



البنك العربي المتحد
UNITED ARAB BANK

Solid performance through diligent execution of strategy

Q3/9M'24 Earnings presentation

20 October 2024

Solid performance in 9M 2024 underlines diligent execution of strategy

On track with our guidance for the year



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UNITED ARAB BANK

9M'24 earnings up
driven by NII and
asset growth

AED **233** MILLION
+12% yoy

Net Profits (before taxes)

Net profit after taxes up 2% to AED 212Mn

Led by growth in
net interest income
+20% yoy

Strong recoveries lead to
reversal in net impairment
charges
-117% yoy

AED **20** BILLION
+13% ytd / **+36%** yoy
Total Assets

**Strong pipeline ahead
awaiting client
drawdowns**

Net loans at AED 10.8 Bn
+15% ytd / **+40%** yoy

Solid growth in customer
deposits
+18% ytd / **+31%** yoy
CASA ratio: **34%**

**Prudent risk
management a
requisite to
sustainable growth**

4.1%

Further improvement in
NPL ratio
(H1'24: 4.5%, 9M'23: 6.4%)

Complemented by improved
provision coverage
125% (9M'23: 118%)
(188% incl collaterals)

Annualised CoR (cost of risk¹)
declined to **-13bps** in 9M'24 on
the back of strong recoveries
and existing adequate provision
coverage

CAR
18.8% | CET1
13.8%

**Robust capital,
liquidity & funding**

ASRR
74% | ELAR
15%
Well within regulatory thresholds

Loans-to-Deposits
89%
(FY'23: 91%)

**Delivering
sustainable returns
to shareholders**

15.1%

Return on
Shareholders' Equity

Return on Assets
1.5%

Credit ratings improved to
investment grade (Baa3) from
Moody's, and maintained a
"positive" outlook

¹ Cost of risk on loans, advances & Islamic financing

Higher net interest income and strong recoveries driving profitability



9M'24 net profit growth primarily driven by higher net interest income ...

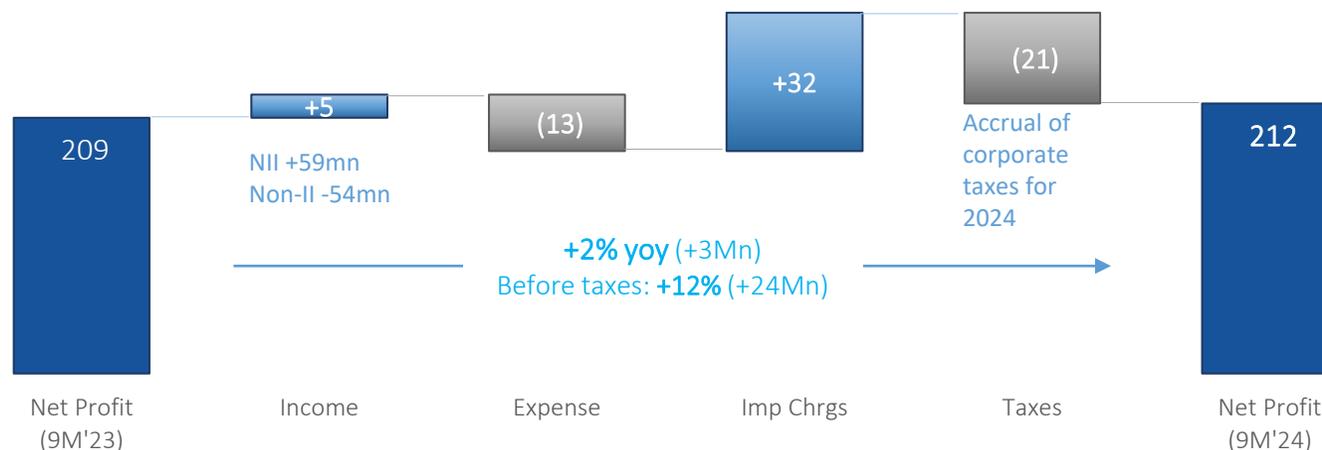
- Operating income in 9M'24, +1% yoy, primarily led by higher NII
- NII +20% yoy in 9M'24, driven by strong asset growth and higher interest rates vs 9M'23
- Fees & commissions and FX income increased +8% and +13% yoy, respectively; total non-interest income declined in 9M'24, due to absence of gains from sale of fixed assets realised in 9M'23

... coupled with strong recoveries and prudent risk management

- Strong recoveries continued in Q3'24, leading to a net reversal in impairment charges in 9M'24, and translating into an annualised cost of risk of -13bps
- Costs increased by 6% yoy, in line with growth in business activity; CI ratio remained stable at 49%
- Taxes of AED 21 million were accrued in 9M'24 (applicable starting this year)

9M'24 Net profit bridge

AED Mn



Income statement highlights (AED Million)

	9M'24	%chg vs 9M'23	Q3'24	%chg vs Q2'24	%chg vs Q3'23
Net Interest Income	354	20	111	0	9
Non-Interest Income	98	(35)	41	54	(44)
Total Income	452	1	152	11	(13)
Operating Expenses	(224)	6	(75)	6	(2)
Operating Profit	229	(3)	77	16	(22)
Impairment charges, net	5	(117)	5	(59)	(148)
Profit before taxes	233	12	81	5	(8)
Taxes	(21)	na	(7)	5	na
Net Profit	212	2	74	5	(17)

Key Ratios ¹ (%)

	9M'24	chg vs 9M'23	Q3'24	chg vs Q2'24	chg vs Q3'23
Net Interest Margin (NIM)	2.82	(0.3)	2.52	(0.1)	(0.6)
Cost-Income ratio	49	2.3	50	(2.1)	5.8
Cost of Risk (CoR)	(0.13)	(0.5)	(0.16)	0.4	(0.6)
Return on Shareholders' Equity (RoSE)	15.1	(2.8)	15.1	(0.3)	(6.7)
Return on Assets (RoA)	1.5	(0.4)	1.5	(0.0)	(0.9)

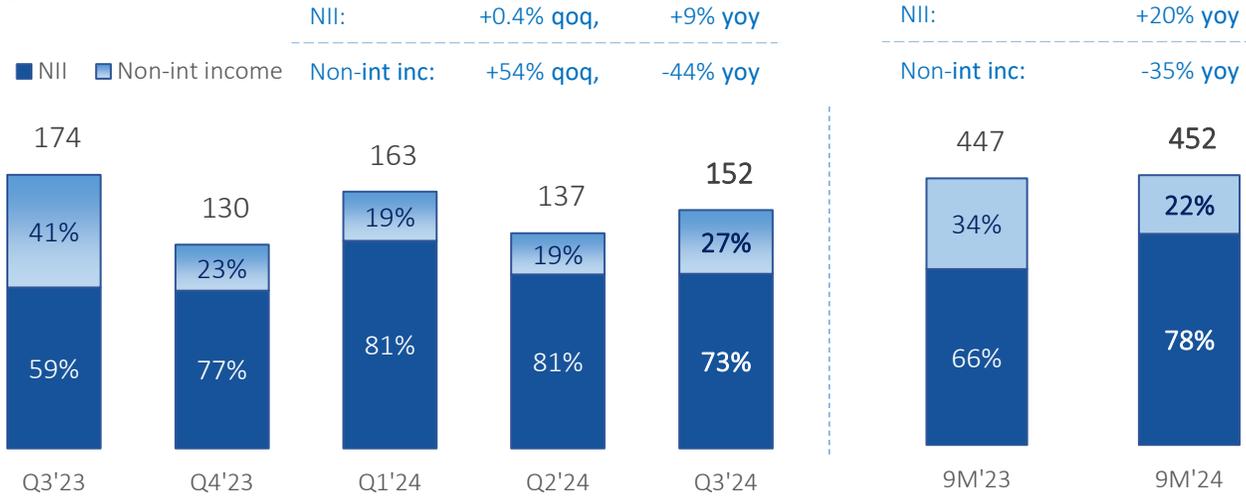
¹ Ratios are annualised, where relevant

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



Operating income: NII recorded double-digit growth in 9M'24 yoy

AED Mn

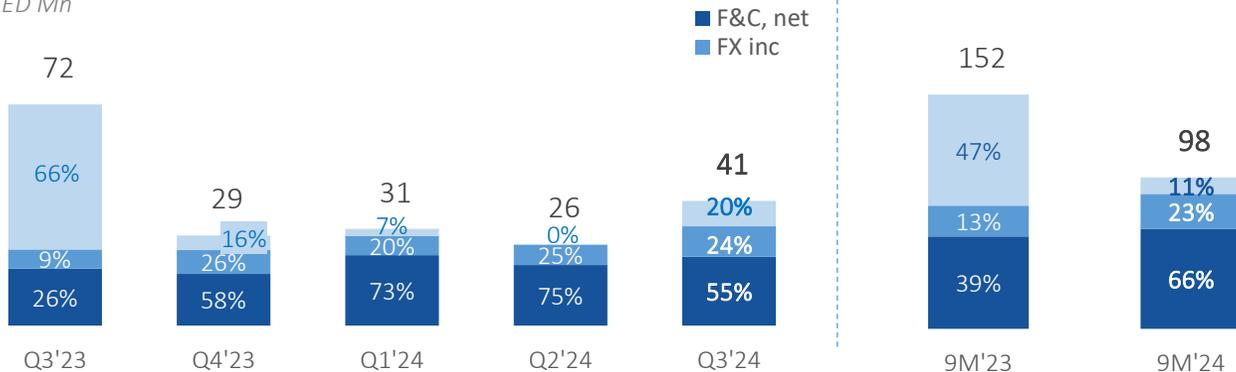


NIM declined 24bps ytd and 35bps yoy due to margin compression



Non-interest income primarily declined due to absence of gains from sale of fixed assets realised in 9M'23

AED Mn

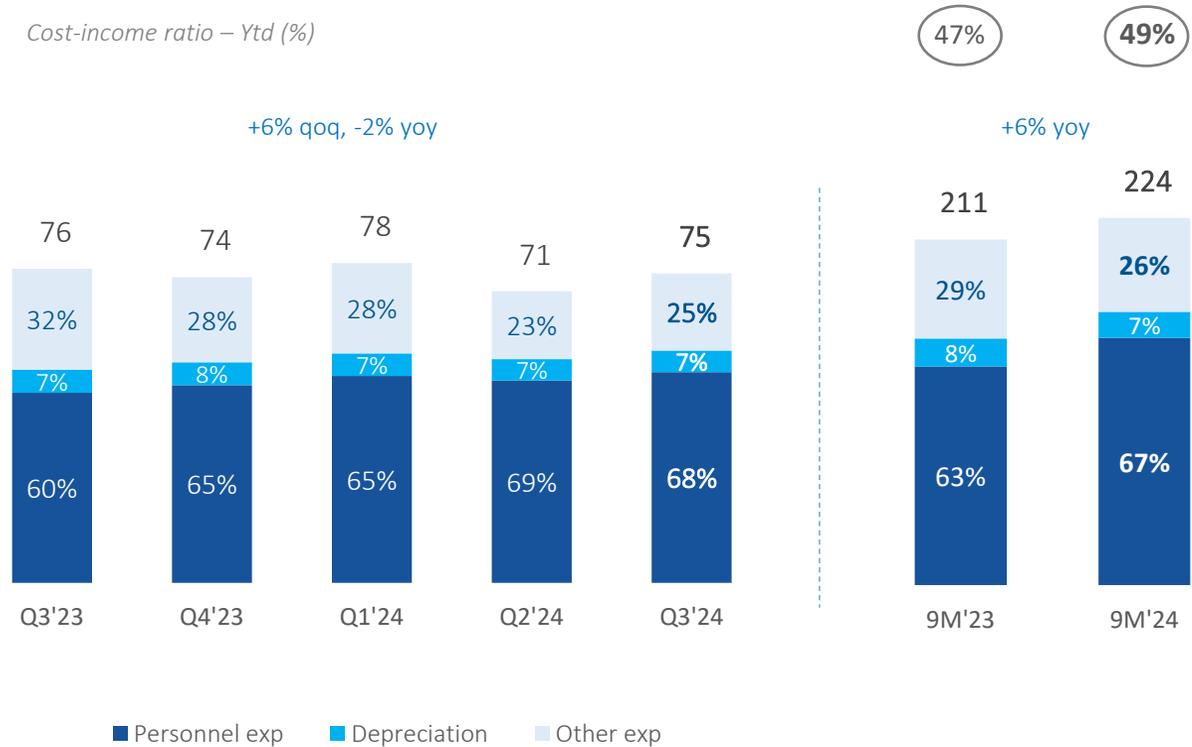


Expense growth reflects investment in human capital and technology, whilst maintaining discipline and enhancing efficiency

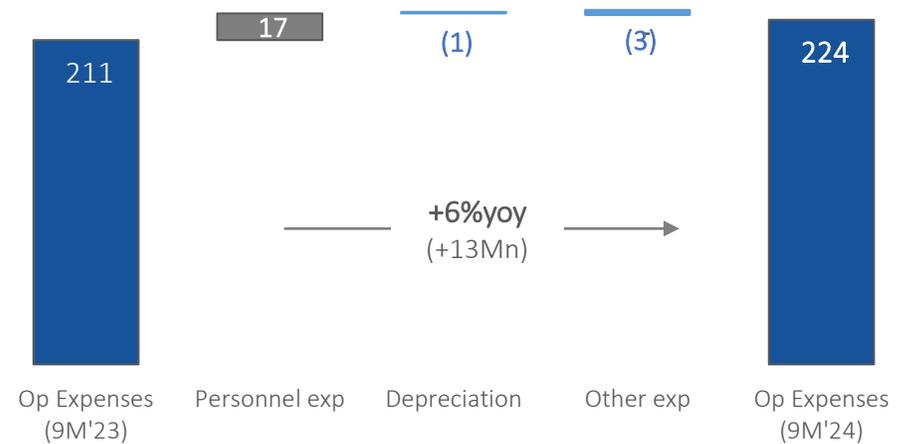


Efficiently managing expenses and investing across people, products, processes and systems, in line with the medium-term growth strategy

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



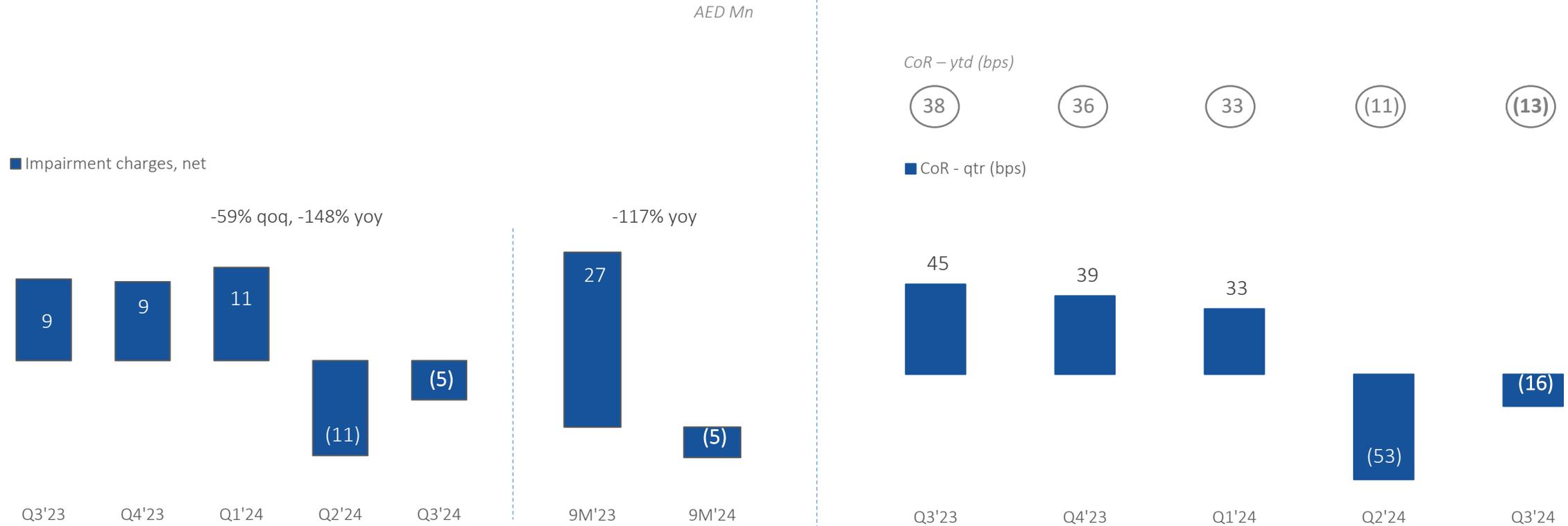
Operating expenses 9M'24 bridge (AED Mn)



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



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

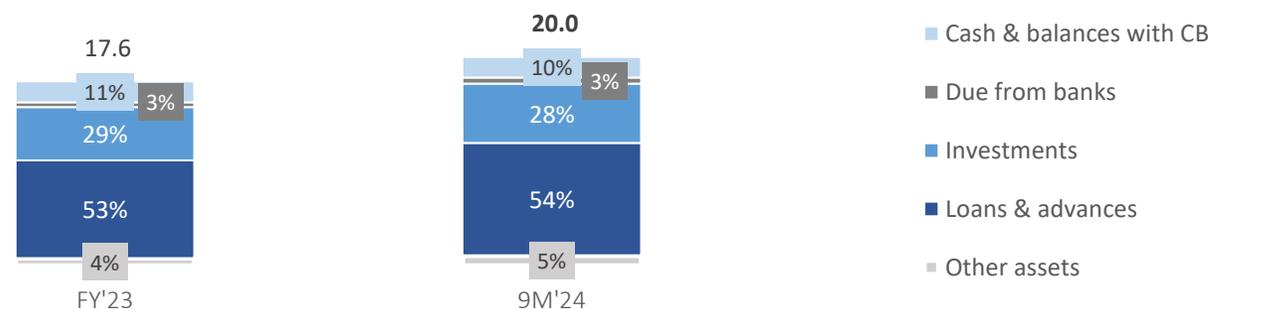
(AED Billion)	Sep-24	%chg vs Jun'24	%chg vs Dec'23	%chg vs Sep'23
Total Assets	20.0	1	13	36
Loans and advances	10.8	3	15	40
Investments	5.7	9	12	22
Customers' deposits	12.0	(1)	18	31
<i>of which CASA deposits</i>	4.1	(8)	9	21
Total Equity (incl AT1)	2.6	7	13	19

Key ratios (%)

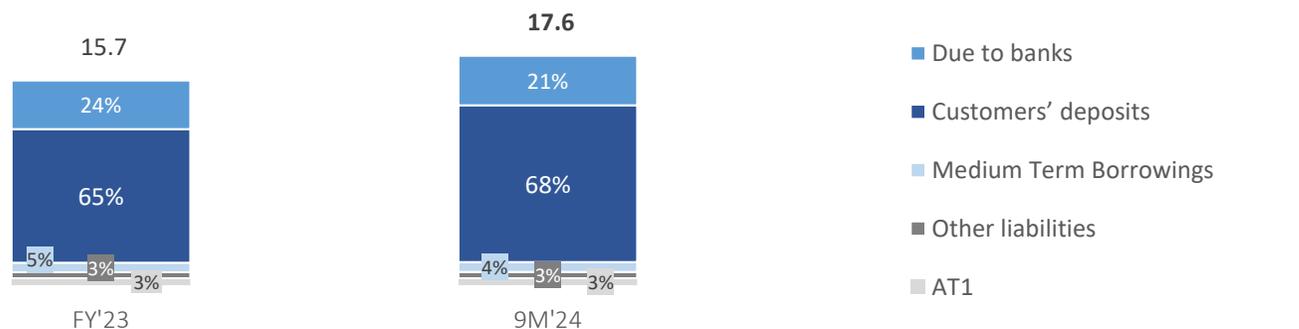
	Sep-24	Jun-24	Dec-23	Sep-23
NPL ratio	4.1	4.5	5.0	6.4
Provision coverage	125	125	132	118
Provision coverage (incl collaterals)	188	190	200	195
Advances to Stable Resources ratio (ASRR)	74	75	76	73
Eligible Liquid Assets ratio (ELAR)	15	19	20	18
CASA%	34	36	37	36
CET1 ratio	13.8	13.0	13.5	13.9
Tier1 ratio	17.6	16.8	17.8	18.6
CAR%	18.8	18.0	19.0	19.8

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

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



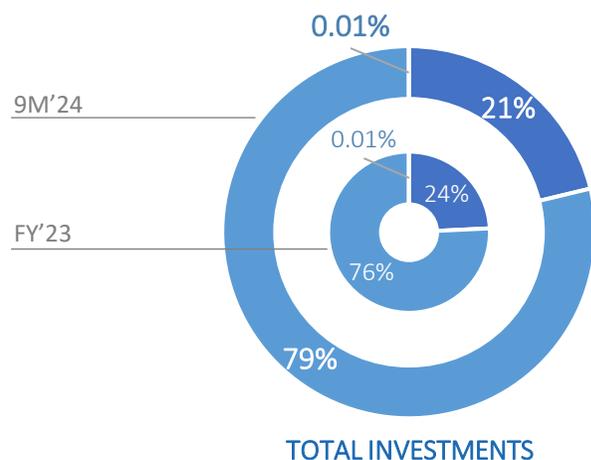
... funded by customer deposits as the major source



Quality investment portfolio mandated to meet liquidity requirements and enhance yield

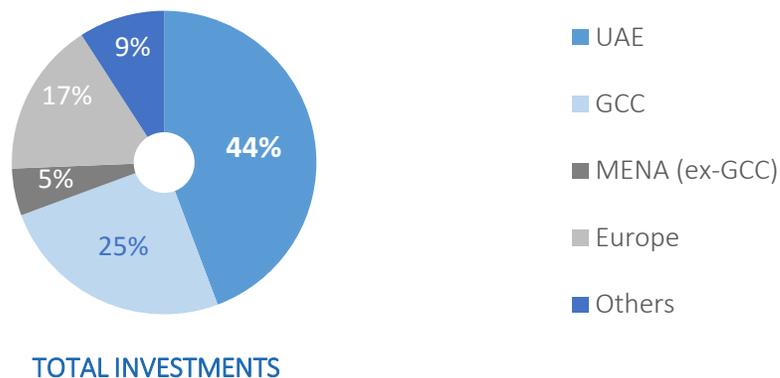


Investments book primarily consist of debt instruments

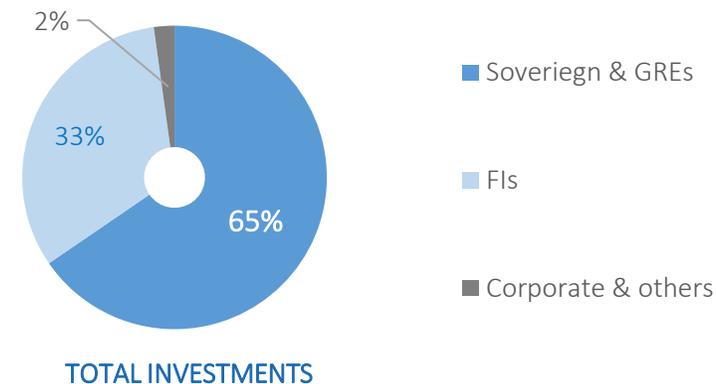


	AED Bn	
	FY'23	9M'24
■ Debt - Amortised cost	1.2	1.2
■ Debt - FVOCI	3.9	4.5
■ Equity - FVOCI	0.001	0.001
	5.1	5.7

44% of exposure to UAE, 74% to MENA (incl GCC and UAE)



Major exposure to sovereign and GREs

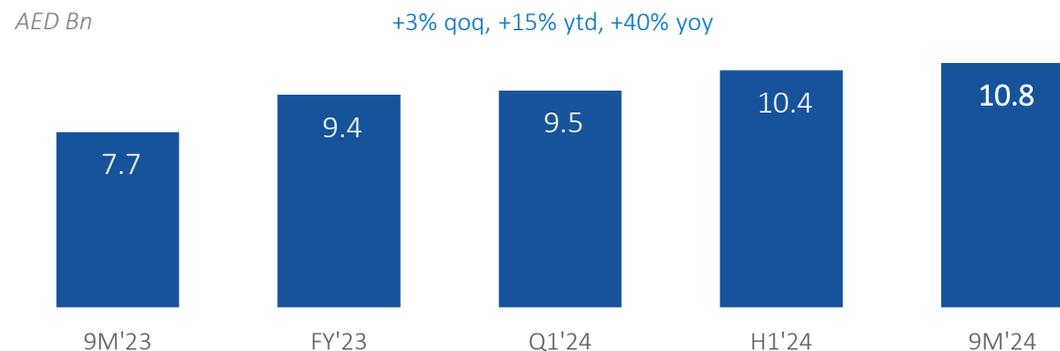


1 Composition of investments is based on the market value of the underlying investments

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

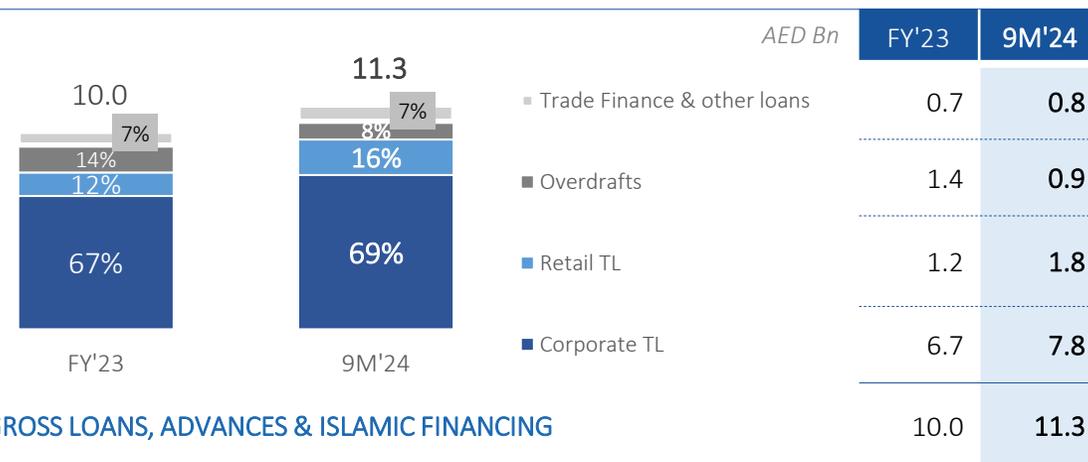


Lending grew by 3% in Q3'24 and 13% ytd; business pipeline remains robust



LOANS, ADVANCES & ISLAMIC FINANCING (NET)

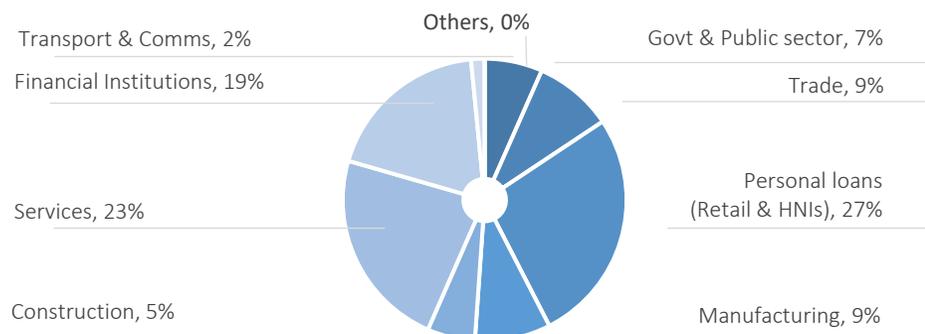
Growth in loans was corporate-led, while retail lending is gaining momentum



GROSS LOANS, ADVANCES & ISLAMIC FINANCING

- Islamic financing represents 6.6% of total gross loan book (FY'23: 8.0%)

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)

Solid growth in customer deposits, as liquidity metrics remain robust



Solid growth in customer deposits

-1% qoq, +18% ytd, +31% yoy

AED Bn

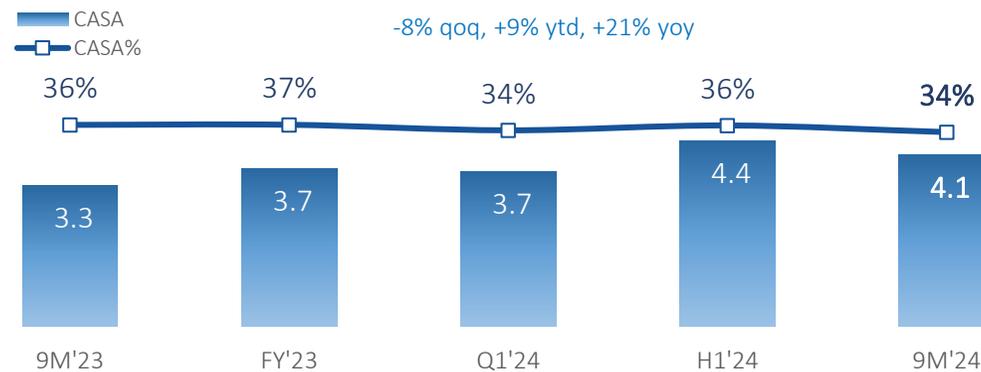


CUSTOMER DEPOSITS

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

-8% qoq, +9% ytd, +21% yoy

AED Bn



CASA (Current, Call & Savings Accounts)

Regulatory liquidity ratios well within regulatory thresholds

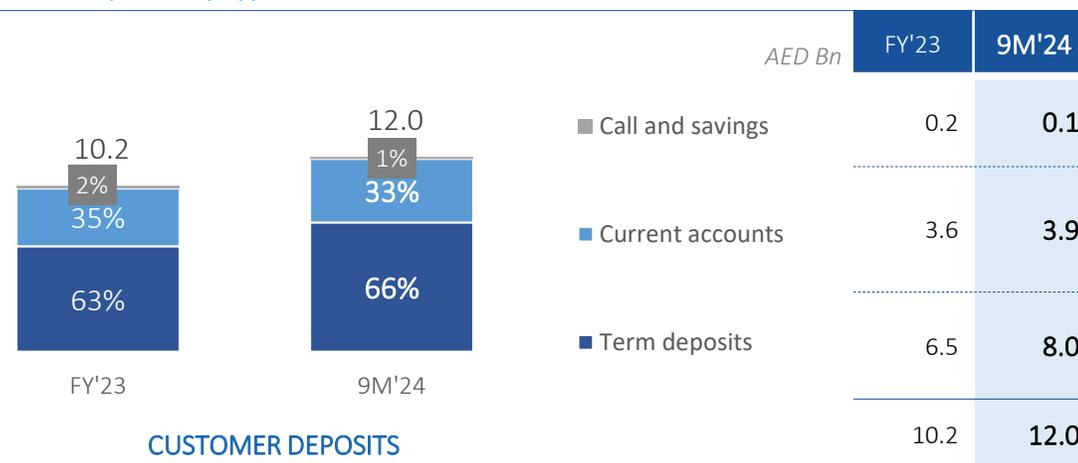
Eligible Liquid Assets Ratio



Advances to Stable Resources Ratio



Customer deposits by type



CUSTOMER DEPOSITS

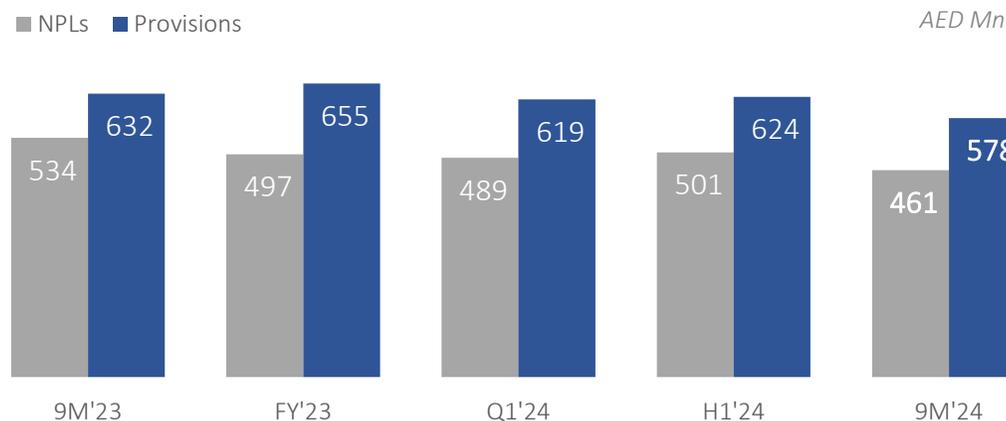
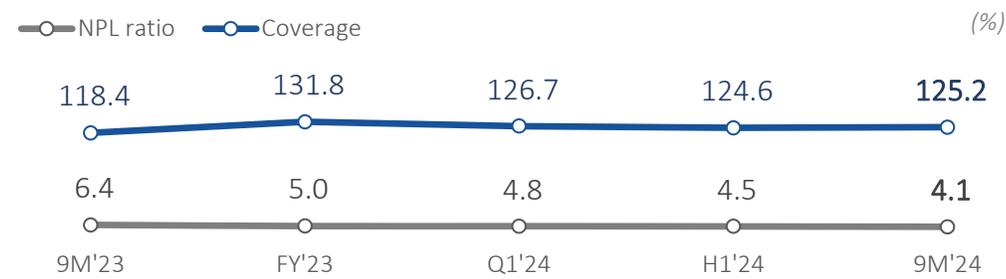
NPL ratio further improved to 4.1% from 5.0% at end-FY'23, while provision coverage remains adequate across the portfolio



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 188% as of Sep-24



1 NPLs and Gross Loans are net of Interest in suspense

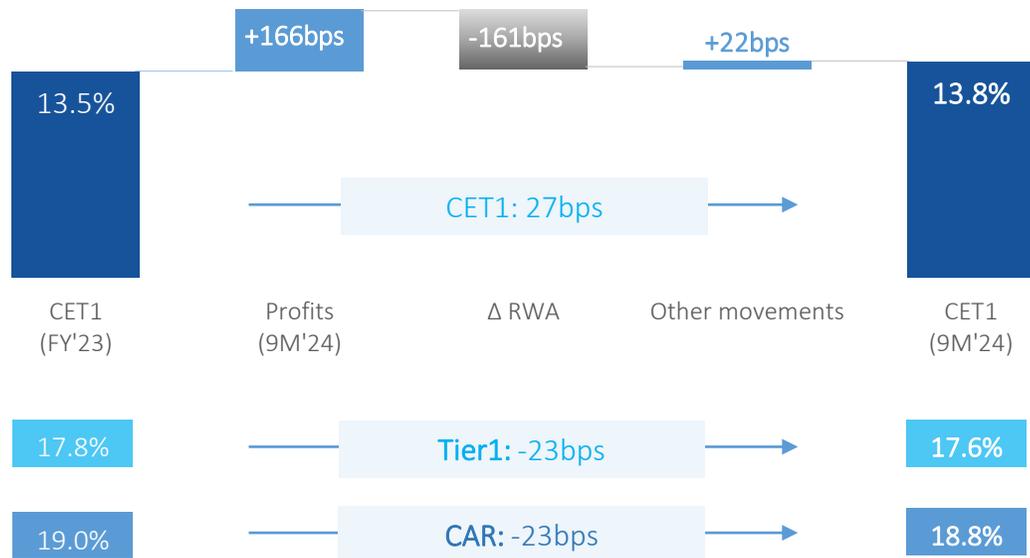
94% of loans are in Stage 1

AED Bn	FY'23			9M'24		
	Exposure	ECL	Provision Coverage	Exposure	ECL	Provision Coverage
Stage 1	9.0	0.1	1.4%	10.6	0.1	1.2%
Stage 2	0.5	0.2	36%	0.2	0.1	58%
Stage 3	0.5	0.4	71%	0.5	0.3	70%
GROSS LOANS	10.0	0.7		11.3	0.6	

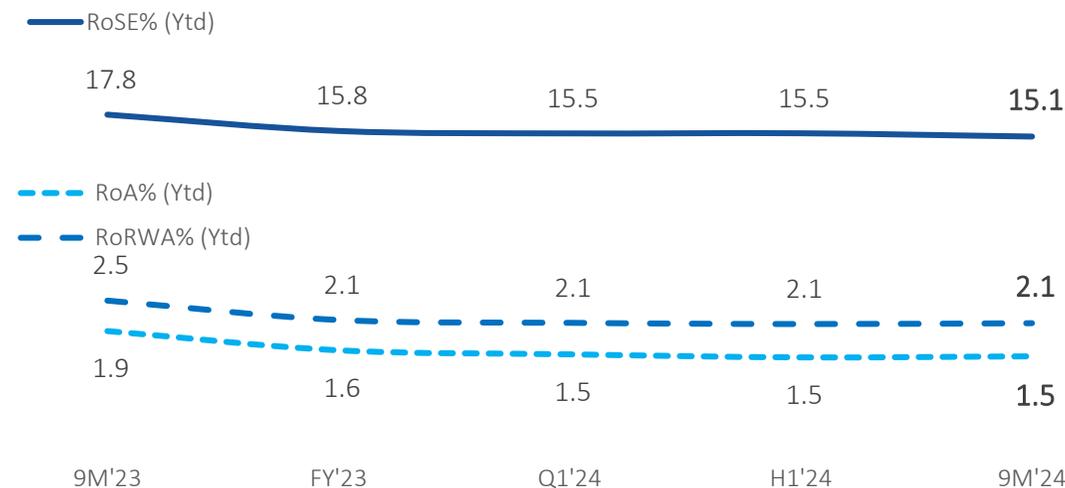
Robust capital position and steady shareholder returns



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

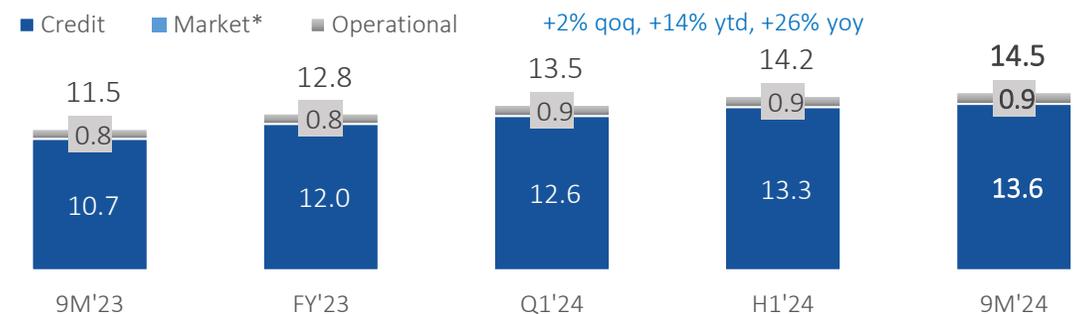


Steady shareholder returns



* 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

Firmly focused on the next phase of growth maintaining a robust foundation



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Our **cautiously optimistic** outlook over the next few quarters is driven by:

- positive GDP growth¹, further picking up pace ahead, with strong contribution from non-oil sectors
- although, geopolitical risks may impact growth sentiment and momentum
- expected decline in interest rates to drive demand growth, although it may impact NIMs adversely
- vigilant towards any signs of turnaround in the economic cycle



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: UAE CB - 4.0% for 2024, 6.0% for 2025, IMF - 4.0% for 2024, 4.2% for 2025

Appendix

Summary financials – Income statement and related ratios



Income statement highlights (AED Million)	9M'24	9M'23	%chg vs 9M'23	Q3'24	Q2'24	%chg vs Q2'24	Q3'23	%chg vs Q3'23
Net Interest Income	354	295	20	111	111	0	102	9
Non-Interest Income	98	152	(35)	41	26	54	72	(44)
Total Income	452	447	1	152	137	11	174	(13)
Operating Expenses	(224)	(211)	6	(75)	(71)	6	(76)	(2)
Operating Profit	229	236	(3)	77	66	16	98	(22)
Net Impairment loss	5	(27)	(117)	5	11	(59)	(9)	(148)
Profit before taxes	233	209	12	81	77	5	88	(8)
Taxes	(21)	-	na	(7)	(7)	5	-	na
Net Profit	212	209	2	74	70	5	88	(17)

Key Ratios (%)	9M'24	9M'23	chg vs 9M'23	Q3'24	Q2'24	chg vs Q2'24	Q3'23	chg vs Q3'23
Net Interest Margin (NIM)	2.82	3.16	(0.3)	2.52	2.62	(0.1)	3.17	(0.6)
Cost-Income ratio	49	47	2.3	50	52	(2.1)	44	5.8
Cost of Risk (CoR)	(0.13)	0.38	(0.5)	(0.16)	(0.53)	0.4	0.45	(0.6)
Return on Shareholders' Equity (RoSE)	15.1	17.8	(2.8)	15.1	15.4	(0.3)	21.8	(6.7)
Return on Assets (RoA)	1.5	1.9	(0.4)	1.5	1.5	(0.0)	2.4	(0.9)

Summary financials – Balance sheet and related ratios



Balance sheet highlights (AED Billion)	Sep-24	Dec-23	%chg vs Dec'23	Jun-24	%chg vs Jun'24	Sep-23	%chg vs Sep'23
Total Assets	20.0	17.6	13	19.8	1	14.7	36
Loans, advances & Islamic financing	10.8	9.4	15	10.4	3	7.7	40
Investments	5.7	5.1	12	5.2	9	4.7	22
Customers' deposits	12.0	10.2	18	12.1	(1)	9.2	31
<i>of which CASA deposits</i>	4.1	3.7	9	4.4	(8)	3.3	21
Total Equity (incl AT1)	2.6	2.3	13	2.4	7	2.2	19

Key Ratios (%)	Sep-24	Dec-23	%chg vs Dec'23	Jun-24	%chg vs Jun'24	Sep-23	%chg vs Sep'23
Non-performing loans ratio (NPL)	4.1	5.0	(0.9)	4.5	(0.5)	6.4	(2.3)
Provision coverage	125	132	(6.6)	125	0.6	118	6.8
Provision coverage (incl collaterals)	188	200	(12.6)	190	(2.8)	195	(7.9)
Advances to Stable Resources ratio (ASRR)	74	76	(1.4)	75	(1.1)	73	0.9
Eligible Liquid Assets ratio (ELAR)	15	20	(4.7)	19	(3.8)	18	(2.5)
CASA%	34	37	(2.8)	36	(2.5)	36	(2.7)
Common Equity Tier 1 (CET1) ratio	13.8	13.5	0.3	13.0	0.8	13.9	(0.1)
Tier 1 ratio	17.6	17.8	(0.2)	16.8	0.8	18.6	(1.0)
Capital Adequacy ratio (CAR)	18.8	19.0	(0.2)	18.0	0.8	19.8	(1.0)

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