



MANAGEMENT DISCUSSION & ANALYSIS

Q1 2022

Key Highlights – Q1'2022

UAB Reports Financial Results for Q1 2022

UAB reported Q1 2022 Net Profit of **AED 30.4 Mn** as compared to Net Profit of **AED 10.2 Mn** in Q1 2021 (**↑ 198%**), simultaneously it has recorded a increase of **19%** when compared to net profit recorded in Q4 2021 of **AED 25.5 Mn**

Operating Profit higher by 17% (QoQ)

from 50m in Q4 2021 to 58m in Q1 2022

8% QoQ Reduction in Operating Expenses

With ongoing focus to rationalize costs

Adequate Liquidity profile

Maintained
(ASR 80%, ELAR 16%)

Loan : Deposit Ratio

managed to 78%

QoQ Income higher by 3%

from 113m in Q4 2021 to 117m in Q1 2022

55% YoY reduction in Provisions

Cost of Risk reduced from 2.9% in Q1'21 to 1.4% in Q1'22, also reduced from FY 21 ratio of 1.6%

CAR at 14.3%

CET1 at 13.1%

Well above currently applicable regulatory requirements

Management Discussion & Analysis – Q1 2022

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the quarter ending 31st Mar 2022. Strong performance is evidenced across the period with the Bank reporting a Net Profit of **AED 30.4m** for Q1 2022 compared to a Net Profit of **AED 10.2m** in Q1 2021, similarly Net profit for Q1 2022 has increased by **19%** in comparison to Q4 2021 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%** QoQ uplift in Total Operating Income, whilst Operating Expenses continue to be robustly managed and recorded a reduction of **8%** QoQ.

The Balance sheet has been significantly strengthened with a focus on asset quality which resulted in a **55%** YoY reduction in Net Impairment Loss compared to Q1 2021. Cost of Risk reduced from 2.9% in Q1 2021 to 1.4% in Q1 2022.

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 23 ATMs providing full banking services to our customers.

Moody's Rating

Bank Deposits- Long Term	Ba1
Bank Deposits- Short Term	NP
Baseline Credit Assessment	b1
Adjusted Baseline Credit Assessment	ba3
Counterparty Risk Assessment- Long term	Baa3(cr)
Counterparty Risk Assessment- Short term	P-3(cr)
Outlook	Stable

Fitch Rating

Long Term IDR	BBB+
Outlook	Stable

Financial Performance – Q1 2022

AED millions

Income Statement	2022- Actuals	2021 - Actuals					Variance	
	Q1	Q1	Q2	Q3	Q4	FY'21	QoQ%	YoY%
Net Interest Income	66.9	64.1	79.1	71.7	62.8	277.8	6%	4%
Non-Interest Income	50.0	68.2	24.9	28.4	50.3	171.8	-1%	-27%
Total Operating Income	116.9	132.3	104.0	100.2	113.1	449.6	3%	-12%
Operating Expenses	(58.5)	(59.6)	(60.1)	(60.6)	(63.4)	(243.7)	8%	2%
Profit before Impairment Loss	58.4	72.7	43.9	39.6	49.7	205.9	17%	-20%
Net Impairment Loss	(28.0)	(62.5)	(27.2)	(21.8)	(24.2)	(135.7)	-15%	55%
Net Profit	30.4	10.2	16.7	17.8	25.5	70.2	19%	198%

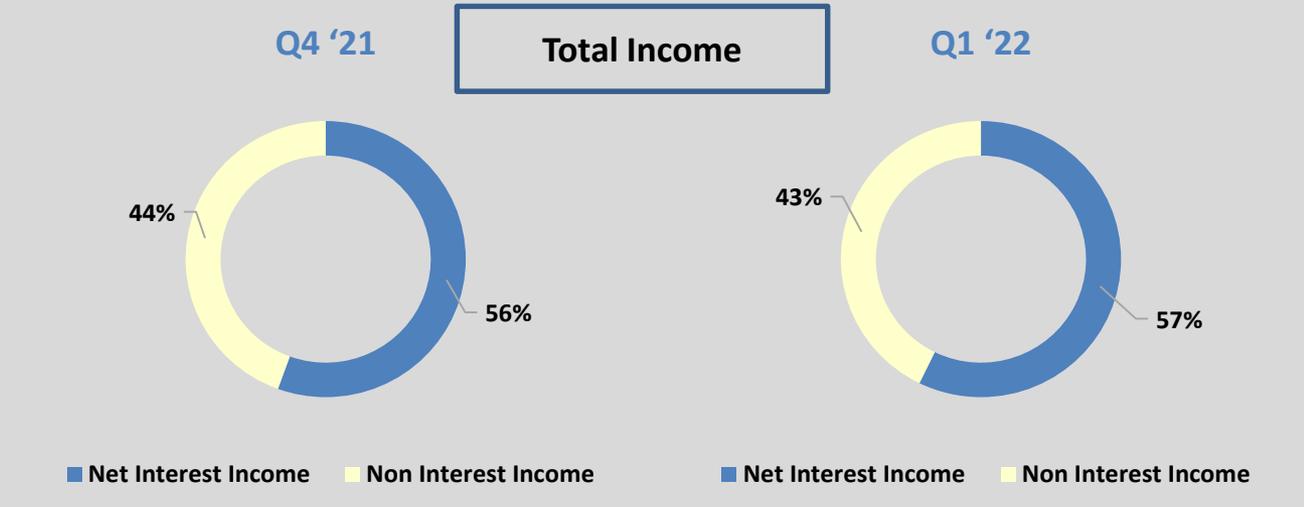
Balance Sheet	2022- Actuals	2021 - Actuals				Variance	
	Q1	Q1	Q2	Q3	Q4	QoQ%	YoY%
Loans and Advances	7,884	8,501	8,035	8,035	8,213	-4%	-7%
Investment Securities	3,808	3,299	3,402	3,582	3,530	8%	15%
Other Assets	2,328	2,620	3,112	2,649	3,436	-32%	-11%
Total Assets	14,021	14,419	14,549	14,267	15,180	-8%	-3%
Customer Deposits	10,120	10,839	10,639	10,328	10,406	-3%	-7%
Medium Term Borrowings	-	-	-	-	-		
Due to Banks	1,582	1,373	1,544	1,702	2,411	-34%	15%
Other Liabilities	818	772	869	737	851	-4%	6%
Total Liabilities	12,520	12,984	13,052	12,768	13,668	-8%	-4%
Shareholders' Equity	1,501	1,435	1,497	1,499	1,512	-1%	5%
Total Liabilities & Shareholders' Funds	14,021	14,419	14,549	14,267	15,180	-8%	-3%



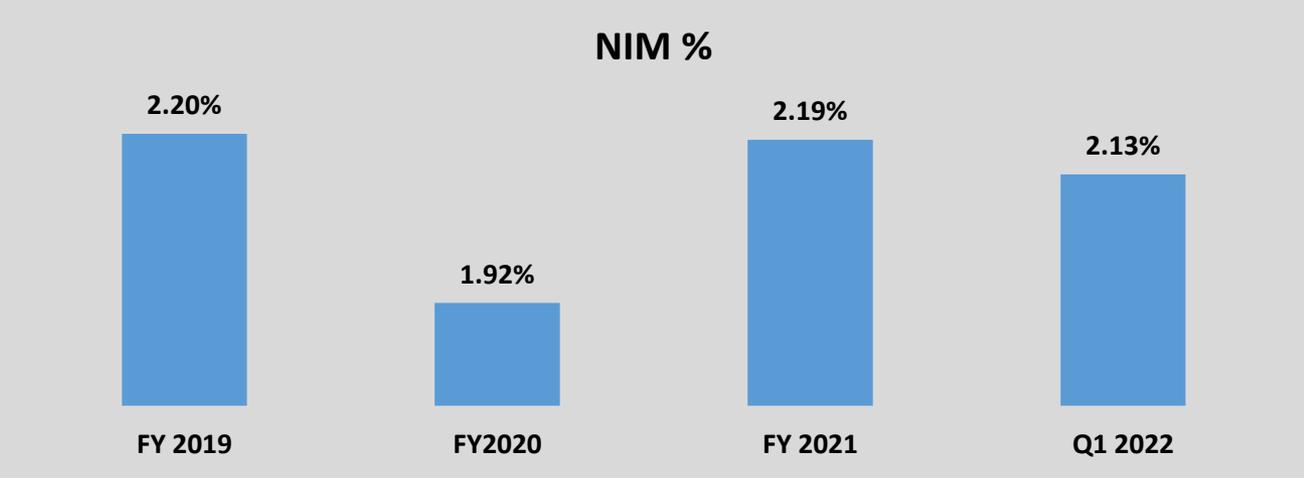
Key Ratios – Q1 2022

Key Ratios	2022	2021				Variance	
	Q1	Q1	Q2	Q3	Q4	QoQ%	YoY%
Regulatory							
Capital Adequacy	14.3%	14.2%	13.4%	13.6%	13.8%	0.5%	0.1%
Tier 1	13.1%	13.0%	12.3%	12.5%	12.6%	0.5%	0.1%
CET 1	13.1%	13.0%	12.3%	12.5%	12.6%	0.5%	0.1%
Advances to Stable Resources	80%	79%	76%	77%	81%	-0.3%	2%
Eligible Liquid Assets	16%	15%	17%	15%	19%	-3%	1%
Performance							
Cost : Income Ratio	50%	45%	51%	54%	54%	-4%	5%
NPL's : Gross Loans	12.4%	12.2%	16.7%	15.4%	12.6%	-0.2%	0.2%
Provision Coverage	126.0%	130.9%	98.5%	121.1%	121.9%	4.1%	-4.9%
Loans : Deposits Ratio	78%	78%	76%	78%	79%	-1%	-1%
Return on Average Equity	8.2%	2.9%	3.7%	4.1%	4.7%	3.5%	5.3%
Return on Average Assets	0.8%	0.3%	0.4%	0.4%	0.5%	0.4%	0.6%
Cost of Risk	1.4%	2.9%	2.1%	1.7%	1.6%	-0.2%	-1.5%
CASA %	30%	27%	29%	27%	30%	0%	3%

Income Statement Review

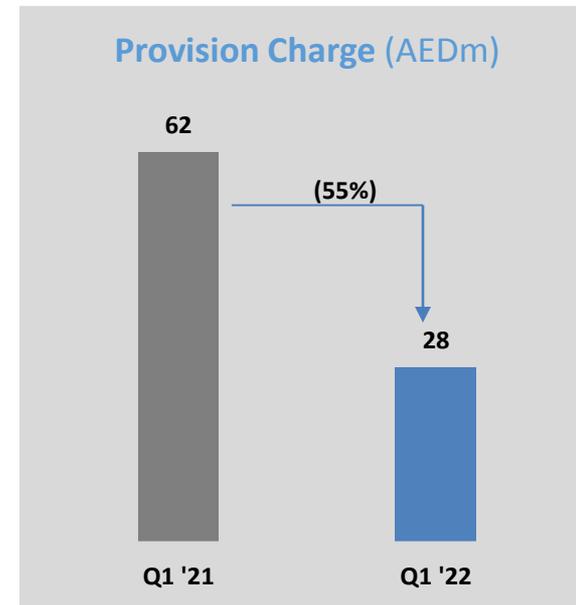
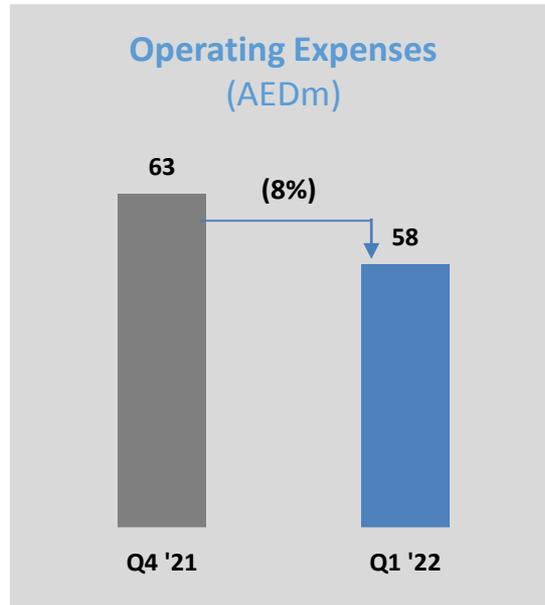


Total Income for the Quarter ended 31 Mar 2022 was **AED 117m**, Increased **3%** quarter-on-quarter



The **NIMs** have remained stable from FY'2021 at around 2.1%

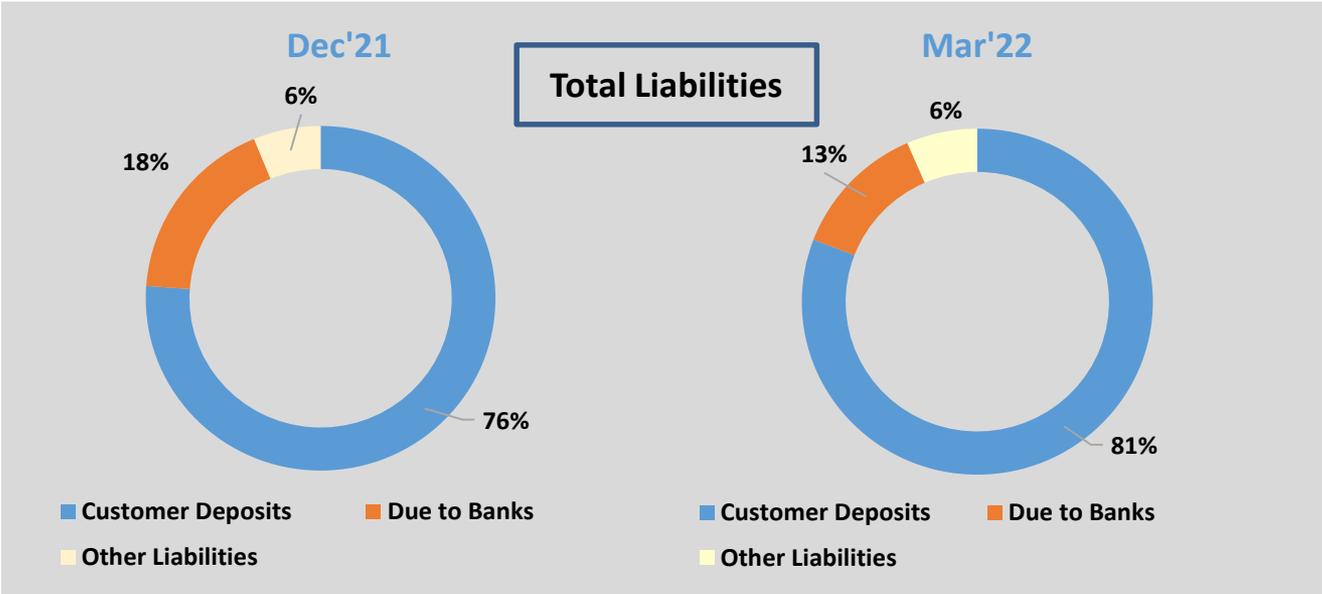
Income Statement Review (cont.)



Operating Expenses for Q1 2022 were AED 58m, representing 8% reduction against Q4 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 substantially (55%) vs. Q1 2021 on a total portfolio basis, as the bank focuses on higher quality assets and on its remediation efforts and recoveries.

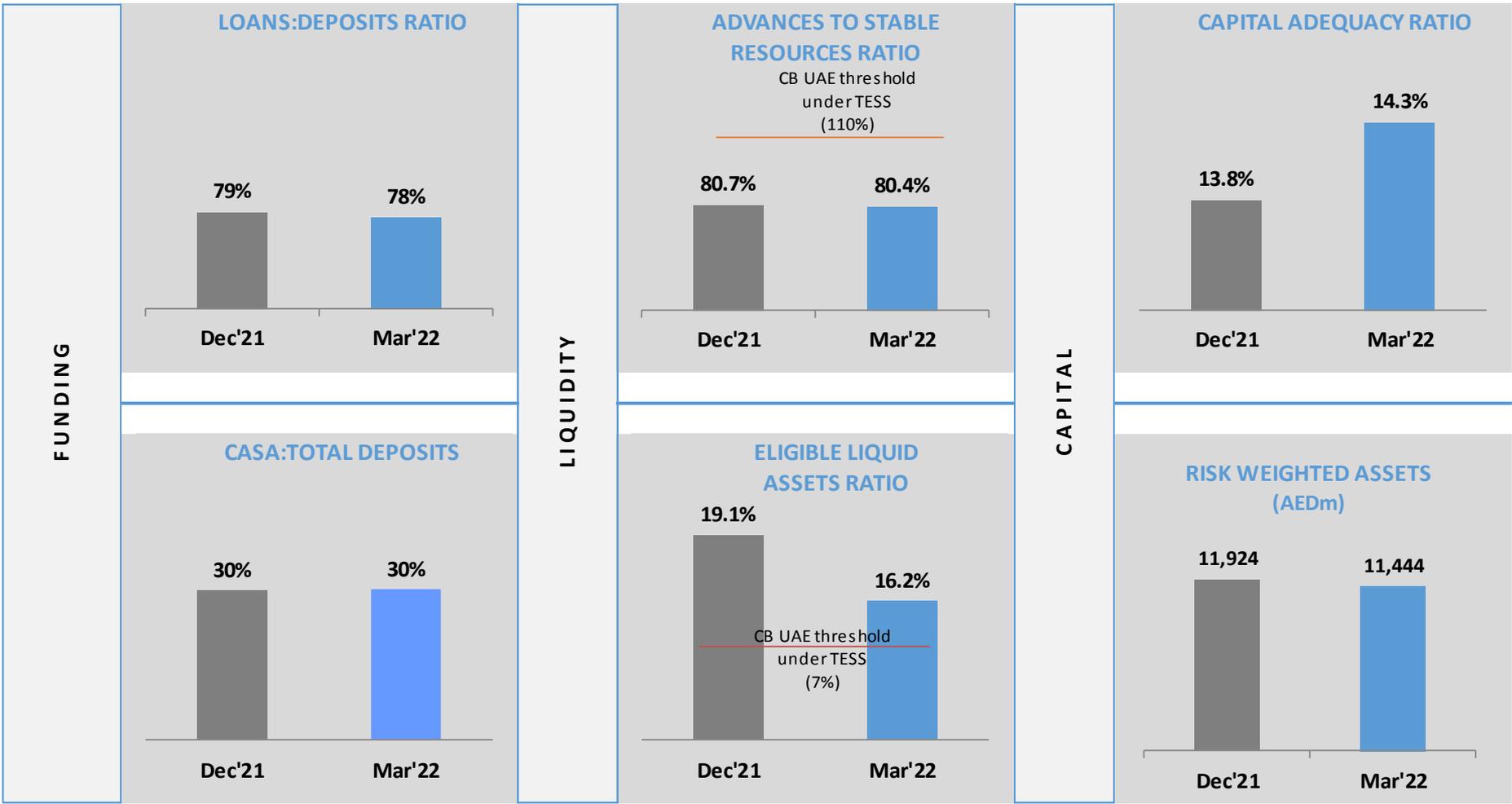
Balance Sheet Review



Customer Deposits have and will continue to represent the Bank’s key source of funds evidenced through 81% concentration in Total Liabilities compared to 76% in Dec’21.

CASA: Total Deposit ratio of 30% is in line with Dec’21 numbers, as the Bank continues to deploy various tactical initiatives to efficiently manage the cost of funds.

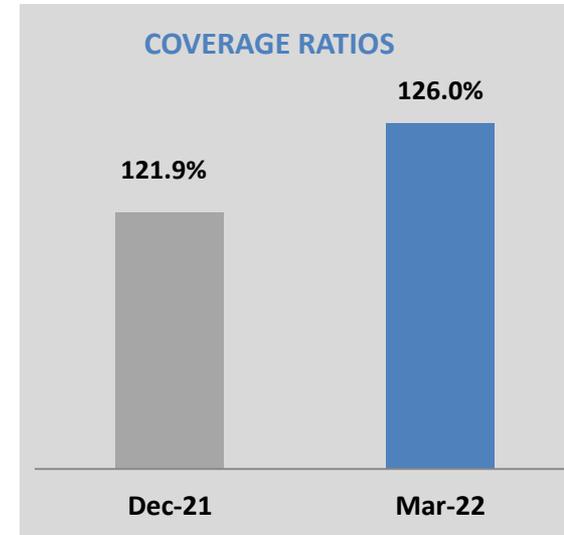
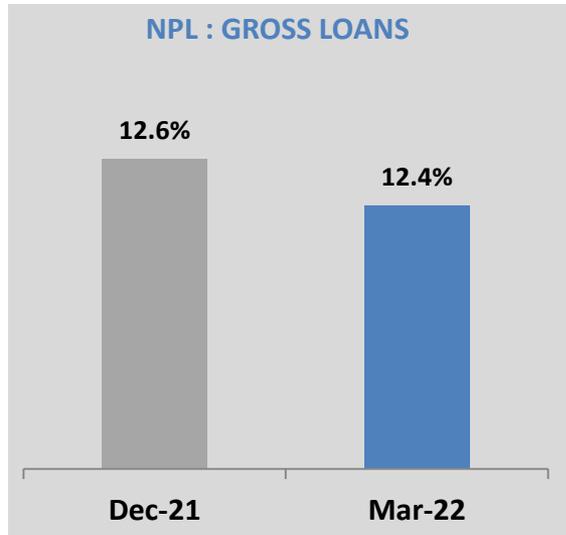
Liquidity Metrics and Capital Ratios



Loan : Deposit Ratio of 78% underpins a robust liquidity profile, whilst **CASA** composition at 30% 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 14.3% position with a Common Equity Tier1 (CET1) ratio of 13.1%, 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 12.4% in Mar 2022 compared to 12.6% in Dec 2021. The Provision Coverage ratio (including collaterals) increased to 126% as at Mar 2022 compared to 122% in Dec 2021