



# MANAGEMENT DISCUSSION & ANALYSIS

## FY'2022

# Key Highlights – FY'2022

## UAB Reports Financial Results for FY 2022

UAB reported FY'2022 Net Profit of **AED 154.7 Mn** as compared to Net Profit of **AED 70.2 Mn** in FY' 2021 (**↑ 120%**), similarly Net profit for Q4 2022 has increased by **40%** in comparison to Q4 2021

### YoY Net Interest Income higher by 16%

from 278m in FY 2021 to 322m in FY 2022

### Operating Profit higher by 21% (YoY)

from 206m in FY 2021 to 249m in FY 2022

### Adequate Liquidity profile Maintained

(ASR 87%, ELAR 18%)

### YoY Income higher by 11%

from 450m in FY 2021 to 501m in FY 2022

### 31% YoY reduction in Provisions

Cost of Risk reduced from 1.6% in FY 2021 to 1.1% in FY 2022

### CAR at 14.5%

### CET 1 at 13.3%

Above currently applicable regulatory requirements

### Loan: Deposit Ratio

managed to 89%

# Management Discussion & Analysis – FY'2022

## Financial Performance Summary

**United Arab Bank P.J.S.C** ("UAB" or "the Bank") announces its Financial Results for the year ending 31<sup>st</sup> December 2022. Strong performance continues during the year and is evidenced across the period with the Bank reporting a Net Profit of **AED 154.7m** for FY 2022 compared to a Net Profit of **AED 70.2m** in FY 2021 (**↑ 120%**), similarly Net profit for Q4 2022 has increased by **40%** in comparison to Q4 2021. The strong growth in net profit is a result of improved operating performance and lower expected credit losses as a result of prudent approach to risk management which resulted in lower cost of risk.

UAB's financial performance was aided by a significant progress within the 'core' businesses recording a **21%** increase in Operating Profit compared to FY 2021. Total Income increased by **11%** compared to same period in 2021.

The Balance Sheet has been significantly strengthened with a focus on quality assets which resulted in recording **31%** reduction in Provisions compared to the FY 2021. These results provide further evidence that the Bank is well positioned to set sail on its growth journey.

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
Counterparty Risk Rating	Baa3

### **Fitch Rating**

Long Term IDR	BBB+
Outlook	Stable

# Financial Performance – FY'2022

AED millions

Income Statement	2022- Actuals					2021 - Actuals					Variance	
	FY'22	Q4	Q3	Q2	Q1	FY'21	Q4	Q3	Q2	Q1	QoQ%	YoY%
Net Interest Income	321.6	97.4	83.2	74.0	66.9	277.8	62.8	71.7	79.1	64.1	17%	16%
Non-Interest Income	179.2	52.4	25.0	51.8	50.0	171.8	50.3	28.4	24.9	68.2	110%	4%
<b>Total Operating Income</b>	<b>500.8</b>	<b>149.8</b>	<b>108.2</b>	<b>125.9</b>	<b>116.9</b>	<b>449.6</b>	<b>113.1</b>	<b>100.2</b>	<b>104.0</b>	<b>132.3</b>	<b>38%</b>	<b>11%</b>
Operating Expenses	(251.8)	(67.9)	(67.9)	(57.6)	(58.5)	(243.7)	(63.4)	(60.6)	(60.1)	(59.6)	0%	3%
<b>Profit before Impairment Loss</b>	<b>249.0</b>	<b>81.9</b>	<b>40.4</b>	<b>68.3</b>	<b>58.4</b>	<b>205.9</b>	<b>49.7</b>	<b>39.6</b>	<b>43.9</b>	<b>72.7</b>	<b>103%</b>	<b>21%</b>
Net Impairment Loss	(94.3)	(46.3)	(4.6)	(15.4)	(28.0)	(135.7)	(24.2)	(21.8)	(27.2)	(62.5)	914%	-31%
<b>Net Profit</b>	<b>154.7</b>	<b>35.7</b>	<b>35.8</b>	<b>52.9</b>	<b>30.4</b>	<b>70.2</b>	<b>25.5</b>	<b>17.8</b>	<b>16.7</b>	<b>10.2</b>	<b>0%</b>	<b>120%</b>

Balance Sheet	2022- Actuals				2021- Actuals				Variance	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	QoQ%	YoY%
Loans and Advances	7,604	7,788	8,374	7,884	8,213	8,035	8,035	8,501	-2%	-7%
Investment Securities	3,887	3,435	3,425	3,808	3,530	3,582	3,402	3,299	13%	10%
Other Assets	2,589	2,843	2,949	2,328	3,436	2,649	3,112	2,620	-9%	-25%
<b>Total Assets</b>	<b>14,080</b>	<b>14,066</b>	<b>14,748</b>	<b>14,021</b>	<b>15,180</b>	<b>14,267</b>	<b>14,549</b>	<b>14,419</b>	<b>0%</b>	<b>-7%</b>
Customer Deposits	8,569	9,241	10,517	10,120	10,406	10,328	10,639	10,839	-7%	-18%
Due to Banks	3,272	2,512	1,911	1,582	2,411	1,702	1,544	1,373	30%	36%
Other Liabilities	740	930	919	818	851	737	869	772	-20%	-13%
<b>Total Liabilities</b>	<b>12,581</b>	<b>12,683</b>	<b>13,347</b>	<b>12,520</b>	<b>13,668</b>	<b>12,768</b>	<b>13,052</b>	<b>12,984</b>	<b>-1%</b>	<b>-8%</b>
Shareholders' Equity	1,499	1,383	1,402	1,501	1,512	1,499	1,497	1,435	8%	-1%
<b>Total Liabilities &amp; Shareholders' Funds</b>	<b>14,080</b>	<b>14,066</b>	<b>14,748</b>	<b>14,021</b>	<b>15,180</b>	<b>14,267</b>	<b>14,549</b>	<b>14,419</b>	<b>0%</b>	<b>-7%</b>

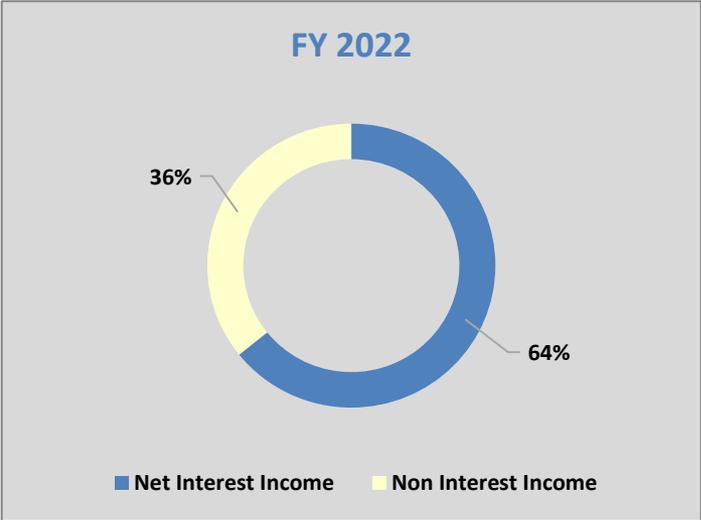
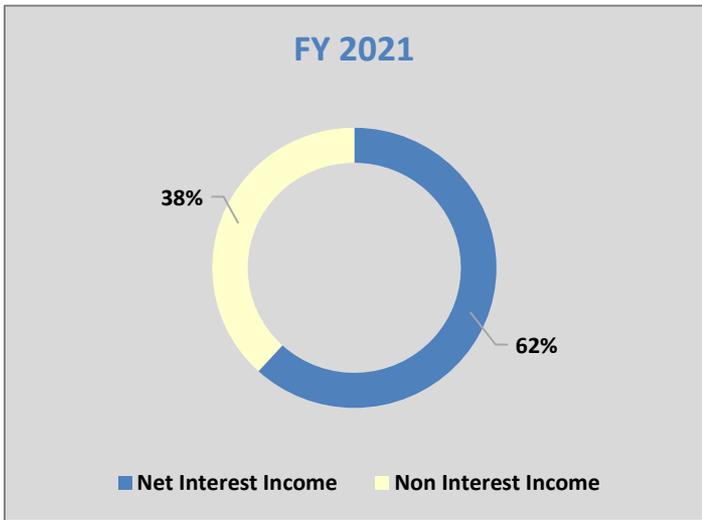


# Key Ratios – FY'2022

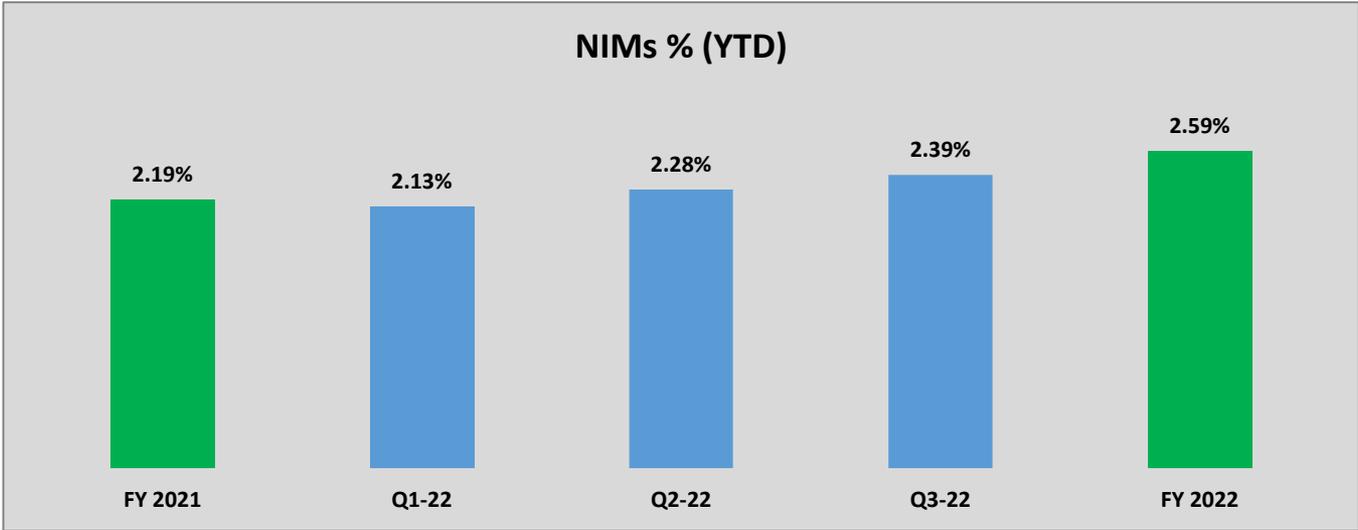
Key Ratios	2022					2021	Variance	
	FY'22	Q4	Q3	Q2	Q1	FY'21	QoQ%	YoY%
<b>Regulatory</b>								
Capital Adequacy	14.5%	14.5%	13.5%	13.2%	14.3%	13.8%	1.0%	0.7%
Tier 1	13.3%	13.3%	12.3%	12.0%	13.1%	12.6%	1.0%	0.7%
CET 1	13.3%	13.3%	12.3%	12.0%	13.1%	12.6%	1.0%	0.7%
Advances to Stable Resources	87%	87%	88%	83%	80%	81%	-1%	6%
Eligible Liquid Assets	18%	18%	17%	15%	16%	19%	0%	-2%
<b>Performance</b>								
Cost : Income Ratio	50%	45%	63%	46%	50%	54%	-17%	-4%
NPL's : Gross Loans	8.2%	8.2%	10.3%	10.0%	11.4%	11.6%	-2.1%	-3.4%
Provision Coverage	94%	94%	81%	77%	70%	68%	14%	26%
Provision Coverage(Including Collaterals)	163%	163%	127%	139%	131%	127%	36%	36%
Loans : Deposits Ratio	89%	89%	84%	80%	78%	79%	4%	10%
Return on Average Equity	10.3%	9.9%	9.8%	15.0%	8.2%	4.7%	0.1%	5.5%
Return on Average Assets	1.1%	1.0%	1.0%	1.5%	0.8%	0.5%	0.1%	0.6%
Cost of Risk	1.1%	2.4%	0.1%	0.8%	1.4%	1.6%	2.3%	-0.4%
CASA %	36%	36%	31%	31%	30%	30%	5%	6%

# Income Statement Review

## Total Income

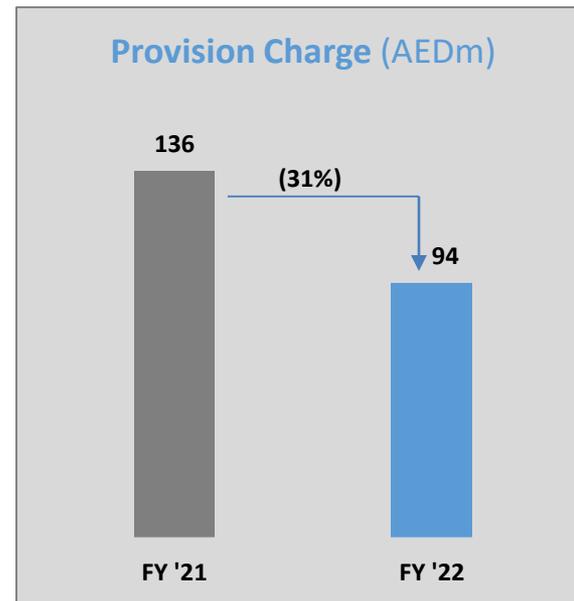
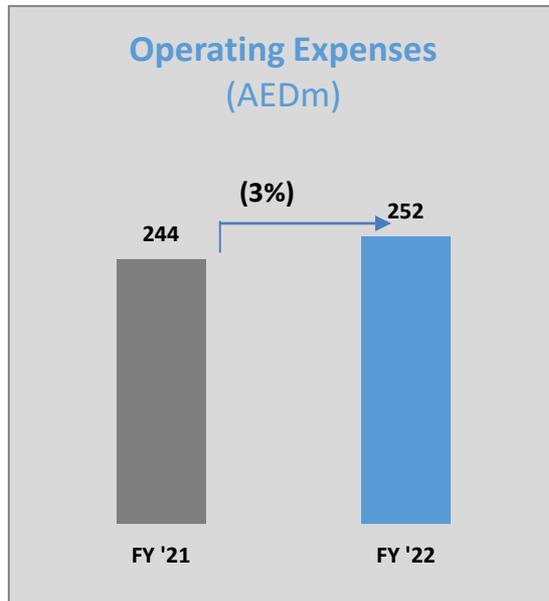


**Total Income** for FY 2022 was **AED 501m**, increased 11% (YoY)



The **NIMs** have increased by 40 bps compared to 2021 as the bank benefits from the higher interest rate environment

# Income Statement Review (cont.)

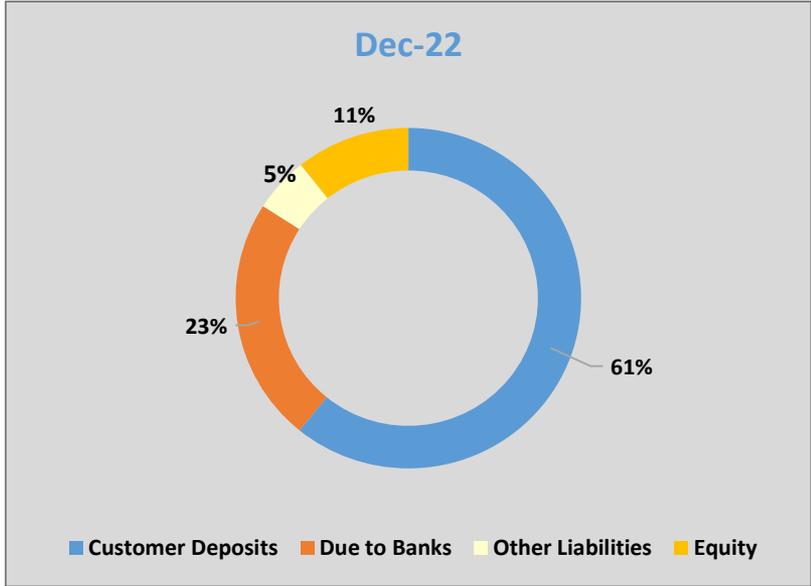
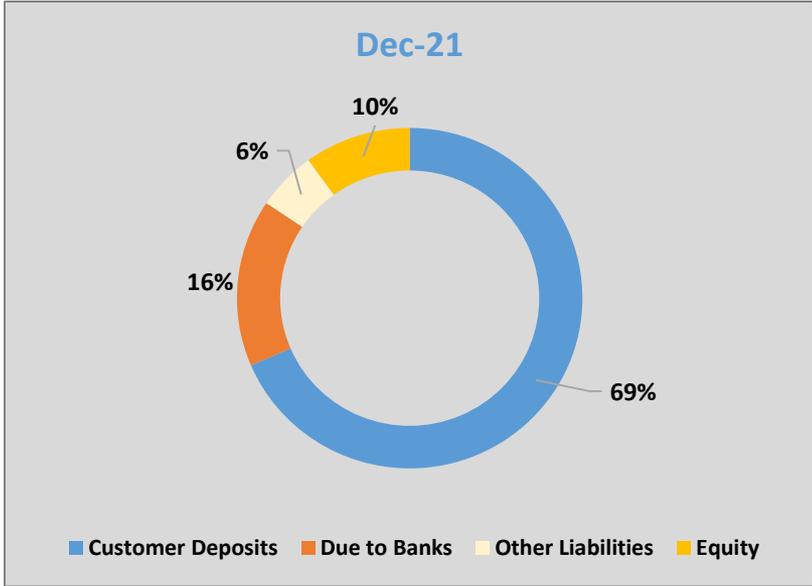


**Operating Expenses** for FY 2022 were AED 252m, representing a marginal increase of 3% against FY 2021 despite inflationary pressures, as the Bank continues to monitor & rationalize its cost base through optimization of staff costs and avoiding non essential general and administrative expenditure .

**Net Impairment Loss** dropped (31%) vs. FY 2021 on a total portfolio basis, as the bank focuses on higher quality assets in addition to renewed focus on remediation efforts and recoveries.

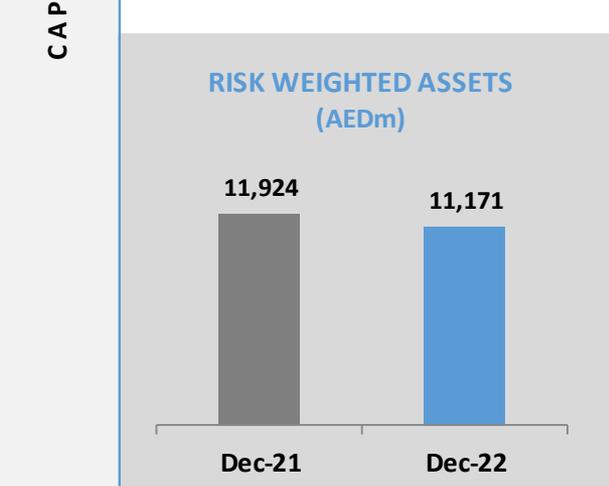
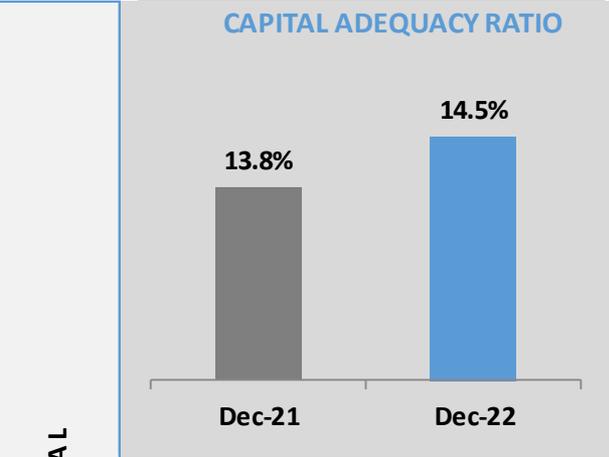
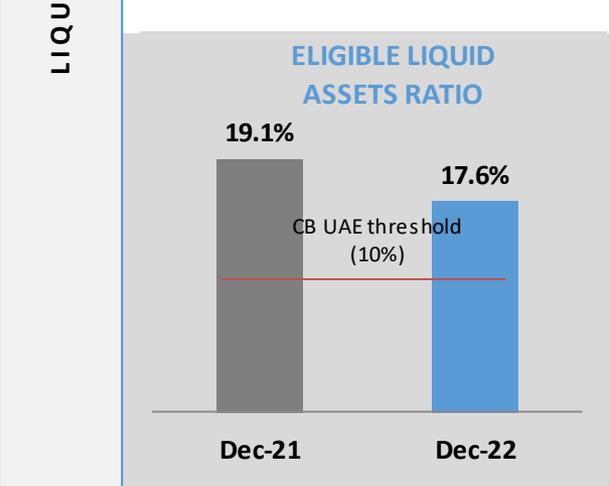
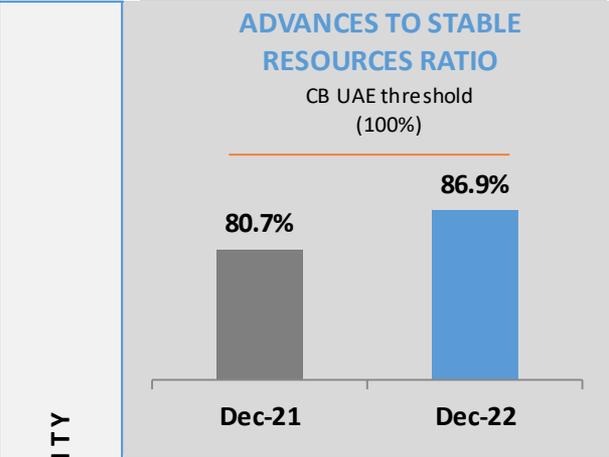
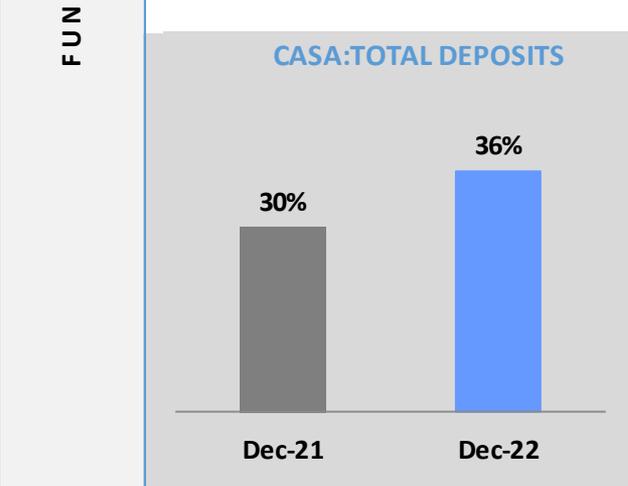
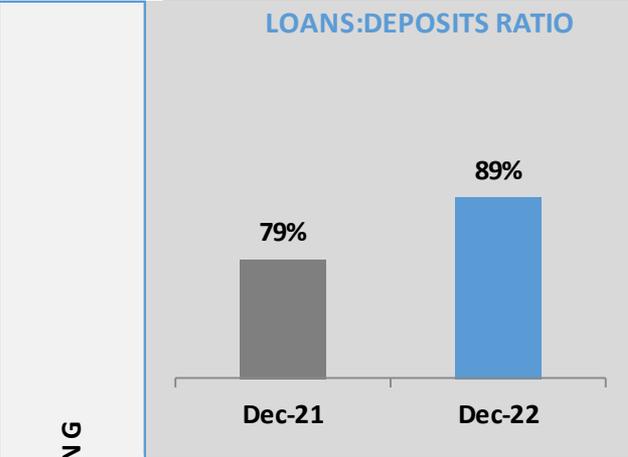
# Balance Sheet Review

## Total Funding



**Customer Deposits** have and will continue to represent the Bank's key source of funds contributing 61% of total funding compared to 69% in Dec'21. CASA Deposits continue to grow and are now 36% of total deposits which is higher than Dec'21 that was recorded at 30%, as the Bank continues to deploy various initiatives to efficiently manage the cost of funds.

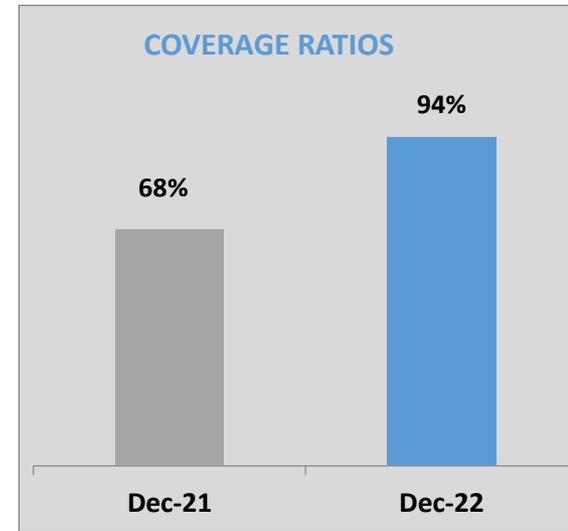
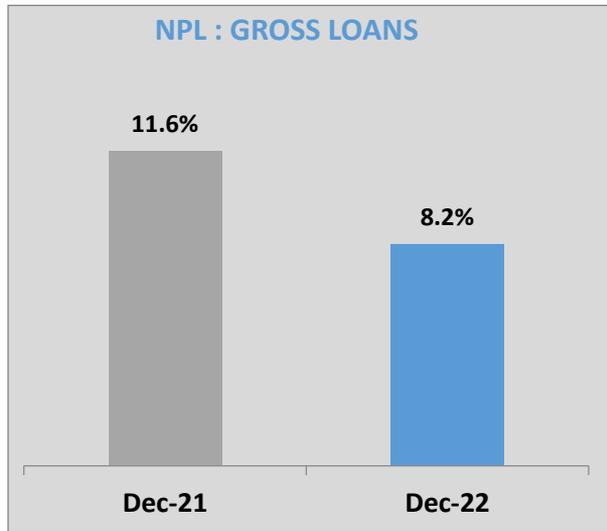
# Liquidity Metrics and Capital Ratios



**Loan : Deposit Ratio** of 89% underpins a robust liquidity profile, whilst **CASA** composition at 36% 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 14.5% position with a Common Equity Tier1 (CET1) ratio of 13.3%, ahead of currently applicable regulatory requirements



UAB continues with its prudent provisioning approach, and to proactively manage problem loans which has resulted in a reduction in NPL ratio of 8.2% in Dec 2022 compared to 11.6% in Dec 2021. The Provision Coverage ratio increased to 94% as at Dec 2022 compared to 68% in Dec 2021. The Provision Coverage Ratio (including collaterals) as on Dec 2022 stands at 163%.