

## Union National Bank announces net profit of AED 426 million for Q1 2018

### Key Highlights

- Operating profit for Q1-2018 of AED 597 million, lower by 5% for the same period in 2017
- Operating income slightly reduced by 2% in Q1-2018 to AED 883 million
- Loans and advances as at 31 March 2018 of AED 69.1 billion, down-trended in Q1-2018 as the Group continued its strategy to selectively grow the loan book
- Optimal funding levels maintained with customers' deposits of AED 74.8 billion as at 31 March 2018. In Q1-2018, the Bank successfully issued 5-year Medium Term Notes for US\$ 500 million under its EMTN program
- Healthy liquidity position with loan to deposit ratio at 92.4% and advances to stable resources of around 81% as at 31 March 2018
- Stable asset quality measures with NPLs to gross loans ratio of 4.3% with adequate loan loss coverage of 127.3% as at 31 March 2018
- Strong capital position with overall and Tier 1 capital adequacy ratios as per Basel III of 19.3% and 18.1% respectively as at 31 March 2018

### Income statement highlights

AED Million	Q1-18	Q1-17	YoY Change %	Q4-17	QoQ Change %
Total Net interest and Islamic financing income	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 expense	(12)	(11)	(9)	(13)	8
Net Profit for the period	426	452	(6)	289	47

*Figures may not add up due to rounding differences*

### Financial Position highlights

AED Billion	31-Mar-18	31-Mar-17	YoY Change %	31-Dec-17	QoQ Change %
Total assets	106.3	104.6	2	107.5	(1)
Loans and advances	69.1	73.5	(6)	71.1	(3)
Investments	20.2	15.6	29	21.1	(4)
Customers' deposits	74.8	75.6	(1)	78.7	(5)
Equity attributable to equity holders of the Bank	18.2	18.2	0	19.3	(6)

Key Financial Indicators	Q1-18 %	Q1-17 %	Change
Return on Average Equity (ROAE)*	10.1	11.1	(1.0)
Return on Average Assets (ROAA)*	1.6	1.7	(0.1)
Cost / Income ratio	32.4	29.6	(2.8)
Capital Adequacy Ratio – Basel III	19.3	18.8**	0.5
Earnings per Share (AED)	0.14	0.15	(0.01)

\*- Annualized, \*\* as per Basel II

## **Financial Review**

Union National Bank (UNB), one of the leading banks based in the United Arab Emirates, recorded a profit of AED 426 million for the first quarter of 2018, up by 47% over the preceding quarter and down by 6% over same period in the prior year.

Commenting on the results, **Mr. Mohammad Nasr Abdeen, Chief Executive Officer**, Union National Bank said “The loan growth in the UAE banking sector has remained modest as credit demand remains soft. During this period, the Group has maintained its strategy to pursue loan growth on a selective basis. Margins improved during the quarter as yield on assets increased more than offsetting the increase in cost of funds. He further added that “UNB successfully issued US\$ 500 million senior unsecured bond under its Euro-medium term note programme to raise medium term funding during the first quarter. The issue was more than two times oversubscribed which demonstrated the strong investor appetite for UNB’s credit.”

The operating income for the three month period ended 31 March 2018 was marginally lower by 2% at AED 883 million on year on year basis mainly due to drop in non-interest income by 16% while net interest income increased by 4%. The non-interest income in Q1-2018 decreased by 16%, to AED 205 million over the same period in 2017 mainly due to reduction in fees and commission income and decrease in gain on dealing in foreign currencies and derivatives. This decrease was partially offset by an increase in net interest income that was 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 corresponding period of 2017.

## **Balance sheet**

Net loans and advances were AED 69.1 billion as at 31 March 2018, lower by 3% as compared to prior year end due to scheduled loan run offs, overall softer credit demand and impact of IFRS 9 transition adjustment. The total assets of the Group registered a year-over-year growth of 2% to AED 106.3 billion as at 31 March 2018.

Customers’ deposits marginally decreased by 1% to AED 74.8 billion as at 31 March 2018 compared to the corresponding period in the previous year. The liquidity position of the Group remained strong with the liquid assets, including investments constituting 31% of the total assets as at 31 March 2018. Other key Liquidity ratios remained sound with the loan to deposit ratio being 92.4% and the advances to stable resources ratio being circa

81% as at 31 March 2018. Also, the Bank remained compliant with the Liquidity Coverage ratio with the Eligible Liquid Assets ratio, being well ahead of the requirements set by the Central Bank of the UAE.

### **Operating expenses**

The operating expenses increased by 8% in the first quarter over the same period of 2017. The increase in the expenses was to support ongoing business activities along with the investments in infrastructure and technology upgrades.

The cost to income ratio of the Group at 32.4% for the first quarter of 2018 continues to remain consistent with the prior period trends and amongst the best in the UAE banking industry.

### **Credit quality**

The ratio of non-performing loans and advances to gross loans and advances was 4.3% as at 31 March 2018 (31 December 2017: 4.3%). The Group has implemented IFRS 9: Financial Instruments, effective 1 January 2018. After considering, the transition adjustment due to the implementation of IFRS 9, the overall loan loss coverage improved to 127.3% as at 31 March 2018 (31 December 2017: 97.1%).

### **Profitability measures and Capital strength**

The annualized return on average equity, excluding Tier 1 capital notes, for the quarter ended 31 March 2018 was 10.1% (Q1-2017: 11.1%) and the annualized return on average assets was 1.6% (Q1-2017: 1.7%). The earnings per share for the quarter ended 31 March 2018 was AED 0.14 (Q1-2017: AED 0.15).

The Basel III capital adequacy ratio for the UNB Group computed in accordance with the Central Bank of the UAE guidelines was 19.3% as at 31 March 2018 (31 December 2017: 19.4%) with the Tier I capital adequacy ratio being 18.1% as at 31 March 2018 (31 December 2017: 18.3%). Both these ratios remain well above the regulatory thresholds.

### **Awards and Accolades**

- ✚ 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.