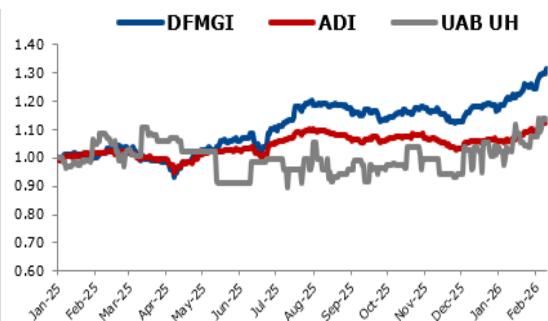


United Arab Bank (UAB)

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
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- 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.



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.

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

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 to an 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%
Net funded income	113	151	153	148	3.3%	35.5%	1.4%	467	579	24.0%
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
Total non-funded income	41	56	63	52	22.6%	55.0%	12.9%	139	218	56.5%
Total operating income	154	207	216	200	8.3%	40.7%	4.5%	606	797	31.5%
Total operating expenses	-94	-91	-97	-112	-13.5%	3.1%	6.4%	-318	-365	15.0%
Pre provision profit	59	116	119	87	36.4%	NM	3.0%	288	431	49.7%
Impairment	38	3	16	-10	NM	-58.1%	NM	43	51	18.5%
Profit before tax	98	118	135	77	74.3%	38.4%	14.0%	331	482	45.7%
Tax expense	-9	-11	-13	-7	84.1%	43.9%	19.4%	-30	-44	47.6%
Net profit	89	108	122	71	73.3%	37.9%	13.4%	301	438	45.5%

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
Weighted Average Valuation (AED)			1.60
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
FV to Common shareholders (AED, Mn)	5,073
No. of shares (Mn)	3,094
Current Market Price (AED)	1.47
Fair Value per share (AED)	1.64

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
Excess Equity	137	142	135	115	101
Discounting Factor	0.93	0.87	0.80	0.74	0.69
Present Value of Excess Equity	128	123	108	85	69

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
Average		7.0x	8.3x	1.3x	1.2x
Median		6.8x	7.9x	1.3x	1.2x
Max		7.5x	9.1x	1.4x	1.2x
Min		6.3x	7.3x	1.2x	1.1x

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%

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