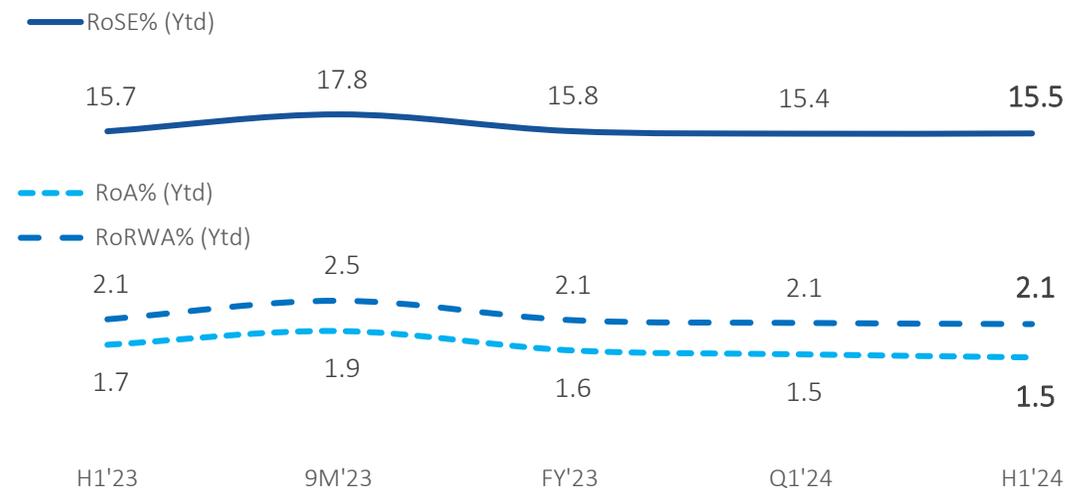
# Robust capital position and steady shareholder returns



## Deploying capital towards balance sheet growth (RWA) to enhance organic capital generation capacity



## Steady shareholder returns



\* Post allocation to statutory and special reserves

## Risk-weighted assets



\* Market RWA are negligible (below AED 15Mn) across the periods and hence not visible on the chart

# We remain agile and steadfast in executing on our strategies



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We are **prudently confident** in our outlook for the year ahead:

- positive GDP growth<sup>1</sup>, further picking up pace ahead, with strong contribution from non-oil sectors
- potential impact of existing high interest rates on customer demand and their creditworthiness
- expected decline in interest rates to impact NIMs
- geopolitical risks may impact growth sentiment and momentum

technology economic sentiment  
regulations interest rates trade wars  
GDP growth geopolitics  
AI demand-supply oil prices  
financial stress



Continue to strengthen our foundation



Transform into an agile & customer-centric institution



Focused on delivering sustainable returns

	FY'24 guidance		H1'24
Loan growth (net)	Low double-digit growth	↔	12% ✓
NIM (rate cuts in 2nd half of FY'24)	~ Flat to -10bps (2.9% – 3.0%)	↔	3.0% ✓
CI ratio	~48% - 49%	↔	49% ✓
Cost of Risk (CoR) (loans & advances)	< 40bps (down from ~80bps earlier)	↓	-11bps ✓
RoSE (pre-tax)	High teens (pre-tax)	↔	17.0% ✓



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

<sup>1</sup> UAE real GDP growth forecast for 2024 – UAE CB 3.9%, IMF 4.0%

# Appendix

# Summary financials – Income statement and Balance sheet



Income statement highlights (AED Million)	H1'24	H1'23	%chg vs H1'23	Q2'24	Q1'24	%chg vs Q1'24	Q2'23	%chg vs Q2'23
Net Interest Income	243	192	26	111	132	(16)	100	10
Non-Interest Income	58	80	(28)	26	31	(16)	50	(47)
<b>Total Income</b>	<b>300</b>	273	10	<b>137</b>	163	(16)	150	(9)
Operating Expenses	(148)	(134)	11	(71)	(78)	(9)	(69)	3
<b>Operating Profit</b>	<b>152</b>	138	10	<b>66</b>	86	(23)	81	(18)
Net Impairment loss	0	(18)	(101)	11	(11)	(202)	(15)	(171)
<b>Profit before taxes</b>	<b>152</b>	121	26	<b>77</b>	75	3	66	17
Taxes	(14)	-	na	(7)	(7)	2	-	na
<b>Net Profit</b>	<b>139</b>	121	15	<b>70</b>	68	3	66	7

Balance sheet highlights (AED Billion)	Jun-24	Dec-23	%chg vs Dec'23	Mar-24	%chg vs Mar'24	Jun-23	%chg vs Jun'23
Total Assets	19.8	17.6	12	17.9	11	14.4	37
Loans, advances & Islamic financing	10.4	9.4	12	9.5	9	7.6	38
Investments	5.2	5.1	2	5.3	(2)	4.2	24
Customers' deposits	12.1	10.2	18	10.7	14	8.4	44
of which CASA deposits	4.4	3.7	18	3.7	20	3.3	35
Total Equity (incl AT1)	2.4	2.3	5	2.4	2	2.1	13

# Summary financials – Key ratios



Key Ratios (%)	H1'24	H1'23	chg vs H1'23	Q2'24	Q1'24	chg vs Q1'24	Q2'23	chg vs Q2'23
Net Interest Margin (NIM)	2.97	3.16	(0.2)	2.62	3.35	(0.7)	3.22	(0.6)
Cost-Income ratio	49.4	49.3	0.2	51.7	47.5	4.2	45.8	5.8
Cost of Risk (CoR)	(0.11)	0.35	(0.5)	(0.53)	0.33	(0.9)	0.76	(1.3)
Return on Shareholders' Equity (RoSE)	15.5	15.7	(0.3)	15.4	15.4	(0.1)	17.0	(1.6)
Return on Assets (RoA)	1.5	1.7	(0.2)	1.5	1.5	(0.0)	1.8	(0.3)
Non-performing loans ratio (NPL)	4.5	6.7	(2.2)	4.5	4.8	(0.3)	6.7	(2.2)
Provision coverage	125	110	14.1	125	127	(2.2)	110	14.1
Provision coverage (incl collaterals)	190	175	15.7	190	194	(3.2)	175	15.7
Advances to Stable Resources ratio (ASRR)	75	82	(6.2)	75	76	(0.3)	82	(6.2)
Eligible Liquid Assets ratio (ELAR)	19	18	0.8	19	16	3.5	18	0.8
CASA%	36	39	(2.6)	36	34	1.8	39	(2.6)
Common Equity Tier 1 (CET1) ratio	13.0	13.7	(0.7)	13.0	13.1	(0.2)	13.7	(0.7)
Tier 1 ratio	16.8	18.5	(1.6)	16.8	17.2	(0.4)	18.5	(1.6)
Capital Adequacy ratio (CAR)	18.0	19.6	(1.6)	18.0	18.4	(0.4)	19.6	(1.6)

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[ir@uab.ae](mailto:ir@uab.ae)



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