

Growth momentum continues at UAB

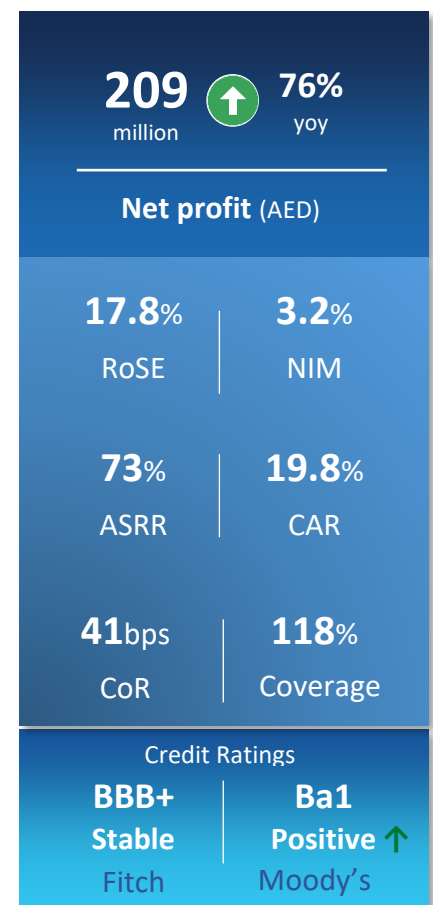
9M'23 Net profit at AED 209 Million, up 76% YoY

3rd quarter Net profit increases 35% sequentially

Sharjah, 24 October 2023: United Arab Bank (UAB) reported a strong set of results in the nine-months ended 30 September 2023 on the back of continued growth momentum across core businesses demonstrating the effective execution of the turnaround strategy.

Key highlights (9M'23)

- Net profit of AED 209 million, up 76% yoy resulting in an EPS of AED 0.10 per share
- Total income increased by 27% yoy to AED 447 million driven by higher net interest income with NIM enhanced to 3.2%
- Annualised return on shareholders' equity (RoSE) hence has improved to 17.8% as compared to 11.0% for 9M'22
- Further improvement in asset quality metrics with NPL ratio reduced to 6.4%, whilst coverage improved to 118%; annualised cost of risk also significantly declined to 41bps from 76bps in the corresponding prior year period
- Disciplined expense management with cost-income ratio reducing to 47% from 52% yoy
- Customer deposits grew 7% ytd with higher growth in CASA deposits driven by various initiatives; CASA ratio at 36%
- Capital position remains robust with CET1 of 13.9% and total capital adequacy ratio (CAR) at 19.8%
- BBB+/Ba1 credit ratings affirmed by Fitch and Moody's, respectively, with the latter upgrading the outlook to 'Positive'



Key highlights (3Q'23)

- Net profit of AED 88 million, increased 35% sequentially (qoq) and more than doubled when compared to prior year
- Total income was higher by 16% qoq and 61% yoy to AED 174 million
- Customer deposits grew strongly by 9% in the quarter



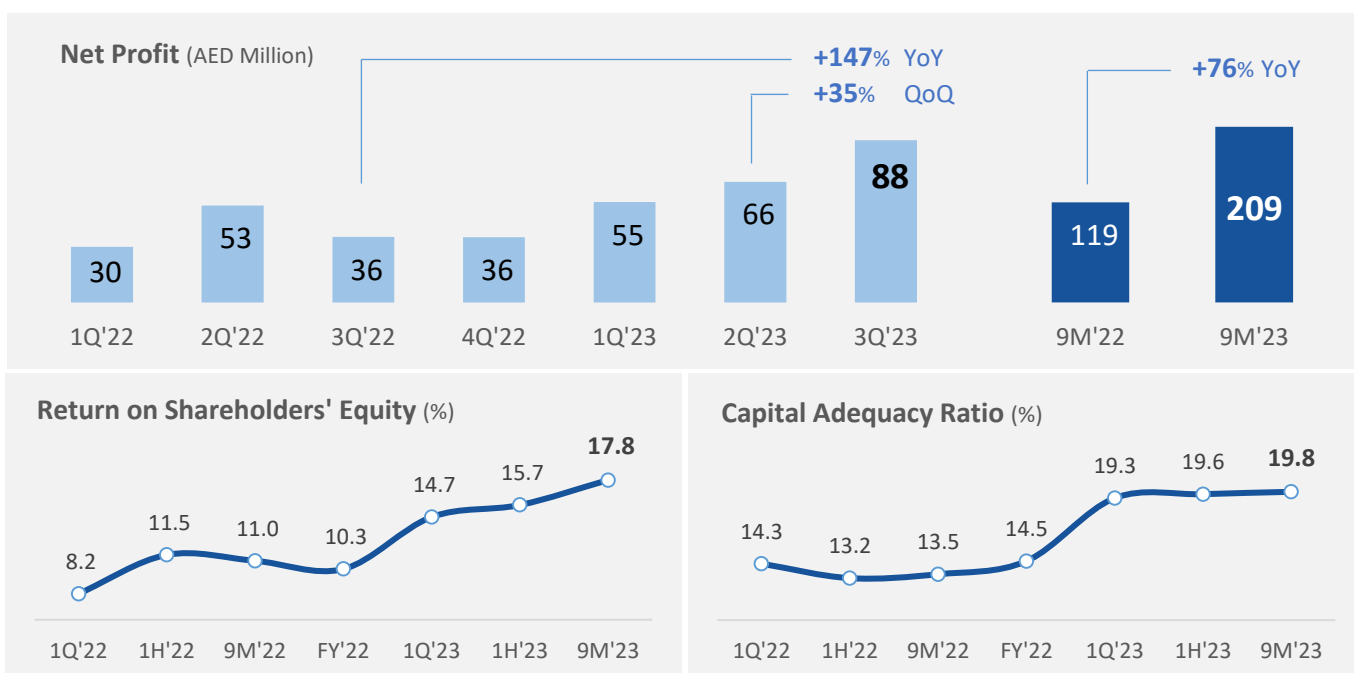
H.E. Sheikh Faisal bin Sultan bin Salem Al Qassimi, Chairman of the Board of Directors, UAB, said: “The bank continues to deliver a strong performance, clinically executing its well thought out strategy, supporting growth and shareholders' expectations. We remain confident in taking advantage of the opportunities ahead of us, as we continuously develop our business model and activities in line with our sustainable growth strategy in the UAE.”



Shirish Bhide, Chief Executive Officer of UAB, commented: “The bank has performed consistently through the year, recording double-digit growth in profits every quarter in 2023. These results reflect the successful execution of our strategy to strengthen the core businesses, manage our resources effectively, while adhering to our prudent approach towards risk management. The affirmation of our credit ratings by Fitch and Moody’s, and the latter’s upgrade of the outlook to positive, is a clear testament of the progress the bank has made over the past year in addressing the legacy concerns.

He continued, “The bank is well positioned to continue capitalising on the growth momentum experienced over the last several quarters, albeit maintaining a cautious outlook in view of the ‘higher for longer’ expectations on interest rates and relatively slower growth ahead”.

Delivering growth in profits and shareholder returns, while preserving a solid financial position



Financial Summary

Income statement highlights (AED Million)	9M'23	9M'22	ΔYoY%	3Q'23	2Q'23	3Q'22	ΔQoQ%	ΔYoY%
Net Interest Income	295	224	31	102	100	83	2	23
Non-Interest Income	152	127	20	72	50	25	45	188
Total Income	447	351	27	174	150	108	16	61
Operating Expenses	(211)	(184)	14	(76)	(69)	(68)	11	12
Operating Profit	236	167	41	98	81	40	21	143
Impairment charges, net	(27)	(48)	(43)	(9)	(15)	(5)	(39)	106
Net Profit	209	119	76	88	66	36	35	147

Balance sheet highlights (AED Billion)	Sep-23	Sep-22	ΔYoY%	Sep-23	Jun-23	Dec-22	ΔQoQ%	ΔYtd%
Total Assets	14.7	14.1	5	14.7	14.4	14.1	2	5
Loans and advances	7.7	7.8	(1)	7.7	7.6	7.6	2	1
Investments	4.7	3.4	36	4.7	4.2	3.9	12	20
Customers' deposits	9.2	9.2	(1)	9.2	8.4	8.6	9	7
<i>of which</i> CASA deposits	3.3	2.8	19	3.3	3.3	3.1	2	9
Total Equity (incl AT1)	2.2	1.4	56	2.2	2.1	1.5	1	44

Key Ratios (%)	9M'23	9M'22	ΔYoY (bps)	3Q'23	2Q'23	3Q'22	ΔQoQ (bps)	ΔYoY (bps)
Net Interest Margin (NIM)	3.16	2.39	77	3.17	3.22	2.63	(5)	54
Cost-Income ratio	47.1	52.4	(528)	43.8	45.8	62.7	(205)	(1,892)
Cost of Risk (CoR)	0.41	0.76	(35)	0.49	0.83	0.11	(34)	38
Return on Shareholders' Equity (RoSE)	17.8	11.0	685	21.8	17.0	10.2	482	1,158
Return on Assets (RoA)	1.9	1.1	85	2.4	1.8	1.0	58	142
Non-performing loans ratio (NPL)	6.4	10.3	(387)	6.4	6.7	10.3	(33)	(387)
Provision coverage	118	81	3,777	118	110	81	794	3,777
Provision coverage (incl collaterals)	195	127	6,830	195	175	127	2,070	6,830
Advances to Stable Resources ratio (ASRR)	73	88	(1,437)	73	82	88	(821)	(1,437)
Eligible Liquid Assets ratio (ELAR)	18	17	54	18	18	17	(52)	54
CASA%	36	31	593	36	39	31	(237)	593
Common Equity Tier 1 (CET1) ratio	13.9	12.3	151	13.9	13.7	12.3	16	151
Tier 1 ratio	18.6	12.3	627	18.6	18.5	12.3	15	627
Capital Adequacy ratio (CAR)	19.8	13.5	627	19.8	19.6	13.5	15	627

Notes:

1. Comparative figures have been reclassified where appropriate to conform to the presentation
2. Ratios for the quarter are annualised, where applicable
3. Rounding differences may appear in the tables across the document

Financial overview

Operating income growth driven by significant growth momentum across businesses

(AED Million)	9M'23	9M'22	ΔYoY%	3Q'23	2Q'23	3Q'22	ΔQoQ%	ΔYoY%
Net Interest Income	295	224	31	102	100	83	2	23
Non-Interest Income	152	127	20	72	50	25	45	188
Net fees & commission income	60	54	11	19	21	16	(12)	13
Foreign exchange income	20	15	38	6	6	5	(4)	16
Other operating income	72	58	24	47	22	3	114	1,368
Total operating income	447	351	27	174	150	108	16	61

- **Operating income** in 9M'23 increased by 27% to AED 447 million, driven by both, higher net interest income and non-interest income. 3Q'23 operating income also grew in double-digits on a sequential and year-on-year basis.
- **Net interest income** (NII) was higher by 31% year-on-year led by higher interest rates, effective deployment of balance sheet and efficiency in managing funding costs. This led to a 77 basis points (bps) expansion in net interest margin from 2.39% in 9M'22 to 3.16% in 9M'23.
- **Non-interest income** increased by 20% year-on-year driven by higher fees and commissions, and stronger FX income on increased volumes, further complemented by higher gains from sale of fixed assets.
- **Operating costs** in 9M'23 increased by 14% year-on-year in line with business growth, with the cost-income ratio declining to 47% from 52% in the prior year period. 3Q'23 cost-income ratio was 44%. The bank continues to efficiently manage its expenses, albeit investing across people, products and systems, in line with its growth aspirations.
- **Net Impairment charges** for the nine-month period in 2023 reduced by 43% year-on-year as the bank continues to prudently manage risk and maintain focus on asset quality. Annualised cost of risk declined to 41bps for 9M'23 (from 76bps in 9M'22) and 49bps for 3Q'23 (from 83bps in 2Q'23).
- Wholesale banking's 9M'23 operating income grew 38% year-on-year, primarily led by higher NII, both in corporate banking as well as, treasury and capital markets.

Efficiently deploying balance sheet, whilst prudently managing risk and improving asset quality

- **Total assets** increased 5% year-on-year as increased liquidity from customers was efficiently deployed across high-quality investments. **Investments** portfolio grew 20% year-to-date and 36% year-on-year, and supported yield enhancement.
- **Customer deposits** increased strongly by 7% year-to-date and 9% in 3Q'23 driven by higher CASA (deposits) on the back of various initiatives. CASA (deposits) now represent 36% of total deposits.
- **Liquidity and funding** remains adequate and well within regulatory requirements, with eligible liquid asset ratio (ELAR) at 18%, advances to stable resources ratio (ASRR) at 73% and loans-to-deposit ratio at 84%. Whilst not a regulatory requirement, UAB also routinely computes the liquidity coverage (LCR) and net stable funding (NSFR) ratios and both remain well above minimum regulatory requirement of 100%.
- Focus on **asset quality** continues to deliver positive outcomes as the non-performing loans ratio further declined to 6.4% during the quarter from 6.7% at the end of June-2023 and 10.3% at the end of September-2022. The buffer (provision coverage) for NPLs now stands at 118%, and 195% including collaterals at the end of September-2023.
- **Total Equity** at AED 2.2 billion includes AT1 issuance of USD 150 million in March 2023. **Capital position** was also strengthened from the issuance of AT1, enhancing Tier1 and CAR ratio to 18.6% and 19.8% as at end of September 2023 from 12.3% and 13.5%, respectively in the prior year period, and remains well above minimum regulatory requirements.
- Strong growth in profitability has resulted in **significant improvement in shareholder returns** with return on shareholders' equity (RoSE) of 17.8% for 9M'23 as compared to 11.0% for 9M'22. Return on assets (RoA) improved from 1.1% in 9M'22 to 1.9% in 9M'23.

Abdulhaleem Sheikh

Chief Financial Officer

Awards and Accolades



UAE Domestic Online Banking
Initiative of the Year
United Arab Bank



United Arab Bank (UAB) won the Asian Banking & Finance Wholesale Banking Award for “UAE Domestic Online Banking Initiative of the Year” for its innovative UAB Trade Online Banking Platform. The platform allows clients to manage their financial affairs, offering unparalleled convenience and security and a wide range of exceptional features and products.

About United Arab Bank P.J.S.C.

United Arab Bank, P.J.S.C. (UAB) was incorporated on the 21st of January 1975 as a joint venture between UAE investors and the French international financial conglomerate, Société Générale (SG). Today, the bank is considered among the longest-standing and most innovative banking and financial services providers in the United Arab Emirates.

Headquartered in Sharjah, UAB operates through 6 branches, 17 ATMs, and 11 cash and cheque deposit machines across the UAE offering retail and corporate banking services. The Bank succeeded to establish itself as a partner of choice for corporate clientele with a comprehensive suite of Wholesale Banking services supported by Trade Finance, Retail Banking, and Financial Markets services, in addition to Islamic Banking solutions.

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