



MANAGEMENT DISCUSSION & ANALYSIS

FY 2021

Key Highlights – FY 2021

UAB Reports Financial Results for FY 2021

UAB reported FY 2021 Net Profit of **AED 70.2 Mn** as compared to Net loss of **AED 667.3 Mn** FY 2020, simultaneously Net profit for Q4 2021 (AED 25.5m) has increased by **43%** in comparison to Q3 2021 (AED 17.8m)

Profit before Impairment Loss increased by 46% (YoY)

from 141m in FY 2020 to 206m in FY 2021

7% YoY Reduction in Total Operating Expenses

With ongoing focus to rationalize costs

Adequate Liquidity profile

Maintained
(ASR 81%, ELAR 19%)

Loan : Deposit Ratio

managed to 79%

YoY Total Operating Income higher by 12% (YoY)

from 403m in FY 2020 to 450m in FY 2021

83% YoY reduction in Net Impairment Loss

Cost of Risk reduced from 6.5% in FY'2020
to 1.6% in FY'2021

CAR at 13.8%

CET1 at 12.6%

Well above currently applicable regulatory
requirements

Management Discussion & Analysis – FY 2021

Financial Performance Summary

United Arab Bank P.J.S.C ("UAB" or "the Bank") announces its Financial Results for the full year ending 31st Dec 2021. Strong performance is evidenced across the period with the Bank reporting a Net Profit of **AED 70.2m** for FY 2021 compared to a Net Loss of **AED 667.3m** in FY 2020, similarly Net profit for Q4 2021 has increase by **43%** in comparison to Q3 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 **12%** YoY uplift in Total Operating Income, whilst Operating Expenses continue to be robustly managed and recorded a reduction of **7%** YoY.

The Balance sheet has been significantly strengthened with a focus on asset quality which resulted in a **83%** YoY reduction in Net Impairment Loss compared to FY 2020. Cost of Risk reduced from 6.5% in FY'2020 to 1.6% in FY'2021.

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 42 ATMs providing full banking services to our customers.

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

Financial Performance – FY 2021

AED millions

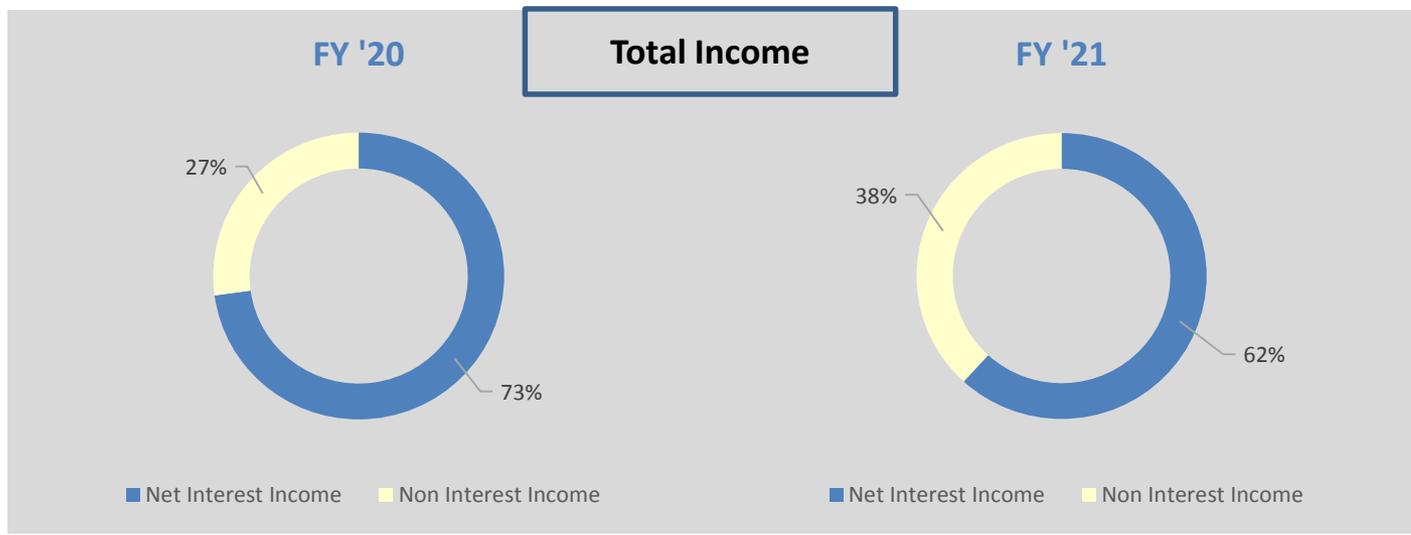
Income Statement	2021- Actuals					2020 - Actuals					Variance	
	Q1	Q2	Q3	Q4	FY - Q4	Q1	Q2	Q3	Q4	FY - Q4	QoQ%	YTD%
Net Interest Income	64.1	79.1	71.7	62.8	277.8	87.7	75.7	61.1	68.9	293.4	-12%	-5%
Non-Interest Income	68.2	24.9	28.4	50.3	171.8	38.0	17.6	22.4	31.4	109.5	77%	57%
Total Operating Income	132.3	104.0	100.2	113.1	449.6	125.6	93.4	83.5	100.4	402.9	13%	12%
Operating Expenses	(59.6)	(60.1)	(60.6)	(63.4)	(243.7)	(63.6)	(67.9)	(67.1)	(63.4)	(262.0)	-5%	7%
Profit before Impairment Loss	72.7	43.9	39.6	49.7	205.9	62.0	25.4	16.4	37.0	140.8	25%	46%
Net Impairment Loss	(62.5)	(27.2)	(21.8)	(24.2)	(135.7)	(182.0)	(114.4)	(172.4)	(339.3)	(808.1)	-11%	83%
Net Profit	10.2	16.7	17.8	25.5	70.2	(119.9)	(89.0)	(156.0)	(302.4)	(667.3)	43%	111%

Balance Sheet	2021- Actuals				2020 - Actuals				Variance	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	QoQ%	YoY%
Loans and Advances	8,501	8,035	8,035	8,213	11,172	10,370	10,005	9,014	2%	-9%
Investment Securities	3,299	3,402	3,582	3,530	3,124	3,337	3,400	3,282	-1%	8%
Other Assets	2,620	3,112	2,649	3,436	3,330	3,002	4,576	2,554	30%	35%
Total Assets	14,419	14,549	14,267	15,180	17,626	16,709	17,982	14,849	6%	2%
Customer Deposits	10,839	10,639	10,328	10,406	11,202	11,665	14,104	11,247	1%	-7%
Medium Term Borrowings	-	-	-	-	1,487	-	-	-	0%	
Due to Banks	1,373	1,544	1,702	2,411	2,370	2,407	1,364	1,233	42%	95%
Other Liabilities	772	869	737	851	931	865	846	914	15%	-7%
Total Liabilities	12,984	13,052	12,768	13,668	15,990	14,936	16,313	13,395	7%	2%
Shareholders' Equity	1,435	1,497	1,499	1,512	1,636	1,773	1,669	1,455	1%	4%
Total Liabilities & Shareholders' Funds	14,419	14,549	14,267	15,180	17,626	16,709	17,982	14,849	6%	2%

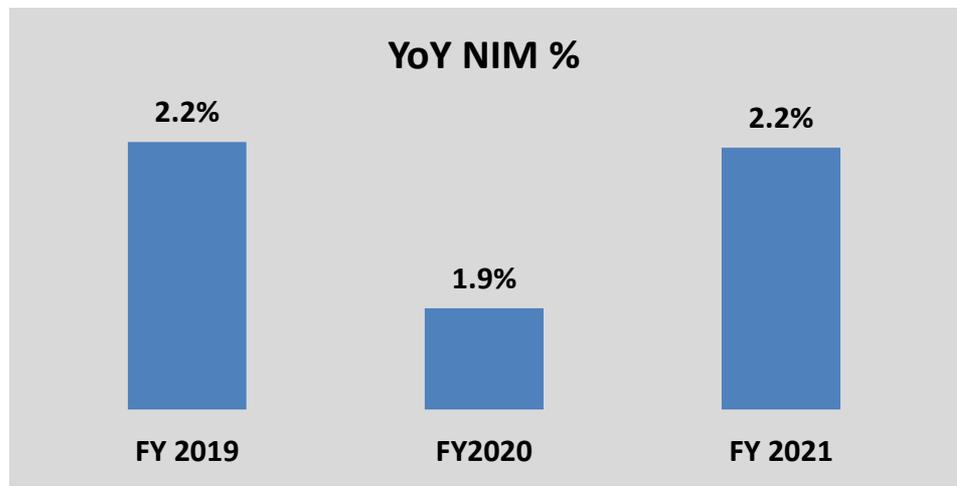
Key Ratios – FY 2021

Key Ratios	2021				2020	Variance	
	Q1	Q2	Q3	Q4	Q4	QoQ%	YoY%
Regulatory							
Capital Adequacy	14.2%	13.4%	13.6%	13.8%	13.7%	0.2%	0.1%
Tier 1	13.0%	12.3%	12.5%	12.6%	12.5%	0.1%	0.1%
CET 1	13.0%	12.3%	12.5%	12.6%	12.5%	0.1%	0.1%
Advances to Stable Resources	79%	76%	77%	81%	81%	3%	0%
Eligible Liquid Assets	15%	17%	15%	19%	16%	4%	3%
Performance							
Cost : Income Ratio	45%	51%	54%	54%	65%	0%	-11%
NPL's : Gross Loans	12.2%	16.7%	15.4%	12.6%	15.7%	-2.8%	-3.1%
Provision Coverage	130.9%	98.5%	121.1%	121.9%	118.2%	0.9%	3.7%
Loans : Deposits Ratio	78%	76%	78%	79%	80%	1%	-1%
Return on Average Equity	2.9%	3.7%	4.1%	4.7%	-36.9%	0.7%	41.7%
Return on Average Assets	0.3%	0.4%	0.4%	0.5%	-3.8%	0.1%	4.3%
Cost of Risk	2.9%	2.1%	1.7%	1.6%	6.5%	-0.2%	-4.9%
CASA %	27%	29%	27%	30%	26%	3%	4%

Income Statement Review

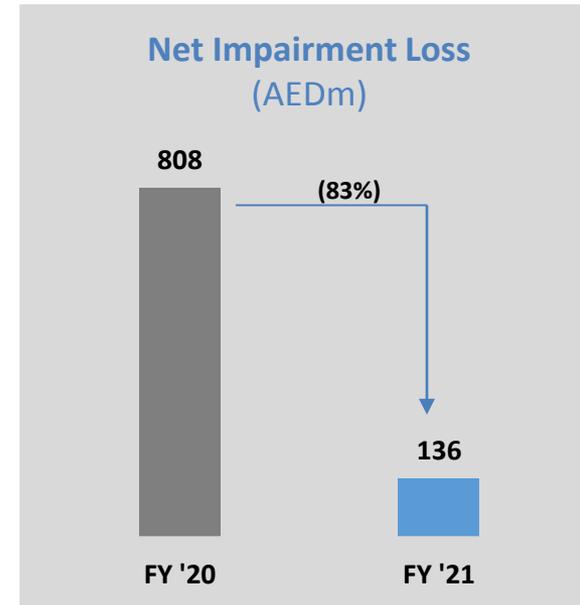
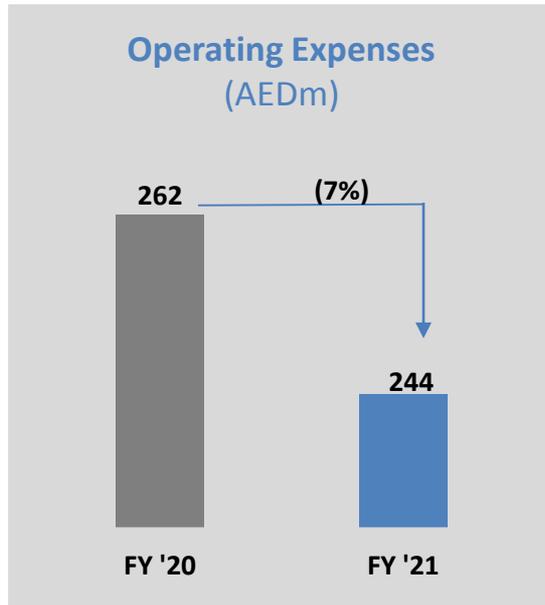


Total Income for the Full Year ended 31 Dec 2021 was **AED 450m**, Increased **12%** year-on-year.



The **NIMs** have improved from 1.9% in FY'2020 to 2.2% in FY'2021

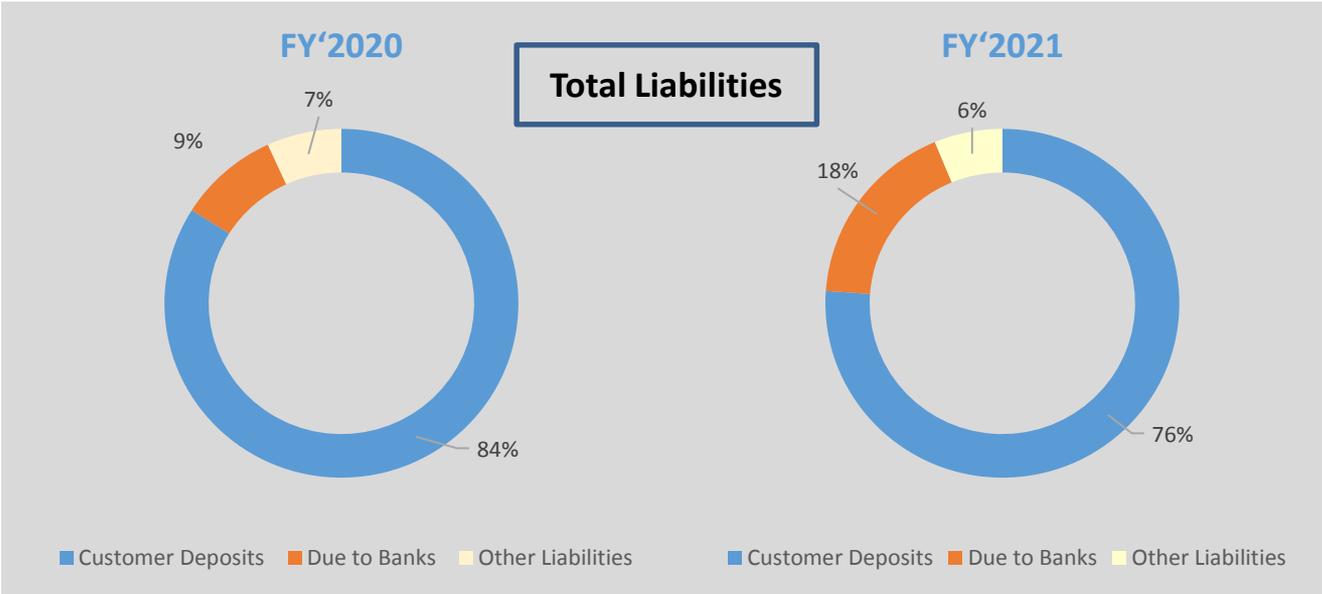
Income Statement Review (cont.)



Operating Expenses for FY 2021 were AED244m, representing 7% reduction against FY 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.

Net Impairment Loss dropped substantially (83%) vs. FY 2020 on a total portfolio basis, as the bank focuses on higher quality assets and on its remediation efforts and recoveries.

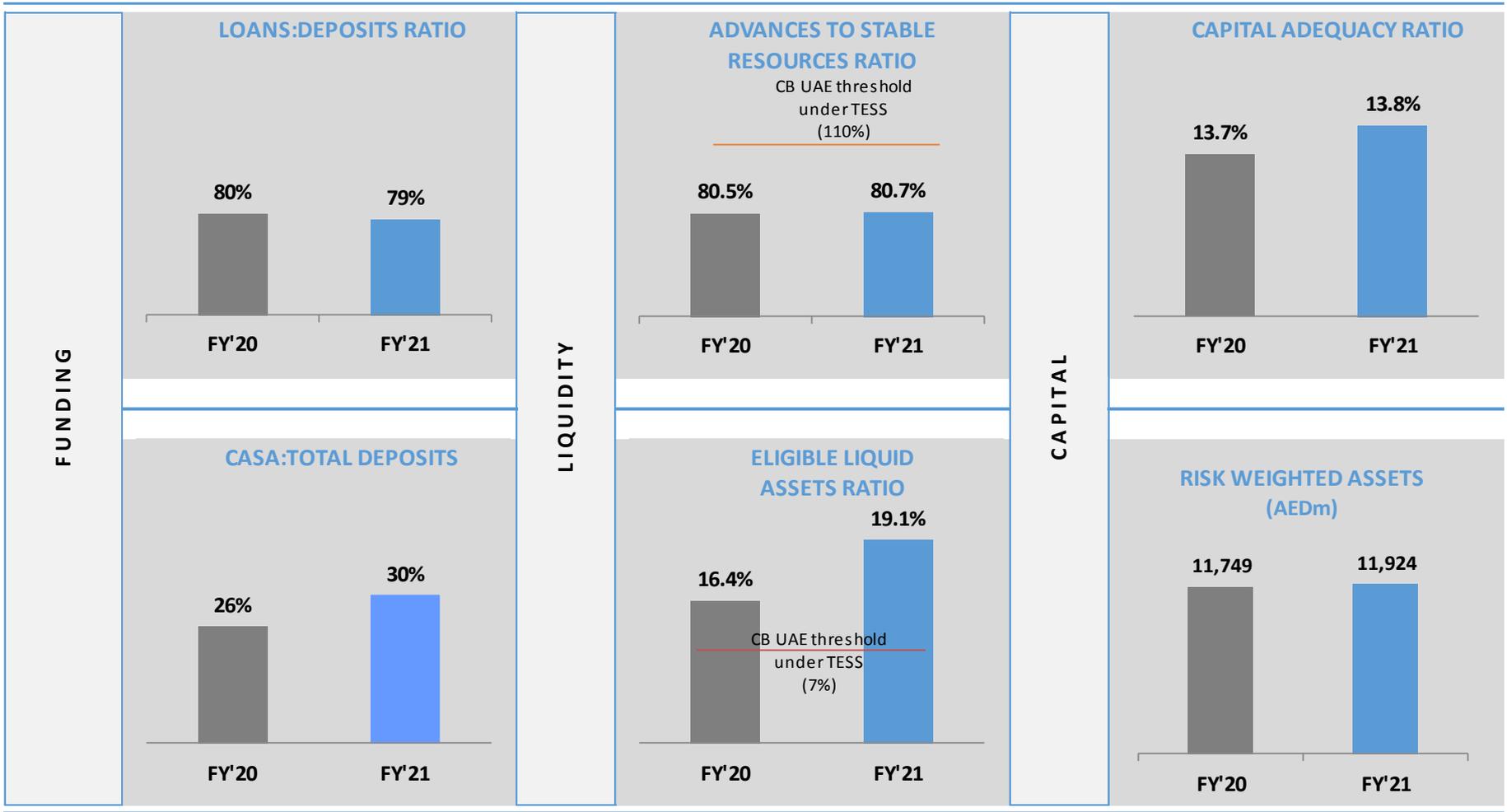
Balance Sheet Review



Customer Deposits have and will continue to represent the Bank’s key source of funds evidenced through 76% concentration in Total Liabilities compared to 84% in Dec’20.

CASA: Total Deposit ratio increased to 30% compared with 26% in Dec’20 as the Bank continues to deploy various tactical initiatives to efficiently manage the cost of funds.

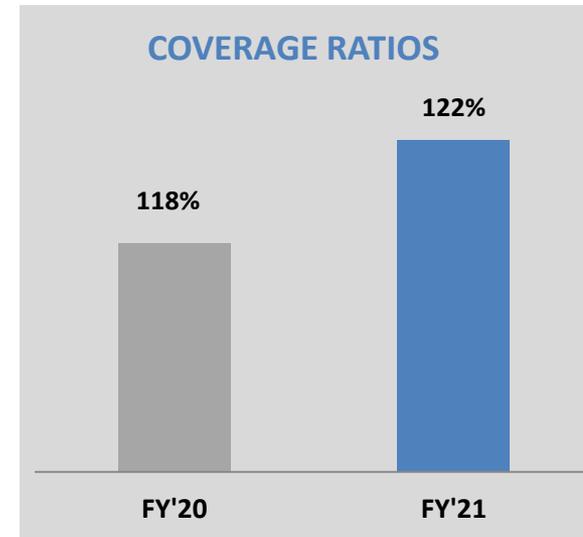
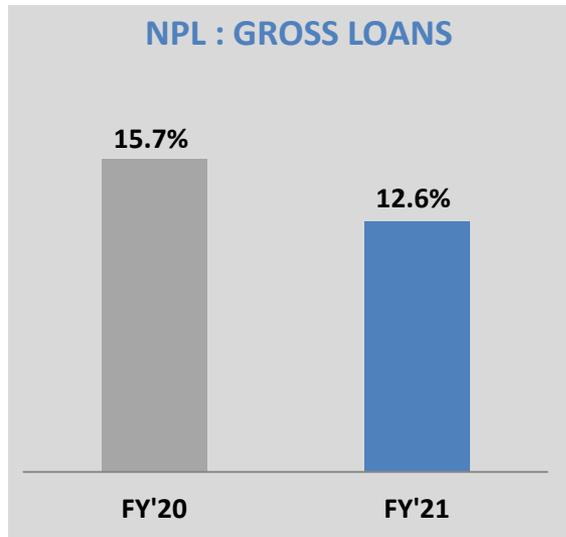
Liquidity Metrics and Capital Ratios



Loan : Deposit Ratio of 79% 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 13.8% position with a Common Equity Tier1 (CET1) ratio of 12.6%, 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 12.6% in Dec 2021 compared to 15.7% in Dec 2020. The Provision Coverage ratio (including collaterals) increased to 122% as at Dec 2021 compared to 118% in Dec 2020 mainly on account of reduction in NPL Loans.