

UNB posts profit of AED 450 million for Q1-2016

Key Highlights

- Loans and advances up by 2% on year on year basis to AED 68.3 billion as at 31 March 2016
- Customer deposits increased by 3% on year on year basis to AED 72.1 billion as at 31 March 2016
- Consolidated total assets of AED 99.8 billion as at 31 March 2016, up by 2% on year on year basis
- Liquidity levels managed actively with loan to deposit ratio at 94.7% and advances to stable resources of around 85% as at 31 March 2016
- Effective cost management with cost to income ratio of 32.2% for the first quarter of 2016
- Slight uptick in asset quality metrics, with NPLs to gross loans ratio of 3.7% and loan loss coverage of 102.7% as at 31 March 2016
- Strong capital ratios with overall and Tier 1 capital adequacy ratios of 18.9% and 17.8% respectively as at 31 March 2016

Income statement highlights

AED Million	Q1' 16	Q1' 15	YoY Change %	Q4' 15	QoQ Change %
Net interest income and net income from Islamic financing	623	707	(12)	679	(8)
Non-interest income	190	228	(17)	183	4
Operating income	813	935	(13)	862	(6)
Operating expenses	(262)	(251)	(4)	(258)	(2)
Operating profit	551	684	(19)	604	(9)
Impairment charge on financial assets, net	(85)	(57)	(49)	(395)	78
Income tax expense	(16)	(12)	(33)	(14)	(14)
Profit for the period	450	615	(27)	195	131

Figures may not add up due to rounding differences

Financial Position highlights

AED Billion	31-Mar-16	31-Mar-15	YoY Change %	31-Dec- 15	QoQ Change %
Total assets	99.8	97.8	2	101.9	(2)
Loans and advances	68.3	66.9	2	68.4	-
Investments	15.3	14.4	6	14.7	4
Customers' deposits	72.1	69.7	3	74.8	(4)
Equity attributable to equity holders of the Bank	17.5	16.6	5	17.7	(1)

Key Financial Indicators	Q1-16 %	Q1-15 %	Change
Return on Average Equity (ROAE) *	11.5	16.6	(5.1)
Return on Average Assets (ROAA) *	1.8	2.6	(0.8)
Cost / Income ratio	32.2	26.8	(5.4)
Capital Adequacy Ratio	18.9	18.7	0.2
Earnings per Share (AED)	0.15	0.21	(0.1)

* - Annualized

Financial Review

Union National Bank (UNB), one of the leading banks based in the United Arab Emirates, recorded a profit of AED 450 million for the first quarter of 2016, up by 131% over the preceding quarter and down by 27% year-on-year.

Commenting on the results, **Mr. Mohammad Nasr Abdeen, Chief Executive Officer**, Union National Bank said “2016 witnessed a soft start to the year as global economic activity moderates and the operating environment continues to re-adjust at the back of a decline in oil prices. The local banking sector is facing headwinds, which also saw some impact on the Group’s profitability”. He further commented that “While maintaining a prudent strategy we continue to maintain strong capital levels and adequate liquidity”.

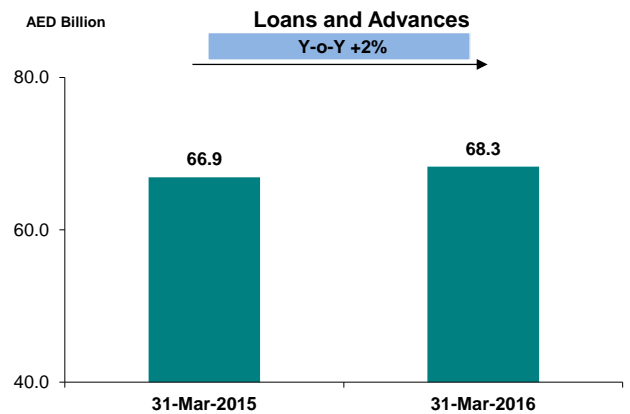
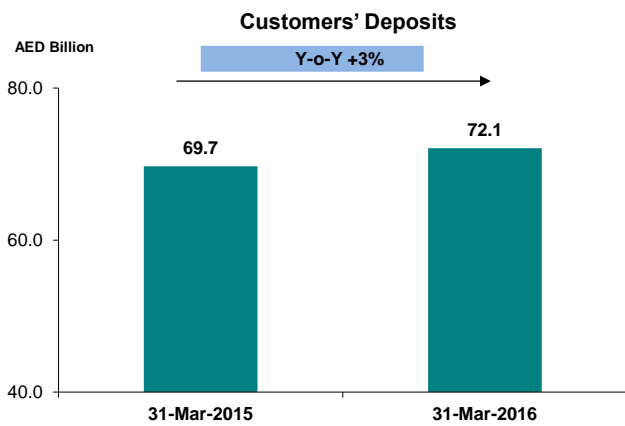
The operating profit for the first quarter of the year was AED 551 million, a decrease of 19% over the same period of prior year. The operating income for the three month period ended 31 March 2016 was down by 13% to AED 813 million compared to the corresponding period of previous year.

The increased cost of deposits led to a reduction of the net interest income by 12% to AED 623 million in Q1-2016, with the net interest margin being impacted by 50 bps to 2.63% in the first quarter. The selective approach in booking new assets led to a drop in net fee and commission income, which along with lower net gains from dealing in foreign currencies and derivatives resulted in lower non-interest income.

Balance sheet

Loans and advances were up by 2% year-on-year to AED 68.3 billion as at 31 March 2016 and were marginally lower compared to the prior year end. The investment portfolio increased by 6% year-on-year to AED 15.3 billion as at 31 March 2016 partly to comply with the liquidity norms. The total assets of the Group registered a growth of 2% to AED 99.8 billion as at 31 March 2016 as compared to last year.

Customers’ deposits were AED 72.1 billion as at 31 March 2016, registering an increase of 3% compared to the corresponding period in the previous year. The Group’s liquidity position remains comfortable with the liquid assets, including investments constituting 27.0% of the total assets as at 31 March 2016 (31 March 2015: 27.0%). The loan to deposit ratio was 94.7% as at 31 March 2016 and the advances to stable resources ratio at around 85% well within the stipulated thresholds. The Bank has been complying consistently the regulatory requirement of Eligible Liquid Assets ratio which came into effect from the second half of last year.

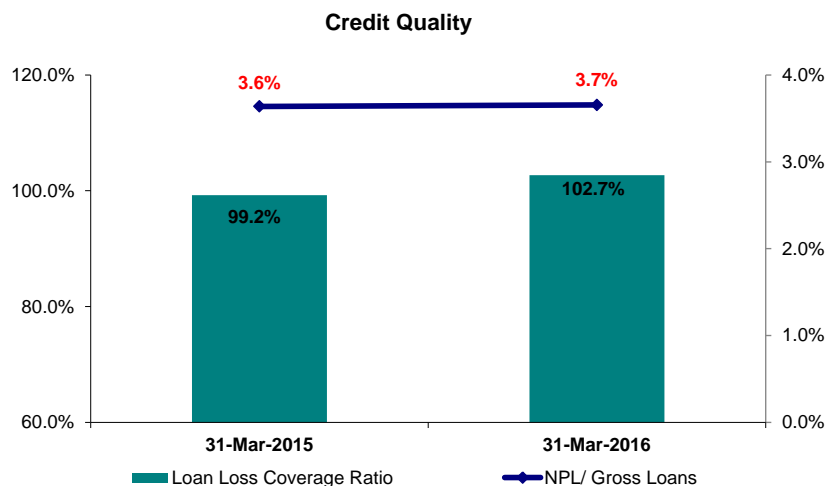


Operating expenses

The operating expenses in the first quarter were AED 262 million, slightly up by 4% over the same period of 2015. The cost income ratio of the Group for the first quarter was at 32.2%.

Credit quality

During the first quarter, the ratio of non-performing loans and advances to gross loans and advances up-ticked to 3.7% as at 31 March 2016 (31 December 2015: 3.5%) with overall loan loss coverage at 102.7% as at 31 March 2016 (31 December 2015: 107.7%). The impairment charge on financial assets during the first quarter of 2016 was AED 85 million (Q1-2015: AED 57 million).



Profitability measures and Capital strength

The annualized return on average equity, excluding Tier 1 capital notes was 11.5% (Q1-2015: 16.6%) with the annualized return on average assets of 1.8% for the first quarter (Q1-2015: 2.6%). The earnings per share for the first quarter was AED 0.15.

The UNB Group's Basel II capital adequacy ratio computed in accordance with the Central Bank of the UAE guidelines remained strong at 18.9% as at 31 March 2016 (31 December 2015: 19.4%) with the Tier I capital adequacy ratio of 17.8% as at 31 March 2016 (31 December 2015: 18.3%). Both the ratios remained significantly above the respective thresholds set by the Central Bank of the UAE.

Awards and Accolades

- ✚ Continuing its journey towards robust process governance, Union National Bank has been recognized with the ISO 22301 and is now certified for the Business Continuity Management Systems by LRQA.
- ✚ UNB won the "Best Enterprise" award from the Europe Business Assembly (EBA). Additionally, UNB CEO won the "Manager of the Year" award from EBA.