

## United Arab Bank (UAB)

Absence of other non-funded income and higher impairment charges weighed on the bottom-line

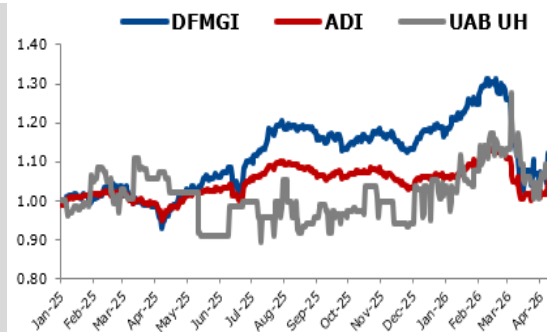
**Current Price**  
AED 1.36

**Target Price**  
AED 1.60

**Upside/Downside (%)**  
+18%

**Rating**  
BUY

- Net advances and Islamic financing increased by 20.9% YOY and 3.6% QOQ to AED 15.1 Bn in 1Q26, supported by robust demand across corporate and retail segments.
- CASA deposits increased 15.2% YOY to AED 6.2 Bn in 1Q26, representing 36.9% of total deposits.
- The Bank's calculated NIM improved to 2.4% in 1Q26 from 2.2% in 1Q25.
- Capitalization remains healthy with a CET1 and CAR ratio of 16.4% and 20.4% in 1Q26, respectively, comfortably above regulatory requirements.
- UAB paid a cash dividend of AED 109 Mn (3.5 fils per share) for 2025.



### Stock Information

|                          |           |
|--------------------------|-----------|
| Market Cap (AED, Mn)     | 4,300.42  |
| Paid Up Capital (Mn)     | 3,093.83  |
| 52 Week High             | 1.60      |
| 52 Week Low              | 1.01      |
| 3M Avg. daily value(AED) | 3,067,217 |

### 1Q26 Result Review (AED, Mn)

|                   |        |
|-------------------|--------|
| Total Assets      | 26,893 |
| Total Liabilities | 23,051 |
| Total Equity      | 3,842  |
| Total Deposits    | 16,652 |
| Net Profit        | 75     |

### Financial Ratios

|                         |       |
|-------------------------|-------|
| Dividend Yield (12m)    | 2.60  |
| Dividend Pay-out (%)    | 0.00  |
| Price-Earnings Ratio(x) | 9.24  |
| Price-to-Book Ratio (x) | 1.31  |
| Book Value (AED)        | 1.06  |
| Return-on Equity (%)    | 15.24 |

### Stock Performance

|                        |       |
|------------------------|-------|
| 5 Days                 | 2.96% |
| 1 Months               | 6.11% |
| 3 Months               | 6.92% |
| 6 Months               | 6.92% |
| 1 Year                 | 8.68% |
| Month to Date (MTD%)   | 5.30% |
| Quarter to Date (QTD%) | 5.30% |
| Year to Date (YTD%)    | 6.92% |

### 1Q26 Net Profit lower than our estimate

United Arab Bank PJSC ("UAB"/ "The Bank") net profit declined 26.1% YOY to AED 75 Mn in 1Q26, lower than our estimates of AED 108 Mn. The decline in net profit was primarily driven by lower non-funded income, owing to the absence of one-off property-related income, and other gains recorded in 1Q25 and coupled with a decline in fees and commissions. The decline was further driven by higher operating expenses and impairment charges in 1Q26, compared to reversal in 1Q25 due to one-off recoveries and write-backs. However, the impact was partially offset by significant growth in net funded income and lower tax expenses.

### P&L Highlights

UAB's interest income grew 15.3% YOY to AED 335 Mn in 1Q26, driven by strong growth in lending and investments book, partially offset by a decline in asset yield. Interest expenses grew 2.5% YOY to AED 177 Mn in 1Q26, owing to a rise in customer deposits, medium-term borrowing and deposits & balances due to banks, partially offset by a decline in the cost of funds. Thus, net funded income grew 34.1% YOY to AED 157 Mn in 1Q26. Fees and commissions income decreased 18.9% YOY to AED 20 Mn in 1Q26. While exchange income expanded 26.4% YOY to AED 14 Mn in 1Q26. The Bank recorded other non-funded income of AED 1 Mn in 1Q26 compared to AED 12 Mn in 1Q25, primarily due to the absence of one-off property-related and other gains recorded in 1Q25. Thus, non-funded income decreased 26.5% YOY to AED 35 Mn in 1Q26. As a result, operating income expanded 16.5% YOY to AED 193 Mn in 1Q26, with net interest income accounting for 81.6% and non-funded income contributed 18.4% to total operating income. Operating expenses increased 5.3% YOY to AED 92 Mn in 1Q26, due to continued investment in growth initiatives across people, products, process and systems.

Thus, the cost-to-income ratio decreased from 53.0% in 1Q25 to 47.9% in 1Q26, supported by stronger net funded income growth. The Bank recorded impairment charges of AED 18 Mn in 1Q26 compared to a reversal of AED 34 Mn in 1Q25, due to the absence of one-off recoveries and write-backs recognized in 1Q25. Tax expenses fell 26.9% YOY to AED 7 Mn in 1Q26 in line with the decline in profit before tax.

### Balance Sheet Highlights

UAB's total assets grew 14.8% YOY but declined 0.4% QOQ to AED 26.9 Bn in 1Q26, driven by rise in lending volumes, Islamic financing and high-quality investments. Net advances and Islamic financing grew strongly 20.9% YOY and 3.6% QOQ to AED 15.1 Bn in 1Q26, driven by strong demand in corporate and retail lending. The Bank's investment portfolio grew 21.5% YOY and 5.3% QOQ to AED 8.3 Bn in 1Q26, driven by the efficient deployment of liquidity into high-quality assets, supporting yield enhancement. Similarly, customer deposits increased 11.4% YOY but declined 6.5% QOQ to AED 16.7 Bn in 1Q26, supported 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 15.2% YOY to AED 6.2 Bn in 1Q26, accounting for 36.9% of the total deposits.

### Target Price and Rating

We maintain our BUY rating on UAB, with an unchanged target price of AED 1.60. The stock price has increased 5.3% since our last rating. The Bank delivered a strong operating performance in 1Q26, with a 16.5% YOY increase in operating income, reflecting disciplined strategy execution, robust asset growth, and prudent risk management amid global and regional uncertainties. However, net profit declined 26.1% YOY in 1Q26, primarily due to the absence of one-off property-related gains and other gains recorded in 1Q25, along with impairment charges in 1Q26 compared to reversals in 1Q25. Furthermore, the Bank's 1Q26 performance was supported by continued investment in people, products, systems, and processes, reinforcing ongoing operational progress. Advances grew 20.9% YOY and 3.6% QOQ to AED 15.1 Bn in 1Q26, supported by strong demand across corporate and retail segments, along with growth in Islamic financing, indicating sustained lending momentum and continued balance sheet expansion. Similarly, the Bank's investment portfolio expanded 21.5% YOY and 5.3% QOQ to AED 8.3 Bn in 1Q26, driven by the efficient deployment of excess liquidity into high-quality assets, supporting yield improvement. The Bank's resilient performance is also reflected in its NIM (calculated), which increased to 2.4% in 1Q26 from 2.2% in 1Q25. UAB's deposit expanded 11.4% YOY but declined 6.5% QOQ to AED 16.7 Bn in 1Q26, with a growth in CASA deposit of 15.2% YOY to AED 6.2 Bn in 1Q26, accounting for 36.9% of total deposits. This reflects a strengthening low-cost funding mix and supports funding stability. UAB's asset quality improved in 1Q26, with a decline in the NPL ratio from 3.4% in 1Q25 to 2.6% in 1Q26. However, coverage ratio (calculated) fell from 117.6% in 1Q25 to 105.2% in 1Q26, reflecting normalization following elevated recoveries in the prior year, while remaining at a comfortable level to absorb potential credit losses. Additionally, stage 2 loans declined over the past three quarters, signaling improving asset migration trends and reduced credit stress within the portfolio. The Bank's CET1 and CAR stood at 16.4% and 20.4% in 1Q26, 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 73% and 16% respectively in 1Q26, both above the regulatory requirement, thus reflecting the Bank's continued resilience in maintaining a well-balanced funding mix and sufficient liquidity buffers. Furthermore, the Bank paid a cash dividend of AED 109 Mn for 2025 equivalent to 3.5 fils per share. Thus, based on these factors, we assigned a BUY rating on the stock.

**UAB - Relative valuation**

| (at CMP)       | 2021  | 2022  | 2023  | 2024  | 2025  | 2026F |
|----------------|-------|-------|-------|-------|-------|-------|
| PE             | 41.14 | 18.66 | 11.29 | 9.58  | 7.89  | 10.23 |
| PB             | 1.91  | 1.93  | 1.66  | 1.44  | 0.99  | 1.16  |
| EPS            | 0.034 | 0.075 | 0.124 | 0.146 | 0.178 | 0.137 |
| BVPS           | 0.733 | 0.727 | 0.844 | 0.971 | 1.411 | 1.204 |
| DPS            | NA    | NA    | NA    | NA    | 0.035 | 0.04  |
| Dividend Yield | NA    | NA    | NA    | NA    | 2.6%  | 2.9%  |

*FABS Estimates & Co Data*
**UAB - P&L**

| AED Mn                         | 1Q25       | 4Q25       | 1Q26       | 1Q26F      | Var.          | YOY Ch        | QOQ Ch        | 2025       | 2026F      | Change       |
|--------------------------------|------------|------------|------------|------------|---------------|---------------|---------------|------------|------------|--------------|
| Funded income                  | 290        | 333        | 335        | 339        | -1.2%         | 15.3%         | 0.5%          | 1,291      | 1,317      | 2.0%         |
| Funded expense                 | -173       | -180       | -177       | -181       | -2.2%         | 2.5%          | -1.5%         | -713       | -695       | -2.5%        |
| <b>Net funded income</b>       | <b>117</b> | <b>153</b> | <b>157</b> | <b>157</b> | <b>-0.1%</b>  | <b>34.1%</b>  | <b>2.9%</b>   | <b>579</b> | <b>622</b> | <b>7.5%</b>  |
| Fees & commissions             | 25         | 27         | 20         | 30         | -31.5%        | -18.9%        | -23.3%        | 102        | 123        | 20.0%        |
| Exchange income                | 11         | 11         | 14         | 15         | -9.1%         | 26.4%         | 22.7%         | 47         | 64         | 35.0%        |
| Other non-funded income        | 12         | 26         | 1          | 21         | NM            | NM            | NM            | 68         | 72         | 5.0%         |
| <b>Total non-funded income</b> | <b>48</b>  | <b>63</b>  | <b>35</b>  | <b>65</b>  | <b>-45.8%</b> | <b>-26.5%</b> | <b>-44.2%</b> | <b>218</b> | <b>258</b> | <b>18.6%</b> |
| <b>Total operating income</b>  | <b>165</b> | <b>216</b> | <b>193</b> | <b>223</b> | <b>-13.5%</b> | <b>16.5%</b>  | <b>-10.9%</b> | <b>797</b> | <b>881</b> | <b>10.6%</b> |
| Total operating expenses       | -88        | -97        | -92        | -96        | -3.7%         | 5.3%          | -5.0%         | -365       | -352       | -3.6%        |
| <b>Pre provision profit</b>    | <b>78</b>  | <b>119</b> | <b>100</b> | <b>127</b> | <b>-21.0%</b> | <b>29.0%</b>  | <b>-15.7%</b> | <b>431</b> | <b>528</b> | <b>22.6%</b> |
| Impairment                     | 34         | 16         | -18        | -7         | 142.9%        | NM            | -212.1%       | 51         | -63        | NM           |
| <b>Profit before tax</b>       | <b>112</b> | <b>135</b> | <b>82</b>  | <b>120</b> | <b>-31.1%</b> | <b>-26.2%</b> | <b>-38.9%</b> | <b>482</b> | <b>465</b> | <b>-3.4%</b> |
| Tax expense                    | -10        | -13        | -7         | -11        | -34.4%        | -26.9%        | -41.9%        | -44        | -42        | -4.8%        |
| <b>Net profit</b>              | <b>102</b> | <b>122</b> | <b>75</b>  | <b>108</b> | <b>-30.7%</b> | <b>-26.1%</b> | <b>-38.6%</b> | <b>438</b> | <b>424</b> | <b>-3.3%</b> |

*FABS estimate & Co Data*
**UAB - KPI**

|  | 1Q25   | 4Q25   | 1Q26   | YOY Ch | QOQ Ch | 2025   | 2026F  | Change |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Net FI/OI                                  | 70.9%  | 70.7%  | 81.6%  | 1,074  | 1,096  | 72.6%  | 70.7%  | -198   |
| NIM  | 2.2%   | 2.5%   | 2.4%   | 23     | -4     | 2.5%   | 2.3%   | -18    |
| NIS  | 1.8%   | 1.9%   | 2.0%   | 19     | 5      | 2.0%   | 1.9%   | -16    |
| Fees & comms/OI                            | 15.2%  | 12.3%  | 10.6%  | -461   | -171   | 12.9%  | 14.0%  | 110    |
| Exchange income/OI                         | 6.5%   | 5.2%   | 7.1%   | 56     | 195    | 5.9%   | 7.3%   | 131    |
| Cost to income                             | 53.0%  | 44.9%  | 47.9%  | -508   | 298    | 45.9%  | 40.0%  | -588   |
| Impairment/PPP                             | -43.6% | -13.4% | 17.8%  | 6,144  | 3,122  | -11.8% | 11.9%  | 2,368  |
| NP/OI                                      | 61.4%  | 56.6%  | 39.0%  | -2,244 | -1,759 | 55.0%  | 48.1%  | -687   |
| Cost of risk - Calculated                  | -1.1%  | -0.4%  | 0.5%   | 155    | 90     | -0.4%  | 0.4%   | 78     |
| Loan-to-deposit - Calculated               | 83.5%  | 81.7%  | 90.6%  | 710    | 884    | 81.7%  | 91.5%  | 972    |
| NPL - Calculated                           | 3.4%   | 2.8%   | 2.6%   | -77    | -18    | 2.8%   | 2.7%   | -10    |
| Coverage excluding collateral - Calculated | 117.6% | 102.4% | 105.2% | -1,248 | 277    | 102.4% | 105.0% | 260    |
| CET 1                                      | 12.6%  | 17.4%  | 16.4%  | 384    | -104   | 17.4%  | 17.4%  | -7     |
| Capital adequacy                           | 17.1%  | 21.5%  | 20.4%  | 334    | -111   | 21.5%  | 21.2%  | -36    |
| ROAE                                       | 17.0%  | 16.0%  | 15.2%  | -180   | -74    | 16.0%  | 11.8%  | -422   |
| ROAA                                       | 1.6%   | 1.8%   | 1.6%   | 2      | -17    | 1.8%   | 1.5%   | -28    |

*FABS estimate & Co Data*

**UAB - Key B/S items**

| <b>AED mn</b>     | <b>1Q25</b> | <b>2Q25</b> | <b>3Q25</b> | <b>4Q25</b> | <b>1Q26</b> | <b>YOY Ch.</b> |
|-------------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Net advances      | 12,472      | 13,418      | 14,112      | 14,554      | 15,081      | 20.9%          |
| <i>QOQ change</i> | 8.2%        | 7.6%        | 5.2%        | 3.1%        | 3.6%        |                |
| Total assets      | 23,429      | 23,921      | 24,465      | 27,000      | 26,893      | 14.8%          |
| <i>QOQ change</i> | 9.2%        | 2.1%        | 2.3%        | 10.4%       | -0.4%       |                |
| Customer deposits | 14,942      | 15,601      | 14,369      | 17,809      | 16,652      | 11.4%          |
| <i>QOQ change</i> | 10.1%       | 4.4%        | -7.9%       | 23.9%       | -6.5%       |                |
| Total equity      | 2,659       | 2,781       | 3,959       | 4,032       | 3,842       | 44.5%          |
| <i>QOQ change</i> | 4.2%        | 4.6%        | 42.4%       | 1.8%        | -4.7%       |                |

*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                         | 1.65   | 70.0%  | 1.15           |
| Relative Valuation (RV)                 | 1.48   | 30.0%  | 0.44           |
| <b>Weighted Average Valuation (AED)</b> |        |        | <b>1.60</b>    |
| Current market price (AED)              |        |        | 1.36           |
| Upside/Downside (%)                     |        |        | +18%           |

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.3%. 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 5.7%. 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)                        | 505          |
| Terminal value (AED, Mn)                   | 1,308        |
| Book Value of Equity (as of Mar 2026)      | 3,291        |
| <b>FV to Common shareholders (AED, Mn)</b> | <b>5,103</b> |
| No. of shares (Mn)                         | 3,094        |
| Current Market Price (AED)                 | 1.36         |
| <b>Fair Value per share (AED)</b>          | <b>1.65</b>  |

### Residual Income Method

| (All Figures in AED Mn)               | FY 2026E   | FY 2027E   | FY 2028E   | FY 2029E   | FY 2030E   |
|---------------------------------------|------------|------------|------------|------------|------------|
| Net Profit                            | 424        | 449        | 475        | 478        | 496        |
| (-) Equity Charge                     | -290       | -310       | -331       | -355       | -378       |
| <b>Excess Equity</b>                  | <b>134</b> | <b>139</b> | <b>143</b> | <b>123</b> | <b>118</b> |
| Discounting Factor                    | 0.95       | 0.87       | 0.81       | 0.74       | 0.69       |
| <b>Present Value of Excess Equity</b> | <b>95</b>  | <b>122</b> | <b>116</b> | <b>91</b>  | <b>81</b>  |

## 2) Relative Valuation:

We have used local peers to value UAB, and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x in line with peers.

| Company                  | Market<br>(USD Mn) | P/E (x)     |             | P/B (x)     |             |
|--------------------------|--------------------|-------------|-------------|-------------|-------------|
|                          |                    | 2026F       | 2027F       | 2026F       | 2027F       |
| Sharjah Islamic Bank     | 3,048              | 8.76        | NA          | 1.4         | NA          |
| Commercial Bank of Dubai | 7,477              | 7.8         | 9.5         | 1.4         | 1.4         |
| Emirates NBD             | 51,450             | 8.0         | 7.4         | 1.2         | 1.1         |
| Mashreq Bank             | 11,906             | 6.3         | 7.0         | 1.1         | 1.2         |
| RAK Bank                 | 4,518              | 5.8         | 7.9         | 1.0         | 1.2         |
| <b>Average</b>           |                    | <b>7.3x</b> | <b>7.9x</b> | <b>1.2x</b> | <b>1.2x</b> |
| <b>Median</b>            |                    | <b>7.8x</b> | <b>7.6x</b> | <b>1.2x</b> | <b>1.2x</b> |
| <b>Max</b>               |                    | <b>8.0x</b> | <b>8.3x</b> | <b>1.4x</b> | <b>1.2x</b> |
| <b>Min</b>               |                    | <b>6.3x</b> | <b>7.3x</b> | <b>1.1x</b> | <b>1.2x</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:

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### Sales & Execution

|                       |                                    |                     |
|-----------------------|------------------------------------|---------------------|
| Abu Dhabi Head Office |                                    |                     |
| Trading Desk          | +971-2-6161700/1<br>+971-2-6161777 | Online Trading Link |
| Institutional Desk    | +971-4-4245765                     |                     |

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