



MANAGEMENT DISCUSSION & ANALYSIS

Q3 2021

Key Highlights – Q3 2021

UAB Reports Financial Results for Q3 2021

UAB reported Q3 2021 YTD Net Profit of **AED 44.7 Mn** as compared to Net loss of **AED 364.9 Mn** Q3 2020, simultaneously Net profit for Q3 2021 (AED17.8mn) has increased by **7%** in comparison to Q2 2021 (AED16.7mn)

**Operating Profit
increased by 50% (YoY)**

from AED104m in Q3 2020 to AED156m in
Q3 2021

**9% YoY Reduction in Operating
Expenses**

With ongoing focus to rationalize costs

Adequate Liquidity profile

Maintained
(ASR 77%, ELAR 15%)

Loan : Deposit Ratio

managed to 78%

YoY Income higher by 11%

**76% YoY reduction in
Provisions**

Cost of Risk reduced from 5.7% in Q3'20
to 1.7% in Q3'21

CAR at 13.6%

CET1 at 12.5%

Well above currently applicable
regulatory requirements

Management Discussion & Analysis – Q3 2021

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for 3rd Quarter ending 30th Sep 2021. Strong performance is evidenced across the period with the Bank reporting a YTD Net Profit of **AED 44.7m** in Q3 2021 compared to a Net Loss of **AED 364.9m** in Q3 2020, similarly Net profit for Q3 2021 has increase by **7%** in comparison to Q2 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 **11%** YoY uplift in Total Income, whilst Operating Expenses continue to be robustly managed and recorded a reduction of **9%** YoY.

The Balance sheet has been significantly strengthened with a focus on quality assets which resulted in recording **76%** YoY reduction in Net Provisions compared to Q3 2020 (**20%** QoQ reduction).

These positive results provide tangible evidence that the Bank's low risk and efficient UAE focused business model is appropriate.

Moody's Rating

Bank Deposits	Ba1/NP
Baseline Credit Assessment	b1
Adjusted Baseline Credit Assessment	ba3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Outlook	Negative

Fitch Rating

Long Term IDR	BBB+
Outlook	Stable

Distribution Network

Branches	6
Automated Teller Machines	46

Financial Performance – Q3 2021

AED millions

Income Statement	2021- Actuals				2020 - Actuals				Variance	
	Q1	Q2	Q3	YTD - Q3	Q1	Q2	Q3	YTD - Q3	QoQ%	YTD%
Net Interest Income	64.1	79.1	71.7	215.0	87.7	75.7	61.1	224.5	-9%	-4%
Non-Interest Income	68.2	24.9	28.4	121.5	38.0	17.6	22.4	78.0	14%	56%
Total Operating Income	132.3	104.0	100.2	336.5	125.6	93.4	83.5	302.5	-4%	11%
Operating Expenses	(59.6)	(60.1)	(60.6)	(180.3)	(63.6)	(67.9)	(67.1)	(198.6)	1%	9%
Operating Profit	72.7	43.9	39.6	156.2	62.0	25.4	16.4	103.9	-10%	50%
Provision for credit losses	(62.5)	(27.2)	(21.8)	(111.5)	(182.0)	(114.4)	(172.4)	(468.8)	20%	76%
Net Profit	10.2	16.7	17.8	44.7	(119.9)	(89.0)	(156.0)	(364.9)	7%	112%

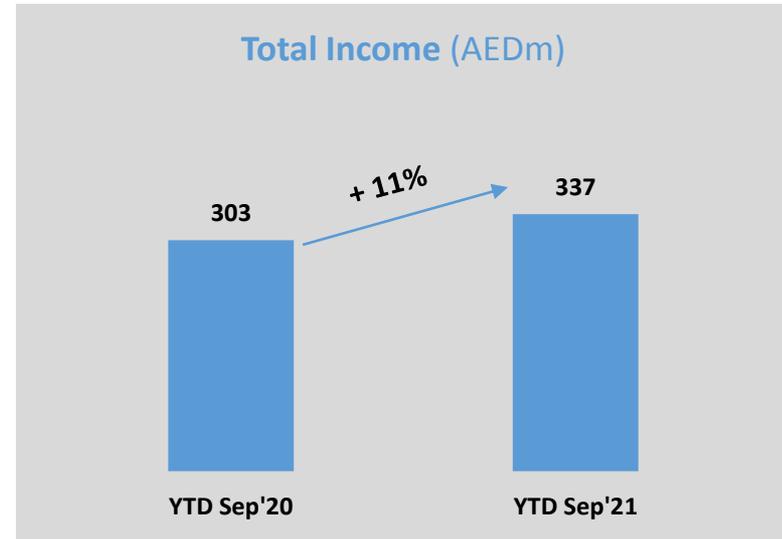
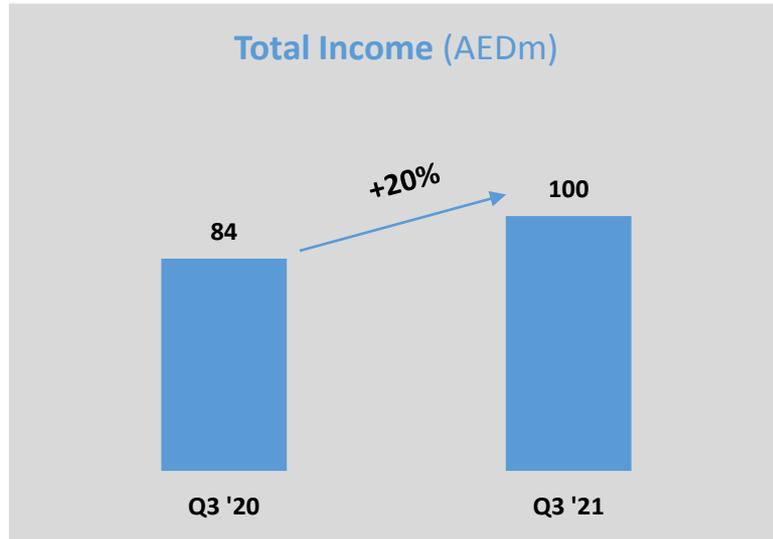
Balance Sheet	2021- Actuals			Variance	2020 - Actuals				Variance
	Q1	Q2	Q3	QoQ%	Q1	Q2	Q3	Q4	YoY%
Loans and Advances	8,501	8,035	8,035	-5%	11,172	10,370	10,005	9,014	-20%
Investment Securities	3,299	3,402	3,582	3%	3,124	3,337	3,400	3,282	5%
Other Assets	2,620	3,112	2,649	19%	3,330	3,002	4,576	2,554	-42%
Total Assets	14,419	14,549	14,267	1%	17,626	16,709	17,982	14,849	-21%
Customer Deposits	10,839	10,639	10,328	-2%	11,202	11,665	14,104	11,247	-27%
Medium Term Borrowings	-	-	-	-	1,487	0	0	0	-
Due to Banks	1,373	1,544	1,702	12%	2,370	2,407	1,364	1,233	25%
Other Liabilities	772	869	737	13%	931	865	846	914	-13%
Total Liabilities	12,984	13,052	12,768	1%	15,990	14,936	16,313	13,395	-22%
Shareholders' Equity	1,435	1,497	1,499	4%	1,636	1,773	1,669	1,455	-10%
Total Liabilities & Shareholders' Funds	14,419	14,549	14,267	1%	17,626	16,709	17,982	14,849	-21%

Key Ratios – Q3 2021

Key Ratios	2021			2020				Variance	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	QoQ%	YoY%
Regulatory									
Capital Adequacy	14.2%	13.4%	13.6%	11.8%	14.3%	14.0%	13.7%	0%	0%
Tier 1	13.0%	12.3%	12.5%	10.6%	13.2%	12.9%	12.5%	0%	0%
CET 1	13.0%	12.3%	12.5%	10.6%	13.2%	12.9%	12.5%	0%	0%
Advances to Stable Resources	78.9%	76.0%	77.4%	89.8%	86.5%	74.7%	80.5%	1%	3%
Eligible Liquid Assets	15.1%	17.3%	14.7%	16.4%	15.6%	23.6%	16.4%	-3%	-9%
Performance									
Cost : Income Ratio	45%	51%	54%	51%	60%	66%	65%	3%	-12%
NPL's : Gross Loans	12.2%	16.7%	15.4%	13.3%	14.9%	14.1%	15.7%	-1%	1%
Provision Coverage	105.2%	82.3%	82.3%	90.4%	85.5%	88.1%	98.7%	0%	-6%
Provision Coverage(Including Collaterals)*		98.5%	121.1%					23%	
Loans : Deposits Ratio	78%	76%	78%	78%	89%	71%	80%	2%	7%
Return on Average Equity	8.3%	3.7%	4.1%	-25.4%	-21.4%	-29.0%	-36.9%	0%	33%
Return on Average Assets	0.8%	0.4%	0.4%	-2.6%	-2.3%	-3.0%	-3.8%	0%	3%
Cost of Risk	2.9%	2.1%	1.7%	6.2%	5.3%	5.7%	6.5%	0%	-4%
CASA %	27%	29%	27%	26%	26%	22%	26%	-2%	5%

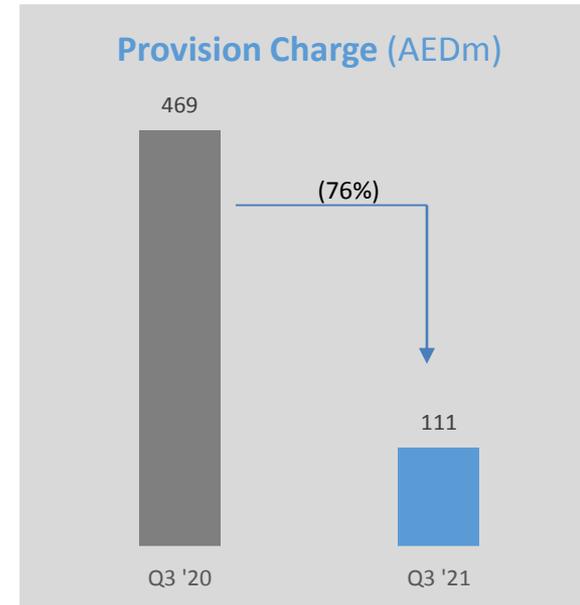
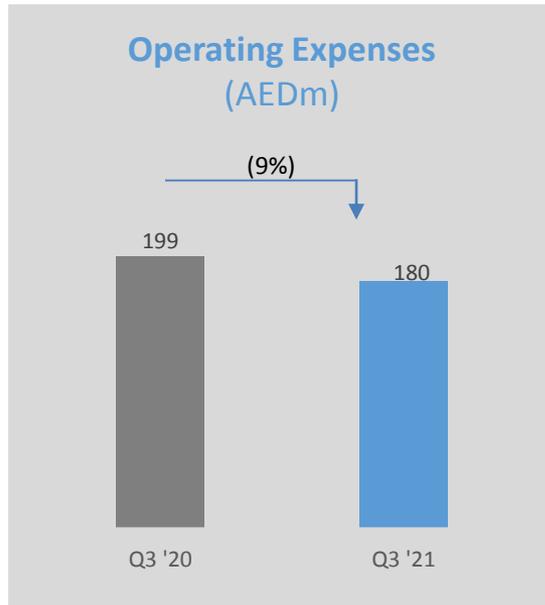
* Provision Coverage Ratio including Collateral increases from 82% to 121% as on September'21

Income Statement Review



Total Income for the third quarter ended 30 Sep 2021 was **AED336.5m** on YTD basis, up **11%** year-on-year. In addition, Q3 2021 Total Income recorded an increase of 20% as compared to Q3 2020.

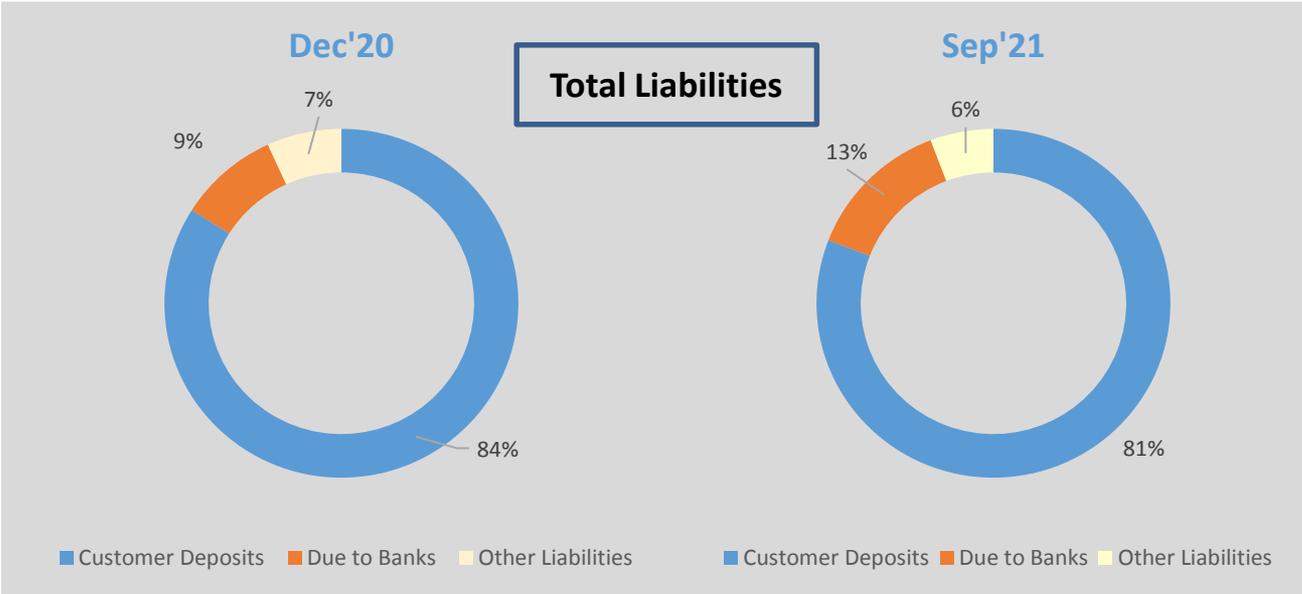
Income Statement Review (cont.)



Operating Expenses for Q3 2021 were AED180m, representing 9% reduction against Q3 2020, 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.

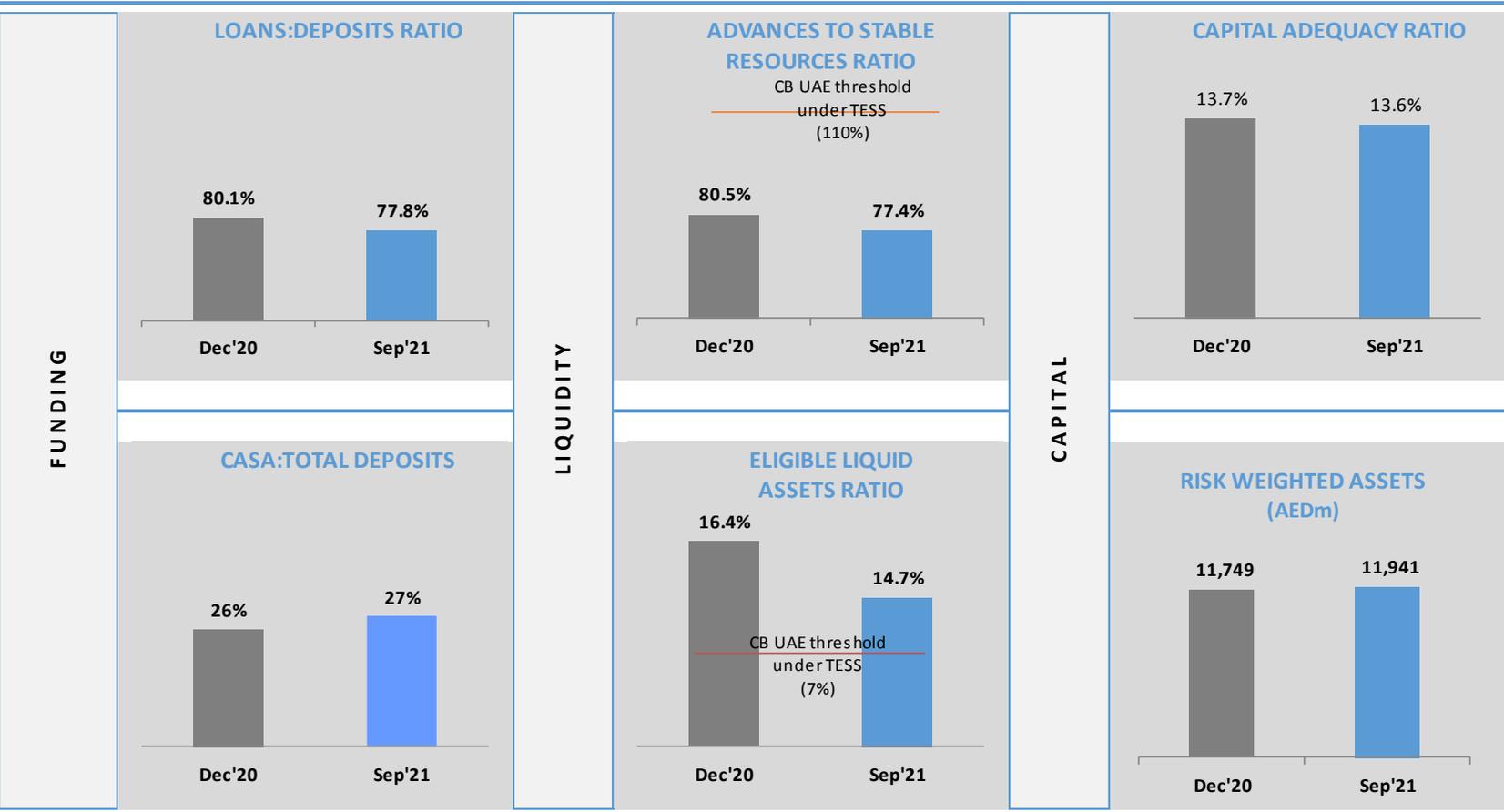
Provision Charges dropped substantially (76%) vs. Q3 2020 on a total portfolio basis, as the bank focuses on higher quality assets and on its remediation efforts and recoveries.

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 84% in Dec’20. CASA:TD ratio increased to 27% compared with 26% in Dec’20 as the Bank continues to deploy various initiatives to efficiently manage the cost of funds.

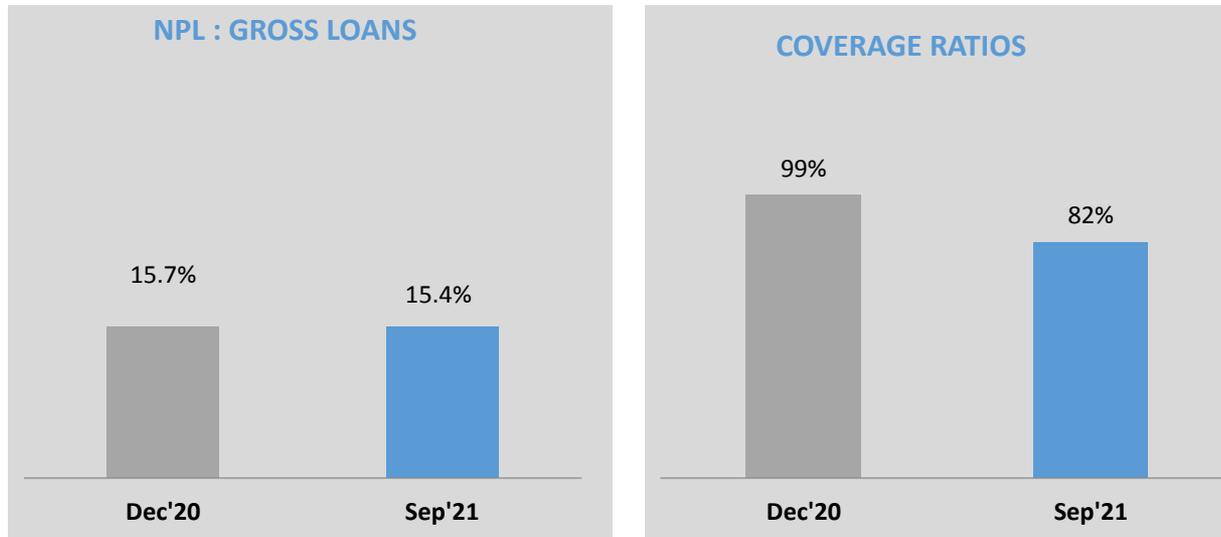
Liquidity Metrics and Capital Ratios



Loan : Deposit Ratio of 78% underpins a robust funding profile, whilst broadly **CASA%** at 27% which 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 13.6% position with a Common Equity Tier1 (CET1) ratio of 12.5%, 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 15.4% in September 2021 compared to 15.7% in Dec 2020. The Provision Coverage ratio decreased to 82% as at Sep 2021 compared to 99% in Dec 2020 mainly on account of new downgrades, which will be improved going forward.

Note, if collateral pledged against the underlying facilities are incorporated the Coverage Ratio increases from 82% to 121%.