

United Arab Bank (UAB)

Current Price (AED)	Market Cap (AED/mm)	Shares Outstanding (mm)	52 Week High (AED)
1.40	2,887.57	2,062.55	1.52
Month to Date (MTD%)	Quarter to Date (QTD%)	Year to Date (YTD%)	52 Week Low (AED)
-3.45%	-3.45%	2.19%	1.06
Price-to-Earnings Ratio(x)	Price-to-Book Ratio (x)	Dividend Yield (12month)	Book Value (AED)
8.64	1.37	N/A	1.02

Key Highlights:

Higher non-funded income and reversal of impairments supported the profitability and growth strategies.

- UAB reported a significant 49% year-on-year (YoY) increase in net profit to AED 102 Mn in 1Q25, up from AED 68 Mn in 1Q24. This marks the highest quarterly profit in a decade, driven by stronger operating performance and a net reversal of impairment charges, reflecting successful execution of the bank's strategic initiatives. The sequential growth of 15% from 4Q24 (AED 89 Mn) further underscores operational momentum. The earnings per share (EPS) improved to AED 0.05 from AED 0.03 YoY, signaling enhanced shareholder value reflecting the Bank's turnaround momentum.
- Total Operating income rose marginally by 1% YoY to AED 165 Mn, driven by a 53% surge in non-funded income to AED 48 Mn in 1Q25 that offset an 11% decline in net funded income to AED 117 Mn in 1Q25. The decline in net funded income is attributed to interest rate cuts (100 bps aggregate in 2H24), though this was partially mitigated by robust loan and investment portfolio growth. The net interest margin (NIM) compressed to 2.47% in 1Q25 from 3.35% in 1Q24, driven by IR cuts.
- Operating expenses were higher by 13% YoY as of 1Q25 in-line with the business growth, ongoing investments in people, technology, regulatory compliance, and growth initiatives. The Cost-to-Income Ratio witnessed some improvements in 1Q25 at 53% compared to 4Q24 at 61%, but still higher than the banking sector median of 34%.
- The gross non-performing loan (NPL) ratio improved to 3.4% in 1Q24 from 4.8% a year ago and 3.9% in 4Q24, reflecting better credit risk management. Provision coverage ratio remains robust at 118% (175% including collaterals), providing a solid buffer against potential credit losses. The net reversal in impairment charges of AED 34 Mn in 1Q25 compared to impairment charges of AED 11 Mn in 1Q24) further bolsters profitability, with an annualized cost of risk at -110 bps, indicates significant improvement in credit quality.
- UAB maintains a strong capital adequacy ratio (CAR) of 17.1%, with Common Equity Tier 1 (CET1) at 12.6% and Tier 1 at 15.9% as of 1Q25, all above regulatory thresholds.
- Total assets rose by 31% YoY to AED 23.4 Bn as of 1Q25, led by similar growth in loans, advances and Islamic financing of 31% YoY and investments of 29% YoY, while customer deposits increased by 40% YoY in 1Q25 of which CASA deposits represent 35.5% of total deposits.
- Total equity grew 13% YoY to AED 2.7 Bn, supported by retained profits. Liquidity metrics are healthy, with advances-to-stable resources (ASR) ratio of 74%, both exceeding regulatory requirements. The planned rights issue of up to AED 1.032 Bn will further strengthen CET1, enabling sustained growth.

- Return on shareholders' equity (RoE) improved to 20.0% from 15.5% YoY, reflecting efficient capital utilization. Return on assets (RoA) also rose to 1.8% from 1.5%, indicating improved profitability per unit of assets. These metrics suggest UAB is generating returns, appealing to investors seeking growth in the banking sector.
- UAB has positive Credit Rating from 3 credit agencies. Fitch upgraded UAB's viability rating to 'bb-' from 'b+' and reaffirmed its long-term issuer rating at 'BBB+' with a stable outlook. Moody's (Baa3/Positive) and Capital Intelligence (BBB+/Stable) ratings remain intact, reinforcing UAB's investment-grade status. This reflects confidence in the bank's financial stability and strategic direction amidst a challenging macroeconomic environment.
- UAB's strong profit growth, asset quality improvement, and robust capital position make it a good investment, and the planned rights issue and focus on sustainable growth enhance its long-term potential, while the decline in NIM due to interest rate cuts and an increase in operating expenses to support growth and regulatory compliance could pressure margins if not managed effectively.

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