



Union National Bank P.J.S.C. (UNB)

Investor Presentation

March 2018



UNB – Key Highlights



Majority ownership (50%) and strong support from the Government of Abu Dhabi

Stable and conservative management

Demonstrated consistent performance of a time tested strategy, even in a challenging environment

Reaffirmed strong ratings

Diversified loan book and prudent provisioning

High capitalization – Strong CAR and Tier I ratio as per Basel III of 19.3% and 18.1% respectively

Strong fundamentals, consistent strategy and management track record supporting sustainable growth



Overview of UNB

Strong Ratings – Constantly Maintained



Moody's Investors Service

A1

FitchRatings

A+



A+

Overview

- ❑ Established in 1982 and headquartered in Abu Dhabi.
- ❑ Joint Abu Dhabi and Dubai Government ownership.
- ❑ Listed on the Abu Dhabi Securities Exchange (ADX).
- ❑ Provides a full array of wholesale and retail banking services through a network of 75 branches in UAE.
- ❑ 4th largest local commercial bank (excluding Islamic Financial Institutions) in UAE in terms of loans and advances.
- ❑ International footprint in China ,Egypt, Kuwait and Qatar.
- ❑ Around 3,400 employees as at 31 March 2018.
- ❑ Market capitalization of AED 9.8 Billion (USD 2.7 Billion) as at 31 March 2018.

Group Operating Structure



Highlights - Income Statement

AED in Million	Q1 2018	Q1 2017	Y-o-Y %	Q4 2017	Q-o-Q %
Net interest income and income from Islamic financing	678	652	4%	666	2%
Non interest income	205	245	(16%)	213	(4%)
Operating Income	883	897	(2%)	879	-
Operating expenses	(286)	(265)	(8%)	(270)	(6%)
Operating profit	597	631	(5%)	610	(2%)
Impairment charge on financial assets, net	(160)	(169)	5%	(308)	48%
Income tax expenses	(12)	(11)	(9%)	(13)	8%
Net Profit	426	452	(6%)	289	47%

- ❑ Non interest income lower by 16% on year on year basis, due to lower gain on dealing in foreign currencies and derivatives and drop in fees and commission income driven by lower business volumes and softer loan growth.
- ❑ Net interest income up by 4% led by a growth in the net interest margin on account of increase in yield on earning assets, partly offset by increase in costs of funds. The net interest margin for Q1 2018 was 2.62%, higher by 4 basis points compared to the last year.
- ❑ Operating expenses increased by 8% in the first quarter over the same period of 2017 to support ongoing business activities.

*Figures may not add up due to rounding off difference



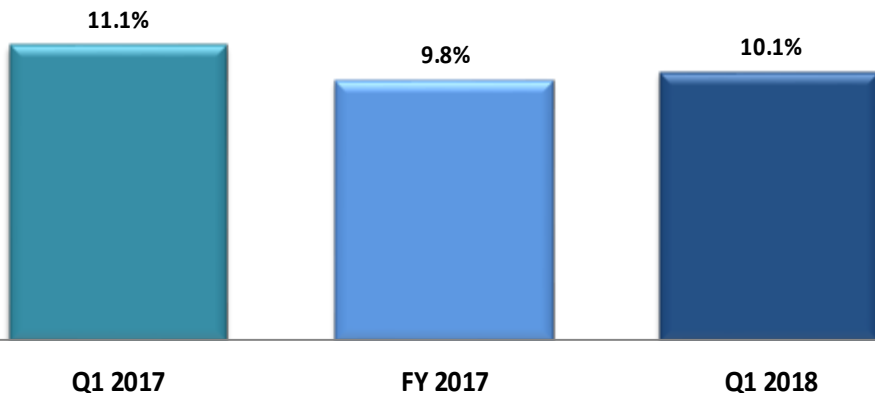
Highlights – Balance Sheet

AED in Billion	31-Mar-2018	31-Mar-2017	YOY %	31-Dec 2017	QoQ %
Net loans and advances	69.1	73.5	(6%)	71.1	(3%)
Investments	20.2	15.6	29%	21.1	(4%)
Total assets	106.3	104.6	2%	107.5	(1%)
Customers' deposits	74.8	75.6	(1%)	78.7	(5%)
Medium Term Borrowing	7.9	6.5	22%	6.5	22%
Total liabilities	88.0	86.3	2%	88.1	-
Equity attributable to equity holders of the Bank	18.2	18.2	-	19.3	(6%)

- ❑ Net loans and advances dropped by 6% compared to prior year end, due to scheduled loan run offs, impact of IFRS 9 transition adjustment and overall softer credit demand.
- ❑ Group's liquidity position remained strong with the liquid assets, including investments constituting 31% of the total assets as at 31 March 2018.
- ❑ Customers' deposits marginally decreased by 1% compared to the corresponding period in the previous year.
- ❑ Investments portfolio increased by 29% on year on year basis to enhance the overall balance sheet returns and to comply with the liquidity guidelines issued by the Central Bank of UAE.
- ❑ The Basel III capital adequacy ratio remained strong at 19.3% as at 31 March 2018.

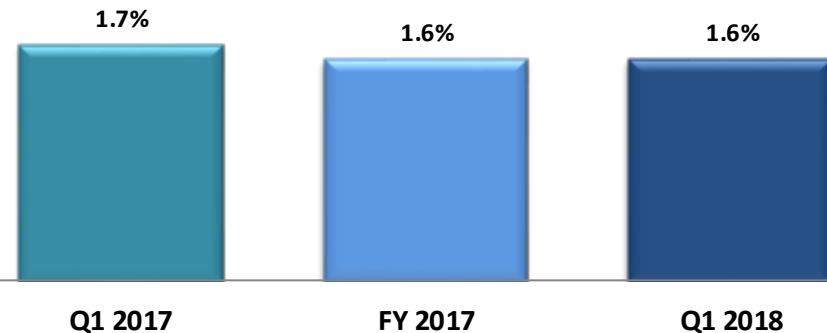
Key Performance indicators

Return On Average Equity * (Annualized)

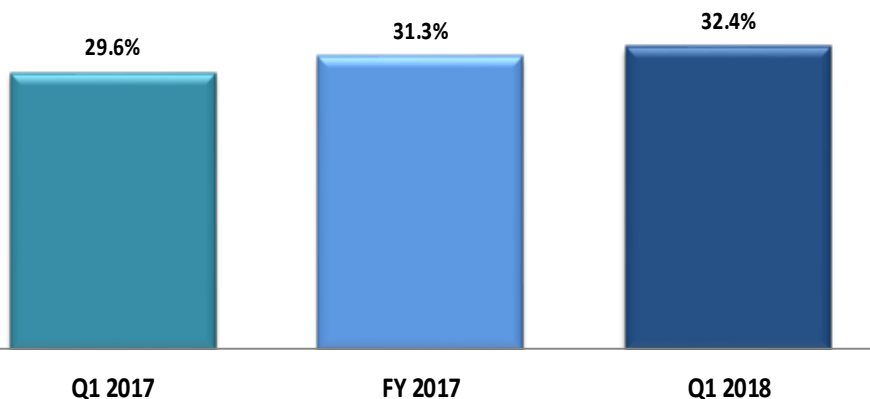


* Excluding Tier I Capital Notes

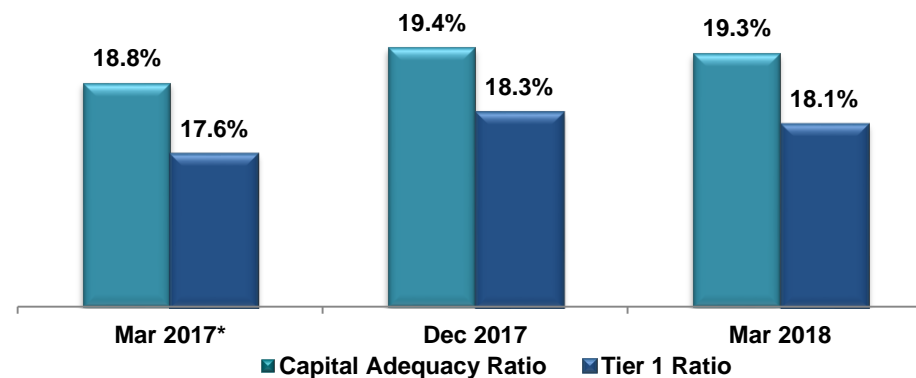
Return On Average Assets (Annualized)



Cost to Income Ratio



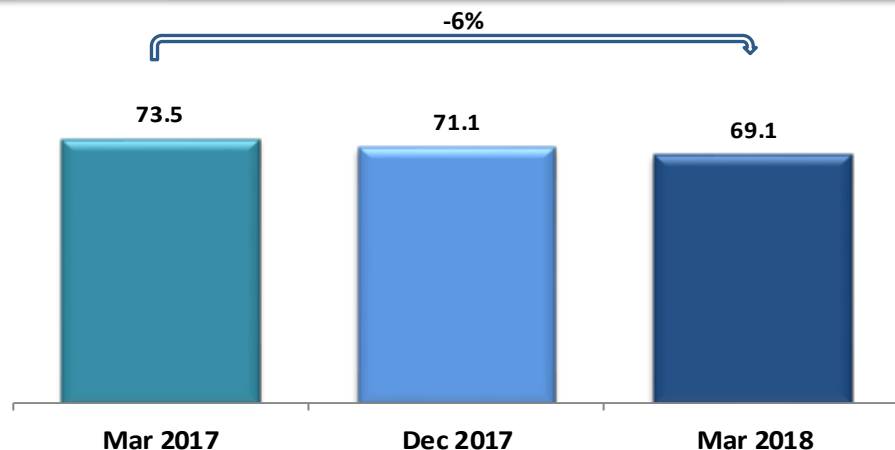
Capital Adequacy Ratio



* As per Basel II

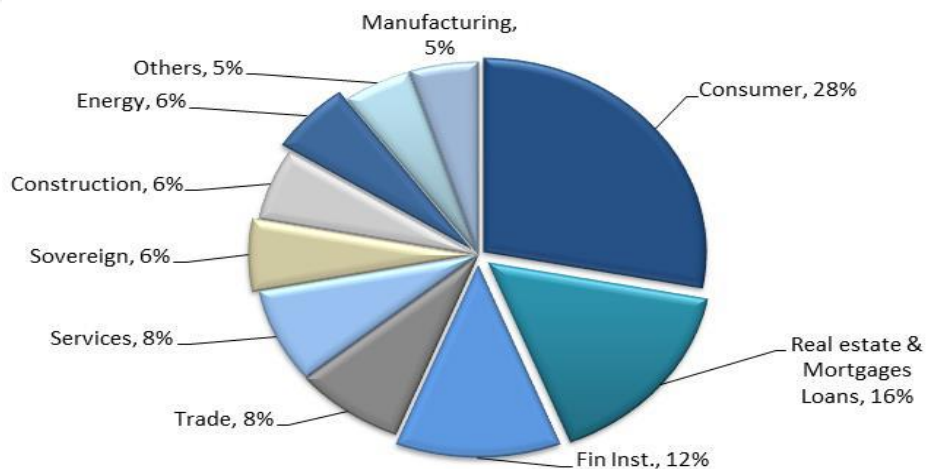
Balance Sheet – Customer Loans

Net Loans and advances (AED Billion)

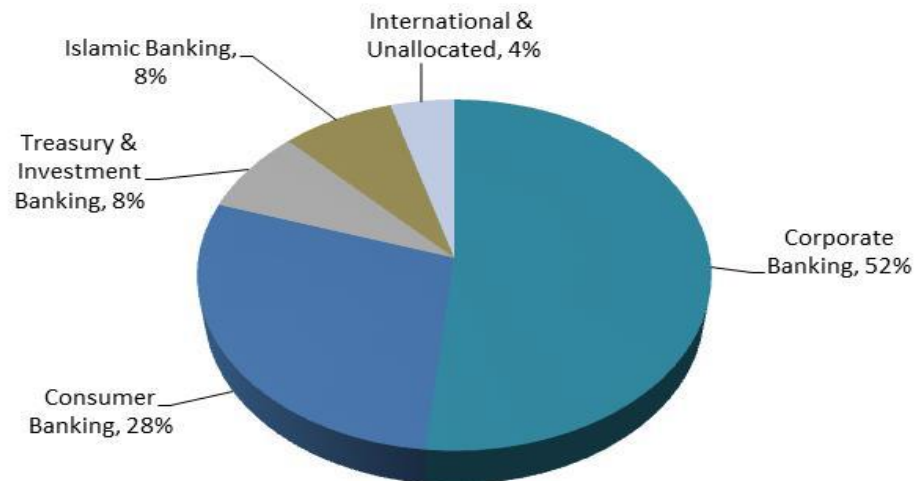


- Net Loans and advances decreased by 6% due to scheduled loan run offs, overall softer credit demand and impact of IFRS 9 transition adjustment.
- Financial institutions, Services and Sovereign segments witnessed a drop while Consumer book has increased due to strong business volumes as compared to corresponding period in the previous year.

Diversified Loan Book



Gross Loan Book by Segment (AED Billion)



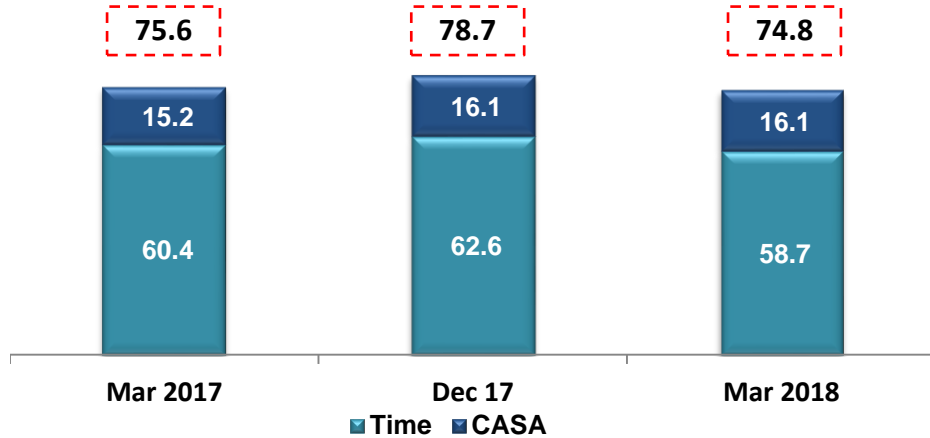
* Including RBG, SME and Private Banking and Wealth Mgt.

As at 31 March 2018



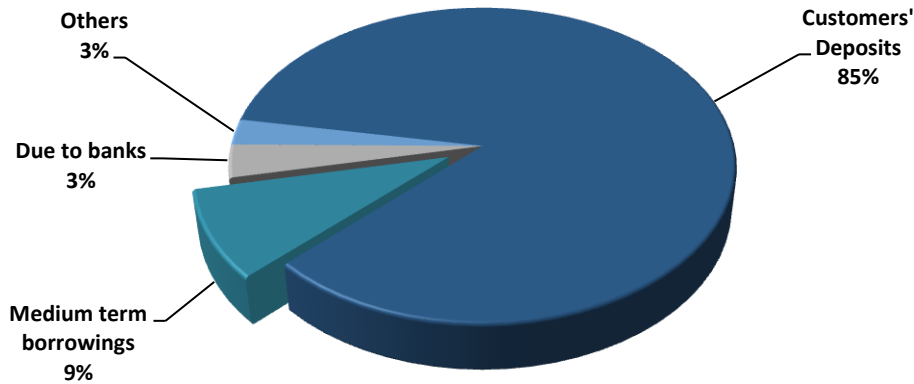
Funding Structure

Product-wise Deposit break-down (AED Billion)

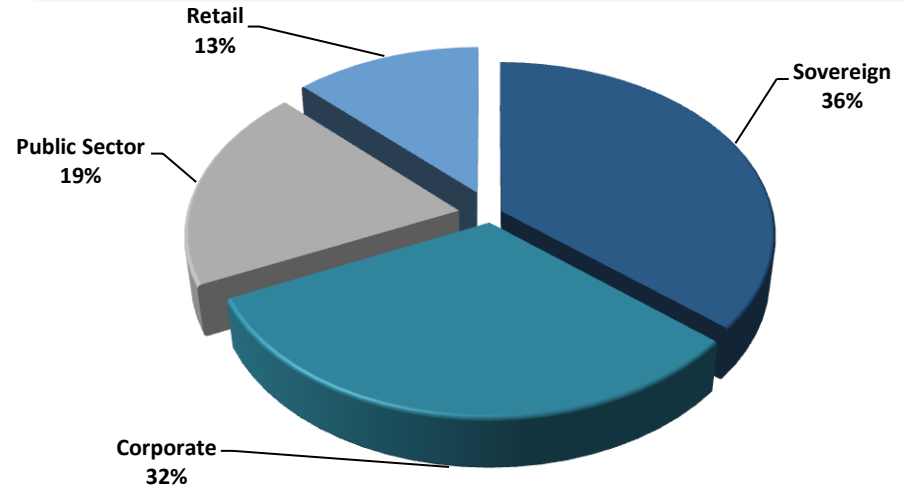


- ❑ Diversified funding mix, with Customers' deposits constituting 85% of total liabilities.
- ❑ Customers' deposits decreased by 1% compared to the corresponding period in the previous year. CASA deposits increased by 6% on year on year basis.
- ❑ To further diversify the funding sources UNB successfully issued US \$500 million senior unsecured bond during Q1 2018 under its euro medium term note programme.

Funding Mix (AED Billion) as at 31 March 2018

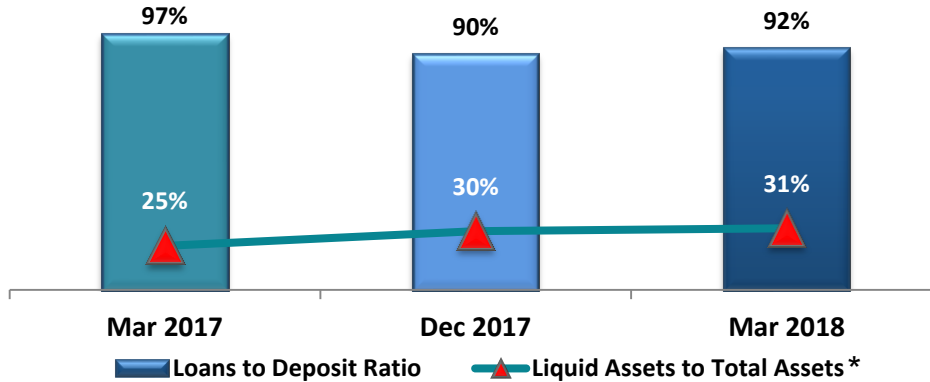


Sector-wise Deposit Break-down as at 31 March 2018



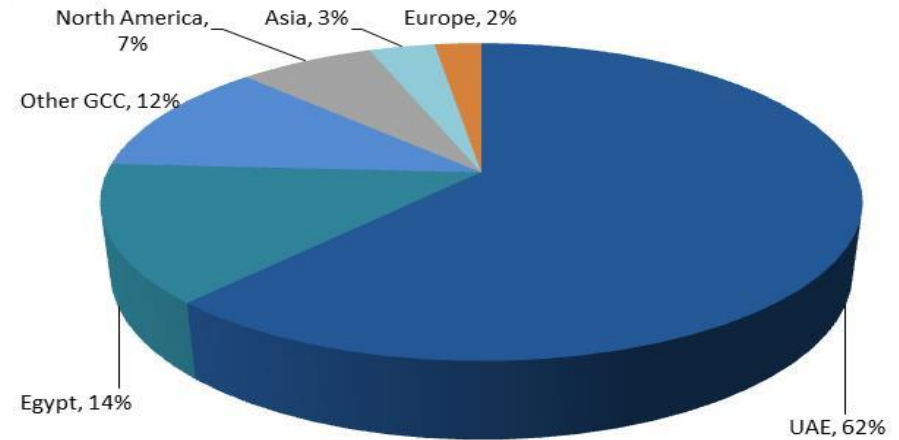
Comfortable Liquidity Position

Liquidity Position



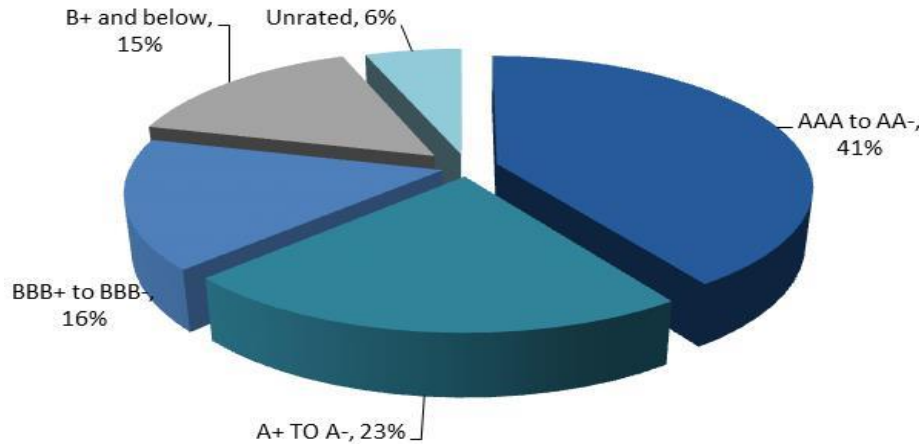
*Liquid assets includes cash, Due from Banks and Investments

Investments – Geographical Break up



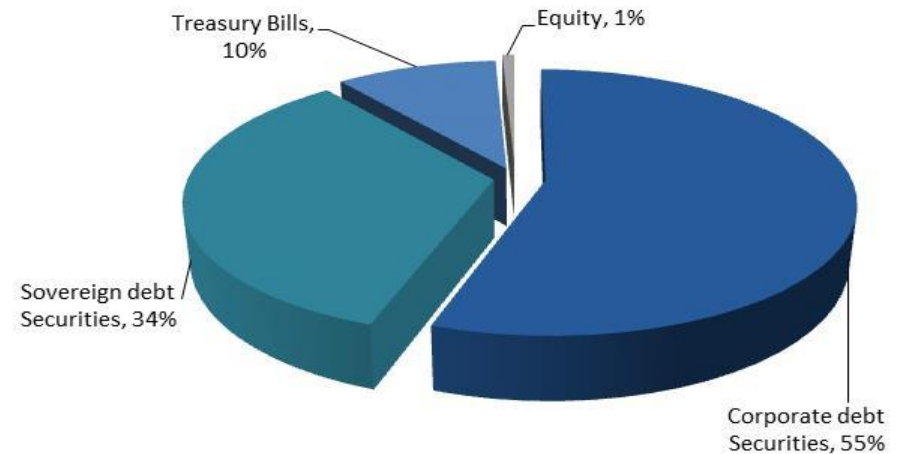
Investments - Ratings

As at 31 March 2018



Investments – By Type

TOTAL : AED 20.2 Bn *

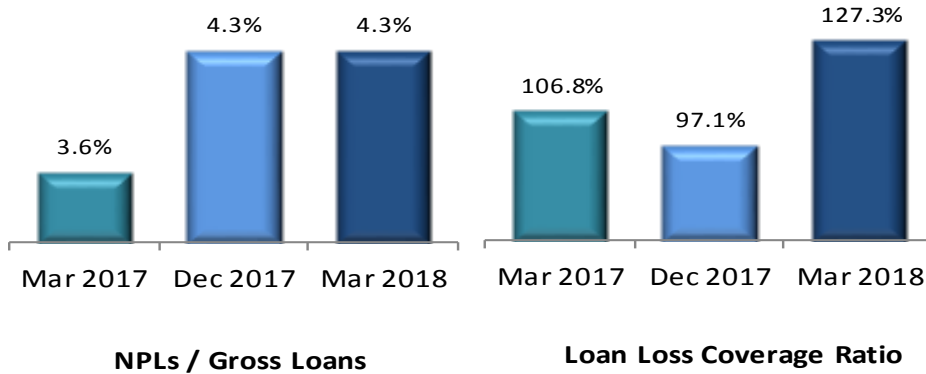


*Consolidated including subsidiaries



Credit Quality

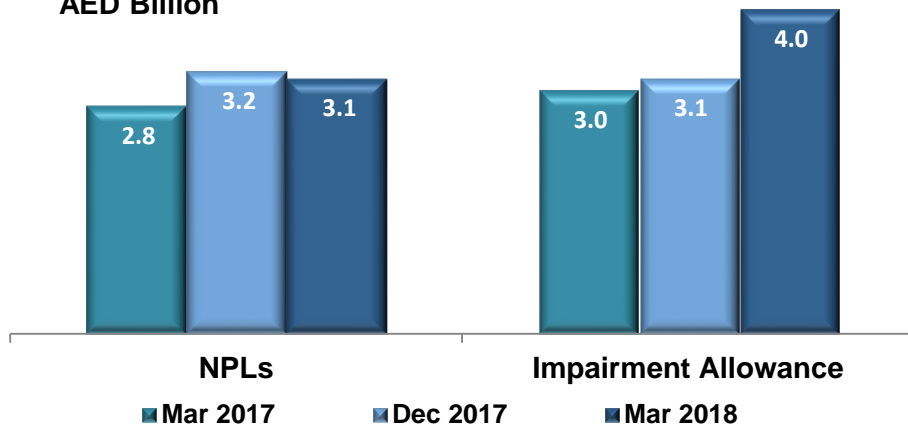
Loan Loss Coverage and NPL Ratio (%)



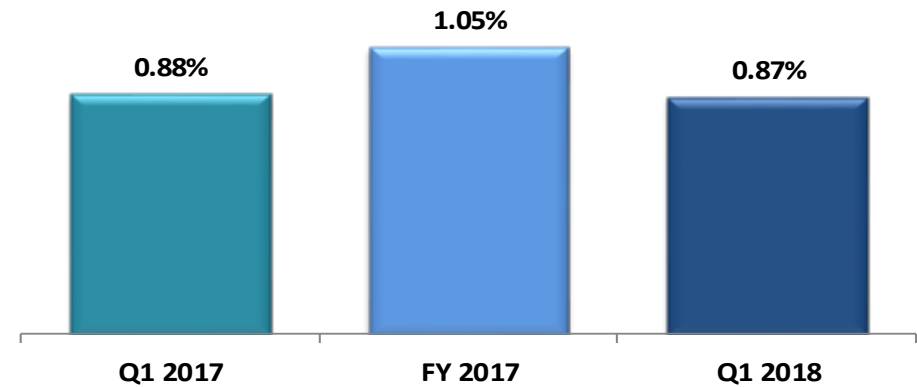
- Non performing loans and advances to gross loans and advances remained unchanged at 4.3% as compared to prior year end.
- Overall coverage improved to 127.3% as at 31 March 2018, ratio after transition adjustment related to IFRS 9 implementation.

Impaired Loans and Impairment allowances

AED Billion



Cost of Risk

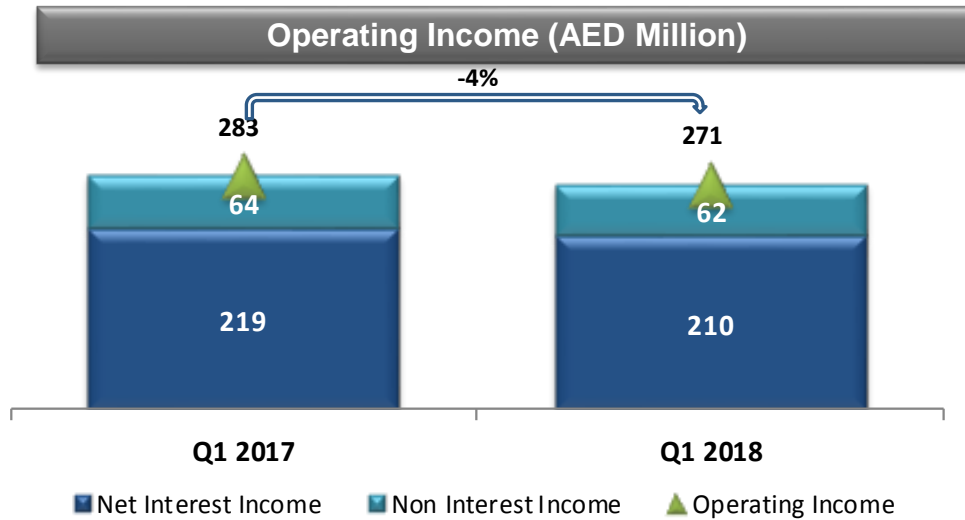


Business Lines

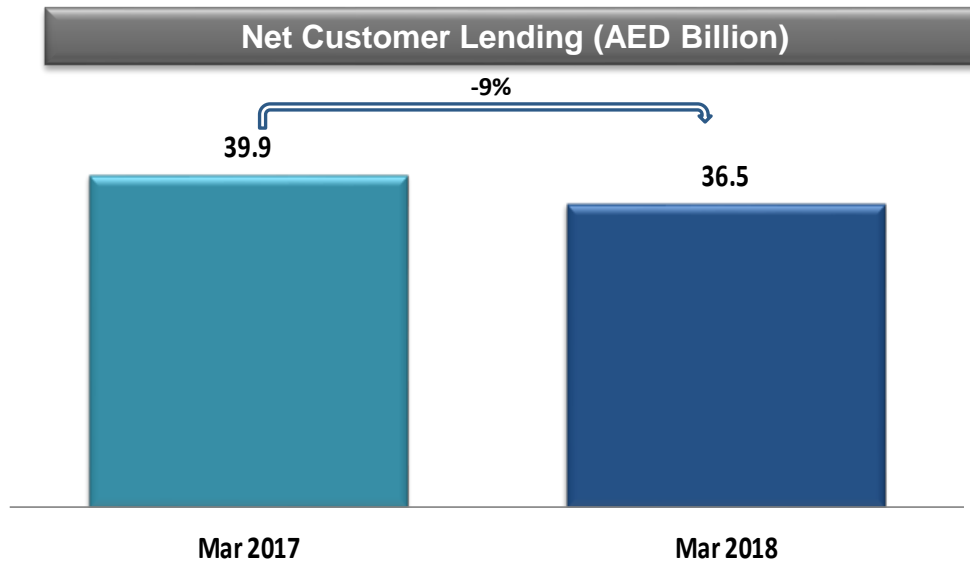
AED million, as at 31 March 2018, unless otherwise stated	Corporate Banking	Consumer Banking	Islamic Banking	Treasury and investment banking	International and unallocated	Total
Operating Income	271	325	72	105	109	883
Operating Expenses	(54)	(157)	(25)	(21)	(29)	(286)
Operating Profit	218	167	47	85	80	597
Impairment charge (Net)	(25)	(90)	(1)	(4)	(38)	(160)
Income tax expense	-	-	-	-	(12)	(12)
Net Profit	192	77	46	80	30	426
Assets (AED billion)	36.5	19.4	8.9	32.0	9.5	106.3

* Figures may not add up due to rounding off differences

Business Lines – Corporate Banking

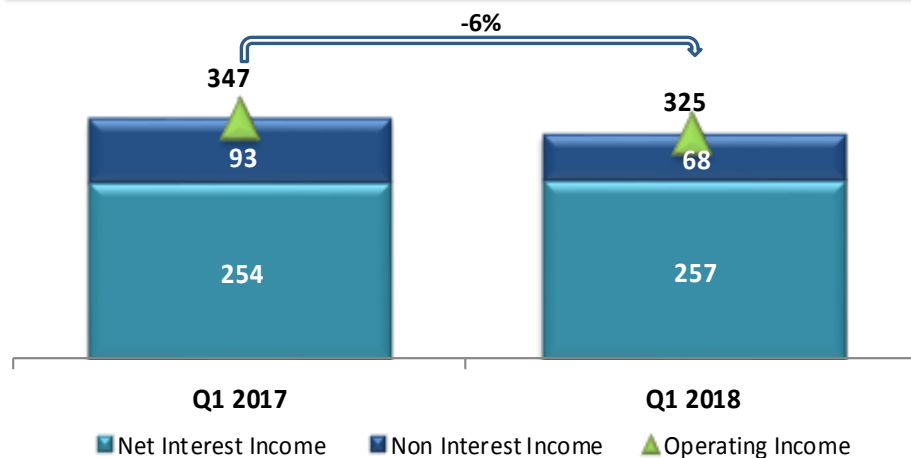


- Net interest income decreased by 4%, driven by drop in average volumes.
- Customer Assets dropped by 9% as compared to same period prior year due to few repayments of loans and softer credit demand in corporate segment.
- Customer Assets for Corporate Banking constituted 52% of the Group's total loans as at 31 March 2018.



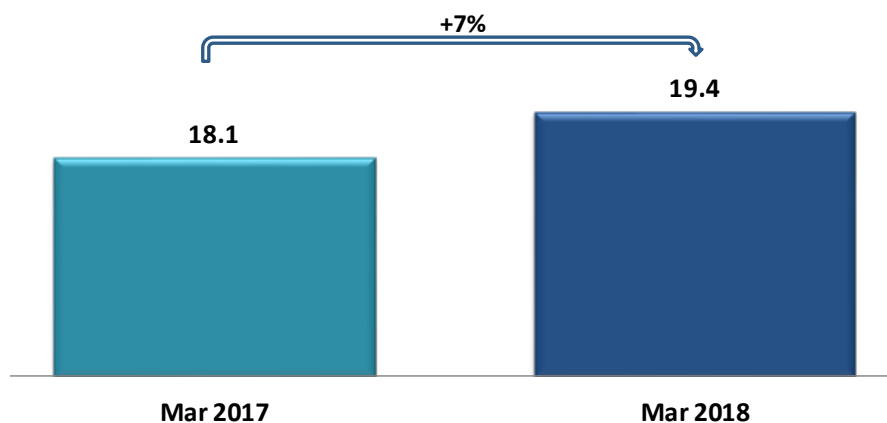
Business Lines – Consumer Banking

Operating Income (AED million)

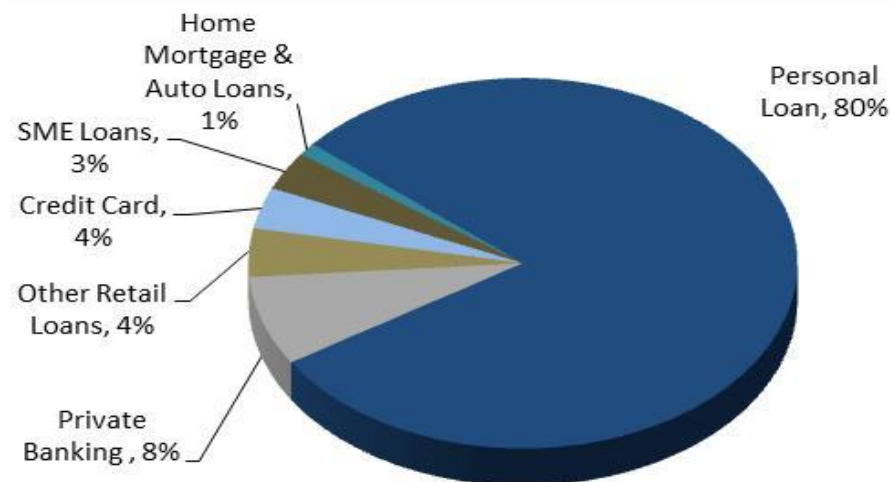


- Consumer Banking operating income decreased by 6% Y-o-Y, due to drop in fees and commission income driven by lower business volumes in Q1 2018.
- Customer Assets increased by 7% as compared to same period prior year, driven by higher growth in retail loans during 2017, while loan growth on YTD basis dropped by 3.5% due to lower volumes.

Net Customer Lending (AED Billion)

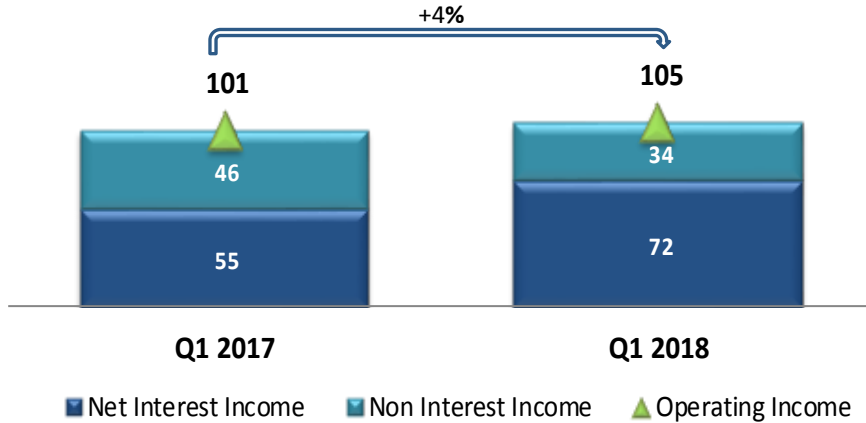


Product wise break up



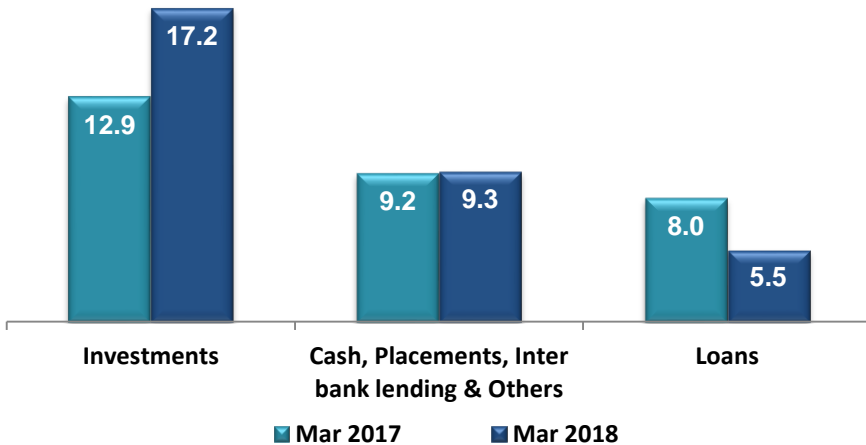
Business Lines – Treasury and Investment Banking

Operating Income (AED million)

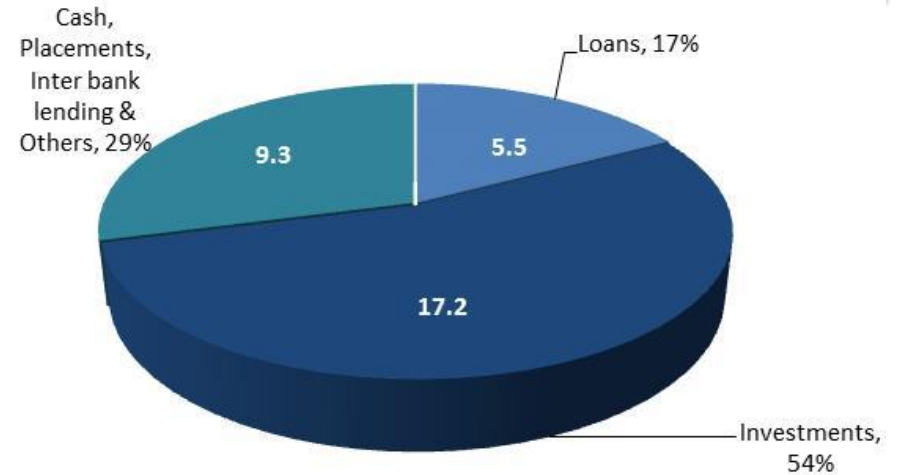


- Net interest income increased by 31%, largely on account of increase in investments portfolio.
- Non interest income dropped by 26%, mainly due to decrease in gain on dealing in foreign currencies and derivatives.

Assets- by type (AED Billion)

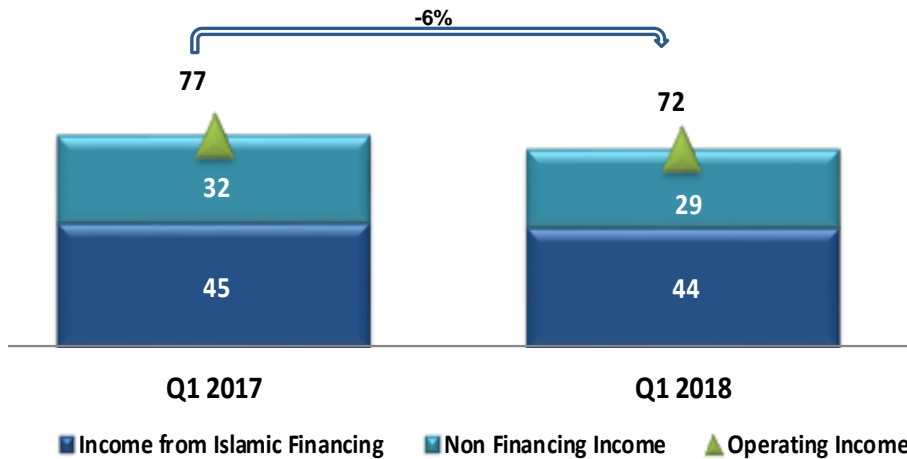


Asset Breakup as at 31 March 2018 (AED Billion)



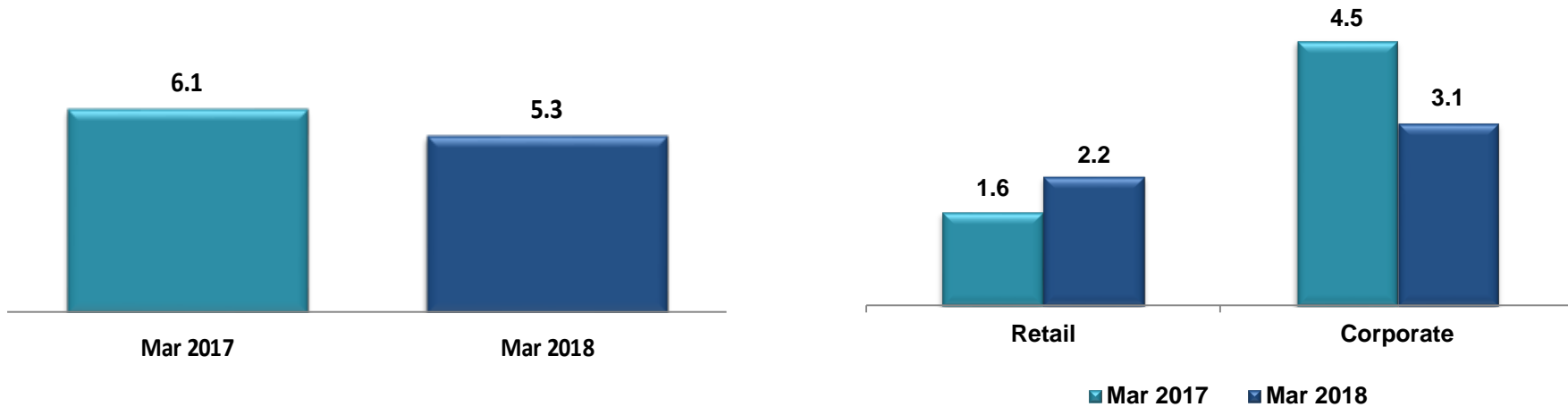
Business Lines – Islamic Banking

Operating Income (AED million)



- Net Islamic loans dropped, mainly due to few repayments in corporate sector, partly offset by increase in retail portfolio.

Net Islamic Financing (AED Billion)



Awards and Certifications

- UNB CEO was honoured by the internationally renowned World Finance (WF) magazine to be amongst its prestigious WF 100 list for 2017.
- UNB received the Dubai Chamber CSR Label for the third consecutive year.

