

## United Arab Bank (UAB)

Strong lending momentum and higher non-core income boosted earnings

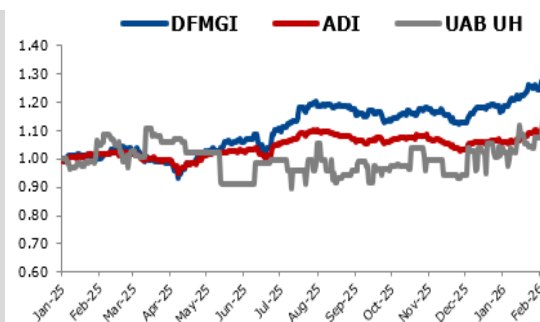
**Current Price**  
AED 1.47

**Target Price**  
AED 1.60

**Upside/Downside (%)**  
+9%

**Rating**  
HOLD

- Net advances and Islamic financing rose 26.3% YOY and 3.1% QOQ to AED 14.6 Bn in 4Q25, driven by strong corporate demand, higher FI financing, retail mortgage growth, and expanding Islamic financing.
- CASA deposits grew 41.9% YOY to AED 6.5 Bn in 2025, accounting for 36.3% of total deposits.
- The Bank proposed a cash dividend payout of 25% of its 2025 net profit, amounting to 3.5 fils per share (AED 109.5 Mn), subject to shareholder approval.
- UAB's advances to stable resource ratio and eligible liquid asset ratio stood at 69.8% and 17.4%, respectively in 4Q25, both above the regulatory requirement.



### Stock Information

Market Cap (AED, Mn)	4,547.92
Paid Up Capital (Mn)	3,093.83
52 Week High	1.47
52 Week Low	1.01
3M Avg. daily value(AED)	4,816,214

### 4Q25 Result Review (AED, Mn)

Total Assets	27,000
Total Liabilities	22,968
Total Equity	4,032
Total Deposits	17,809
Net Profit	122

### 4Q25 Net Profit higher than our estimate

United Arab Bank PJSC ("UAB"/ "The Bank") net profit grew 37.9% YOY to AED 122 Mn in 4Q25, higher than our estimates of AED 71 Mn. The growth in net profit is mainly due to a strong rise in net funded income, supported by strong asset expansion, and growth in non-funded income due to gain from sale of investments, partially offset by higher operating expenses, tax expenses, and lower impairment reversal.

### P&L Highlights

UAB's interest income grew 14.6% YOY to AED 333 Mn in 4Q25, driven by a strong growth in average interest-earning assets, partially offset by a decline in asset yield. Interest expenses grew marginally by 1.3% YOY to AED 180 Mn in 4Q25, owing to a rise in customer deposits and medium-term borrowing, partially offset by a decline in the cost of funds. Thus, net interest income grew 35.5% YOY to AED 153 Mn in 4Q25. Fees and commissions income increased 2.8% YOY to AED 27 Mn in 4Q25, while exchange income declined 4.6% YOY to AED 11 Mn. Similarly, other non-funded income increased significantly from AED 3 Mn in 4Q24 to AED 26 Mn in 4Q25, due to a strong increase in gain on sale of investments. Thus, non-funded income increased 55.0% YOY to AED 63 Mn in 4Q25. As a result, operating income expanded 40.7% YOY to AED 216 Mn in 4Q25, with net interest income accounting for 70.7% and non-funded income contributed for 29.3% of total operating income. Operating expenses increased 3.1% YOY to AED 97 Mn in 4Q25, driven by rise in employee benefit expenses. Thus, the cost-to-income ratio decreased from 61.3% in 4Q24 to 44.9% in 4Q25, supported by rise in funded and non-funded income. The Bank recorded impairment reversal of AED 16 Mn in 4Q25 compared to a reversal of AED 38 Mn in 4Q24. Tax expenses increased 43.9% YOY to AED 13 Mn in 4Q25.

### Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	8.38
Price-to-Book Ratio (x)	1.31
Book Value (AED)	1.13
Return-on Equity (%)	15.98

### Stock Performance

5 Days	2.80%
1 Months	10.53%
3 Months	24.58%
6 Months	26.72%
1 Year	10.21%
Month to Date (MTD%)	8.89%
Quarter to Date (QTD%)	13.08%
Year to Date (YTD%)	13.08%

## Balance Sheet Highlights

UAB's total assets grew 25.8% YOY and 10.4% QOQ to AED 27.0 Bn in 4Q25, mainly due increase in lending book and high-quality investments. Net advances and Islamic financing grew strongly 26.3% YOY and 3.1% QOQ to AED 14.6 Bn in 4Q25, driven by robust demand from large and mid-sized corporates in real estate and services, higher financing to financial institutions, and continued growth in retail mortgages, alongside a sharp expansion in Islamic financing. The Bank's investment portfolio grew 30.9% YOY and 6.1% QOQ to AED 7.9 Bn in 4Q25, driven by the efficient deployment of liquidity into high-quality assets, supporting yield enhancement. Similarly, customer deposits increased 31.2% YOY and 23.9% QOQ to AED 17.8 Bn in 4Q25, driven by targeted initiatives across corporate and retail banking, with a strong focus on CASA-led deposit growth and funding cost optimization. Furthermore, CASA deposits expanded 42% YOY to AED 6.5 Bn in 2025, accounting for 36.3% of the total deposits.

## Target Price and Rating

We maintained our HOLD rating on UAB, with a revised target price of AED 1.60. UAB reported strong growth in net profit of 37.9% YOY in 4Q25, supported by the effective execution of its strategy, resulting in robust expansion in total assets, including advances and Islamic financing, a larger investment book, and prudent risk management. Furthermore, the Bank's strong performance in 2025 was supported by continued investments in people, products, systems, and processes, enabling it to further build on the progress achieved. In addition, UAB is undertaking focused initiatives to enhance cross-selling, strengthen FX income, and expand investment-related revenues through new strategic measures. Advances grew 26.3% YOY and 3.1% QOQ to AED 14.6 Bn, supported by strong demand from large and mid-sized corporates in real estate & services, increased financing to financial institutions, sustained growth in retail mortgages, and a rise in Islamic financing. The healthy growth in the UAE economy supports overall credit demand, providing a favorable backdrop for sustained loan expansion across key segments. Similarly, the Bank's investment portfolio expanded 30.9% YOY and 6.1% QOQ to AED 7.9 Bn in 4Q25, driven by the efficient deployment of excess liquidity into high-quality assets, supporting yield improvement. The Bank's customer deposit increased 31.2% YOY and 23.9% QOQ to AED 17.8 Bn in 4Q25, with a growth in CASA deposit of 41.9% YOY to AED 6.5 Bn in 2025, accounting for 36.3% of total deposits. Additionally, CASA deposit demonstrated a healthy growth of 30.8% QOQ in 4Q25, higher than growth in term deposits, thereby supporting margins and balance sheet stability. UAB's asset quality improved in 4Q25, with a decline in the NPL ratio from 3.1% in 3Q25 to 2.8% in 4Q25. Additionally, coverage grew from 82.0% in 3Q25 to 102.4% in 4Q25. In addition, the coverage ratio, including collaterals, stood at 183% in 2025. This provision buffer would shield the Bank's profit from any rise in loan losses. Additionally, stage 2 loans declined over the past two quarters, signalling improving asset migration trends and reduced credit stress within the portfolio. The Bank's CET1 and CAR stood at 17.4% and 21.5% in 4Q25, respectively, remaining well above regulatory requirements, thus enhancing the Bank's capacity to absorb potential shocks, sustain lending expansion, and maintain financial stability while pursuing strategic growth initiatives. Similarly, UAB's stable resource ratio and eligible liquid asset ratio stood at 69.8% and 17.4%, respectively in 4Q25, both above the regulatory requirement, thus reflecting the Bank's continued resilience in maintaining a well-balanced funding mix and sufficient liquidity buffers. The Bank proposed a cash dividend payout of 25% of its 2025 net profit, amounting to 3.5 fils per share (AED 109.5 Mn), subject to shareholder approval. The approval of dividends is expected to boost shareholder confidence, reflecting UAB's improved earnings profile and a healthy capital position. Thus, based on these factors, we assigned a HOLD rating on the stock.

### UAB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	42.61	19.33	11.70	9.93	8.17	10.84
PB	1.98	1.99	1.72	1.49	1.03	1.21
EPS	0.034	0.075	0.124	0.146	0.178	0.134
BVPS	0.733	0.727	0.844	0.971	1.411	1.201
DPS	NA	NA	NA	NA	0.035	0.035
Dividend Yield	NA	NA	NA	NA	2.4%	2.4%

FABS Estimates & Co Data

**UAB – P&L**

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	290	331	333	336	-0.9%	14.6%	0.4%	1,193	1,291	8.3%
Funded expense	-178	-181	-180	-188	-4.2%	1.3%	-0.4%	-726	-713	-1.8%
<b>Net funded income</b>	<b>113</b>	<b>151</b>	<b>153</b>	<b>148</b>	<b>3.3%</b>	<b>35.5%</b>	<b>1.4%</b>	<b>467</b>	<b>579</b>	<b>24.0%</b>
Fees & commissions	26	25	27	26	2.8%	2.8%	8.0%	91	102	12.8%
Exchange income	12	14	11	12	-6.7%	-4.6%	-22.3%	34	47	37.7%
Other non-funded income	3	17	26	14	83.8%	NA	49.2%	14	68	NM
<b>Total non-funded income</b>	<b>41</b>	<b>56</b>	<b>63</b>	<b>52</b>	<b>22.6%</b>	<b>55.0%</b>	<b>12.9%</b>	<b>139</b>	<b>218</b>	<b>56.5%</b>
<b>Total operating income</b>	<b>154</b>	<b>207</b>	<b>216</b>	<b>200</b>	<b>8.3%</b>	<b>40.7%</b>	<b>4.5%</b>	<b>606</b>	<b>797</b>	<b>31.5%</b>
Total operating expenses	-94	-91	-97	-112	-13.5%	3.1%	6.4%	-318	-365	15.0%
<b>Pre provision profit</b>	<b>59</b>	<b>116</b>	<b>119</b>	<b>87</b>	<b>36.4%</b>	<b>NM</b>	<b>3.0%</b>	<b>288</b>	<b>431</b>	<b>49.7%</b>
Impairment	38	3	16	-10	NM	-58.1%	NM	43	51	18.5%
<b>Profit before tax</b>	<b>98</b>	<b>118</b>	<b>135</b>	<b>77</b>	<b>74.3%</b>	<b>38.4%</b>	<b>14.0%</b>	<b>331</b>	<b>482</b>	<b>45.7%</b>
Tax expense	-9	-11	-13	-7	84.1%	43.9%	19.4%	-30	-44	47.6%
<b>Net profit</b>	<b>89</b>	<b>108</b>	<b>122</b>	<b>71</b>	<b>73.3%</b>	<b>37.9%</b>	<b>13.4%</b>	<b>301</b>	<b>438</b>	<b>45.5%</b>

FABS estimate & Co Data

**UAB - KPI**

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	73.4%	72.9%	70.7%	-271	-218	77.0%	72.6%	-437
NIM	2.3%	2.6%	2.5%	17	-13	2.5%	2.5%	-1
NIS	1.8%	2.1%	1.9%	14	-16	2.0%	2.0%	6
Fees & comms/OI	16.8%	11.9%	12.3%	-452	40	15.0%	12.9%	-213
Exchange income/OI	7.6%	6.9%	5.2%	-245	-178	5.7%	5.9%	27
Cost to income	61.3%	44.1%	44.9%	-1,639	79	52.5%	45.9%	-659
Impairment/PPP	-64.1%	-2.5%	-13.4%	NM	NM	-14.9%	-11.8%	310
NP/OI	57.7%	52.1%	56.6%	-115	443	49.7%	55.0%	529
Cost of risk- calculated	-1.3%	-0.1%	-0.4%	87	-35	-0.4%	-0.4%	1
Loan-to-deposit – calculated	84.9%	98.2%	81.7%	-317	NM	84.9%	81.7%	-317
NPL – calculated	3.9%	3.1%	2.8%	-106	-26	3.9%	2.8%	-106
Coverage – calculated	117.7%	82.0%	102.4%	NM	NM	117.7%	102.4%	NM
CET 1	12.7%	18.5%	17.4%	473	-106	12.7%	17.4%	473
Capital adequacy	17.4%	22.8%	21.5%	410	-129	17.4%	21.5%	410
ROAE	16.1%	14.9%	16.0%	-12	110	16.1%	16.0%	-12
ROAA	1.5%	1.8%	1.8%	27	-1	1.5%	1.8%	27

FABS estimate & Co Data

**UAB - Key B/S items**

AED mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch.
Net advances	11,526	12,472	13,418	14,112	14,554	26.3%
QOQ change	7.2%	8.2%	7.6%	5.2%	3.1%	
Total assets	21,461	23,429	23,921	24,465	27,000	25.8%
QOQ change	7.2%	9.2%	2.1%	2.3%	10.4%	
Customer deposits	13,577	14,942	15,601	14,369	17,809	31.2%
QOQ change	12.9%	10.1%	4.4%	-7.9%	23.9%	
Total equity	2,551	2,659	2,781	3,959	4,032	58.0%
QOQ change	-1.0%	4.2%	4.6%	42.4%	1.8%	

FABS estimate & Co Data

## Valuation:

We use the Residual Income and Relative Valuation (RV) method to value UAB. We have assigned 70% weight to Residual Income, and 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	1.64	70.0%	1.15
Relative Valuation (RV)	1.52	30.0%	0.45
<b>Weighted Average Valuation (AED)</b>			<b>1.60</b>
Current market price (AED)			1.47
Upside/Downside (%)			+8.8%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.0%. Cost of equity is calculated by using a 10-year government bond yield of 4.9%, a beta of 0.60 and an equity risk premium of 5.1%. Government bond yield is calculated after adding Abu Dhabi's 10-year CDS spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	514
Terminal value (AED, Mn)	1,188
Book Value of Equity (as of Dec 2025)	3,371
<b>FV to Common shareholders (AED, Mn)</b>	<b>5,073</b>
No. of shares (Mn)	3,094
Current Market Price (AED)	1.47
<b>Fair Value per share (AED)</b>	<b>1.64</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	414	438	451	452	458
(-) Equity Charge	-277	-296	-316	-337	-358
<b>Excess Equity</b>	<b>137</b>	<b>142</b>	<b>135</b>	<b>115</b>	<b>101</b>
Discounting Factor	0.93	0.87	0.80	0.74	0.69
<b>Present Value of Excess Equity</b>	<b>128</b>	<b>123</b>	<b>108</b>	<b>85</b>	<b>69</b>

## 2) Relative Valuation:

We have used local peers to value UAB, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F
Sharjah Islamic Bank	2,519	NM	9.1	NM	1.1
Commercial Bank of Dubai	7,801	8.4	10.3	1.6	1.6
Emirates NBD	46,943	7.2	7.3	1.2	1.1
Mashreq Bank	13,003	6.5	6.7	1.3	1.2
RAK Bank	4,271	5.9	7.9	1.1	1.2
<b>Average</b>		<b>7.0x</b>	<b>8.3x</b>	<b>1.3x</b>	<b>1.2x</b>
<b>Median</b>		<b>6.8x</b>	<b>7.9x</b>	<b>1.3x</b>	<b>1.2x</b>
<b>Max</b>		<b>7.5x</b>	<b>9.1x</b>	<b>1.4x</b>	<b>1.2x</b>
<b>Min</b>		<b>6.3x</b>	<b>7.3x</b>	<b>1.2x</b>	<b>1.1x</b>

Source: FAB Securities

## 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%

## FAB Securities Contacts:

### Research Analyst

Ahmad Banihani +971-2-6161629 [ahmad.banihani@Bankfab.com](mailto:ahmad.banihani@Bankfab.com)

### Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

## DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.