

United Arab Bank (UAB)

UAB's operational performance underscores the success of its strategic transformation initiatives

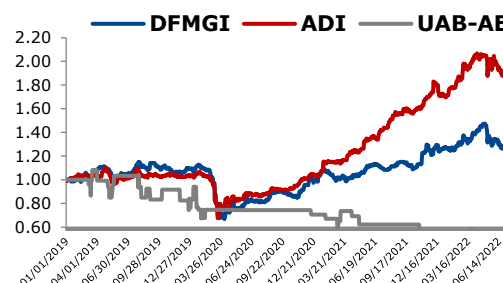
Current Price
AED 1.20

Target Price
Under Review

Upside/Downside (%)
NA

Rating
NA

- Net funded income increased 42.8% YOY to AED 158 Mn in 2Q25, supported by a rise in interest income, a decline in interest expenses, and a one-off boost from adjustment following the adoption of Credit Risk Management Standards introduced by the CBUAE.
- The Bank is raising AED 1.03 Bn through a rights issue, increasing the share capital to AED 3.09 Bn to strengthen capital adequacy.
- Net advances rose 28.6% YOY and 7.6% QOQ to AED 13.4 Bn in 2Q25.
- UAB's customer deposits increased 28.6% YOY and 4.4% QOQ to AED 15.6 Bn in 2Q25, with CASA deposits accounting for 36% of total customer deposits.



Stock Information

Market Cap (AED, Mn)	3,712.59
Paid Up Capital (Mn)	2,257.66
52 Week High	1.39
52 Week Low	0.97
3M Avg. daily value(AED)	6,741

2Q25 Result Review (AED, Mn)

Total Assets	23,921
Total Liabilities	21,140
Total Equity	2,781
Total Deposits	15,601
Net Profit	106

Financial Ratios

Dividend Yield (12m)	NA
Dividend Pay-out (%)	NA
Price-Earnings Ratio(x)	9.38
Price-to-Book Ratio (x)	1.41
Book Value (AED)	0.89
Return-on Equity (%)	16.08

Stock Performance

5 Days	0.00%
1 Months	-2.70%
3 Months	-6.18%
6 Months	-1.98%
1 Year	15.22%
Month to Date (MTD%)	-4.00%
Quarter to Date (QTD%)	-4.00%
Year to Date (YTD%)	-4.12%

2Q25 Net Profit higher than our estimate

United Arab Bank PJSC ("UAB"/ "The Bank") net profit grew 51.1% YOY to AED 106 Mn in 2Q25, higher than our estimates of AED 65 Mn. The growth in net profit is mainly due to a rise in funded and non-funded income, partially offset by higher operating expenses and tax charge, along with an impairment charge compared to an impairment reversal in the previous quarter.

P&L Highlights

UAB's interest income grew 14.0% YOY to AED 337 Mn in 2Q25, driven by a strong growth in net advances well supported by improvement in asset yield. Interest expenses decreased 3.2% YOY to AED 179 Mn in 2Q25 owing to a significant rise in customer deposits and lower cost of funds. UAB's net funded income rose 42.8% YOY to AED 158 Mn in 2Q25. Fees and commissions income increased 33.5% YOY to AED 26 Mn in 2Q25 alongside exchange income, that grew 67.6% YOY to AED 11 Mn. Similarly, other non-funded income rose from AED 0.1 Mn in 2Q24 to AED 13 Mn in 2Q25. Non-funded income almost doubled from AED 26 Mn in 2Q24 to AED 50 Mn in 2Q25 due to focus on improving cross-selling abilities and gains in FX. Operating expenses increased 26.3% YOY to AED 89 Mn in 2Q25, driven by investments in talent and enhancements to products and systems to strengthen the Bank's operations along with non-discretionary regulatory expenses, while maintaining discipline in discretionary spending. Thus, cost to income ratio decreased from 51.7% in 2Q24 to 42.9% in 2Q25. The Bank recorded an impairment charge of AED 2 Mn in 2Q25, compared to a reversal of AED 11 Mn in 2Q24. Tax expenses increased 52.4% YOY to AED 11 Mn in 2Q25 in line with growth in profit before tax.

Balance Sheet Highlights

UAB's total assets grew 20.7% YOY and 2.1% QOQ to AED 23.9 Bn in 2Q25, mainly due to an increase in lending book and high-quality investments. Net advances grew strongly 28.6% YOY and 7.6% QOQ to AED 13.4 Bn in 2Q25. The Bank's investment portfolio grew 27.3% YOY to AED 6.6 Bn in 2Q25, despite a 2.9% QOQ decline, as liquidity was efficiently deployed into high-quality assets to support yield enhancement. Similarly, customer deposits increased substantially 28.6% YOY and 4.4% QOQ to AED 15.6 Bn in 2Q25, in line with lending growth. CASA deposits grew 29.3% YOY to AED 5.7 Bn in 2Q25, accounting for 36% of the total deposits.

Target Price and Rating

Our target price for UAB is currently under review, given that the Bank is in the midst of its rights issue process. UAB's operational performance underscores the success of its strategic transformation initiatives. Consistent efforts and focus enabled the Bank to record positive retained earnings in 2Q25, effectively wiping out its previously accumulated losses. UAB recorded strong growth in net interest income due to a significant rise in advances and improvement in asset yield, coupled with the one-off adjustment following the adoption of Credit Risk Management Standards introduced by the CBUAE. The Bank efficiently deployed liquidity in high-quality assets to enhance yield on investments. As per our calculation, the Bank's NIMs increased 32 bps YOY and 59 bps QOQ to 2.8% in 2Q25 primarily due to an improvement in asset yield and a one-time gain in net interest income. Proficient execution of a robust lending pipeline continued to drive growth in net advances, which rose 28.6% YOY and 7.6% QOQ to AED 13.4 Bn in 2Q25. The Bank remains focused on optimizing funding costs to build a favorable mix between deposits and borrowings, aligned with asset growth. UAB's proactive risk management and sustained recovery efforts have significantly improved asset quality over the past three years. As a result, the NPL ratio declined to 2.2% in 2Q25, down from 3.9% at 4Q24 and 11.6% in 4Q21. Meanwhile, provision coverage stood firm at 148% excluding collaterals, and 204% including collaterals in 2Q25. UAB's liquidity moderated in 2Q25, with the loan-to-deposit ratio increasing from 83.5% in 1Q25 to 86.0% in 2Q25 owing to solid growth in advances. CASA deposits constituted 36% of the total deposit in 2Q25 compared to 34% in 4Q24. Moreover, the Bank maintained a healthy capitalization with a CET 1 ratio of 12.1% and CAR of 16.3% in 2Q25. Additionally, UAB is considering a rights issue of AED 1.03 Bn, offering one share for every two shares held, which will increase total share capital to up to AED 3.09 Bn, strengthening the Bank's capital adequacy. However, the Bank is not expected to pay any dividend in the near periods.

UAB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	35.26	16.00	9.68	8.21	6.55
PB	1.70	1.64	1.65	1.42	1.24	1.08
EPS	NM	0.034	0.075	0.124	0.146	0.183
BVPS	0.705	0.733	0.727	0.844	0.971	1.116

FABS Estimates & Co Data

UAB – P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	296	290	337	294	14.5%	14.0%	16.1%	1,193	1,256	5.3%
Funded expense	-185	-173	-179	-161	10.9%	-3.2%	3.4%	-726	-718	-1.1%
Net funded income	111	117	158	133	18.8%	42.8%	34.7%	467	538	15.4%
Fees & commissions	20	25	26	27	-1.1%	33.5%	4.9%	91	104	15.0%
Exchange income	7	11	11	10	7.0%	67.6%	1.7%	34	42	22.0%
Other non-funded income	0	12	13	4	NM	NM	5.4%	14	45	NM
Total non-funded income	26	48	50	41	23.9%	90.4%	4.3%	139	191	37.5%
Total operating income	137	165	208	173	20.0%	51.9%	25.9%	606	730	20.5%
Total operating expenses	-71	-88	-89	-88	1.0%	26.3%	2.0%	-318	-336	5.6%
Pre provision profit	66	78	119	85	39.7%	79.4%	52.8%	288	394	36.9%
Impairment	11	34	-2	-13	-84.6%	NM	NM	43	21	NM
Profit before tax	77	112	117	72	63.0%	51.2%	4.5%	331	415	25.5%
Tax expense	-7	-10	-11	-6	63.5%	52.4%	4.3%	-30	-37	25.3%
Net profit	70	102	106	65	62.9%	51.1%	4.5%	301	378	25.5%

FABS estimate & Co Data

UAB - KPI

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	80.7%	70.9%	75.9%	-487	499	77.0%	73.8%	-325
NIM	2.5%	2.2%	2.8%	32	59	2.5%	2.3%	-19
NIS	1.9%	1.8%	2.4%	52	61	2.0%	2.0%	0
Fees & comms/OI	14.4%	15.2%	12.6%	-174	-253	15.0%	14.3%	-68
Exchange income/OI	4.8%	6.5%	5.3%	50	-126	5.7%	5.7%	7
Cost to income	51.7%	53.0%	42.9%	-873	-1,004	52.5%	46.0%	-647
Impairment/PPP	-16.6%	-43.6%	1.7%	1,830	4,534	-14.9%	-5.3%	959
NP/OI	51.3%	61.4%	51.0%	-28	-1,040	49.7%	51.7%	206
Cost of risk- calculated	-0.4%	-1.1%	0.1%	48	114	-0.4%	-0.2%	24
Loan-to-deposit – calculated	86.0%	83.5%	86.0%	-2	254	84.9%	84.5%	-40
NPL – calculated	4.5%	3.4%	2.2%	-237	-122	3.9%	3.0%	-85
Coverage – calculated	124.6%	117.6%	148.0%	2,338	3,032	117.7%	122.0%	426
CET 1	13.0%	12.6%	12.1%	-90	-50	12.7%	11.6%	-111
Capital adequacy	18.0%	17.1%	16.3%	-170	-80	17.4%	15.2%	-218
ROAE	15.9%	17.0%	18.1%	221	106	16.1%	17.6%	147
ROAA	1.6%	1.6%	1.7%	10	8	1.5%	1.5%	1

FABS estimate & Co Data

UAB - Key B/S items

AED mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch.
Net advances	10,435	10,754	11,526	12,472	13,418	28.6%
QOQ change	9.4%	3.1%	7.2%	8.2%	7.6%	
Total assets	19,813	20,016	21,461	23,429	23,921	20.7%
QOQ change	10.6%	1.0%	7.2%	9.2%	2.1%	
Customer deposits	12,129	12,031	13,577	14,942	15,601	28.6%
QOQ change	13.8%	-0.8%	12.9%	10.1%	4.4%	
Total equity	2,411	2,577	2,551	2,659	2,781	15.3%
QOQ change	2.0%	6.9%	-1.0%	4.2%	4.6%	

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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