



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

Investor Presentation

June 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 19.9% and 18.8% respectively

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



Overview of UNB

Strong Ratings – Constantly Maintained



Moody's Investors Service

A1



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 30 June 2018.
- ❑ Market capitalization of AED 10.2 Billion (USD 2.8 Billion) as at 30 June 2018.

Group Operating Structure



Highlights - Income Statement

| AED in Million | H1 2018 | H1 2017 | Y-o-Y % | Q2 2018 | Q2 2017 | Q-o-Q % |
|---|--------------|--------------|--------------|------------|------------|--------------|
| Net interest income and income from Islamic financing | 1,390 | 1,305 | 7% | 711 | 654 | 9% |
| Non interest income | 378 | 514 | (26%) | 174 | 269 | (35%) |
| Operating Income | 1,768 | 1,819 | (3%) | 885 | 923 | (4%) |
| Operating expenses | (593) | (582) | (2%) | (307) | (316) | 3% |
| Operating profit | 1,176 | 1,238 | (5%) | 578 | 607 | (5%) |
| Impairment charge on financial assets, net | (310) | (258) | (20%) | (151) | (90) | (68%) |
| Income tax expenses | (24) | (21) | (14%) | (12) | (11) | (9%) |
| Net Profit | 841 | 958 | (12%) | 416 | 506 | (18%) |

Net interest income up by 7% led by a growth in the net interest margin on account of higher yield on earning assets partly offset by an increase in cost of funds; the net interest margin for H1-2018 was 2.73%, higher by 16 basis points compared to corresponding period of 2017.

Non interest income lower by 26% on year on year basis, due to reduction in fees and commission income and lower gain on dealing in foreign currencies and derivatives.

Operating expenses increased modestly by 2% in the first half of 2018 over the same period to support ongoing business activities.

Impairment charge increased by 20%, mainly due to lower recoveries in H1 2018 as compared to corresponding period of 2017.

*Figures may not add up due to rounding off difference

Highlights – Balance Sheet

| AED in Billion | 30-June-2018 | 30-June-2017 | YOY % | 31-Dec 2017 | QoQ % |
|---|--------------|--------------|-------|-------------|-------|
| Net loans and advances | 67.3 | 72.0 | (7%) | 71.1 | (5%) |
| Investments | 18.9 | 16.5 | 15% | 21.1 | (10%) |
| Total assets | 100.6 | 102.6 | (2%) | 107.5 | (6%) |
| Customers' deposits | 70.3 | 72.9 | (4%) | 78.7 | (11%) |
| Medium Term Borrowing | 7.9 | 6.5 | 22% | 6.5 | 22% |
| Total liabilities | 81.9 | 83.8 | (2%) | 88.1 | (7%) |
| Equity attributable to equity holders of the Bank | 18.5 | 18.6 | (1%) | 19.3 | (4%) |

Net loans and advances dropped by 7% compared to prior year end, due to scheduled loan repayments and impact of IFRS 9 transition adjustment.

The Group's liquidity position has continued to remain strong with liquid assets, including investments constituting 28% of the total assets as at 30 June 2018.

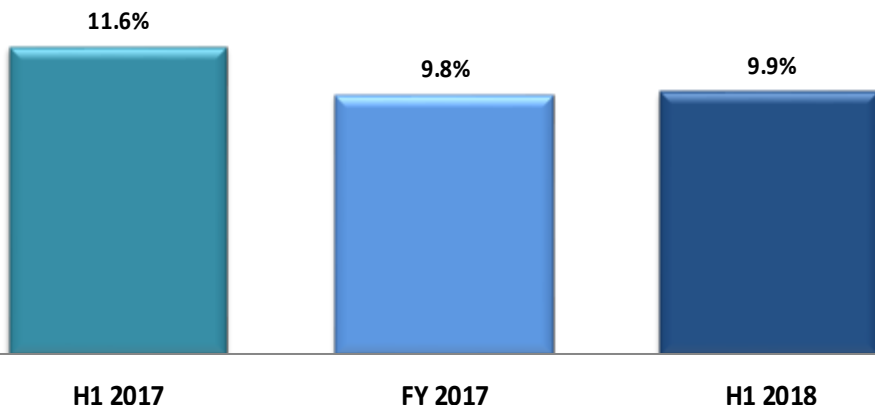
Customers' deposits are maintained at adequate level to optimize the costs of funds.

Investments portfolio increased by 15% 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 19.9% as at 30 June 2018.

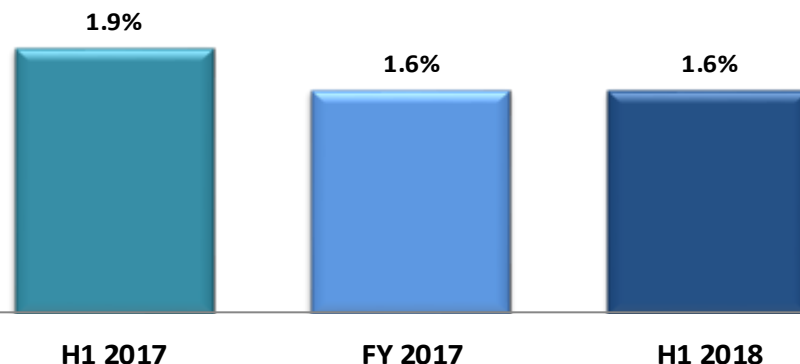
Key Performance indicators

Return On Average Equity * (Annualized)

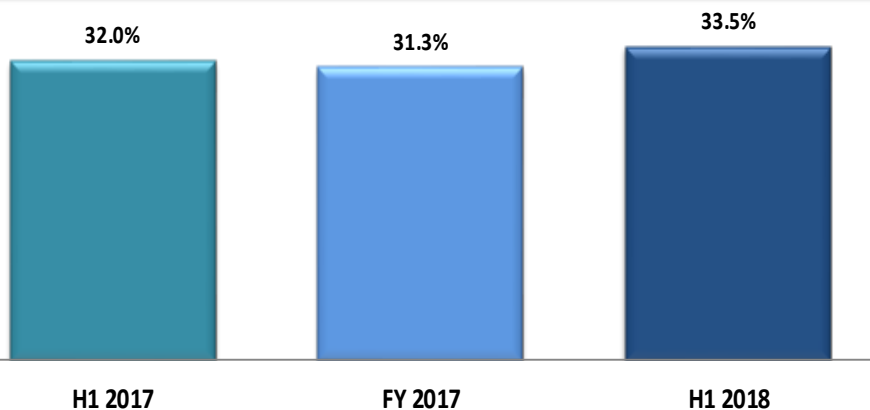


* Excluding Tier I Capital Notes

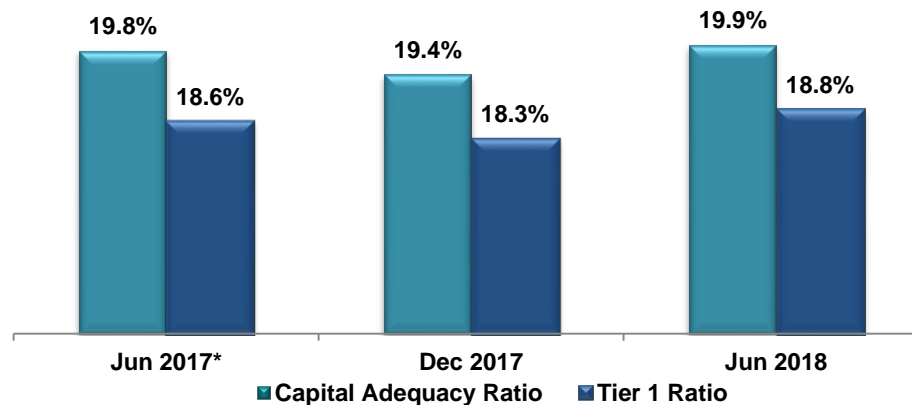
Return On Average Assets (Annualized)



Cost to Income Ratio



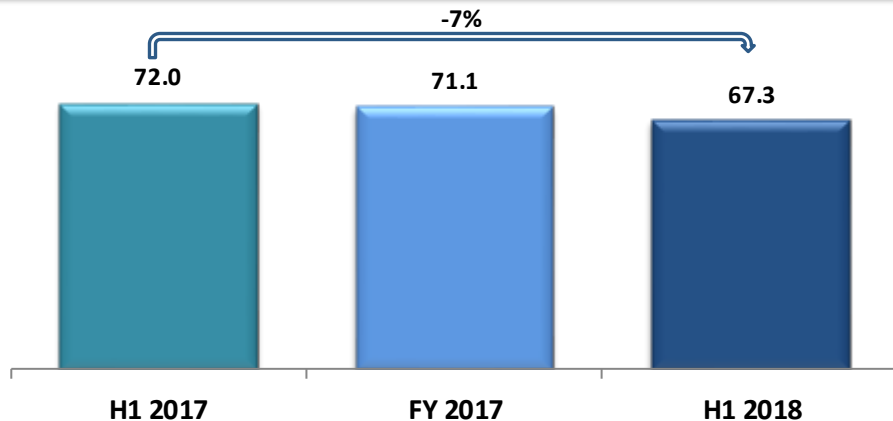
Capital Adequacy Ratio



* As per Basel II

Balance Sheet – Customer Loans

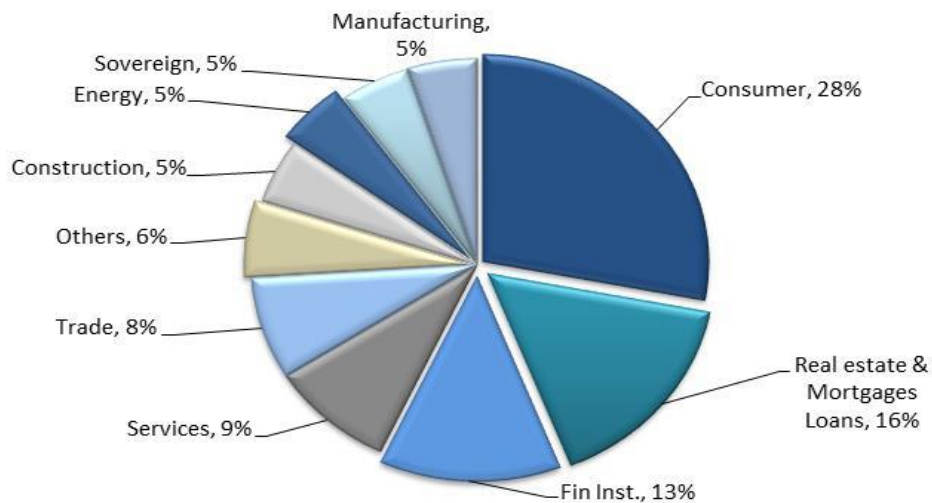
Net Loans and advances (AED Billion)



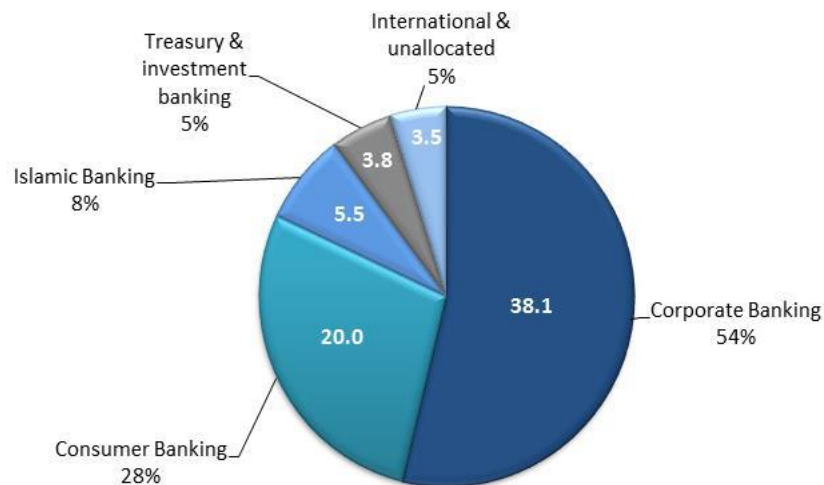
Net Loans and advances decreased by 7% due to scheduled loan run offs and impact of IFRS 9 transition adjustment.

Sovereign, Financial institutions, Energy and Construction segments witnessed a drop while Consumer book has increased due to higher business volumes in second half of prior year.

Diversified Loan Book



Gross Loan Book by Segment (AED Billion)

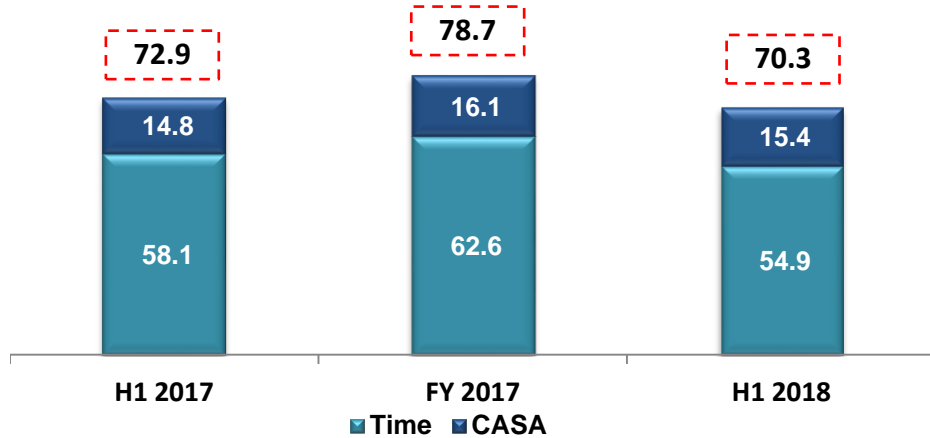


* Including RBG, SME and Private Banking and Wealth Mgt.

As at 30 June 2018

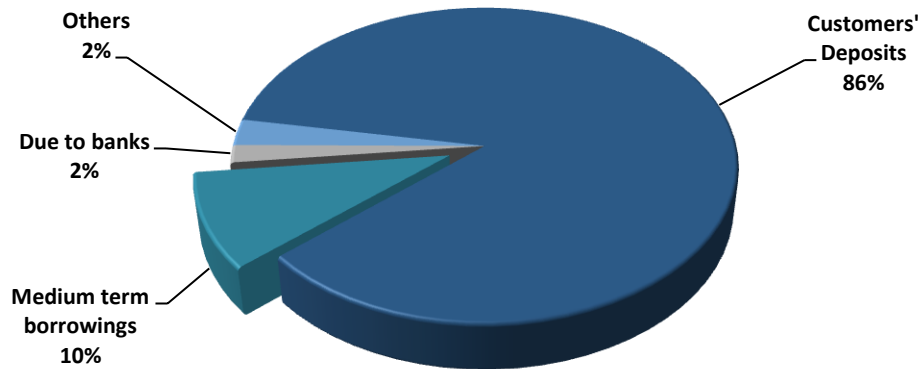
Funding Structure

Product-wise Deposit break-down (AED Billion)

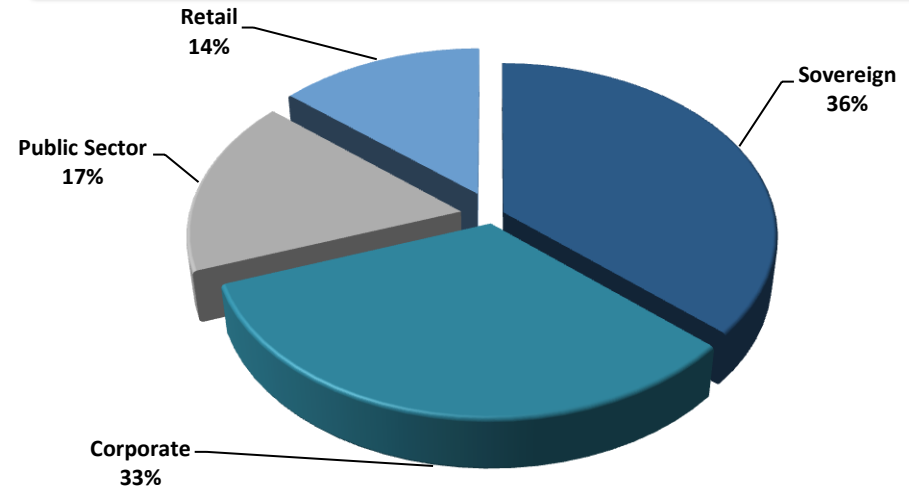


- ❑ Diversified funding mix, with Customers' deposits constituting 86% of total liabilities.
- ❑ Customers' deposits decreased by 4% compared to the corresponding period in the previous year. CASA deposits increased by 4% on year on year basis.
- ❑ To further diversify the funding sources UNB successfully issued US \$500 million senior unsecured bond during H1 2018 under its euro medium term note programme.

Funding Mix (AED Billion) as at 30 June 2018

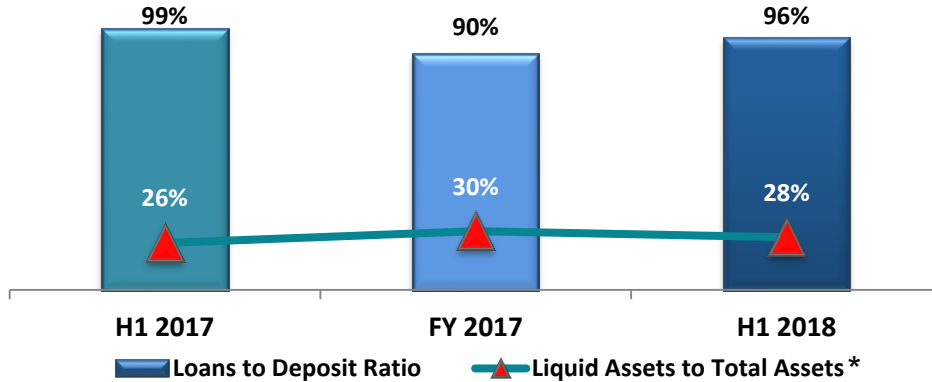


Sector-wise Deposit Break-down as at 30 June 2018



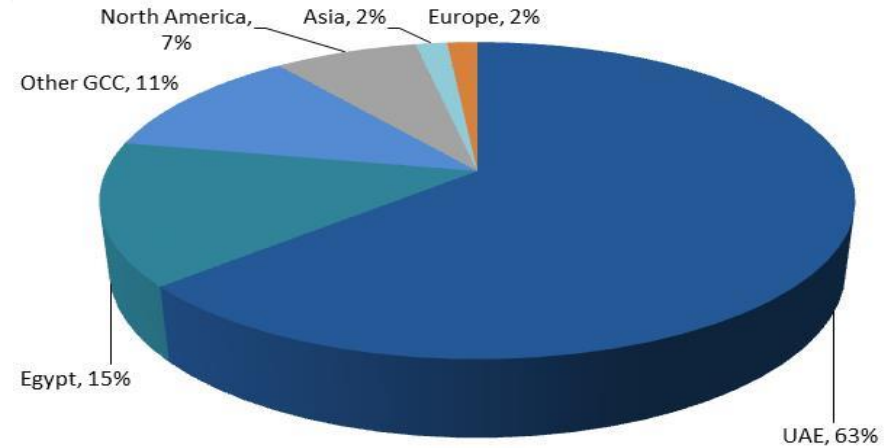
Comfortable Liquidity Position

Liquidity Position



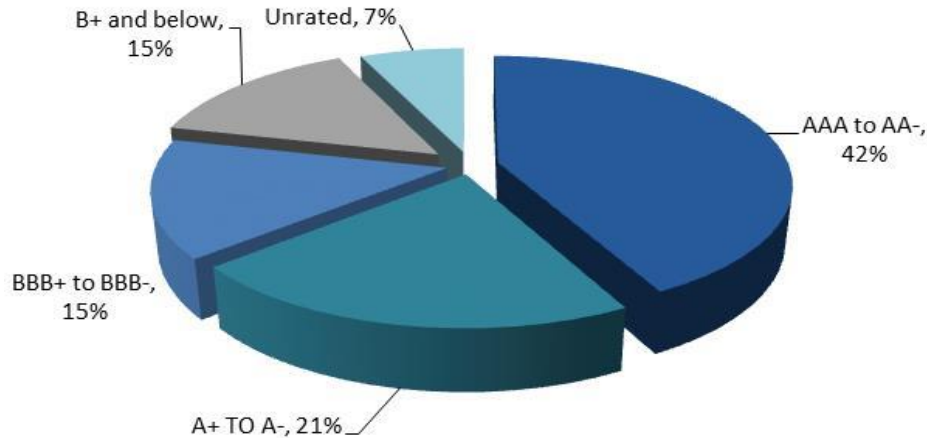
*Liquid assets includes cash, Due from Banks and Investments

Investments – Geographical Break up



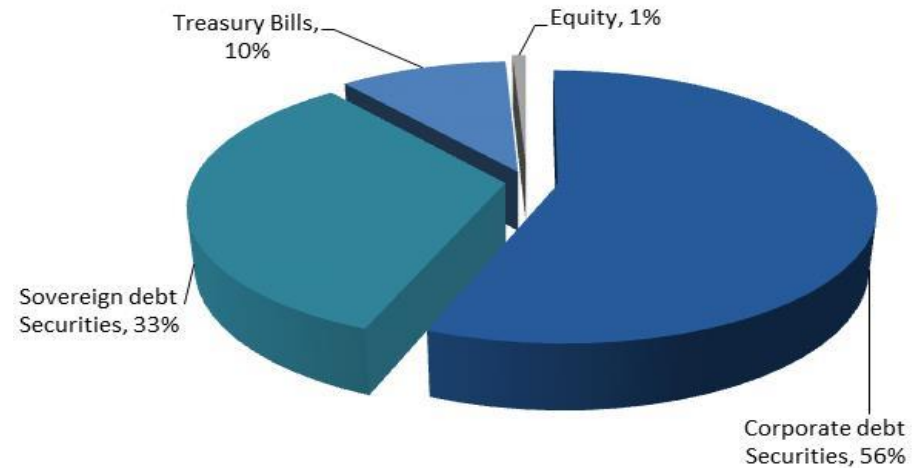
Investments - Ratings

As at 30 June 2018



Investments – By Type

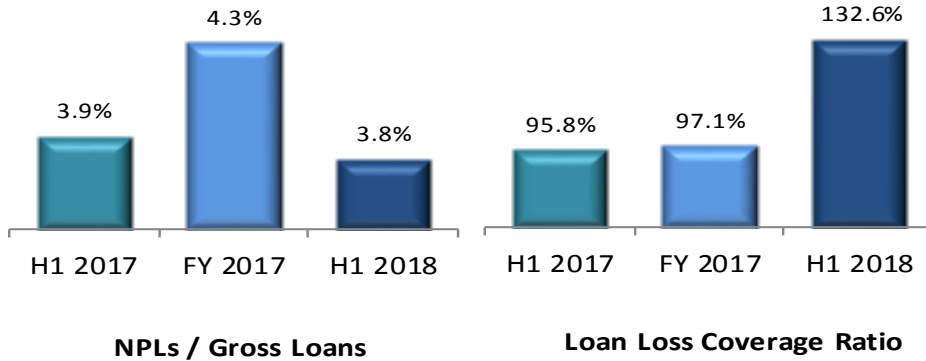
TOTAL : AED 18.9 Bn *



*Consolidated including subsidiaries

Credit Quality

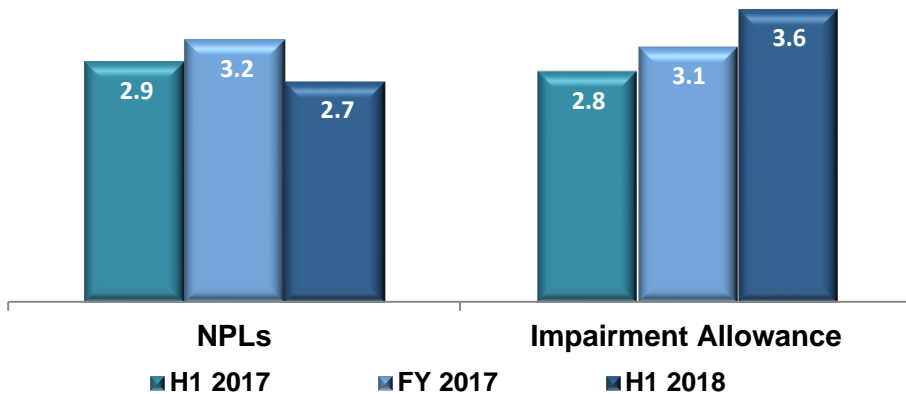
Loan Loss Coverage and NPL Ratio (%)



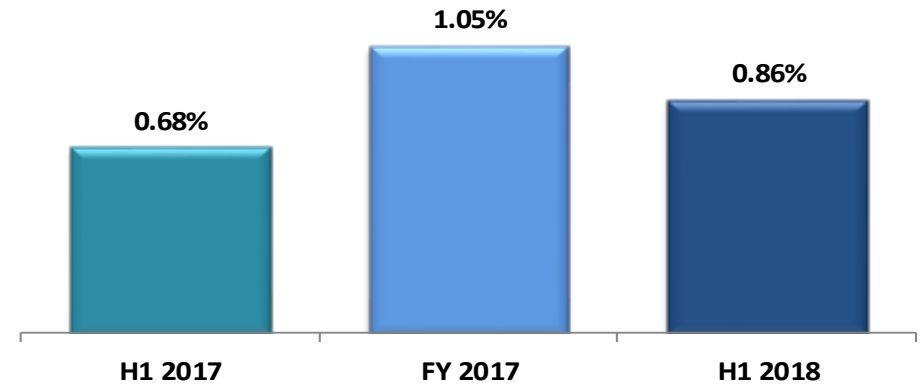
- ❑ NPL ratio dropped by 50bps to 3.8% as compared to prior year end.
- ❑ Overall coverage improved to 132.6% as at 30 June 2018, ratio after transition adjustment related to IFRS 9 implementation.

Impaired Loans and Impairment allowances

AED Billion



Cost of Risk

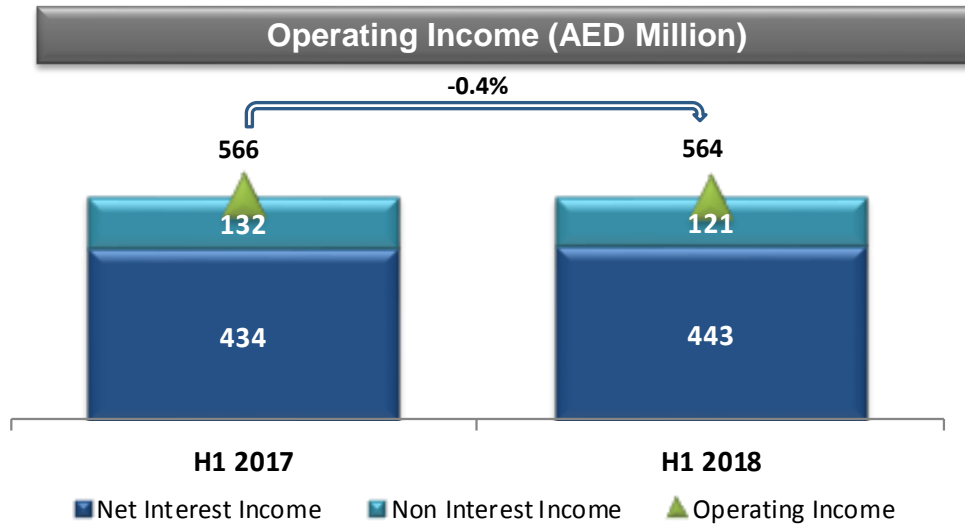


Business Lines

| AED million, as at 30 June 2018, unless otherwise stated | Corporate Banking | Consumer Banking | Islamic Banking | Treasury and investment banking | International and unallocated | Total |
|--|-------------------|------------------|-----------------|---------------------------------|-------------------------------|-------|
| Operating Income | 564 | 619 | 142 | 225 | 218 | 1,768 |
| Operating Expenses | (112) | (329) | (53) | (43) | (57) | (593) |
| Operating Profit | 452 | 291 | 89 | 183 | 161 | 1,176 |
| Impairment charge (Net) | (68) | (208) | (14) | 7 | (27) | (310) |
| Income tax expense | - | - | - | - | (24) | (24) |
| Net Profit | 384 | 83 | 75 | 189 | 110 | 841 |
| Assets (AED billion) | 36.9 | 19.0 | 9.2 | 25.4 | 10.0 | 100.6 |

* Figures may not add up due to rounding off differences

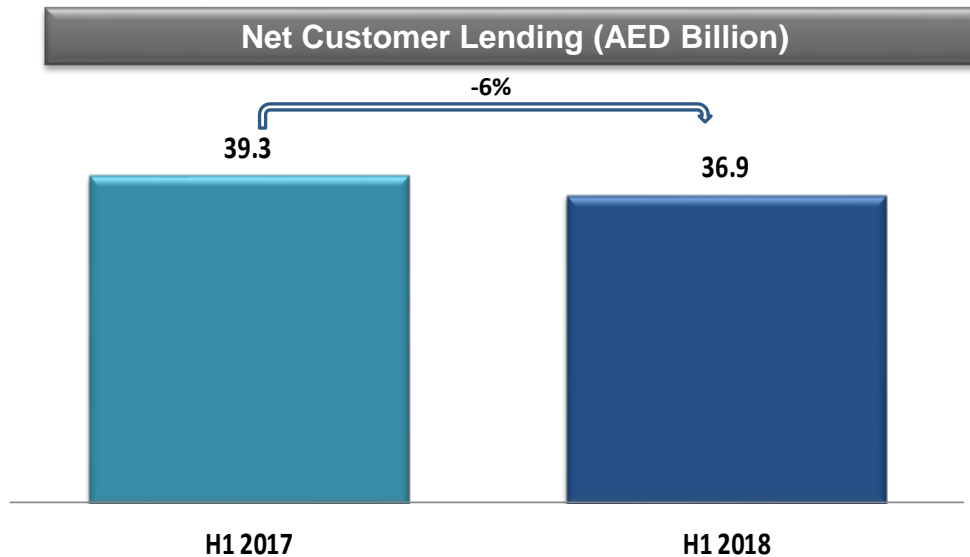
Business Lines – Corporate Banking



□ Net interest income increased by 2%, driven by improvement in margin.

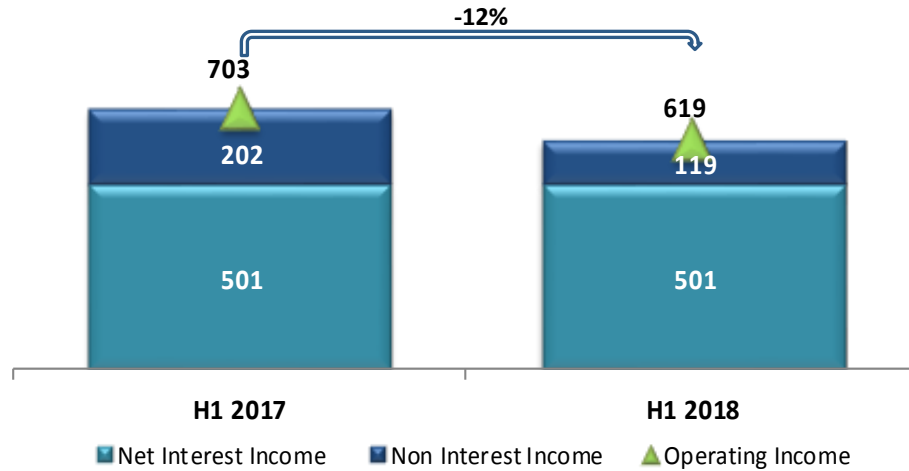
□ Customer Assets dropped by 6% as compared to same period prior year due to few repayments of loans and softer credit demand in corporate segment.

□ Customer Assets for Corporate Banking constituted 54% of the Group's total loans as at 30 June 2018.



Business Lines – Consumer Banking

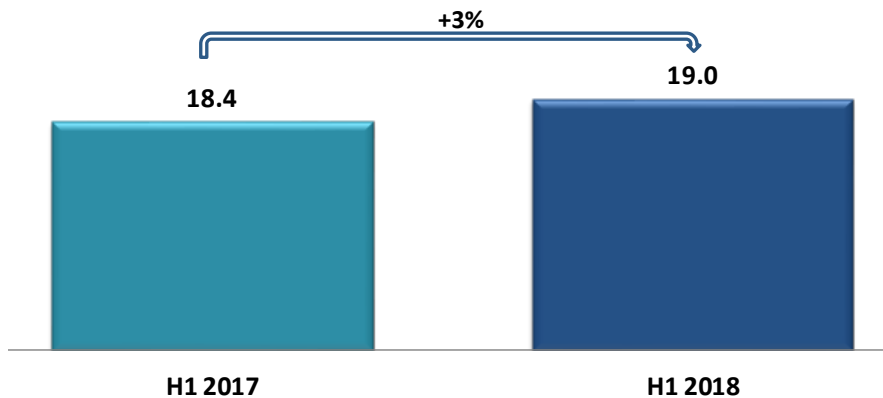
Operating Income (AED million)



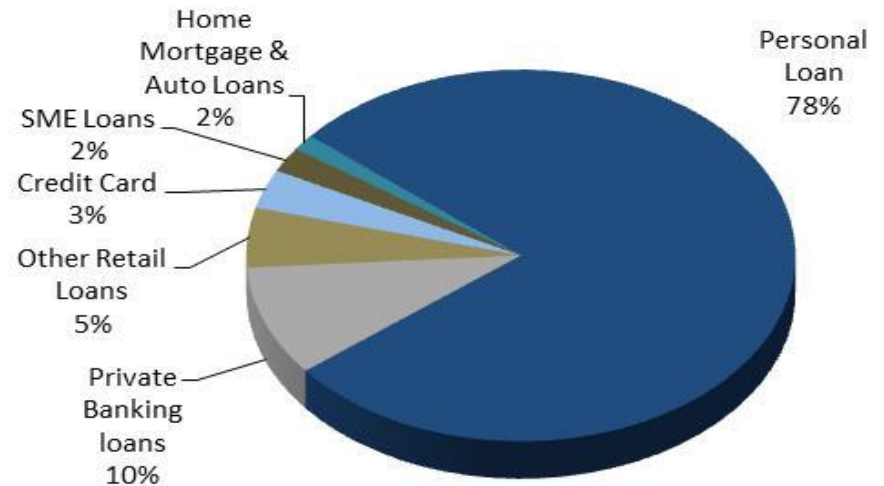
□ Consumer Banking operating income decreased by 12% Y-o-Y, due to drop in fees and commission income driven by lower business volumes in H1 2018.

□ Customer Assets increased by 3% as compared to same period prior year, driven by higher growth in retail loans during H2 2017.

Net Customer Lending (AED Billion)

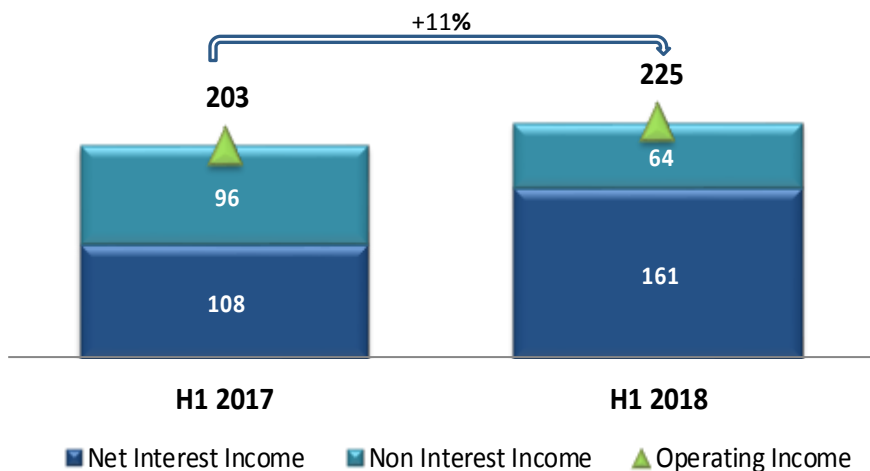


Product wise break up



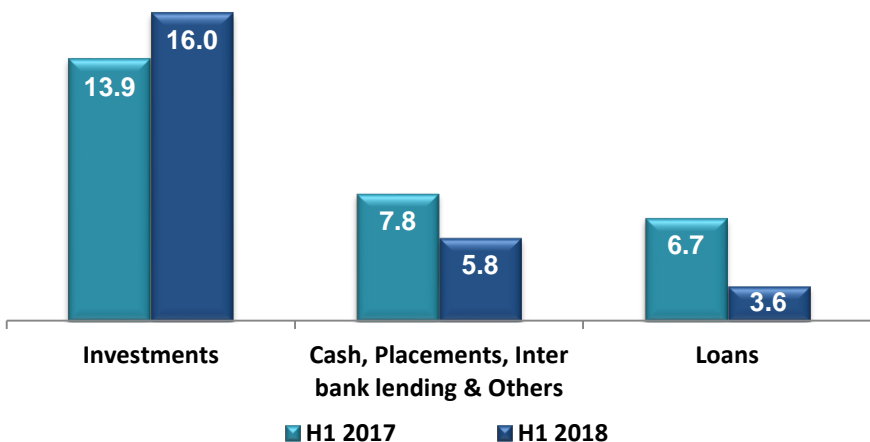
Business Lines – Treasury and Investment Banking

Operating Income (AED million)

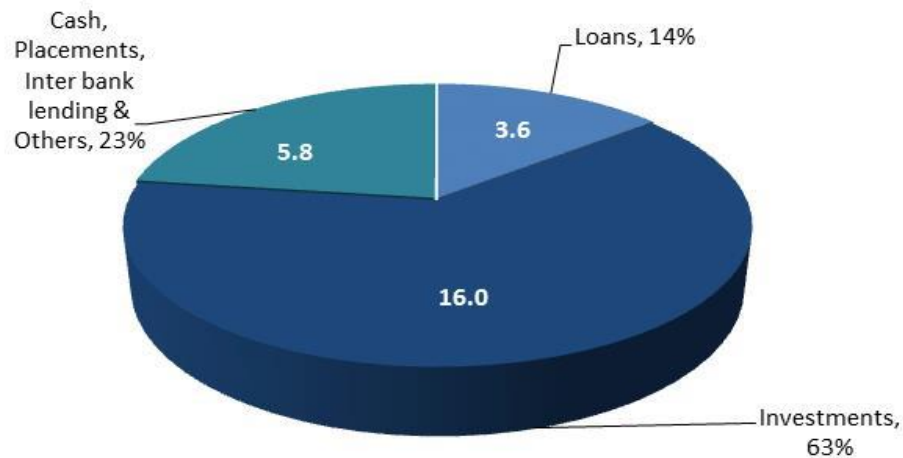


- Net interest income increased by 49%, largely on account of increase in investments portfolio and yield.
- Non interest income dropped by 33%, mainly due to decrease in gain on dealing in foreign currencies and derivatives.

Assets- by type (AED Billion)

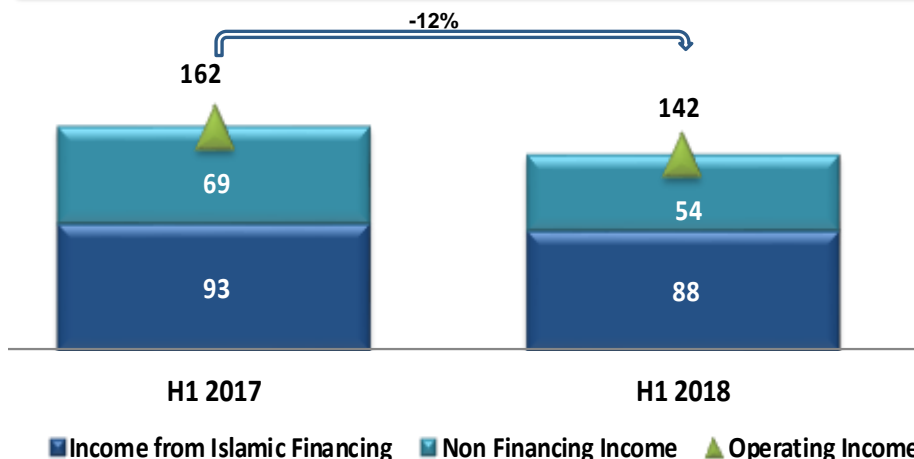


Asset Breakup as at 30 June 2018 (AED Billion)



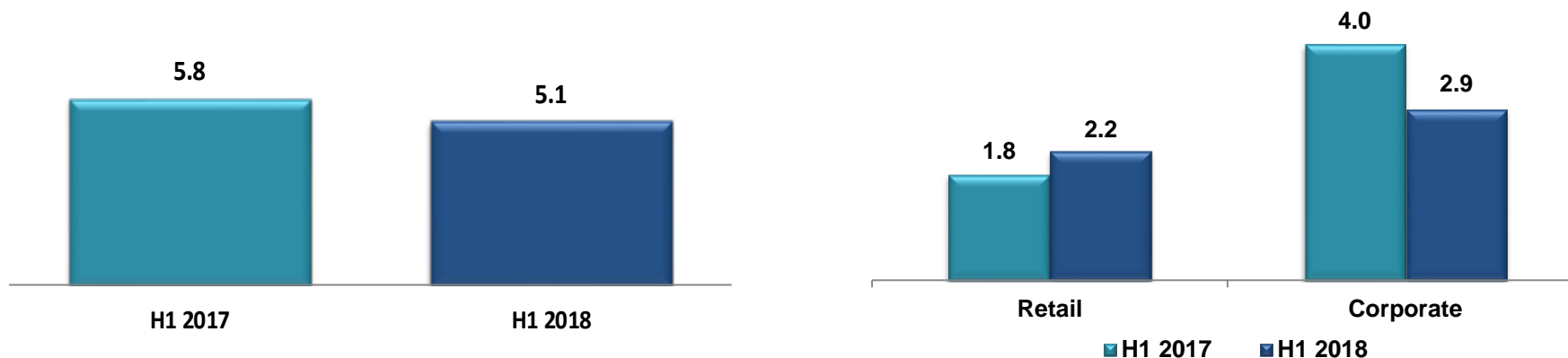
Business Lines – Islamic Banking

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

- ❖ The World Confederation of Businesses (WORLDCOB) has recognized UNB CEO with the honors of 'Excellence in Business Management' for being a successful leader who works in an innovative, knowledgeable and systematic manner". UNB has also been bestowed with the 'Glory' award for being an inspirational company by WORLDCOB at The BIZZ Europe 2018 Award ceremony.
- ❖ UNB won the prestigious Dubai Human Development award from the Business Excellence Centre, Department of Economic Development, the organizers of Dubai Quality Award.
- ❖ UNB was honored with the Best Employee Engagement Program and the Best Workplace Sustainability program at the inaugural Happiness @ Work Award Ceremony.
- ❖ 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.

