



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

Investor Presentation

September 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 19.8% and 18.7% 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+

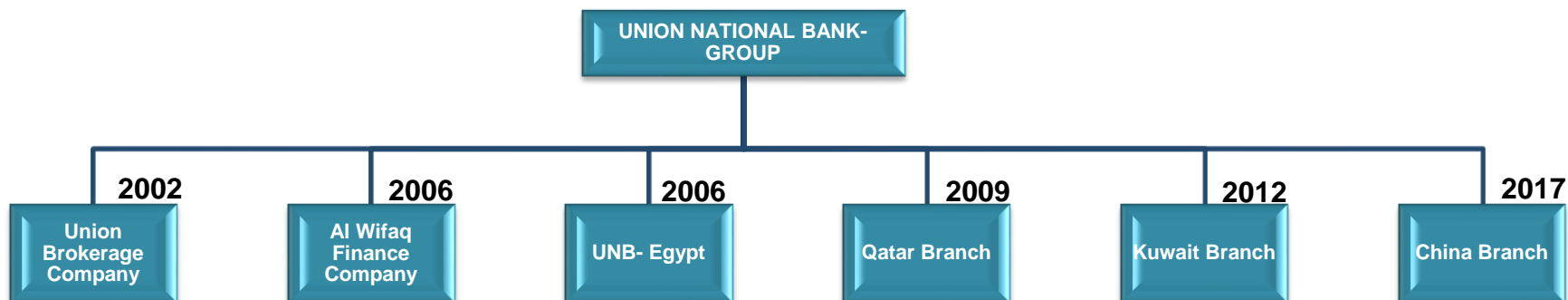
CI CAPITAL intelligence

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.
- ❑ 5th 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 September 2018.
- ❑ Market capitalization of AED 13.5 Billion (USD 3.7 Billion) as at 30 September 2018.

Group Operating Structure



Highlights - Income Statement

AED in Million	9M 2018	9M 2017	Y-o-Y %	Q3 2018	Q3 2017	Q-o-Q %
Net interest income and income from Islamic financing	2,088	1,981	5%	698	675	3%
Non interest income	557	771	(28%)	178	257	(31%)
Operating Income	2,645	2,752	(4%)	876	932	(6%)
Operating expenses	(907)	(866)	(5%)	(314)	(284)	11%
Operating profit	1,738	1,886	(8%)	562	648	(13%)
Impairment charge on financial assets, net	(417)	(486)	14%	(107)	(227)	53%
Income tax expenses	(41)	(32)	(28%)	(17)	(10)	(70%)
Net Profit	1,280	1,369	(7%)	438	410	7%

Net interest income up by 5% due to 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 nine month period ended 30 September 2018 was 2.74%, higher by 14 basis points compared to corresponding period of 2017.

Non interest income lower by 28% 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 by 5% in the 9 month period ended 30 September 2018 over the same period to support ongoing business activities.

Impairment charge decreased by 14%, mainly due to lower provision charge in both corporate and consumer segment.

*Figures may not add up due to rounding off difference



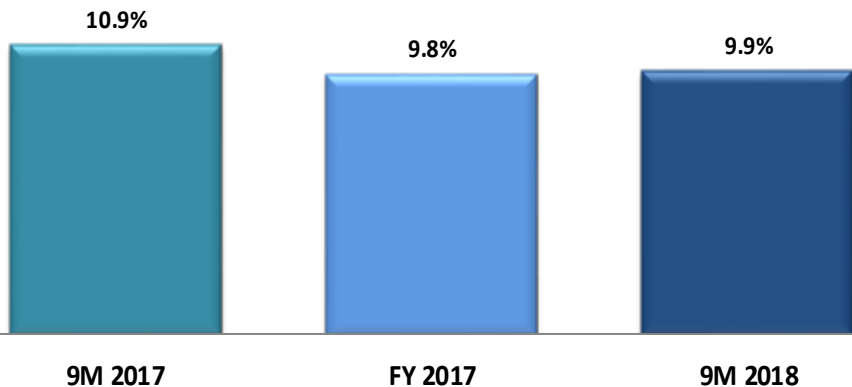
Highlights – Balance Sheet

AED in Billion	30-September-2018	30-September-2017	YOY %	31-December-2017	YTD %
Net loans and advances	69.2	71.5	(3%)	71.1	(3%)
Investments	20.3	18.8	8%	21.1	(4%)
Total assets	104.9	104.6	-	107.5	(2%)
Customers' deposits	73.0	74.3	(2%)	78.7	(7%)
Medium Term Borrowing	7.9	6.5	22%	6.5	22%
Total liabilities	85.8	85.4	-	88.1	(3%)
Equity attributable to equity holders of the Bank	19.0	19.1	(1%)	19.3	(2%)

- ❑ Net loans and advances dropped by 3% compared to prior year end, due to scheduled loan repayments, impact of IFRS 9 transition adjustment and Group's Conservative positioning
- ❑ The Group's liquidity position continued to remain strong with liquid assets, including investments constituting 30% of the total assets as at 30 September 2018.
- ❑ Customers' deposits marginally decreased by 2% to AED 73.0 billion as at 30th September 2018 compared to the corresponding period in the previous year.
- ❑ Investments portfolio increased by 8% 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 19.8% as at 30 September 2018.

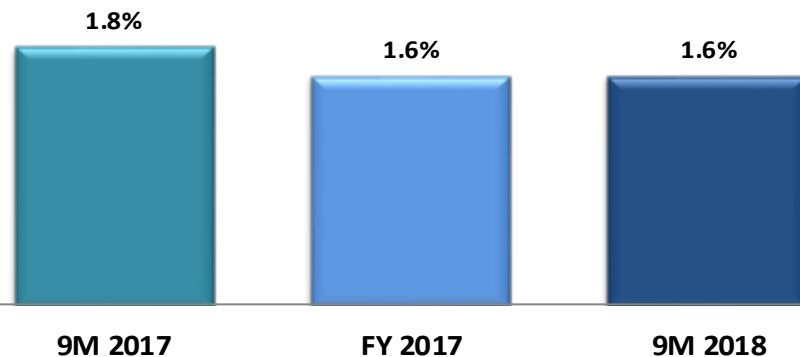
Key Performance indicators

Return On Average Equity * (Annualized)

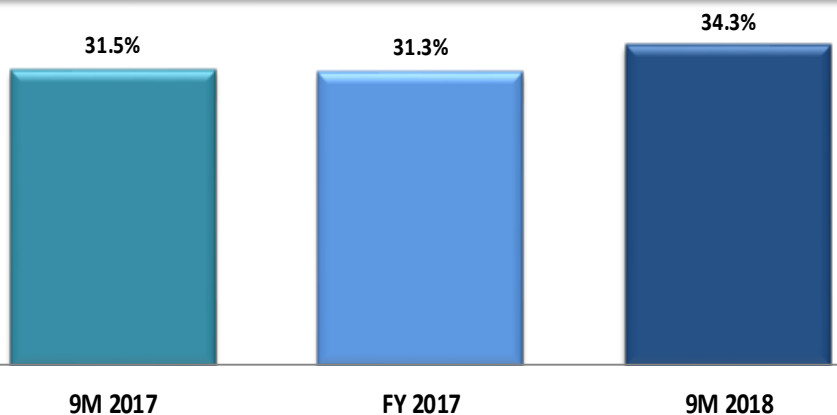


* Excluding Tier I Capital Notes

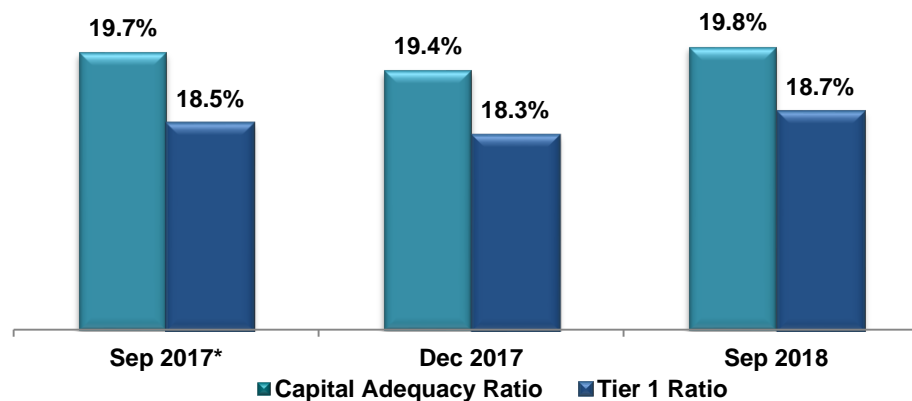
Return On Average Assets (Annualized)



Cost to Income Ratio



Capital Adequacy Ratio

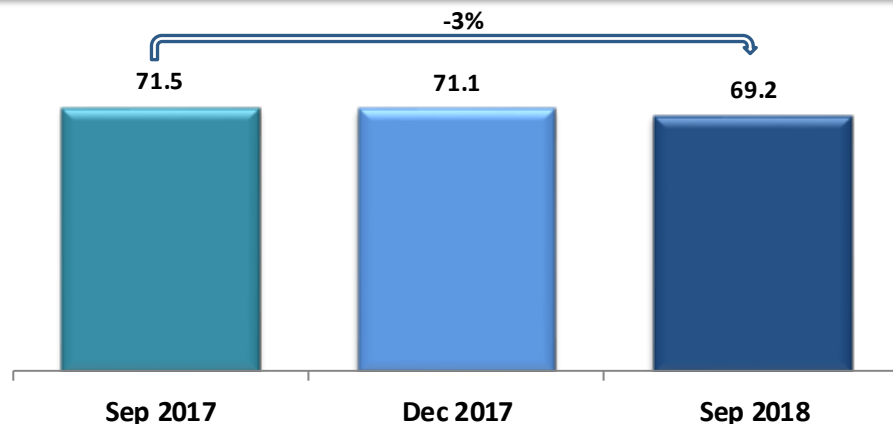


* As per Basel II



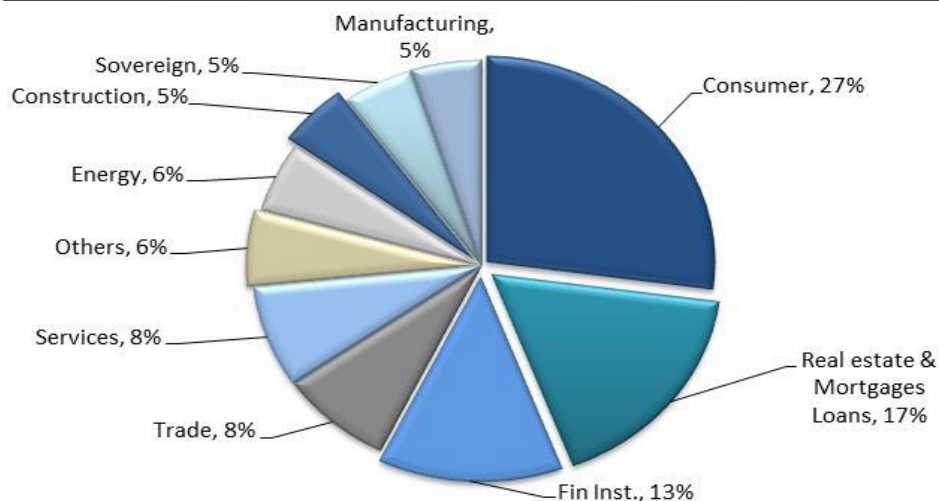
Balance Sheet – Customer Loans

Net Loans and advances (AED Billion)

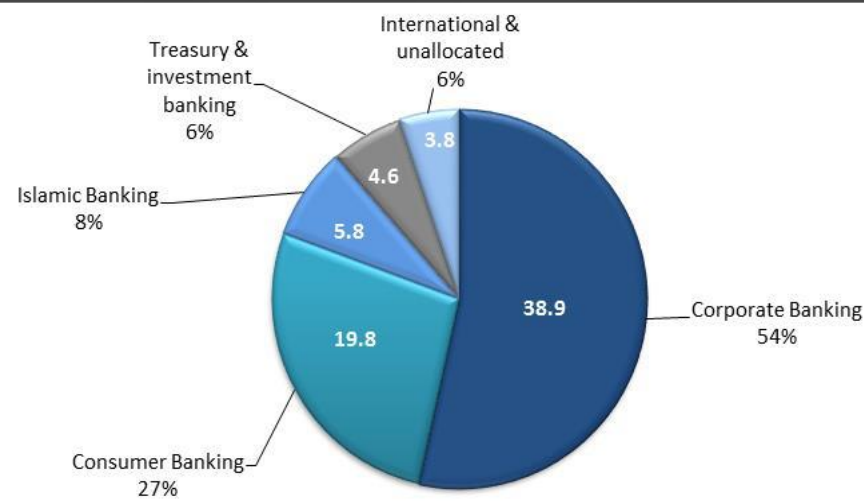


- Net Loans and advances decreased by 3% due to scheduled loan run offs and impact of IFRS 9 transition adjustment and Group's conservative approach to grow its loan book.
- Sovereign, Services and Construction segments witnessed a drop while Real Estate & Mortgage loans, Trade, Consumer and manufacturing increased due to higher business volumes compare to prior year.
- Well diversified loan book by industry.

Diversified Loan Book



Gross Loan Book by Segment (AED Billion)

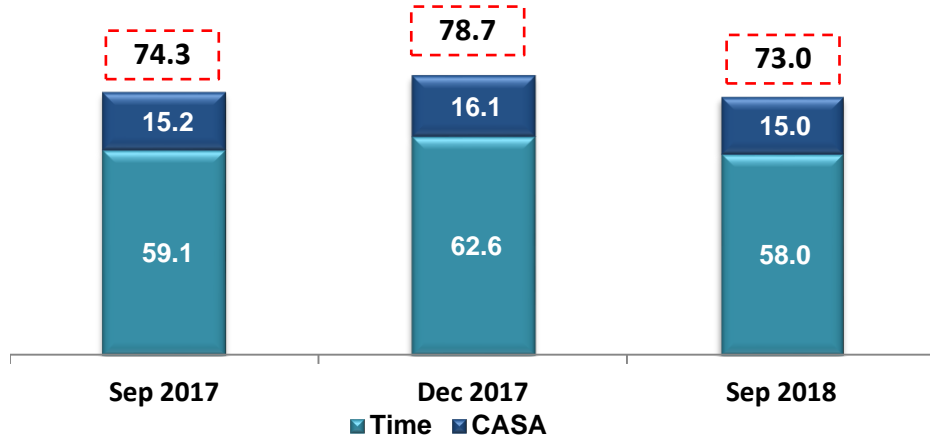


* Including RBG, SME and Private Banking and Wealth Mgt.

As at 30 September 2018

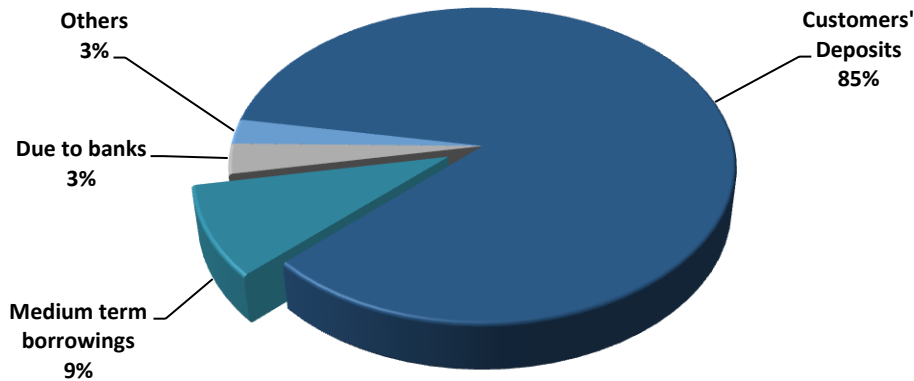
Funding Structure

Product-wise Deposit break-down (AED Billion)

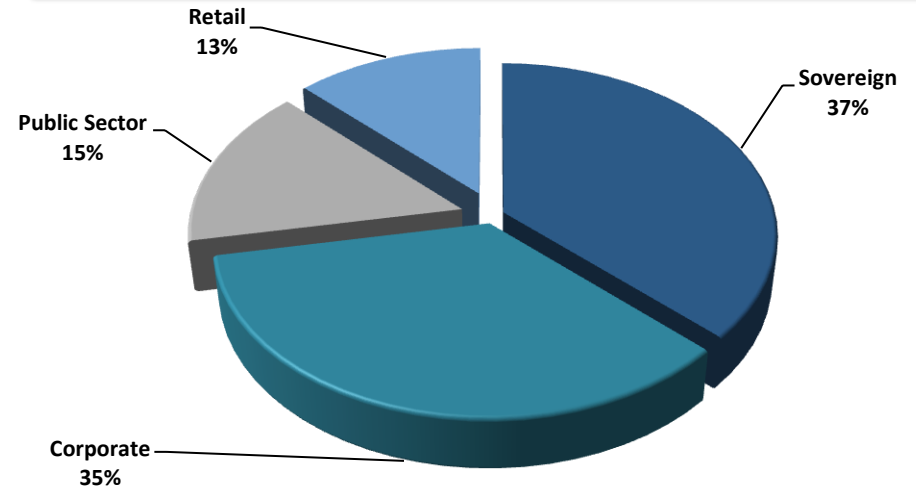


- ❑ Diversified funding mix, with Customers' deposits constituting 85% of total liabilities.
- ❑ Customers' deposits marginally dropped, compared to the corresponding period in the previous year.
- ❑ To further diversify the funding sources UNB successfully issued US \$500 million senior unsecured bond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

Funding Mix (AED Billion) as at 30 September 2018

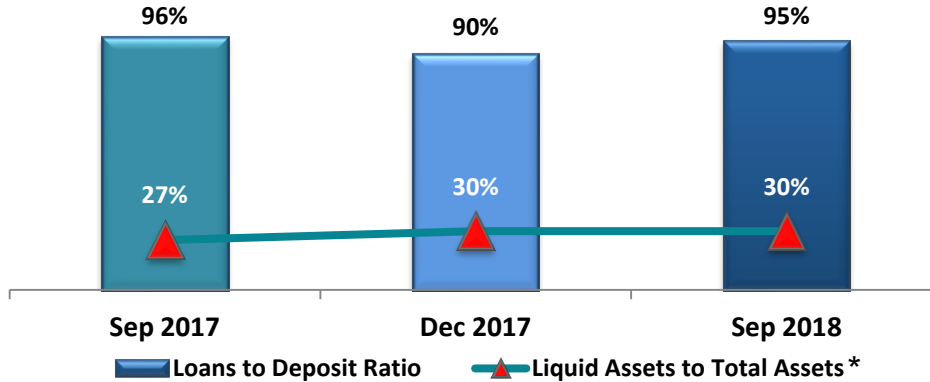


Sector-wise Deposit Break-down as at 30 September 2018



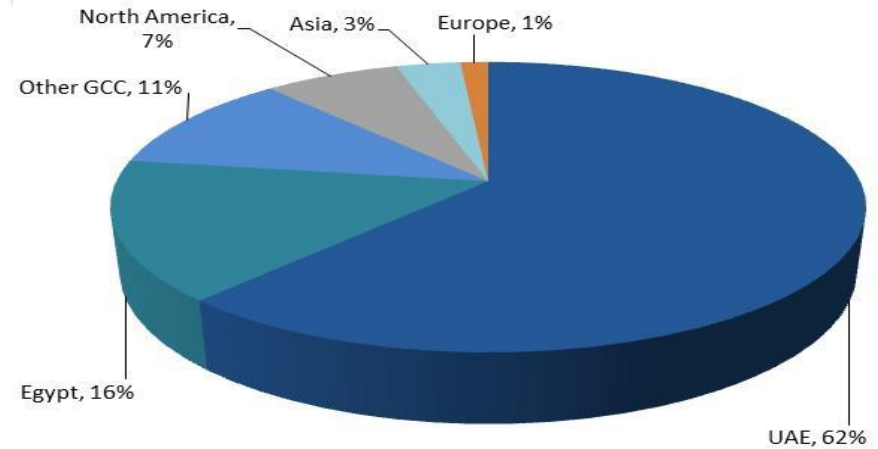
Comfortable Liquidity Position

Liquidity Position



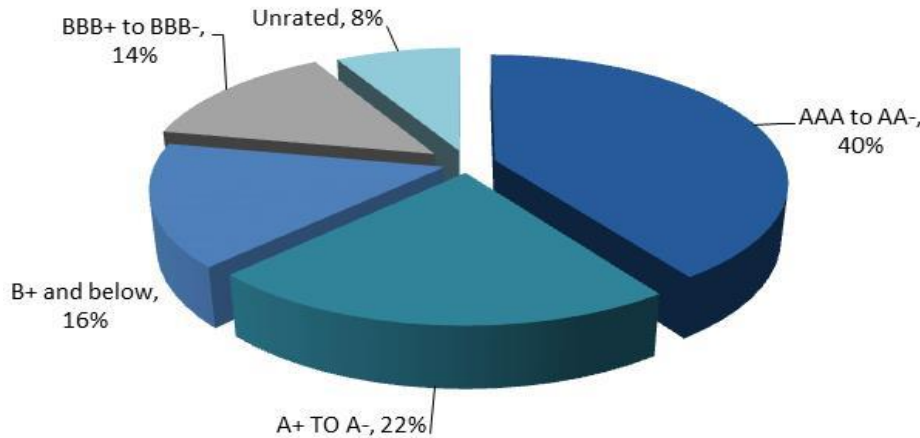
*Liquid assets includes cash, Due from Banks and Investments

Investments – Geographical Break up



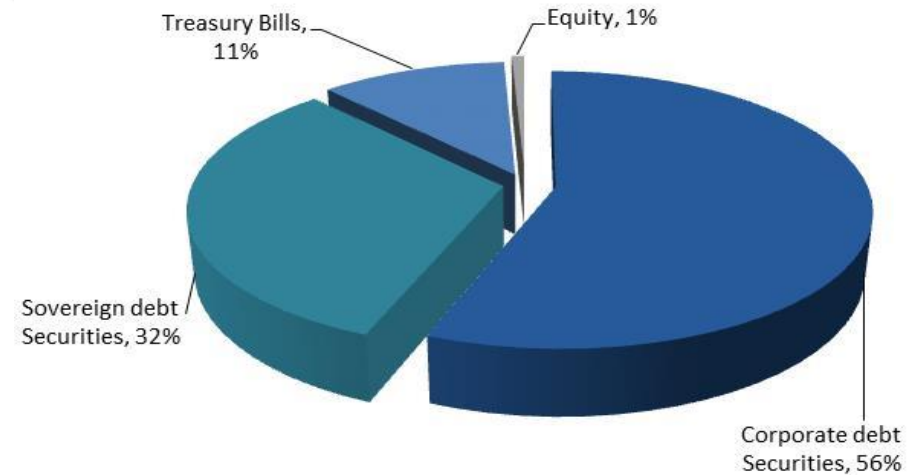
Investments - Ratings

As at 30 September 2018



Investments – By Type

TOTAL : AED 20.3 Bn *

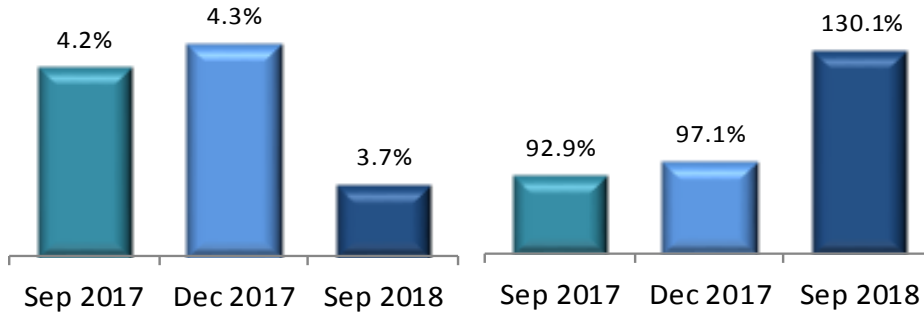


*Consolidated including subsidiaries



Credit Quality

Loan Loss Coverage and NPL Ratio (%)



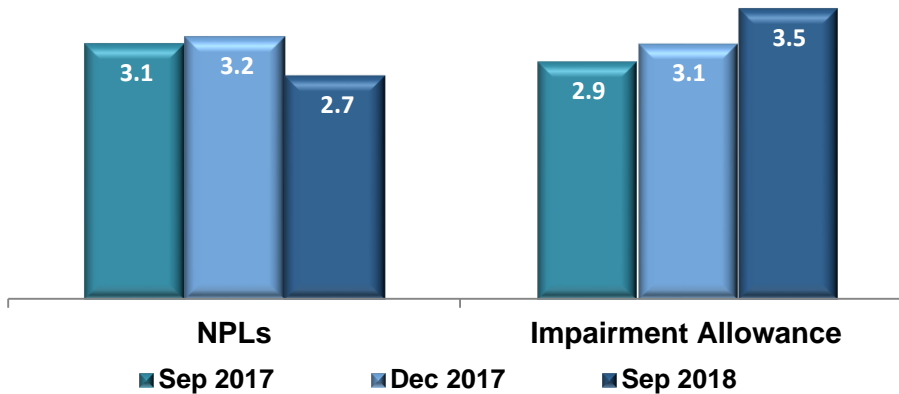
NPLs / Gross Loans

Loan Loss Coverage Ratio

- ❑ NPL ratio dropped by 60bps to 3.7% as compared to prior year end.
- ❑ Overall coverage improved to 130.1% as at 30 September 2018, ratio after transition adjustment related to IFRS 9 implementation.

Impaired Loans and Impairment allowances

AED Billion



NPLs

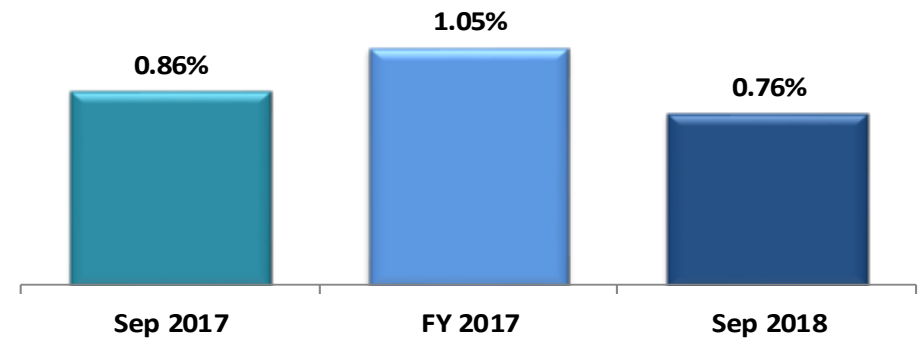
Impairment Allowance

■ Sep 2017

■ Dec 2017

■ Sep 2018

Cost of Risk



Sep 2017

FY 2017

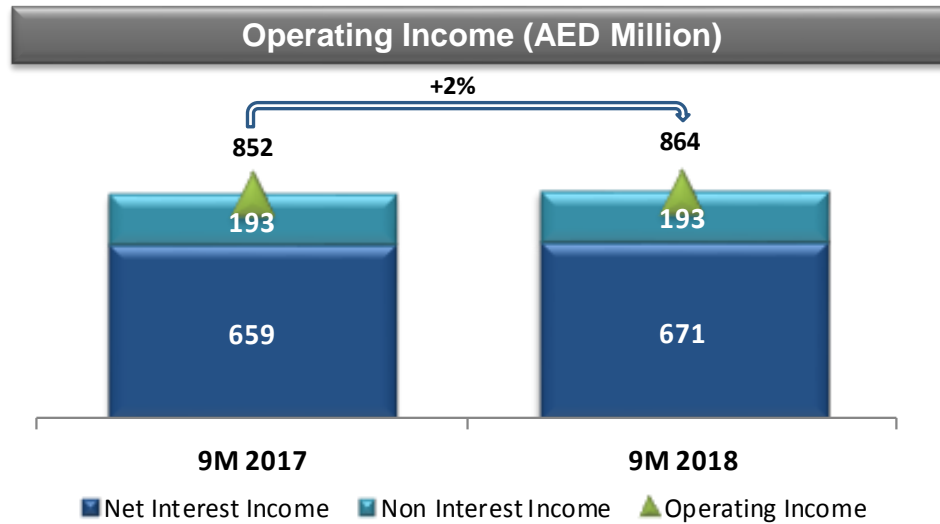
Sep 2018

Business Lines

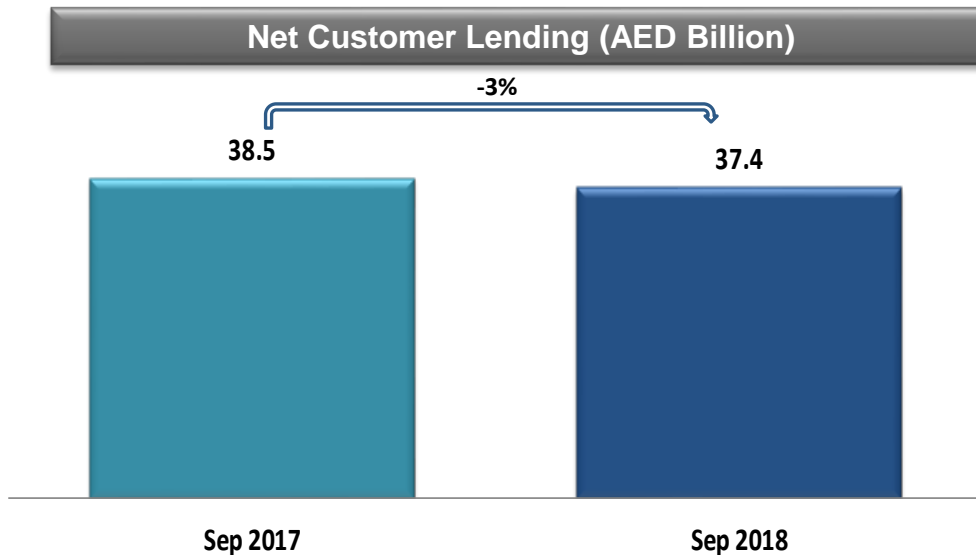
AED million, as at 30 September 2018, unless otherwise stated	Corporate Banking	Consumer Banking	Islamic Banking	Treasury and investment banking	International and unallocated	Total
Operating Income	864	899	210	340	332	2,645
Operating Expenses	(171)	(498)	(82)	(61)	(95)	(907)
Operating Profit	694	401	128	278	237	1,738
Impairment charge (Net)	(69)	(284)	13	2	(79)	(417)
Income tax expense	-	-	-	-	(41)	(41)
Net Profit	625	117	141	280	116	1,280
Assets (AED billion)	37.4	18.9	9.1	28.8	10.7	104.9

* Figures may not add up due to rounding off differences

Business Lines – Corporate Banking

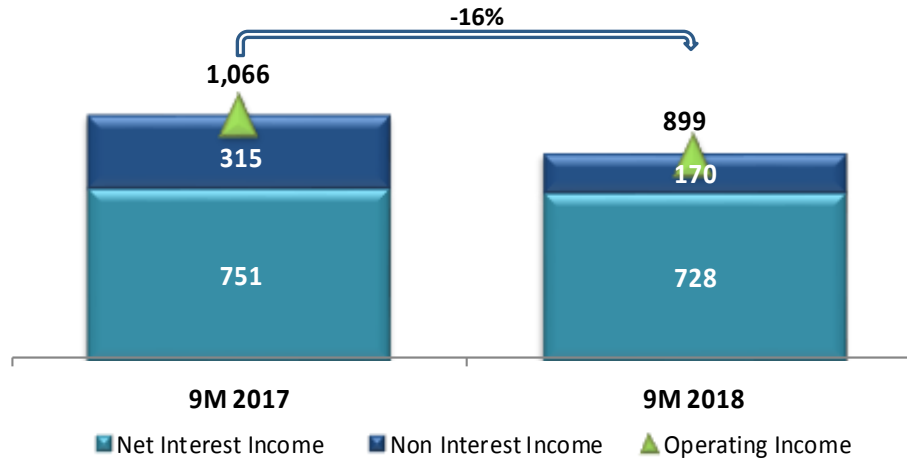


- Net interest income increased by 2%, driven by improvement in margin.
- Customer Assets dropped by 3% as compared to same period prior year due to scheduled repayments of loans.
- Customer Assets for Corporate Banking constituted 54% of the Group's total loans as at 30 September 2018.



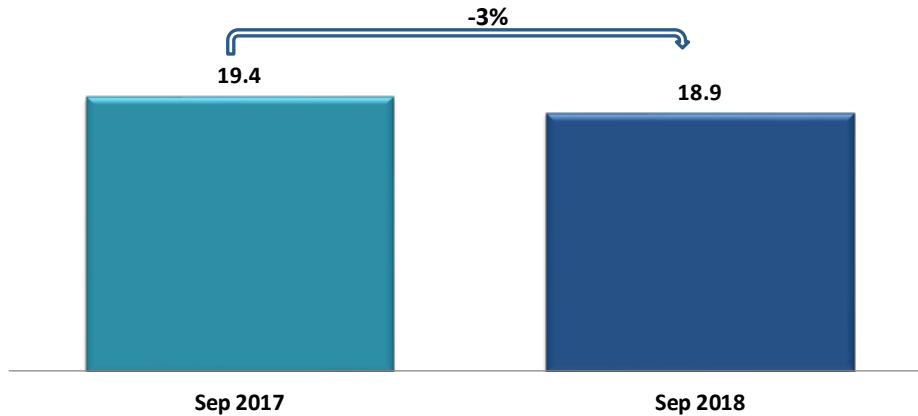
Business Lines – Consumer Banking

Operating Income (AED million)

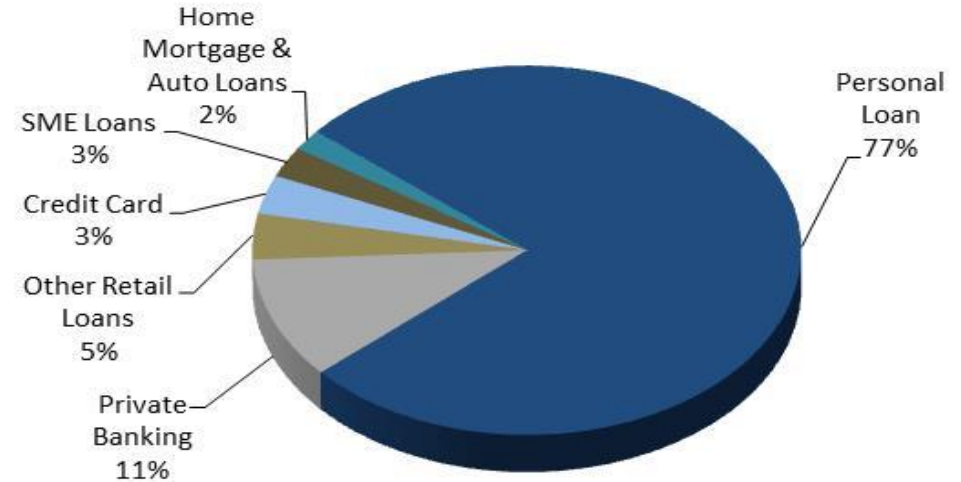


- Consumer Banking operating income decreased by 16% Y-o-Y, due to drop in fees and commission income driven by lower business volumes in 9M 2018.
- Customer Assets decreased by 3% as compared to same period prior year, driven by lower volumes during 2018.

Net Customer Lending (AED Billion)

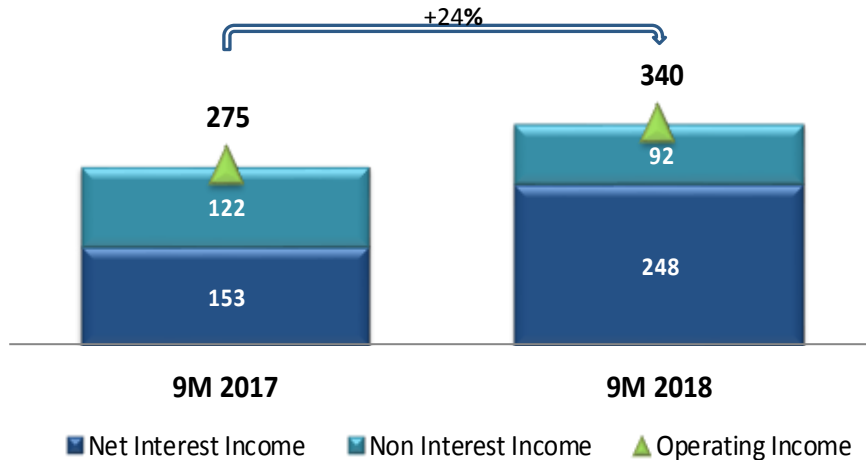


Product wise break up



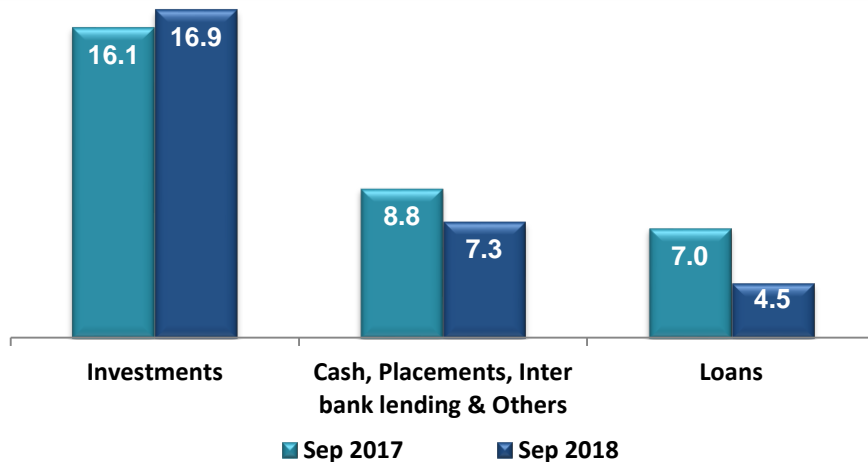
Business Lines – Treasury and Investment Banking

Operating Income (AED million)

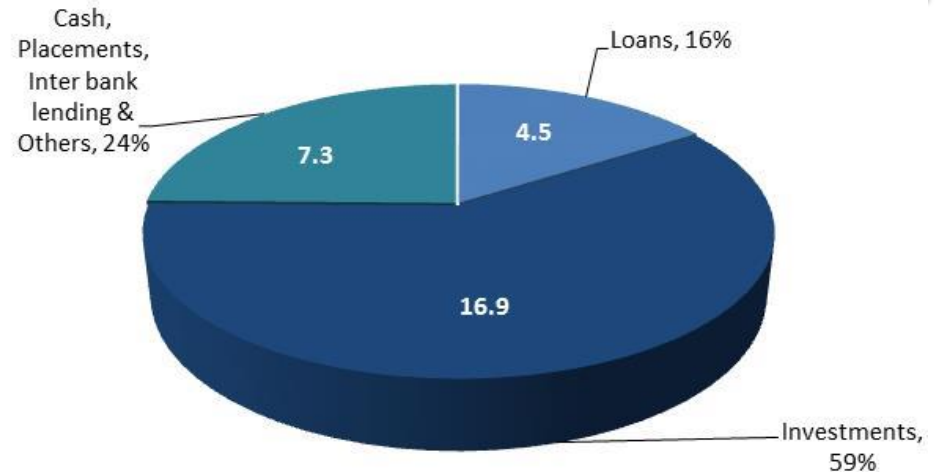


- Net interest income increased by 62%, largely on account of increase in investments portfolio and yield.
- Non interest income dropped by 25%, mainly due to decrease in gain on dealing in foreign currencies and derivatives.

Assets- by type (AED Billion)

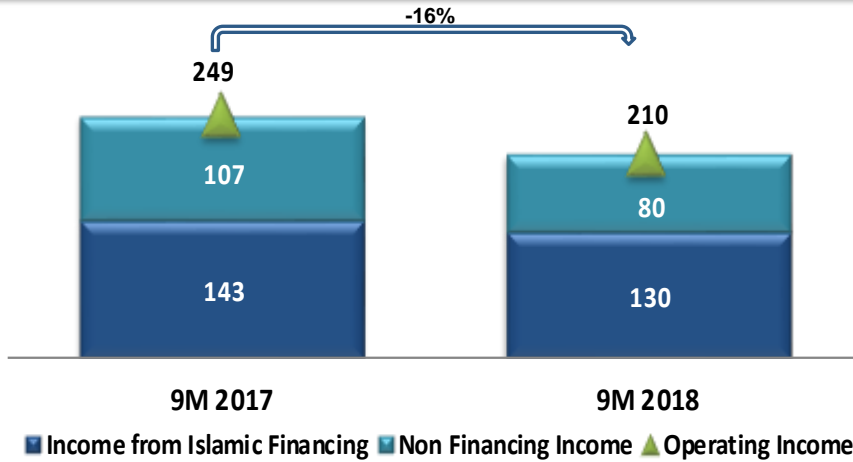


Asset Breakup as at 30 September 2018 (AED Billion)



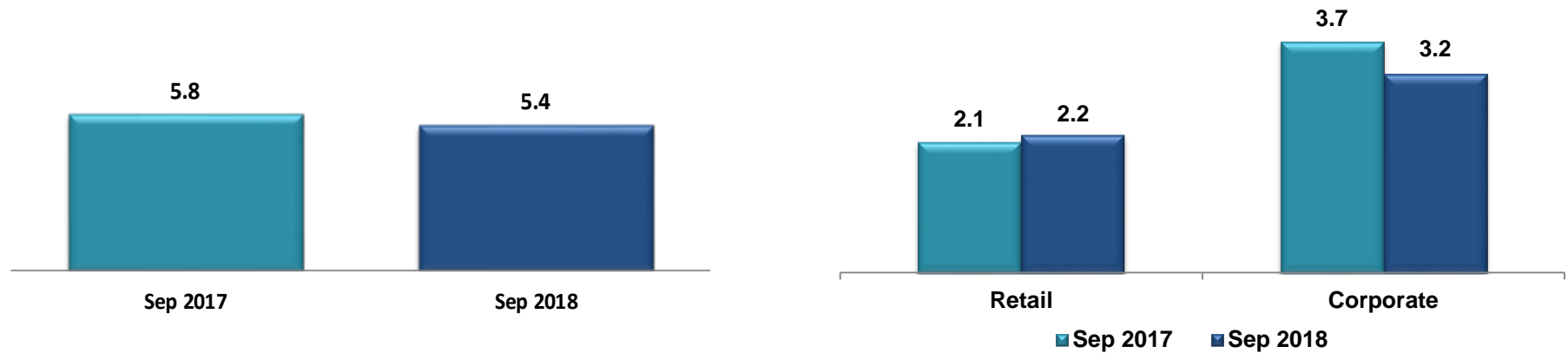
Business Lines – Islamic Banking

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.
- ❖ UNB was awarded with the distinguished gold medal for its positive contribution towards the community by the Arab Organization for Social Responsibility and the UAE Excellence Awards Academy.