



MANAGEMENT DISCUSSION & ANALYSIS

H1 2022

Key Highlights – H1'2022

UAB Reports Financial Results for H1 2022

UAB reported H1 2022 Net Profit of **AED 83.3 Mn** as compared to Net Profit of **AED 26.9 Mn** in H1 2021 (**↑ 209%**), simultaneously Q2'2022 Net profit of **AED 52.9 Mn** has recorded an increase of **74%** when compared to net profit recorded in Q1 2022 of **AED 30.4 Mn**

Operating Profit higher by 9% (YoY)

from 117m in H1 2021 to 127m in H1 2022

3% YoY Reduction in Operating Expenses

With ongoing focus to rationalize costs

Adequate Liquidity profile

Maintained
(ASR 83%, ELAR 15%)

Loan : Deposit Ratio

Maintained at 80%

YoY Income higher by 3%

from 236m in H1 2021 to 243m in H1 2022

52% YoY reduction in Provisions

Cost of Risk reduced from 2.1% in H1'21 to 1.1% in H1'22, also reduced from FY 21 ratio of 1.6%

CAR at 13.2%

CET1 at 12.0%

Above currently applicable regulatory requirements

Management Discussion & Analysis – H1 2022

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the half year ending 30th Jun 2022. Strong performance is evidenced across the period with the Bank reporting a Net Profit of **AED 83.3m** for H1 2022 compared to a Net Profit of **AED 26.9m** in H1 2021, similarly Net profit for Q2 2022 has increased by **74%** in comparison to Q1 2022 as the successful execution of the turnaround strategy has paved the way for a return to profitability with UAB continuing to strengthen its core businesses; streamline the cost base; and maintain key banking fundamentals.

UAB's financial performance was aided by a significant progress within the 'core' businesses recording a **3%** YoY uplift in Total Operating Income, whilst Operating Expenses continue to be robustly managed and recorded a reduction of **3%** YoY.

The Balance sheet has been significantly strengthened with a focus on asset quality which resulted in a **52%** YoY reduction in Net Impairment Loss compared to H1 2021. Cost of Risk reduced from 2.1% in H1 2021 to 1.1% in H1 2022. Provision coverage (including collateral) has improved to 132% whereas NPL ratio has been reduced to 11%

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

Fitch Rating

Long Term IDR	BBB+
Outlook	Stable

Financial Performance – H1 2022

AED millions

Income Statement	2022- Actuals			2021 - Actuals						Variance	
	H1'22	Q2	Q1	FY'21	Q4	Q3	H1'21	Q2	Q1	QoQ%	YoY%
Net Interest Income	140.9	74.0	66.9	277.8	62.8	71.7	143.3	79.1	64.1	11%	-2%
Non-Interest Income	101.8	51.8	50.0	171.8	50.3	28.4	93.1	24.9	68.2	4%	9%
Total Operating Income	242.7	125.9	116.9	449.6	113.1	100.2	236.4	104.0	132.3	8%	3%
Operating Expenses	(116.0)	(57.6)	(58.5)	(243.7)	(63.4)	(60.6)	(119.7)	(60.1)	(59.6)	-2%	-3%
Profit before Impairment Loss	126.7	68.3	58.4	205.9	49.7	39.6	116.6	43.9	72.7	17%	9%
Net Impairment Loss	(43.4)	(15.4)	(28.0)	(135.7)	(24.2)	(21.8)	(89.7)	(27.2)	(62.5)	-45%	-52%
Net Profit	83.3	52.9	30.4	70.2	25.5	17.8	26.9	16.7	10.2	74%	209%

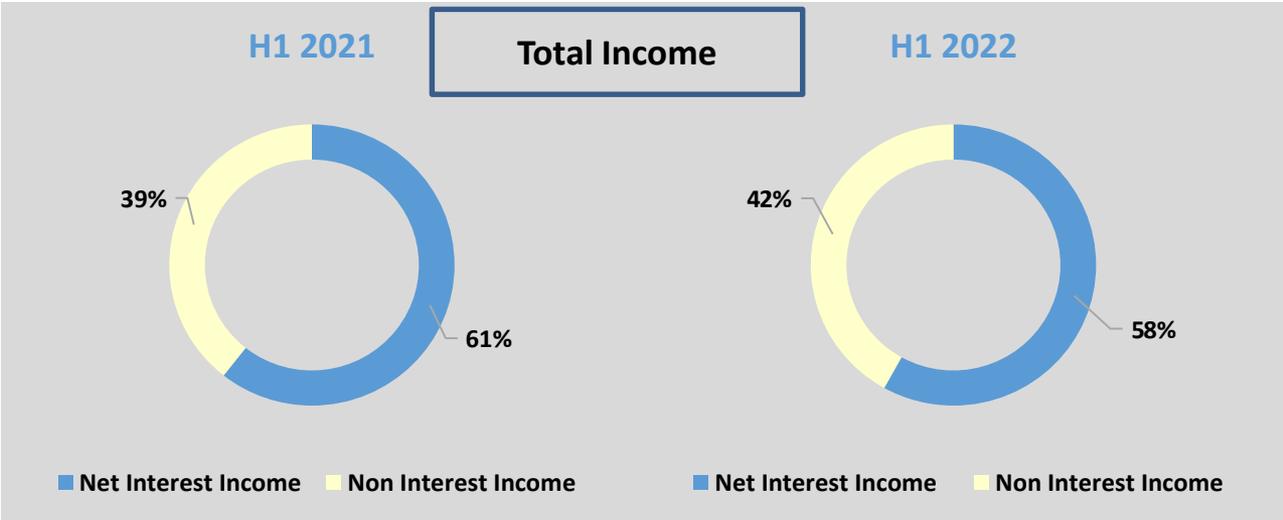
Balance Sheet	2022- Actuals			2021- Actuals			Variance	
	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Loans and Advances	8,374	7,884	8,213	8,035	8,035	8,501	6%	4%
Investment Securities	3,425	3,808	3,530	3,582	3,402	3,299	-10%	1%
Other Assets	2,949	2,328	3,436	2,649	3,112	2,620	27%	-5%
Total Assets	14,748	14,021	15,180	14,267	14,549	14,419	5%	1%
Customer Deposits	10,517	10,120	10,406	10,328	10,639	10,839	4%	-1%
Due to Banks	1,911	1,582	2,411	1,702	1,544	1,373	21%	24%
Other Liabilities	919	818	851	737	869	772	12%	6%
Total Liabilities	13,347	12,520	13,668	12,768	13,052	12,984	7%	2%
Shareholders' Equity	1,402	1,501	1,512	1,499	1,497	1,435	-7%	-6%
Total Liabilities & Shareholders' Funds	14,748	14,021	15,180	14,267	14,549	14,419	5%	1%



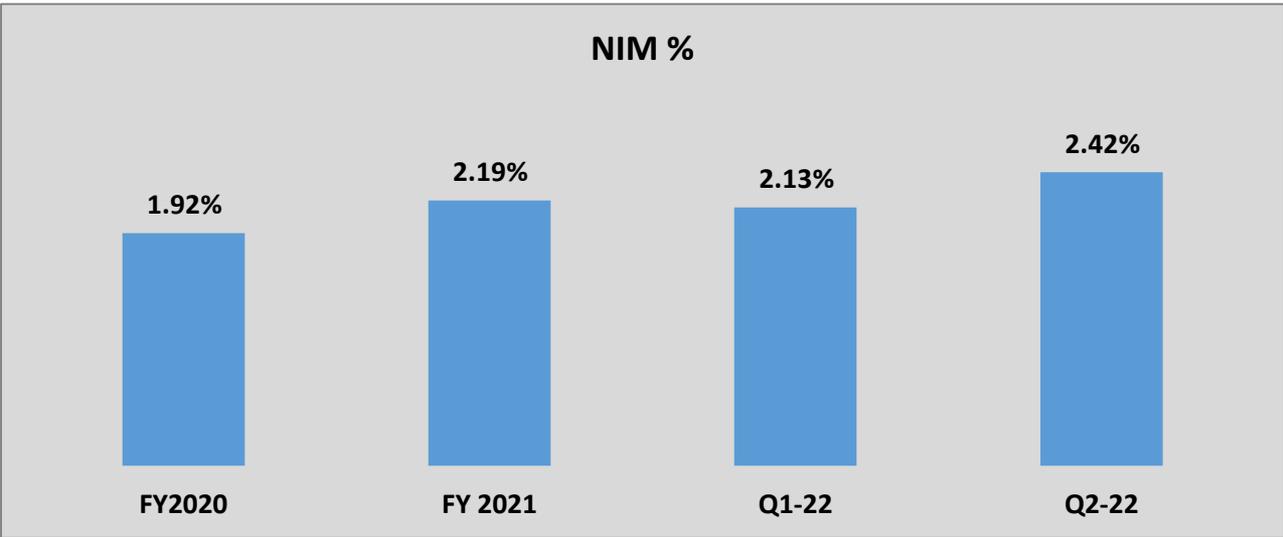
Key Ratios – H1 2022

Key Ratios	2022		2021				Variance	
	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Regulatory								
Capital Adequacy	13.2%	14.3%	13.8%	13.6%	13.4%	14.2%	-1.1%	-0.2%
Tier 1	12.0%	13.1%	12.6%	12.5%	12.3%	13.0%	-1.1%	-0.3%
CET 1	12.0%	13.1%	12.6%	12.5%	12.3%	13.0%	-1.1%	-0.3%
Advances to Stable Resources	82.8%	80%	81%	77%	76%	79%	2%	7%
Eligible Liquid Assets	15%	16%	19%	15%	17%	15%	-1%	-2%
Performance								
Cost : Income Ratio	46%	50%	54%	54%	51%	45%	-4%	-5%
NPL's : Gross Loans	11.0%	12.4%	12.6%	15.4%	16.7%	12.2%	-1.4%	-5.8%
Provision Coverage	79%	73%	71%	82%	82%	105%	6%	-3%
Provision Coverage (Including Collaterals)	132%	126%	122%	121%	99%	131%	6%	34%
Loans : Deposits Ratio	80%	78%	79%	78%	76%	78%	2%	4%
Return on Average Equity	11.5%	8.2%	4.7%	4.1%	3.7%	2.9%	3.3%	7.8%
Return on Average Assets	1.1%	0.8%	0.5%	0.4%	0.4%	0.3%	0.3%	0.8%
Cost of Risk	1.1%	1.4%	1.6%	1.7%	2.1%	2.9%	-0.4%	-1.1%
CASA %	31%	30%	30%	27%	29%	27%	1%	2%

Income Statement Review

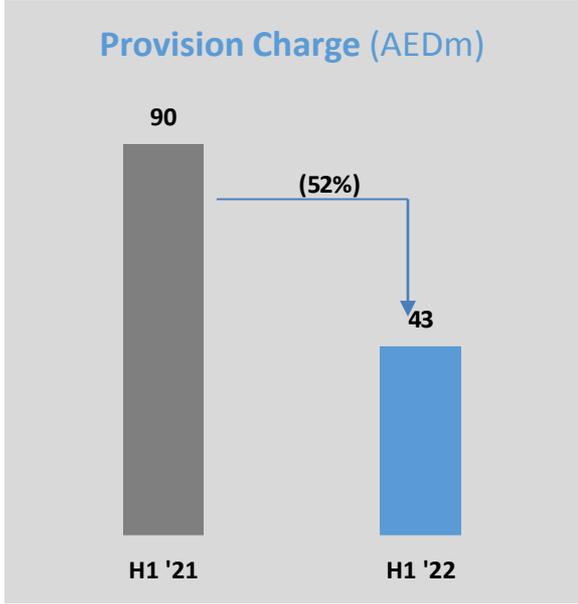
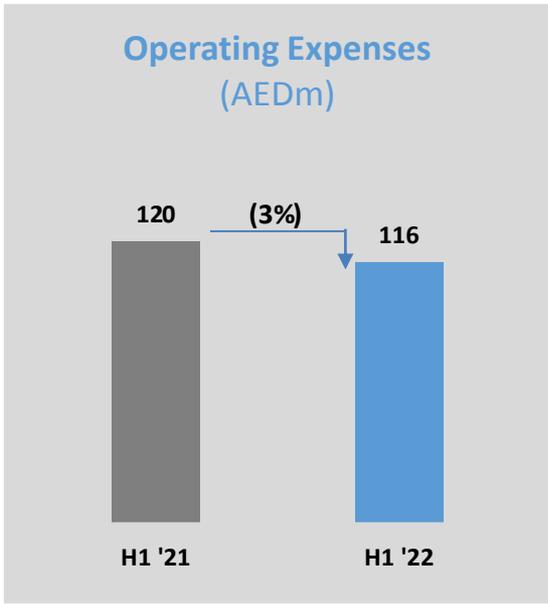


Total Income for H1' 2022 was **AED 243m**, Increased **8%** quarter-on-quarter & **3%** (YoY)



The **NIMs** have increased in Q2'22 as the bank benefits from the higher interest rate environment

Income Statement Review (cont.)

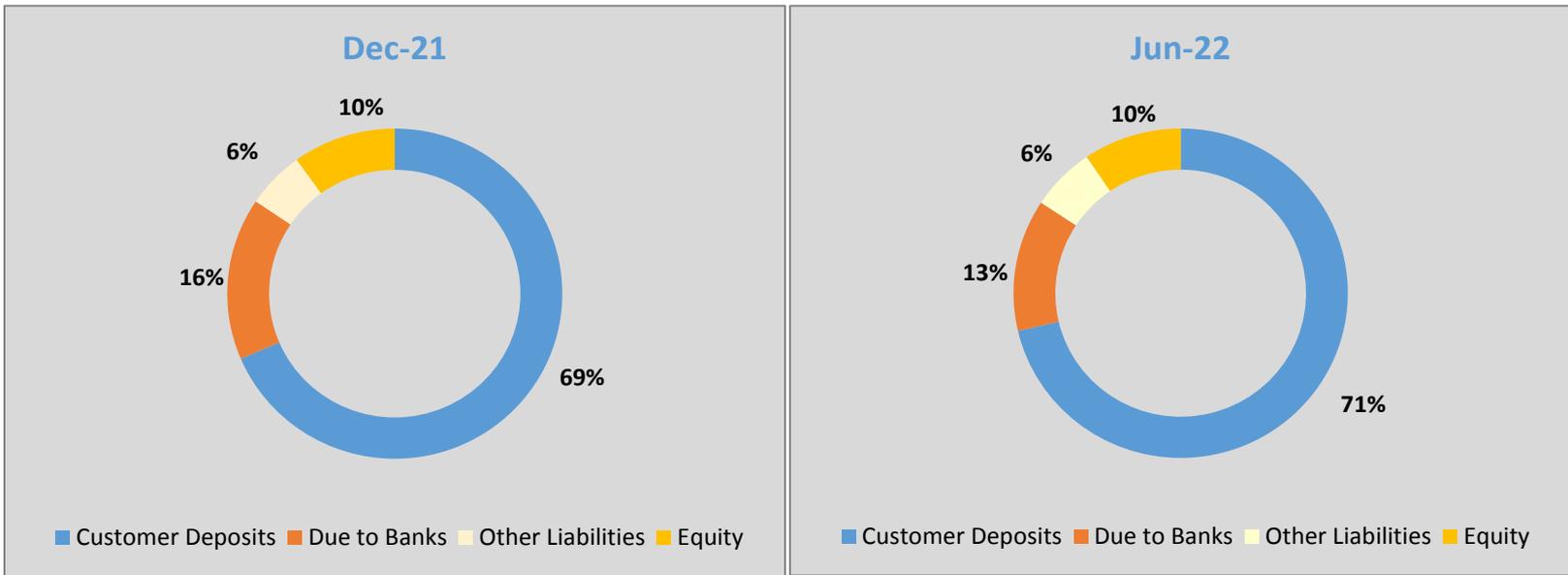


Operating Expenses for H1 2022 were AED 116m, representing 3% reduction against H1 2021, as the Bank continues to rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure and branch rationalization.

Net Impairment Loss dropped (52%) vs. H1 2021 on a total portfolio basis, as the bank focuses on higher quality assets and on its remediation efforts and recoveries.

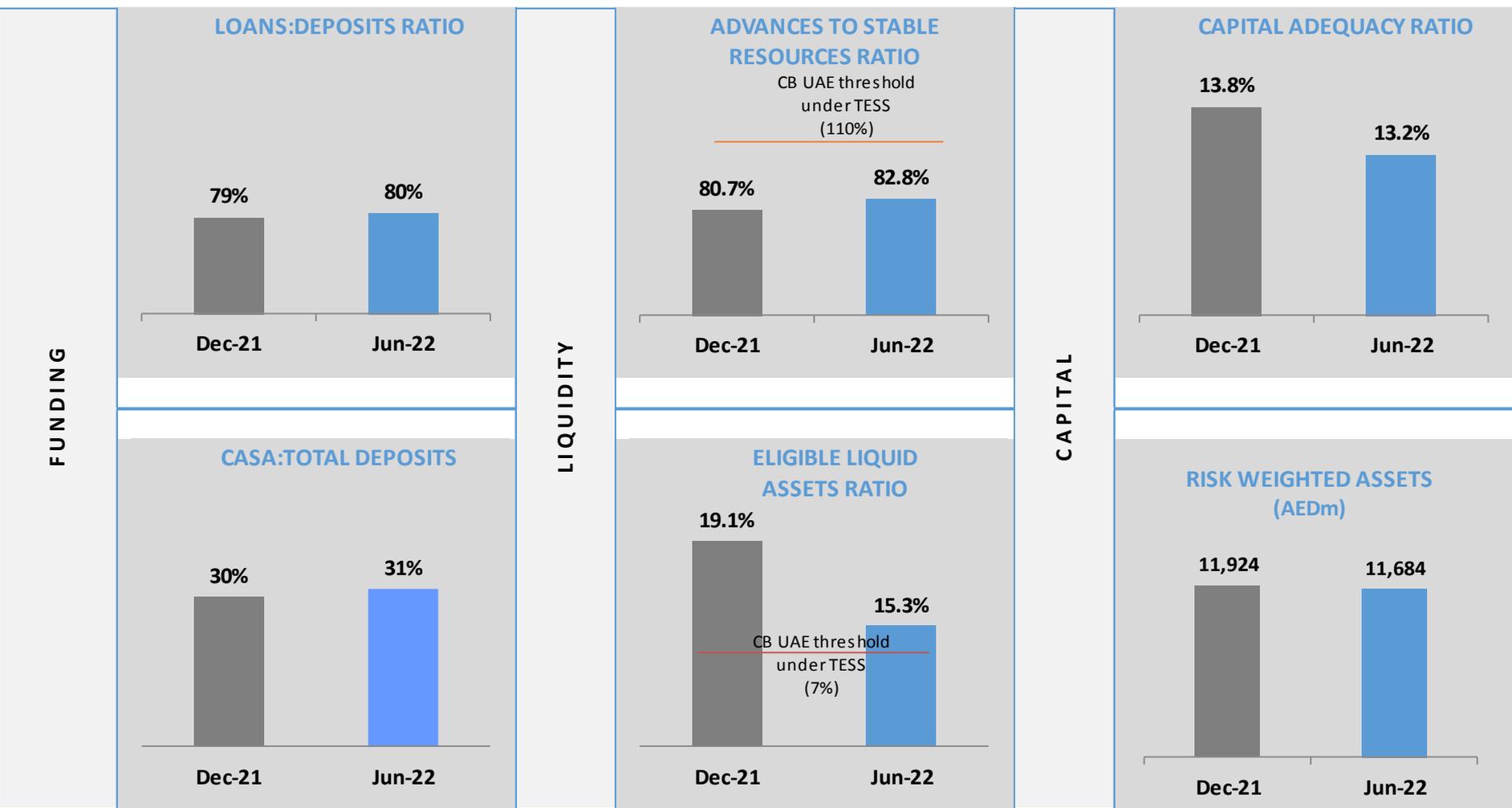
Balance Sheet Review

Total Funding



Customer Deposits have and will continue to represent the Bank's key source of funds contributing 71% of total funding compared to 69% in Dec'21. CASA Deposits continue to grow and are now 31% of total deposits which is higher than Dec'21, as the Bank continues to deploy various initiatives to efficiently manage the cost of funds.

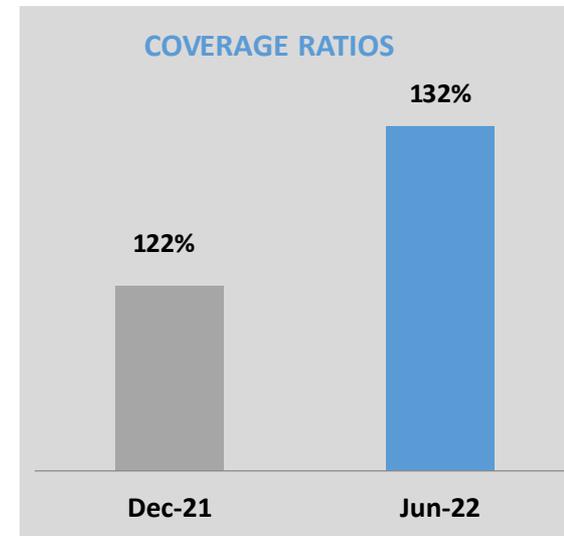
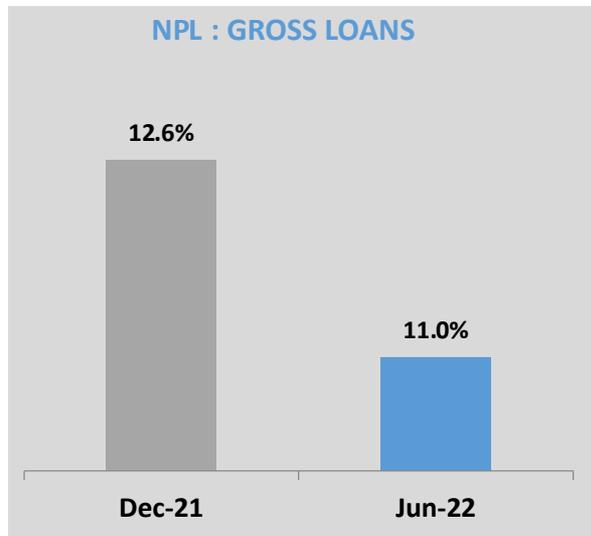
Liquidity Metrics and Capital Ratios



Loan : Deposit Ratio of 80% underpins a robust liquidity profile, whilst **CASA** composition at 31% 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 13.2% position with a Common Equity Tier1 (CET1) ratio of 12.0%, ahead of currently applicable regulatory requirements



UAB continues with its decisive and prudent provisioning approach, and to proactively recognize problem loans which has resulted in NPL ratio of 11.0% in Jun 2022 compared to 12.6% in Dec 2021. The Provision Coverage ratio (including collaterals) increased to 132% as at Jun 2022 compared to 122% in Dec 2021