

## UNB posts record profit for Q1-2015 of AED 615 million up by 20% compared to prior period

### Key Highlights

- UNB Group profit of AED 615million for Q1-2015, up by 41% quarter-on-quarter
- Operating profit for Q1-2015 of AED 684 million, up by 22% compared to same period of prior year
- Loans and advances of AED 66.9 billion as at 31 March 2015, up by 8% year-on-year and by 4% over prior year end
- Total assets of AED 97.8 billion as at 31 March 2015, up by 9% year-on-year and by 5% over prior year end
- Customers' deposits of AED 69.7 billion as at 31 March 2015, up by 4% year on year and by 3% over prior year end
- Sound liquidity position with loan to deposit ratio of 96.0% and advances to stable resources of well below 100% as at 31 March 2015
- Cost to income ratio for Q1-2015 of 26.8%, consistently amongst the best in the UAE banking sector
- Asset quality consistently improving with NPLs to gross loans of 3.6% and loan loss coverage of 99.2% as at 31 March 2015
- Strong Overall and Tier 1 capital adequacy ratios of 18.7% and 17.6% respectively as at 31 March 2015

### Income statement highlights

AED Million	Q1' 15	Q1' 14	YoY Change %	Q4' 14	QoQ Change %
Net interest income and net income from Islamic financing	707	618	14	711	(1)
Non-interest income	228	166	37	258	(12)
Operating income	935	784	19	969	(4)
Operating expenses	251	222	(13)	247	(2)
Operating profit	684	562	22	722	(5)
Impairment loss on financial assets	57	44	(30)	275	79
Income tax	12	6	(100)	11	(9)
Profit for the period	615	512	20	436	41

### Financial Position highlights

AED Billion	31-Mar-15	31-Mar-14	YoY Change %	31-Dec- 14	QoQ Change %
Total assets	97.8	89.6	9	93.5	5
Loans and advances	66.9	61.7	8	64.1	4
Investments	14.4	9.6	50	11.6	24
Customers' deposits	69.7	66.7	4	67.4	3
Equity attributable to equity holders of the Bank	16.6	15.7	6	16.8	(1)

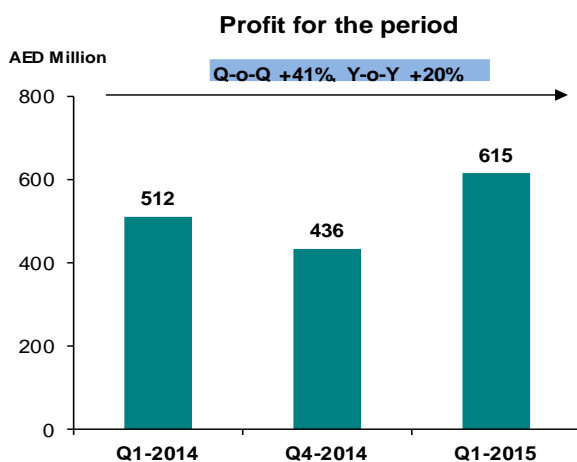
Key Financial Indicators	Q1-15 %	Q1-14 %	Change
Return on Average Equity (ROAE) *	16.6	15.1	1.5
Return on Average Assets (ROAA) *	2.6	2.3	0.3
Cost / Income ratio	26.8	28.3	1.5
Capital Adequacy Ratio	18.7	19.6	(0.9)
Earnings per Share (AED)	0.21	0.16	0.05

\*- Annualized

### **Financial Review**

Union National Bank (UNB), one of the leading banks based in the United Arab Emirates, recorded a strong increase in profit to AED 615 million for the first quarter of 2015 (Q1- 2014: AED512 million), up by 20% year-on-year and by 41% over the preceding quarter.

Commenting on the results, **Mr. Mohammad Nasr Abdeen, Chief Executive Officer**, Union National Bank said “The UNB Group witnessed all round improvement in its various business lines which led to the Group posting a record quarterly profit. The Group has consistently been investing in its infrastructure, distribution network and business enhancing initiatives, which has ensured that the Group’s performance continues to remain strong.” He further commented “Along with the strong financial performance in the first quarter, it is pleasing to note the continuing improvement in asset quality metrics with loan loss coverage being close to 100%.”



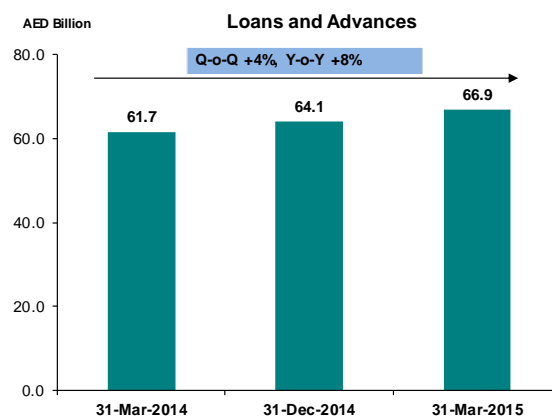
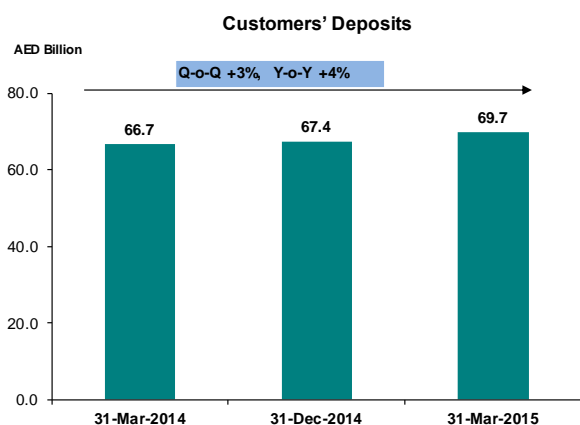
The operating income and operating profit both registered robust increase compared to the prior period driven by the solid growth in business activities. The operating profit for the first quarter of the year was AED 684 million, an increase of 22% over the same period of prior year. The operating income for the three month period ended 31 March 2015 was up by 19% to AED 935 million compared to the corresponding period of previous year driven by a strong growth in both net interest income and non-interest income.

The increase in net interest income was driven by the growth in the loan book and improvement in the net interest margin, which increased by 33 bps to 3.13% in Q1-2015 over the corresponding period of 2014 (Q1-2014: 2.80%). The increase in the net interest margin was due to an improvement in the asset mix and an active balance sheet management. The increase in non-interest income for the quarter was principally due to an increase in fees and commission income and trading revenues.

### **Balance sheet**

The loans and advances were AED 66.9 billion as at 31 March 2015, up 8% year-on-year and 4% compared to the previous year-end at the back of growth mainly in the corporate loan portfolio. The investment portfolio of the Group increased significantly by 50% year-on-year to AED 14.4 billion as at 31 March 2015 and was up by 24% in comparison to prior year end. The total assets of the Group registered healthy growth to AED 97.8 billion as at 31 March 2015, an increase of 9% over that of 31 March 2014.

Customers' deposits were AED 69.7 billion as at 31 March 2015, registering an increase of 4% compared to the corresponding period in the previous year and up by 3% in the first quarter of 2015. The Group's liquidity position remains comfortable with the liquid assets, including investments constituting 27.0% of the total assets as at 31 March 2015 (31 March 2014: 26.8%). The loan to deposit ratio was 96.0% as at 31 March 2015 (31 December 2014: 95.1%) and the advances to stable resources ratio remained comfortable at 88%, well within the regulatory requirements.

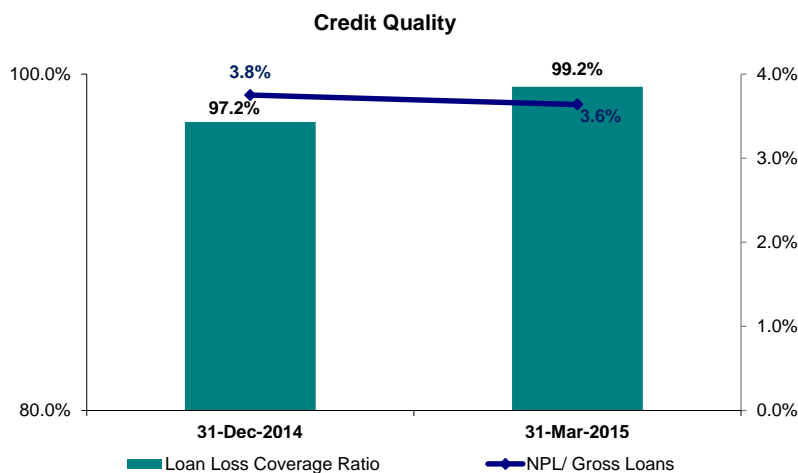


### **Operating expenses**

The operating expenses increased by 13% in the first quarter over the same period of 2014 as the Group continues to invest for the future. However, the cost income ratio of the Group for the first quarter further improved to 26.8% for Q1-2015 (Q1-2014: 28.3%) and continues to remain amongst the best in the UAE banking industry.

## **Credit quality**

During the first quarter, the asset quality trend has shown consistent improvement with the ratio of non-performing loans and advances to gross loans and advances, improving by 20 bps to 3.6% as at 31 March 2015 (31 December 2014: 3.8%). The overall loan loss coverage further improved by 200bps in the first quarter of the year to 99.2% as at 31 March 2015. The impairment charge on financial assets for the first quarter of 2015 was AED 57 million (Q1-2014: AED 44 million) in line with the increased business momentum.



## **Profitability measures and Capital strength**

In line with the robust profitability, the annualized return on average equity, excluding Tier 1 capital notes improved to 16.6% (Q1-2014: 15.1%) with the annualized return on average assets of 2.6% for the first quarter (Q1-2014: 2.3%). The earnings per share for the first quarter was AED 0.21, an increase of 31% compared with the same period of 2014.

The UNB Group's Basel II capital adequacy ratio computed in accordance with the Central Bank of the UAE guidelines remained strong at 18.7% as at 31 March 2015 (31 December 2014: 19.9%) with the Tier I capital adequacy ratio of 17.6% as at 31 March 2015 (31 December 2014: 18.7%). Both the ratios remained significantly above the respective thresholds set by the Central Bank of the UAE.

## **Ratings**

In the first quarter of the year, Fitch Ratings and Moody's affirmed the ratings of the Bank. The existing ratings of the Bank are:

Moody's: Bank deposits: A1 / P-1;

Fitch Ratings: A+ Long-term IDR and F1 Short-term IDR;

Capital Intelligence: A+ Foreign Currency Long-term and A1 Foreign Currency Short-term

All ratings have a "Stable" Outlook

## **Awards and Accolades**

UNB continues to be a regular recipient of awards and recognitions by leading international, regional and local industry bodies.

Some key accolades won during the first quarter of 2015 are:

- ✚ Four product awards, Best Home Finance, Best Customer Service - Retail, Best SME Loan and Best Deposit Scheme at the 2015 Banker Middle East Product Awards.
- ✚ Best Quality Leadership Award in the Diamond Category by the European Society for Quality Research.
- ✚ Distinguished Golden Excellence Shield in the field of Social Responsibility from the Arab Organization for Social Responsibility for UNB's outstanding achievements in the area of Social Responsibility.

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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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