

## **Union National Bank announces record profit of AED 2,021 million for 2014, up by 16%**

### **Key Highlights**

- **UNB Group profit of AED 2,021 million for 2014 sets a new profit record**
- **Board of Directors recommends 25% (AED 0.25 per share) cash dividend subject to approval of the Central Bank of the UAE and shareholders of the Bank**
- **Operating income up by 9% to AED 3,501 million in 2014**
- **Loans and advances of AED 64.1 billion as at 31 December 2014, up by 7% year-on-year**
- **Total assets of AED 93.5 billion as at 31 December 2014, up by 7% year-on-year**
- **Customers' deposits base of AED 67.4 billion as at 2014 year end, up by 4% over prior year**
- **Sound liquidity with loan to deposit ratio of 95.1% as at 31 December 2014**
- **Cost to income ratio of 27.3% for 2014 consistently amongst the best in the UAE banking sector**
- **Continually improving asset quality measures with NPLs to gross loans ratio of 3.8% and loan loss coverage of 97.2% as at 31 December 2014**
- **Strong capital ratios with overall and Tier 1 capital adequacy ratio of 19.9% and 18.7% respectively as at 31 December 2014**

### **Income statement highlights**

<b>AED Million</b>	<b>Q4' 14</b>	<b>Q4' 13</b>	<b>YoY Change %</b>	<b>2014</b>	<b>2013</b>	<b>YoY Change %</b>
Net interest income and net income from Islamic financing	711	613	16	2,670	2,603	3
Non-interest income	258	136	90	831	609	36
Operating income	969	749	29	3,501	3,212	9
Operating expenses	247	228	(8)	955	854	(12)
Operating profit	722	521	39	2,546	2,358	8
Impairment loss on financial assets	275	209	(32)	492	586	16
Income tax	11	6	(83)	33	24	(38)
Profit for the period	436	306	42	2,021	1,748	16

### **Financial Position highlights**

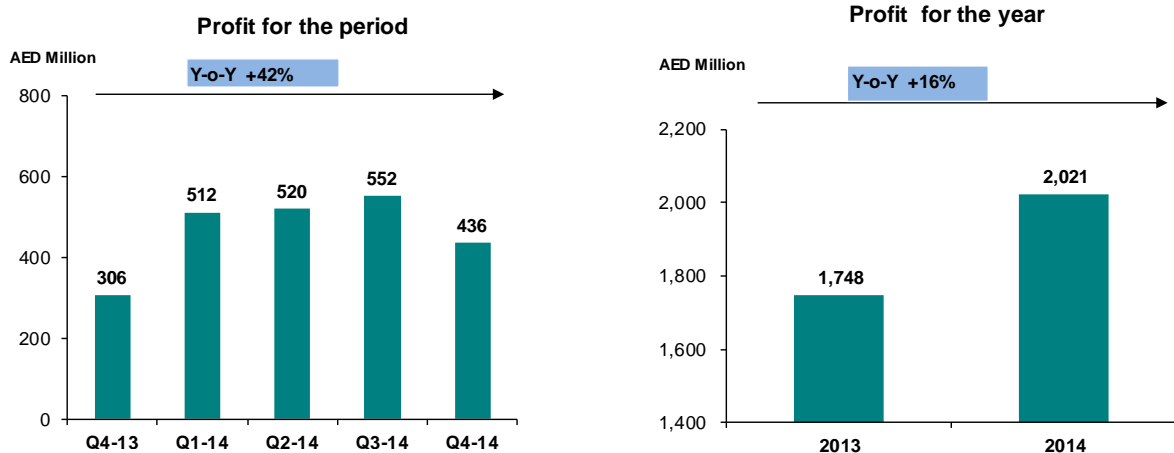
<b>AED Billion</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>	<b>Change %</b>
Total assets	93.5	87.5	7
Loans and advances	64.1	60.0	7
Investments	11.6	7.9	47
Customers' deposits	67.4	65.1	4
Equity attributable to equity holders of the Bank	16.8	15.2	11

Key Financial Indicators	2014 %	2013 %	Change %
Return on Average Equity (ROAE)	14.3	13.9	0.4
Return on Average Assets (ROAA)	2.2	2.0	0.2
Cost / Income ratio	27.3	26.6	(0.7)
Capital Adequacy Ratio	19.9	19.9	-
Earnings per Share (AED)	0.69	0.59	0.10

## Financial Review

Union National Bank (UNB), one of the leading banks based in the United Arab Emirates, reported another year of record profit with the UNB Group profit being AED 2,021 million for the fiscal 2014 (2013: AED 1,748 million), an increase of 16% compared to the prior year. Equally impressive, was the profit for the fourth quarter of 2014 of AED 436 million (Q4-2013: AED 306 million), up sharply by 42% compared to the same quarter of 2013.

Commenting on the results, **Mr. Mohammad Nasr Abdeen, Chief Executive Officer**, Union National Bank said “The UNB Group surpassed a major profit milestone, with the Group’s profit for the full year exceeding AED 2.0 billion for the first time. The consistent growth in underlying business, focussed strategy and our deep commitment to all our stakeholders has ensured that the UNB Group continues to grow its business and franchise.” He added that “The Group over the last many years has continued to record remarkable progress and is presently particularly well poised to further build on its successes in the future”.



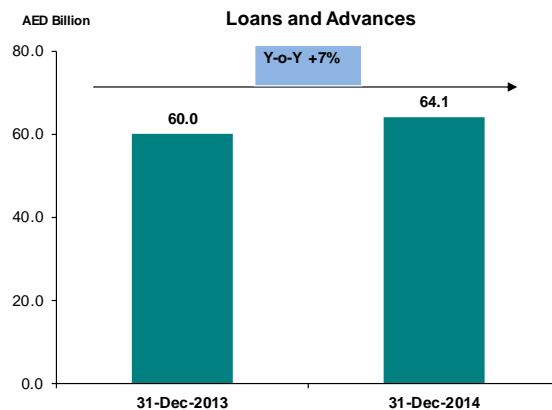
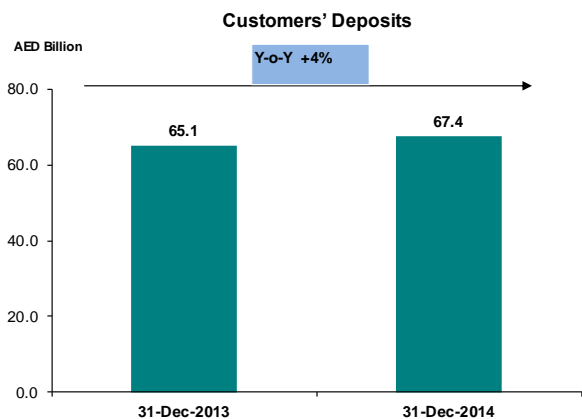
The operating profit for the year ended 31 December 2014 was AED 2,546 million (2013: AED 2,358 million), an increase of 8% compared to the previous year. The operating income for 2014 was AED 3,501 million (2013: AED 3,212 million), 9% higher compared to 2013. The operating income for the fourth quarter of the year grew strongly to AED 969 million (Q4-2013: AED 749 million), up by 29% compared to the same period in 2013. The net interest income and net income from Islamic financing for 2014 was up by 3% to AED 2,670 million (2013: AED 2,603 million). Due to competitive pricing pressures the net interest margin for 2014 decreased slightly by 8 basis points to 3.00% (2013: 3.08%), the impact of which was fully offset by an increase in interest earning assets.

The non-interest income in 2014 increased by 36% to AED 831 million (2013: AED 609 million) and was up by 90% in fourth quarter of 2014 as compared to same quarter of prior year. The increase in non-interest income for 2014 was principally driven by an increase in net fees and commission income which was up by 27% in 2014 to reach AED 638 million (2013: AED 502 million) partially offset by the lower gains on trading and non-trading financial instruments given market movements. The Group also recognized fair value gain on investment properties in 2014 which further boosted the non-interest income.

**Balance sheet**

The loans and advances increased by 7% in 2014 to AED 64.1 billion as at 31 December 2014 (31 December 2013: AED 60.0 billion), with the loan growth being witnessed across various sectors. The investment portfolio of the Group increased significantly by 47% to AED 11.6 billion as at 31 December 2014 (31 December 2013: AED 7.9 billion). The increase in investment portfolio mainly comprises of high quality fixed income issuances by regional and local issuers. The total assets of the UNB Group increased by 7% in 2014 to AED 93.5 billion as at 31 December 2014 (31 December 2013: AED 87.5 billion).

The UNB Group continued with its strategy of actively managing its liquidity levels. The liquid assets, including investments constituted 26.8% of the total assets as at 31 December 2014 (31 December 2013: 27.0%). Customers' deposits recorded a growth of 4% in 2014 to AED 67.4 billion as at 31 December 2014 (31 December 2013: AED 65.1 billion). Headline credit to deposit ratio was 95.1% as at 31 December 2014 (31 December 2013: 92.2%), with the advances to stable resources ratio calculated in accordance with the Central Bank of the UAE guidelines being circa 86% as at 31 December 2014 well within the regulatory requirement of a maximum of 100%.



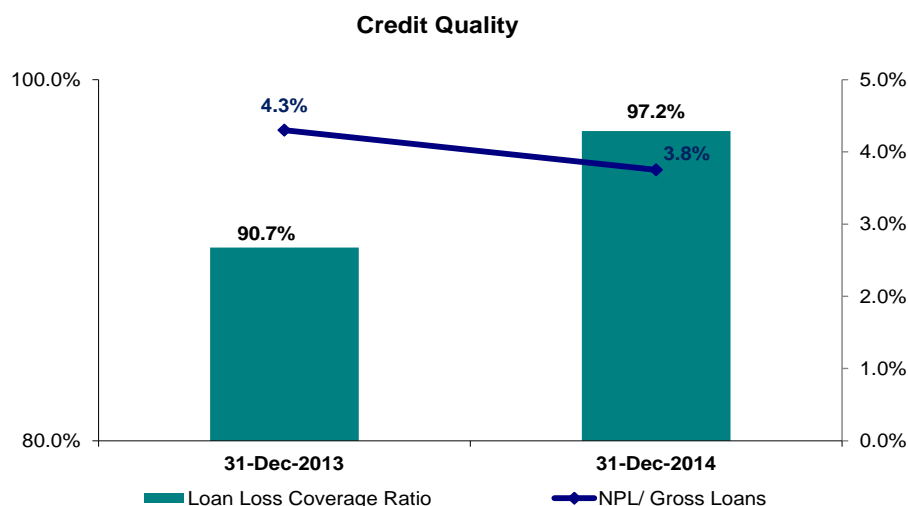
**Operating expenses**

The operating expenses in 2014 increased by 12% to AED 955 million for 2014 (2013: AED 854 million). Investments in the areas of infrastructure, technology and people remain the foundation of the Group's strategy to invest for the future. The cost to income ratio for 2014 was 27.3 % (2013: 26.6%), continuing to be amongst the best in the local banking industry.

In keeping with the Bank's strategy to provide convenient banking services to its customers, UNB augmented its branch network by opening six new branches in the UAE and today has the third largest branch network (excluding Islamic banks) in the country, comprising of 72 branches in the UAE. Additionally, the UNB Group has presence in the Middle East and North Africa region either directly or through its subsidiaries, with the total number of UNB Group branches exceeding 110.

### **Credit quality**

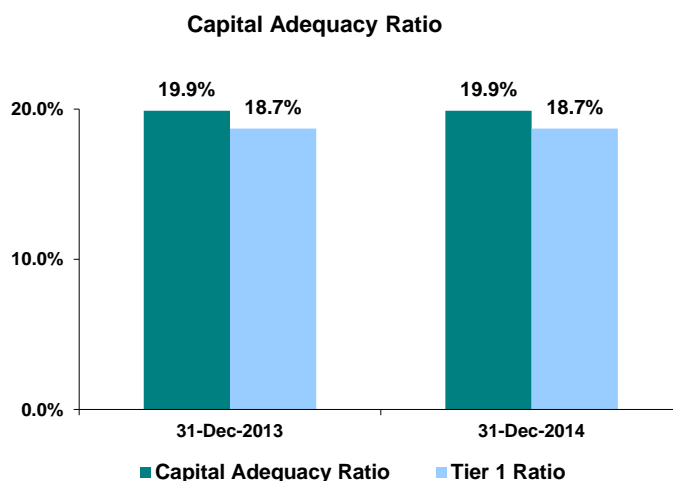
General improvement in the business environment, prudent lending standards and ongoing recovery efforts has led to asset quality measures maintaining a positive trend. Non-performing loans to gross loans and advances ratio improved by 50 bps in 2014 to 3.8% as at 31 December 2014 (31 December 2013: 4.3%). The loan loss coverage ratio further strengthened to 97.2% as at 31 December 2014 (31 December 2013: 90.7%). The improving asset quality metrics, led to the impairment charge decreasing by 16% to AED 492 million for 2014 (2013: AED 586 million). The general provision of AED 1.2 billion as at 31 December 2014 (31 December 2013: AED 1.1 billion) represented 1.50% of the credit risk weighted assets as at 31 December 2014, with the UNB group being fully compliant with the related requirements set by the Central Bank of the UAE.



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

In line with the strong profitability, the return on average equity, excluding Tier 1 capital notes was 14.3% for 2014 (2013: 13.9%) and the return on average assets was 2.2% for 2014 (2013: 2.0%). The earnings per share for 2014 was AED 0.69 (2013: AED 0.59), up by 17% compared to 2013.

The capital ratios remained strong in spite of a consistent business growth, with the Overall Basel II capital adequacy ratio being 19.9% as at 31 December 2014 (31 December 2013: 19.9%) and the Tier I capital adequacy ratio being 18.7% as at 31 December 2014 (31 December 2013: 18.7%). Both the ratios remained significantly above the respective regulatory thresholds.



### **Dividend Proposal**

The Board of Directors has recommended a dividend distribution of 25% (AED 0.25 per share) of cash dividend subject to the approval by the regulators and the shareholders. The consolidated financial statements for the year ended 31 December 2014 are subject to the approval of the Central Bank of the UAE.

### **Ratings**

In the fourth quarter of 2014, Moody's affirmed UNB's Long-term deposit Rating at 'A1' and Short-term deposit Rating at 'P-1' with a Stable Outlook. Earlier in the year, Fitch Ratings and Capital Intelligence had affirmed the ratings – Fitch: Long term IDR at 'A+' and Short term IDR at 'F1' and Capital Intelligence: Foreign Currency Long-term at 'A+' and Foreign Currency Short-term at 'A1' - with 'Stable' outlook.

### **Awards and Accolades**

Following the multitude of awards conferred on the Bank successively, the financial and non-financial achievements of the Bank continued to be acknowledged throughout the year by prominent industry bodies at the international, regional and local level. Listed below are some of the key recognitions received by the Bank during 2014:

- UNB was recognized as a Superbrand for 2015 by the UAE Superbrand Council.
- UNB won the Golden Europe Award for Quality & Commercial Prestige organized by Otherways International Research & Consultants.
- UNB was awarded with the Asset Manager of the Year- UAE by global investor/ISF 2014 Middle East Awards.
- UNB Chief Executive Officer received the International Award – The Laurels of Fame from the Europe Business Assembly in the United Kingdom.
- UNB won the Gold Stevie for “Company of the Year- Banking”, in addition to three silver Stevie awards in categories “Executive of the Year- Banking”, “Product Development of the Year” and “Customer Service Department of the Year” respectively. UNB also won the “People’s choice Stevie award for Favourite Companies’ in the Banking- Financial-Insurance category at the 11th international Business Awards.

- 2013 United Europe Award by Socrates Committee, Europe Business Assembly at an award ceremony held in United Kingdom.
- An Award of appreciation for being a strategic partner of the “Zakat Fund” Abu Dhabi.
- Dubai Human Development Appreciation Award at the 20th Business Excellence Award Ceremony held in Dubai, UAE.
- 2014 European Award for best practices, presented by the European Society for Quality Research at an award ceremony held in Brussels, Belgium.
- Two awards at the 2014 Banker Middle East Product Awards for Best Car Loan and Best Personal Loan.
- UNB & UNB Chief Executive Officer, received the Golden Jaguar International Award for exemplary business achievements demonstrating high professionalism from the Europe Business Assembly at an award ceremony held in Italy.
- UNB received “The BIZZ 2014” trophy for Business Excellence at The BIZZ Arabic 2014 Award ceremony, while UNB Chief Executive Officer, was conferred with the World Leader Business person certificate.
- UNB won the 2014 GCC Best Employer Brands Award at the Asian Leadership Awards.
- UNB won the Best Banking Group in UAE award at the World Finance Banking Awards 2014.

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### **About UNB**

Established as a Public Joint Stock Company in 1982, UNB is one of the leading domestic banks in the United Arab Emirates, headquartered in Abu Dhabi. UNB offers a variety of products and services, addressing needs ranging from basic requirements of individuals to the more complex requirements of corporate entities.

### **For more information**

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