



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

Investor Presentation

December 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 18.9% and 17.7% 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 74 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 3,300 employees as at 31 December 2018.
- ❑ Market capitalization of AED 12.9 Billion (USD 3.5 Billion) as at 31 December 2018.

Group Operating Structure



Highlights - Income Statement

AED in Million	2018	2017	Y-o-Y %	Q4 2018	Q4 2017	Q-o-Q %
Net interest income and income from Islamic financing	2,798	2,647	6%	710	666	7%
Non interest income	746	1,011	(26%)	189	240	(21%)
Net loss on investment properties	(232)	(27)	(759%)	(232)	(27)	(759%)
Operating Income	3,312	3,631	(9%)	667	879	(24%)
Operating expenses	(1,242)	(1,135)	(9%)	(335)	(270)	24%
Operating profit	2,070	2,496	(17%)	332	610	(46%)
Impairment charge on financial assets, net	(826)	(794)	(4%)	(409)	(308)	33%
Income tax expenses	(58)	(45)	(29%)	(17)	(13)	(31%)
Net Profit	1,186	1,657	(28%)	(94)	289	133%

□ Net interest income up by 6% on account of increase in net interest margin by 18 basis points to 2.75% for 2018.

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

□ Group recognised a fair value loss on investment properties of AED 232M in 2018 as the property prices remained soft.

□ Operating expenses increased by 9% as compared to the prior year to support ongoing business activities and one-off expenses from professional expenses towards merger related activities.

□ Impairment charge increased by 4%, mainly due to higher provision charge in international operations and consumer segment, partly offset by drop in provision in corporate banking segment.

*Figures may not add up due to rounding off difference



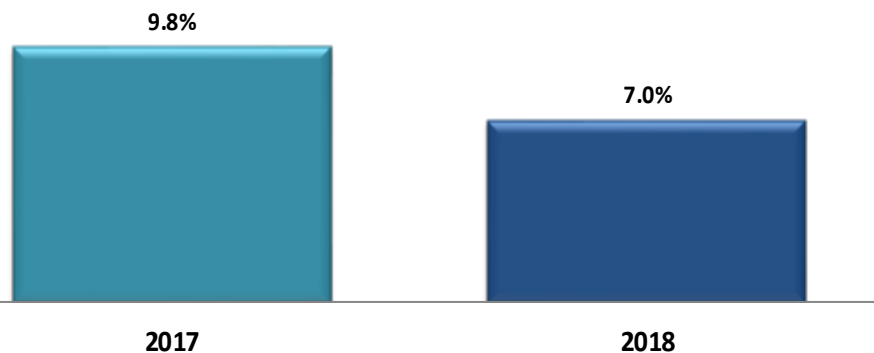
Highlights – Balance Sheet

AED in Billion	31 December 2018	31 December 2017	YOY %
Net loans and advances	72.3	71.1	2%
Investments	19.3	21.1	(9%)
Total assets	107.0	107.5	-
Customers' deposits	77.4	78.7	(2%)
Medium Term Borrowing	5.1	6.5	(22%)
Total liabilities	88.0	88.1	-
Equity attributable to equity holders of the Bank	18.8	19.3	(3%)

- Net loans and advances increased by 2% year-on-year, due to growth in Corporate banking and Financial Institutions offset by decline in Retail banking.
- The Group's liquidity position continued to remain strong with liquid assets, including investments constituting 28% of the total assets as at 31 December 2018.
- Customers' deposits decreased by 2% to AED 77.4 billion as at 31 December 2018 compared to the corresponding period in the previous year to optimize the advances to deposits ratio.
- The Basel III capital adequacy ratio was strong at 18.9% as at 31 December 2018.

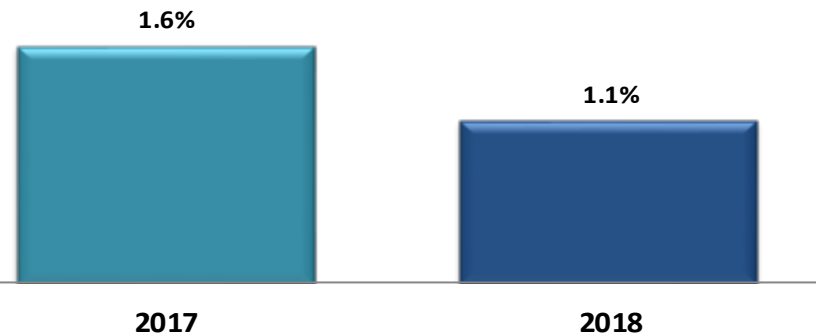
Key Performance indicators

Return On Average Equity

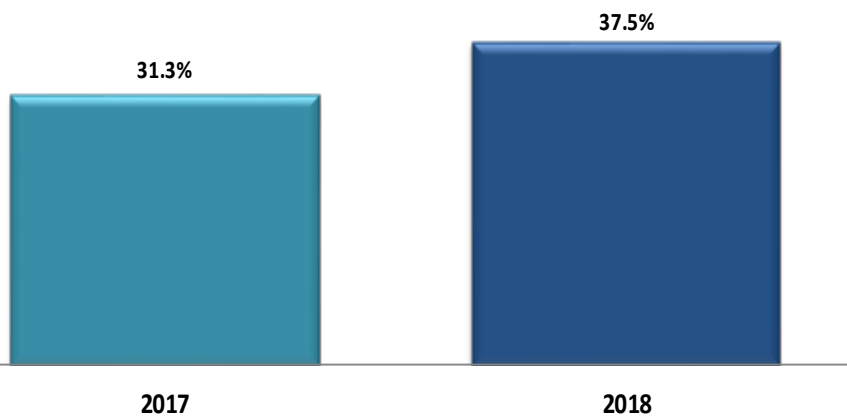


* Excluding Tier I Capital Notes

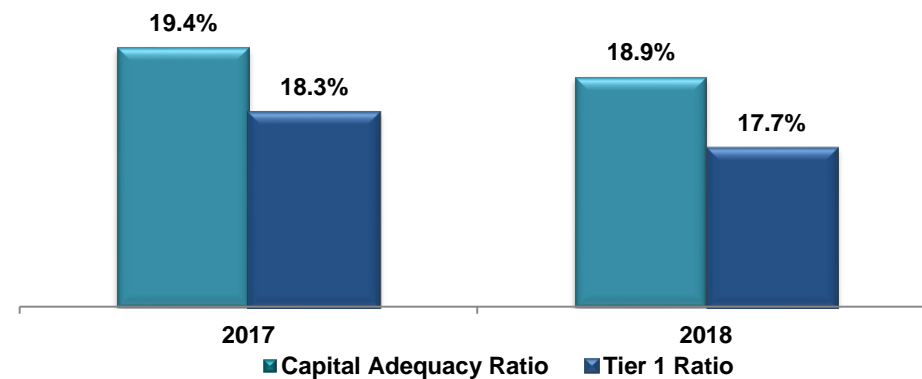
Return On Average Assets



Cost to Income Ratio

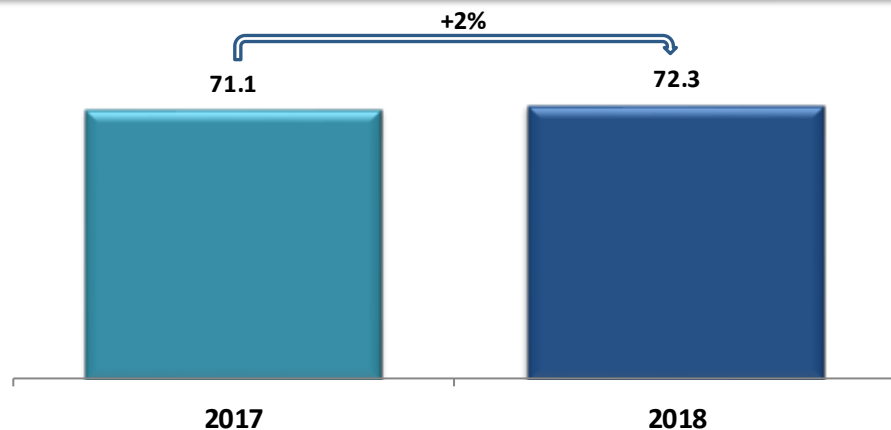


Capital Adequacy Ratio



Balance Sheet – Customer Loans

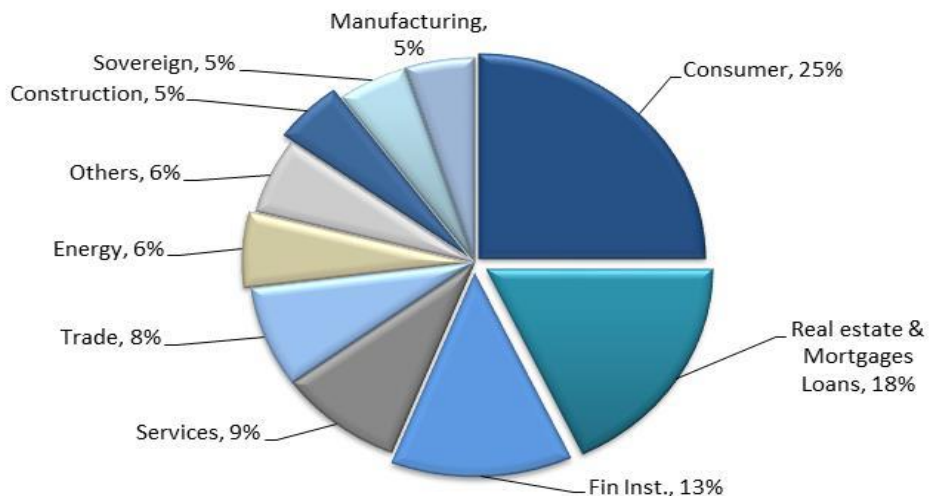
Net Loans and advances (AED Billion)



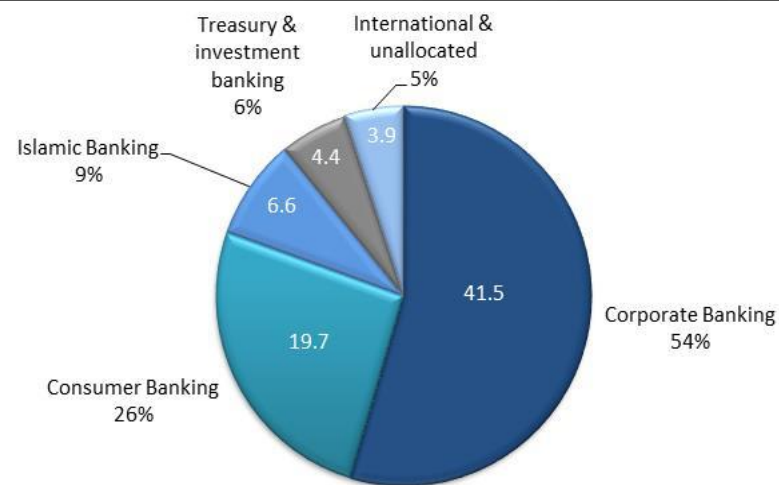
- Net Loans and advances increased by 2% due to growth witnessed across multiple sectors like Real Estate and Mortgage, Trade, Energy, Financial Institutions and Manufacturing, while consumer sector witnessed a drop due to lower sales and scheduled repayments .

- Well diversified loan book by industry.

Diversified Loan Book



Gross Loan Book by Segment (AED Billion)



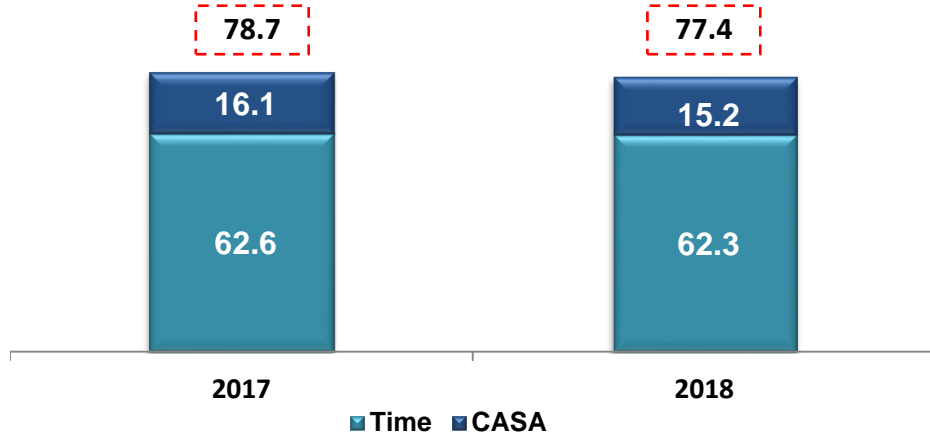
* Including RBG, SME and Private Banking and Wealth Mgt.

As at 31 December 2018



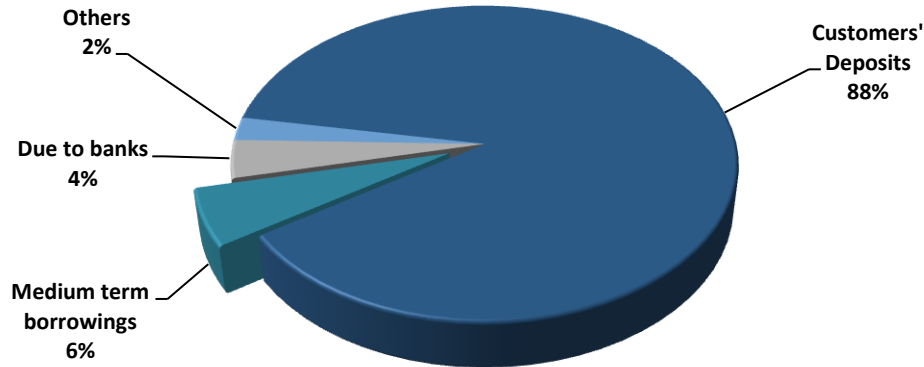
Funding Structure

Product-wise Deposit break-down (AED Billion)

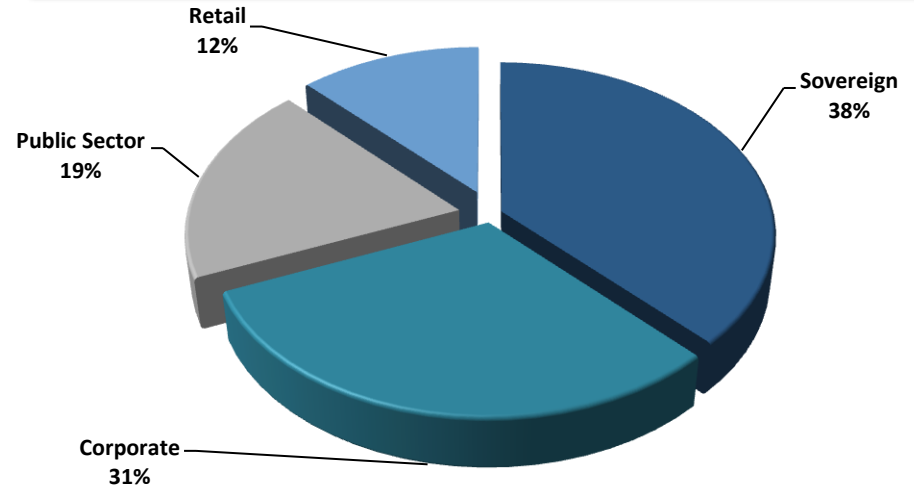


- ❑ Diversified funding mix, with Customers' deposits constituting 88% of total liabilities.
- ❑ Customers' deposits marginally dropped, compared to the corresponding period in the previous year to optimize the liquidity position.
- ❑ To further diversify the funding sources UNB successfully issued US \$500 million senior unsecured bond during 2018 under its euro medium term note programme.

Funding Mix (AED Billion) as at 31 December 2018

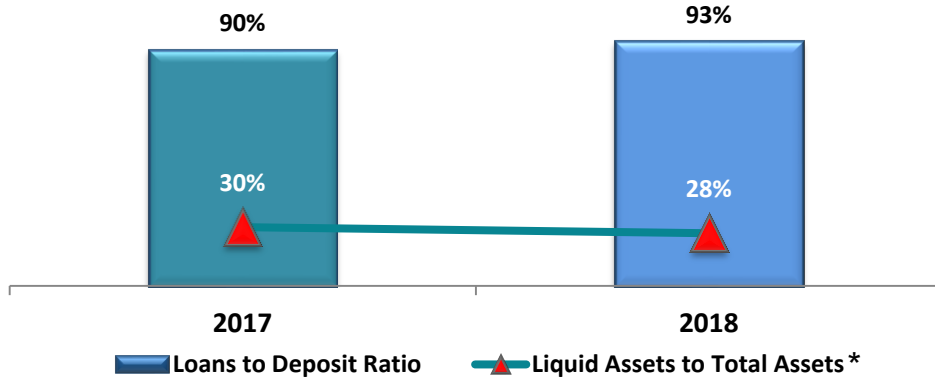


Sector-wise Deposit Break-down as at 31 December 2018



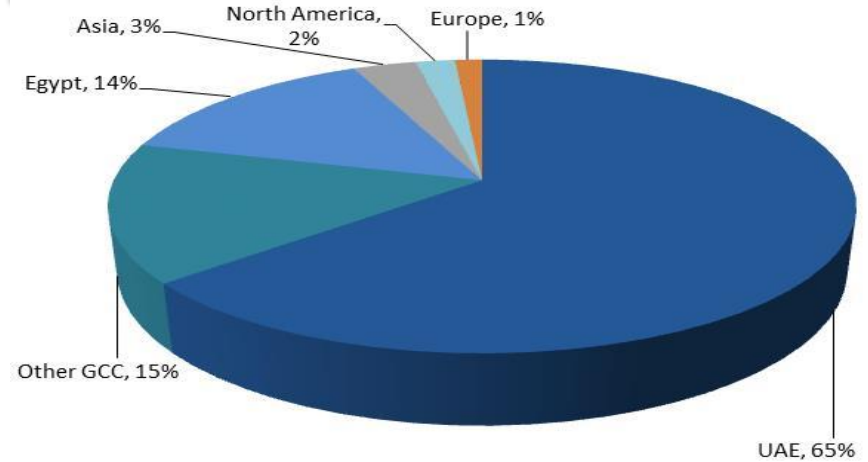
Comfortable Liquidity Position

Liquidity Position



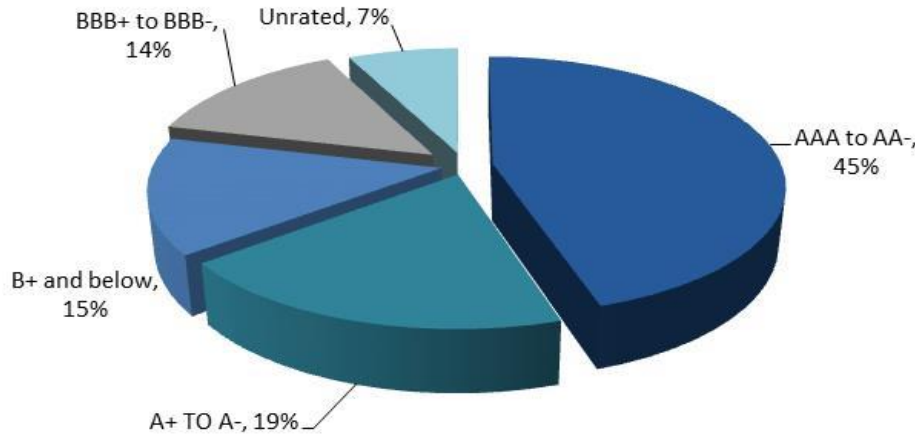
*Liquid assets includes cash, Due from Banks and Investments

Investments – Geographical Break up



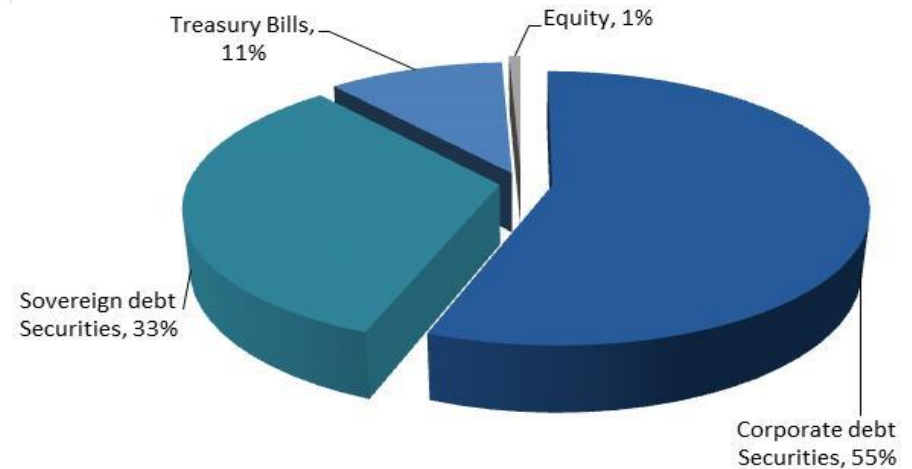
Investments - Ratings

As at 31 December 2018



Investments – By Type

TOTAL : AED 19.3 Bn *

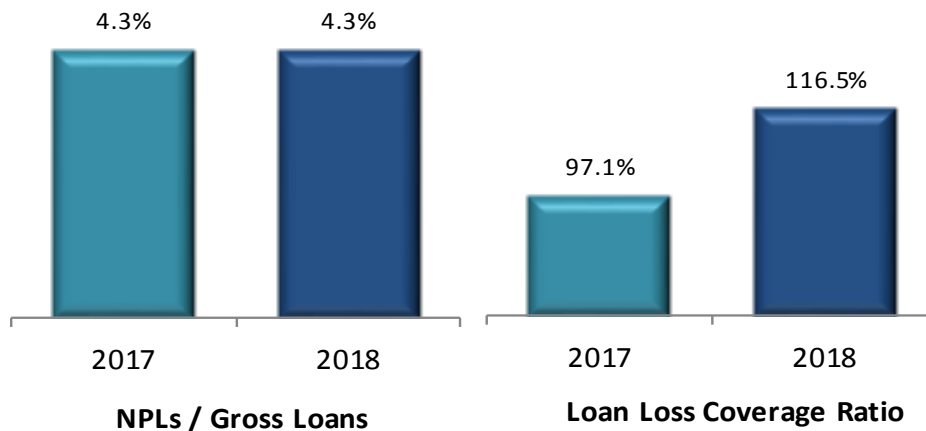


*Consolidated including subsidiaries



Credit Quality

Loan Loss Coverage and NPL Ratio (%)



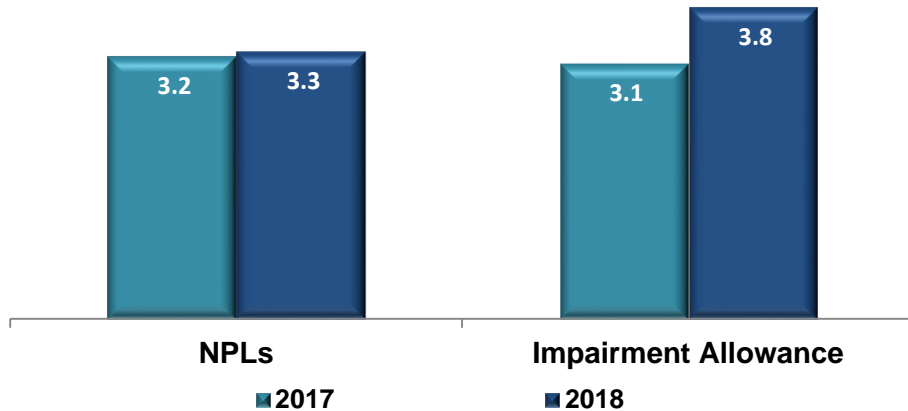
Overall coverage improved to 116.5% as at 31 December 2018, ratio after transition adjustment related to IFRS 9 implementation.

NPL ratio remained stable compared to last year.

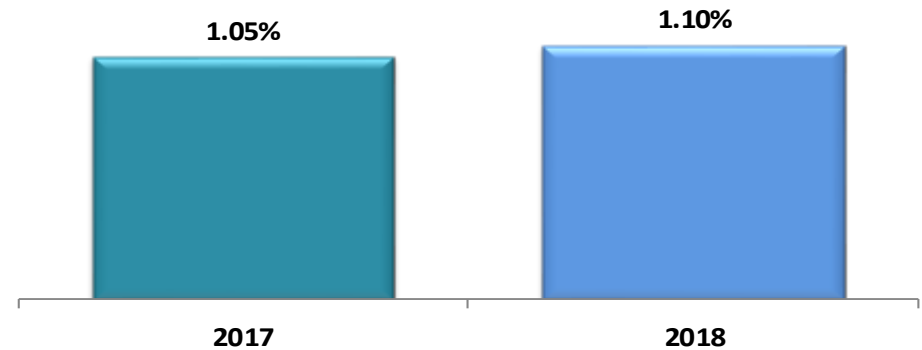
Cost of Risk increased marginally compared to last year.

Impaired Loans and Impairment allowances

AED Billion



Cost of Risk



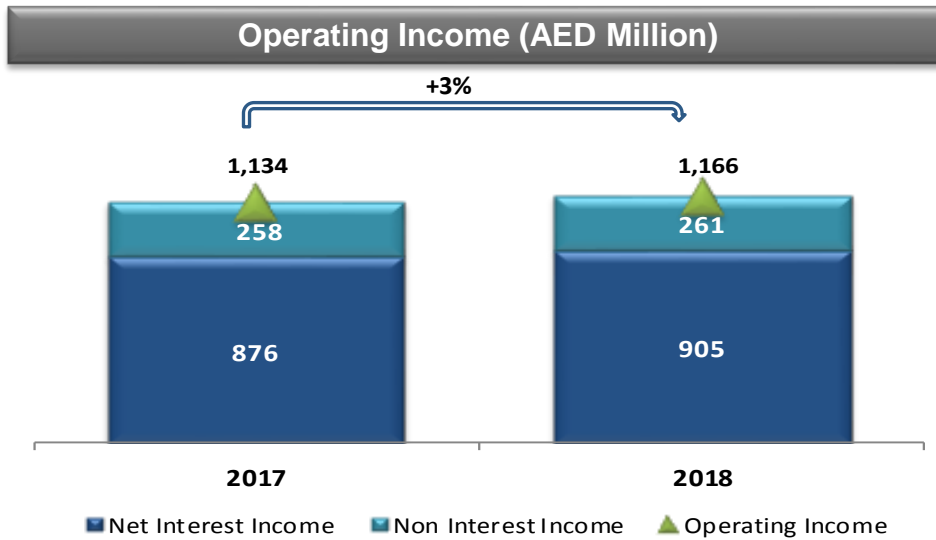
Business Lines

AED million, as at 31 December 2018, unless otherwise stated	Corporate Banking	Consumer Banking	Islamic Banking *	Treasury and investment banking	International and unallocated	Total
Operating Income	1,166	1,154	36	491	464	3,312
Operating Expenses	(231)	(668)	(114)	(84)	(145)	(1,242)
Operating Profit	935	486	(78)	407	320	2,070
Impairment charge (Net)	(170)	(469)	(14)	(9)	(165)	(826)
Income tax expense	-	-	-	-	(58)	(58)
Net Profit	765	17	(91)	398	97	1,186
Assets (AED billion)	40.1	18.8	11.0	27.2	9.9	107.0

* Islamic banking includes fair value loss recognised on investment properties of AED 232M in Dec 2018.

** Figures may not add up due to rounding off differences

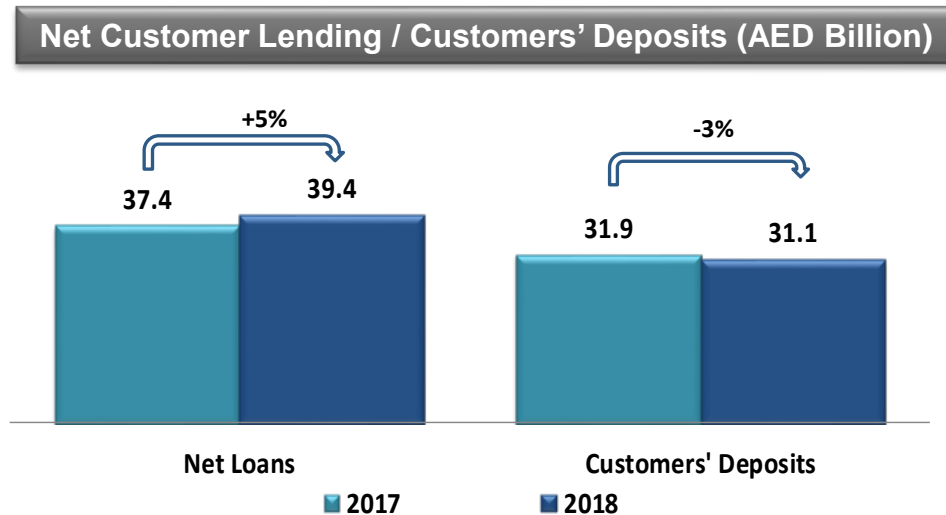
Business Lines – Corporate Banking



□ Net interest income increased by 3%, driven by improvement in deposit margins, while non interest income increased by 1%.

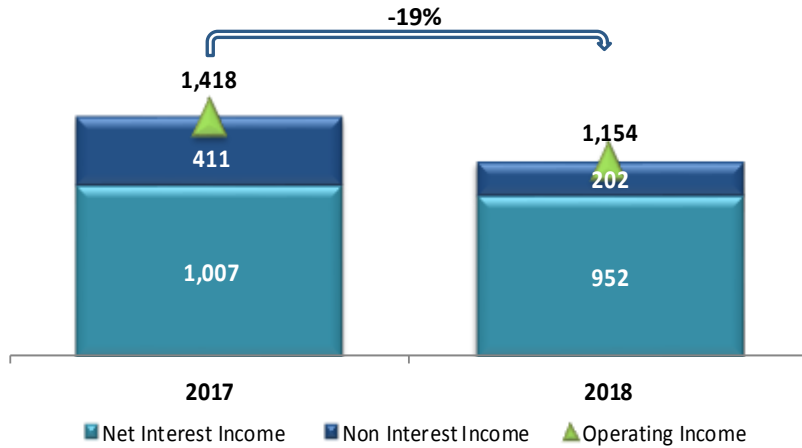
□ Customer Assets up by 5% as compared to same period prior year, driven by growth in Real Estate, Trade, Energy and Manufacturing sectors.

□ Customer Assets for Corporate Banking constituted 55% of the Group's total loans as at 31 December 2018.



Business Lines – Consumer Banking

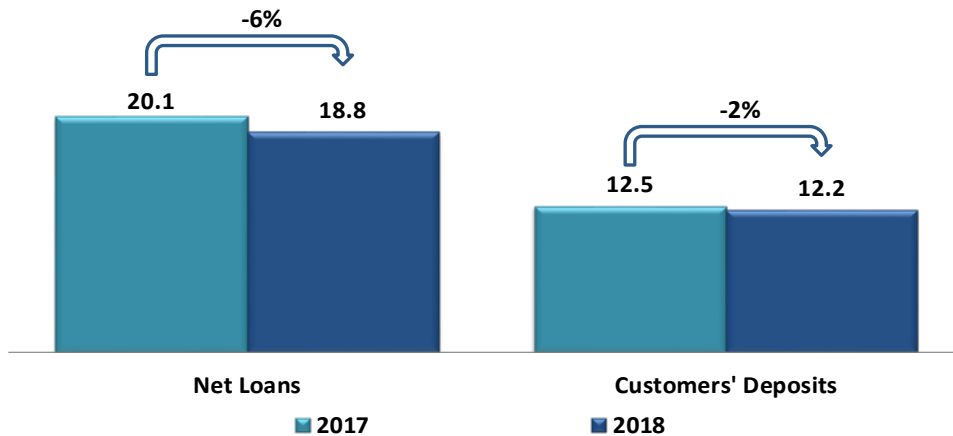
Operating Income (AED million)



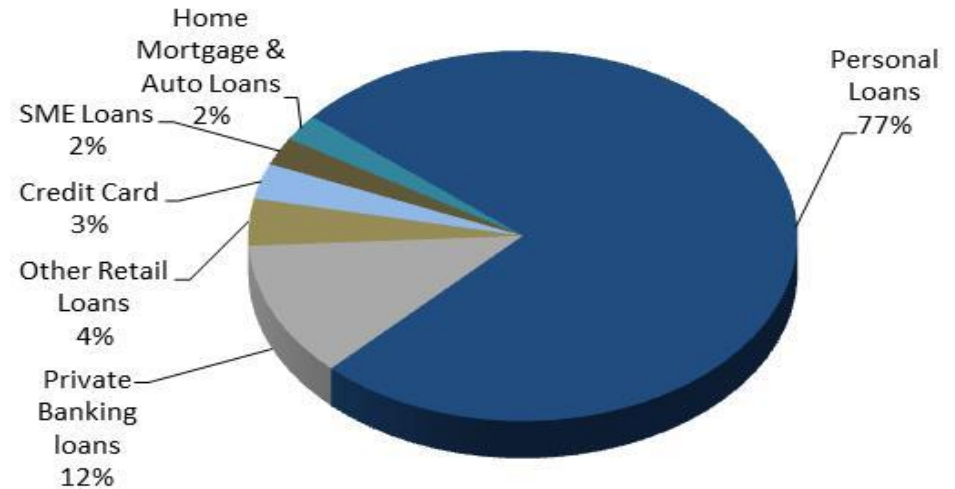
□ Consumer Banking operating income decreased by 19% Y-o-Y, due to drop in fees and commission income driven by lower business volumes in 2018 and lower net interest income on account of margin compression on the asset book.

□ Customer Assets decreased by 6% as compared to same period prior year, driven by lower loan sales in 2018 and scheduled loan repayments.

Net Customer Lending (AED Billion)

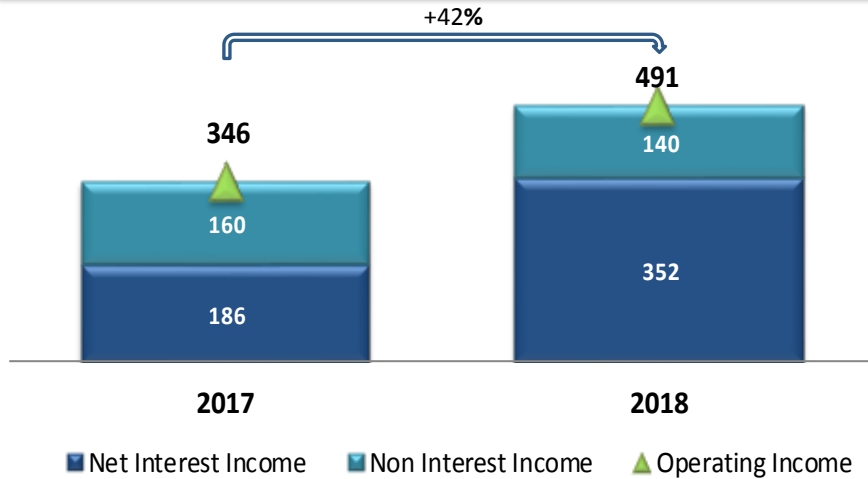


Product wise break up



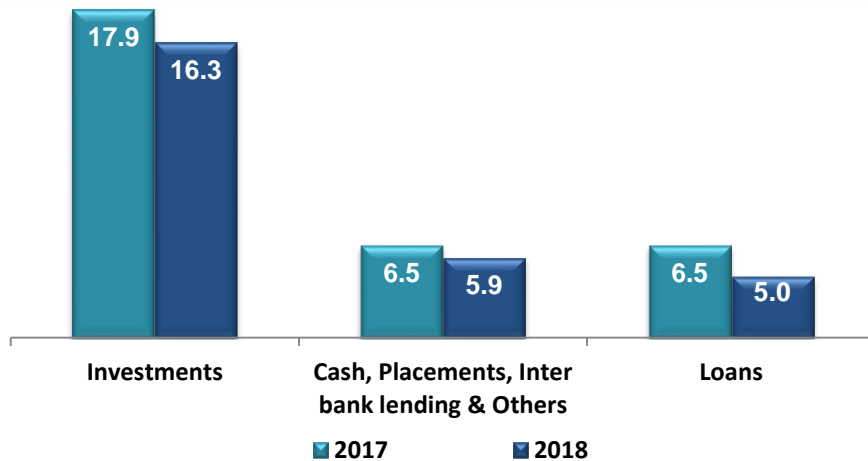
Business Lines – Treasury and Investment Banking

Operating Income (AED million)

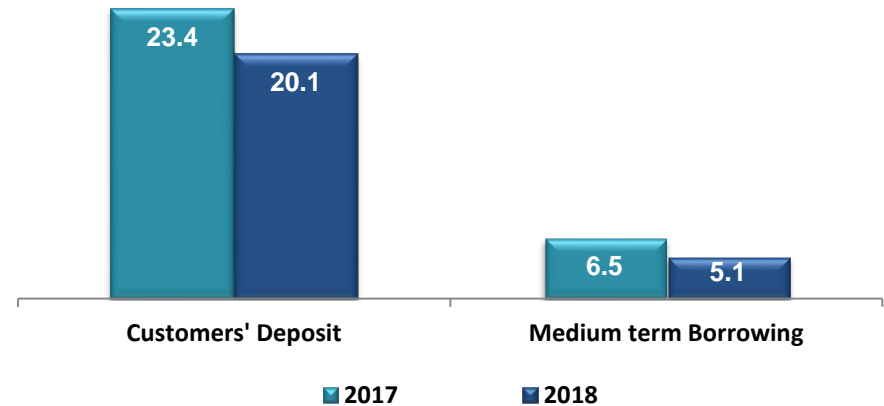


- Net interest income increased by 89%, largely on account of increase in net spreads on the back of efficient asset & liabilities management by appropriate positioning of Balance sheet that has benefited from the interest rate hikes during 2018.
- Non interest income dropped by 13%, mainly due to decrease in derivatives revenues and lower fees income in syndication business.

Assets- by type (AED Billion)

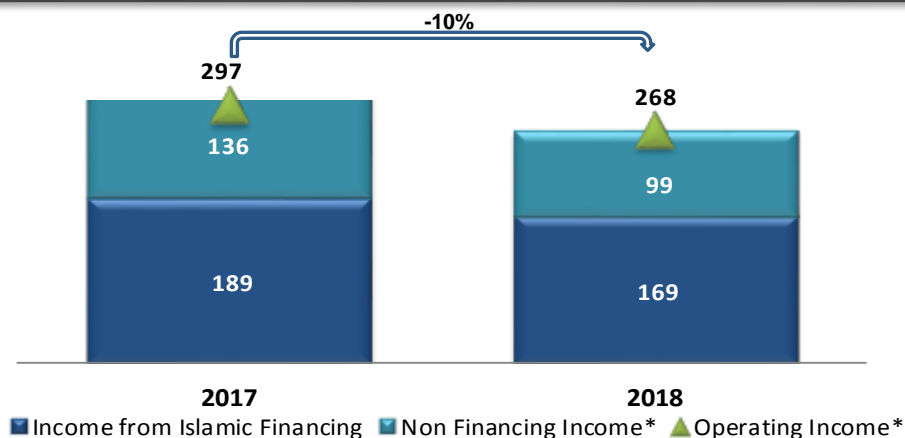


Liabilities - by type (AED Billion)



Business Lines – Islamic Banking

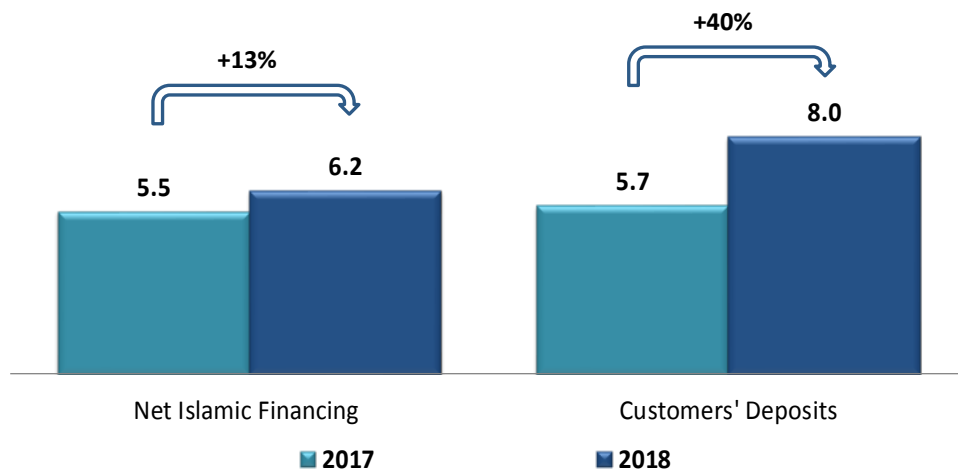
Operating Income* (AED million)



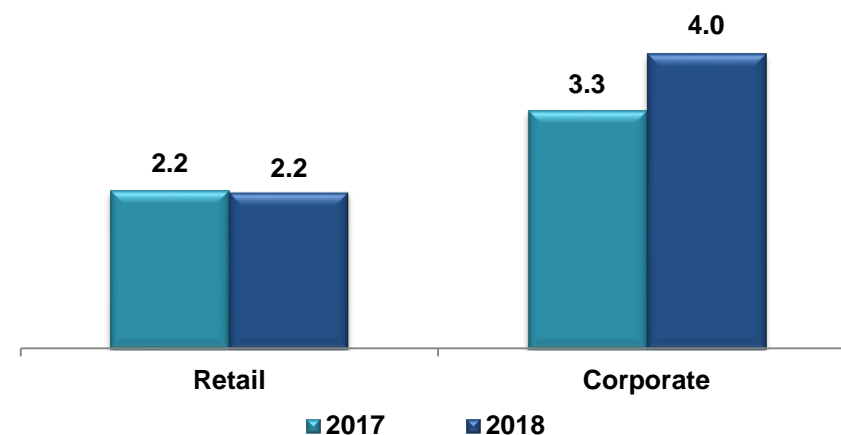
* Excluding loss on investment properties in 2018 (AED 232M) and 2017 (AED 27M)

- Net interest income decreased by 11%, due to drop in net interest margin on account of increase in cost of funds.
- Normalised non financing income dropped by 27% on year on year basis, mainly due to lower fee income on account of decreased business volumes.
- Net Islamic loans increased, due to increase in Corporate lending.
- Real estate, Mortgage, Service and manufacturing sector witnessed major growth in 2018.

Net Islamic Financing / Deposits (AED Billion)



Net Islamic Financing (AED Billion)



Strategic transaction to create stronger banking group in UAE



For further information, please visit: <https://www.beyondambition.com>

- On 29th January 2019, each of ADCB Board and UNB Board agreed to merge through a statutory merger and together acquire Al Hilal Bank
- New Merged entity will be the third largest Bank in UAE and fifth largest in the GCC region
- The combination of ADCB, UNB and Al Hilal Bank will reinforce the position of ADCB as a preeminent bank
- ADCB will issue 0.5966 ADCB shares for every UNB share, corresponding to a total of 1,641,546,697 new shares issued to UNB shareholders
- Al Hilal Bank will be acquired by the combined ADCB/UNB entity for a consideration of approximately AED 1 billion, by issuing a mandatory convertible note
- Merger is subject to regulatory clearance, shareholder approval and creditors' no objection

Awards and Certifications

- ❖ UNB CEO was honored with the best business leader award while UNB received the customer delight award at the MENAA Awards 2018.
- ❖ UNB was conferred with the Happiness Champion of the Year Award during Service Excellence and Customer Happiness Week organized by the International quality and Productivity Centre.
- ❖ UNB's Tahfeez was adjudged the Best HR Transformation and Change Management Strategy in the 'Excellence in HR' Segment during Middle East HR Summit and Expo 2018.
- ❖ 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.
- ❖ UNB was recognized with the Global Performance Excellence Award in the World Class Category by the Asia Pacific Quality Organization (APQO). UNB was also awarded the APQO international ACE Team Award for commitment to excellence and its HR transformation strategy Tahfeez.
- ❖ UNB CEO was conferred with Al Nisr Al Arabi Award by Tatweej Academy and the Arab Organization for Social Responsibility.
- ❖ 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

