



9M 2019 Performance

October 2019

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The Operating Environment

Macroeconomic Updates



GDP	1.94% (Q2'19)	↓	<ul style="list-style-type: none"> GDP slowed to 1.94% in real terms QoQ from 2.10% in Q1 2019
Inflation	11.24%	↑	<ul style="list-style-type: none"> Inflation rate increased to 11.24% in September 2019 (11.22% recorded in June 2019).
Reserves	\$41.9bn	↓	<ul style="list-style-type: none"> Nigeria's external reserves drop to \$41.9billion in September 2019 (\$45.1bn in June 2019)
Exchange Rate (N/\$)	N360 (parallel) N362.3 (I&E)	↔	<ul style="list-style-type: none"> Parallel market rate is at N360.0/\$ I&E FX rate averaged at N362.3/\$
Monetary Policy Rate	13.5%	↔	<ul style="list-style-type: none"> Monetary Policy Rate was maintained at 13.5% in September 2019
NIBOR	11.76%	↑	<ul style="list-style-type: none"> NIBOR overnight rate increased to ~11.8% (5% in June 2019)
Oil Price	\$65.3	↓	<ul style="list-style-type: none"> Bonny light decreased to \$65.3/barrel (\$66.7 p/b in June 2019). President Buhari's 2020 Budget proposal based on \$57/barrel
Oil Production	1.95mbpd	↑	<ul style="list-style-type: none"> Oil Production is up at 1.9mbpd (1.8mbpd in June 2019). President Buhari's 2020 Budget proposal based on 2.18mbpd. Nigeria's production quota recently agreed with OPEC is 1.8mbpd.
Money Supply	N27.57tn	↓	<ul style="list-style-type: none"> Money Supply is N27.6tn (N27.8tn in June 2019)
Credit to the Private Sector	N25.5tn	↑	<ul style="list-style-type: none"> Credit to the private sector is N25.5tn (N24.8tn in June 2019)

Change vs June 2019



Q3 Regulatory Updates



LDR Update

The Central Bank of Nigeria advised all DMBs of the Minimum Loan to Deposit Ratio (LDR) of 60%



July

Revised Prudential Guidelines

The CBN released an exposure draft on the prudential guidelines to all DMBs in Nigeria.



August

Customer Protection Framework

The CBN introduced a credit protection clause that would be attached to offer letters of banks going forward



September

Mobile Money Wallets

The Central Bank of Nigeria directed that DMBs will not need approval to offer mobile money wallet services



July

LDR Review

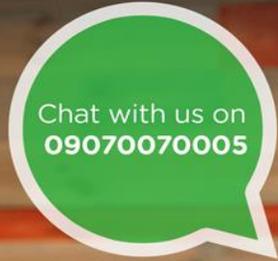
The Central Bank of Nigeria further increased the LDR to 65%. December 31st deadline set for all DMBs



September



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Union Bank Update

Our Ambition

To be known as:

- 1** *Nigeria's Most Reliable & Trusted Banking Partner*
- 2** *Leader in Retail and Transaction Banking*
- 3** *Leader in Citizenship, Sustainability & Innovation*



2019 Priorities



Digital & Automation



Portfolio Diversification



Operational Efficiency



Ecosystems for Value Chain & Growth



**Enabling Nigeria's success:
Education, Technology,
Women, SMEs**

Union Bank at a Glance as at September 2019



Assets / Equity

Total Equity		₦ 242bn
Total Assets		₦ 1.8tn

Our Channels

ATM		934
Debit Cards		4.4m
POS Terminals		5.1k
Online Banking		1.2m
Mobile Banking		1.9m
Branches / Cash Centers		284

Our People

Customers		5.6m
Employees		2,350

Ratings

 Research, Credit Ratings, Credit Risk Management	A- (Stable Outlook)
	B3 (Stable Outlook)
	B- (Stable Outlook)
	BBB+ (Stable Outlook)

Social Engagement

158k	818k
35k	67k

Awards

Best Branch Digitisation Initiative, Application or Programme in West Africa

- The Asian Banker Award (2019)

Advertiser of the Year and Recipient of the Bronze award for Integrated Marketing Campaign

- Pitcher Awards (2019)

Excellence in Banking Innovation

- New Age Banking Awards (2018)

Best Company in Environmental Excellence and Most Outstanding Company in CSR/Sustainability

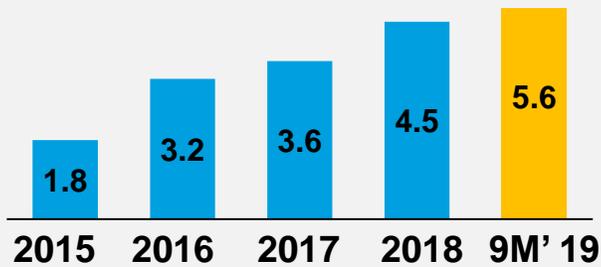
- Sustainability, Enterprise and Responsibility Awards (SERAs) (2018)

Steady growth across key metrics



Customers (millions)

+33%



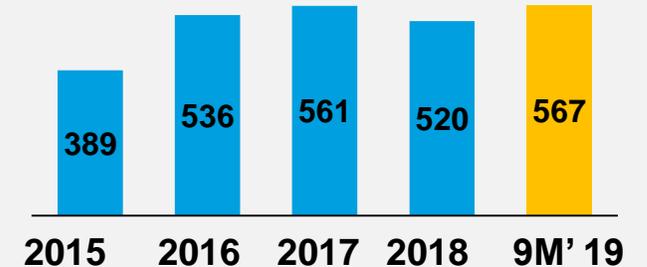
Deposits (N'bn)

+12%



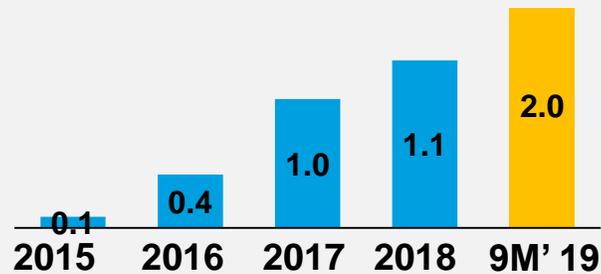
Gross Loans (N'bn)

+10%



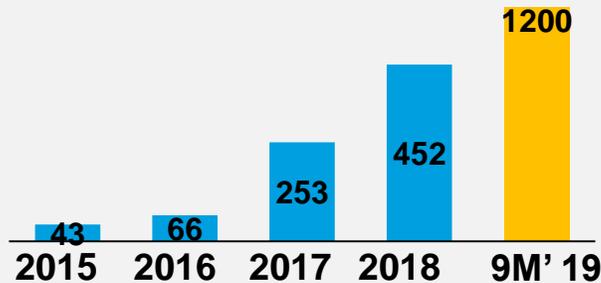
Active Mobile Banking Customers (millions)

+109%



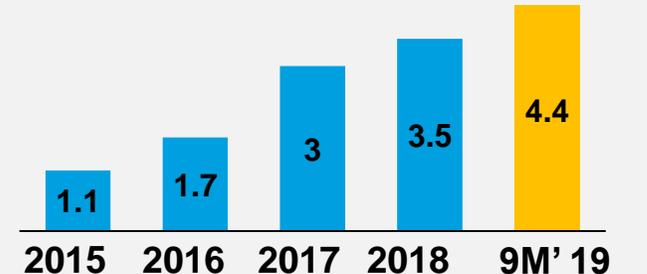
Active Online Banking Customers (thousands)

+130%

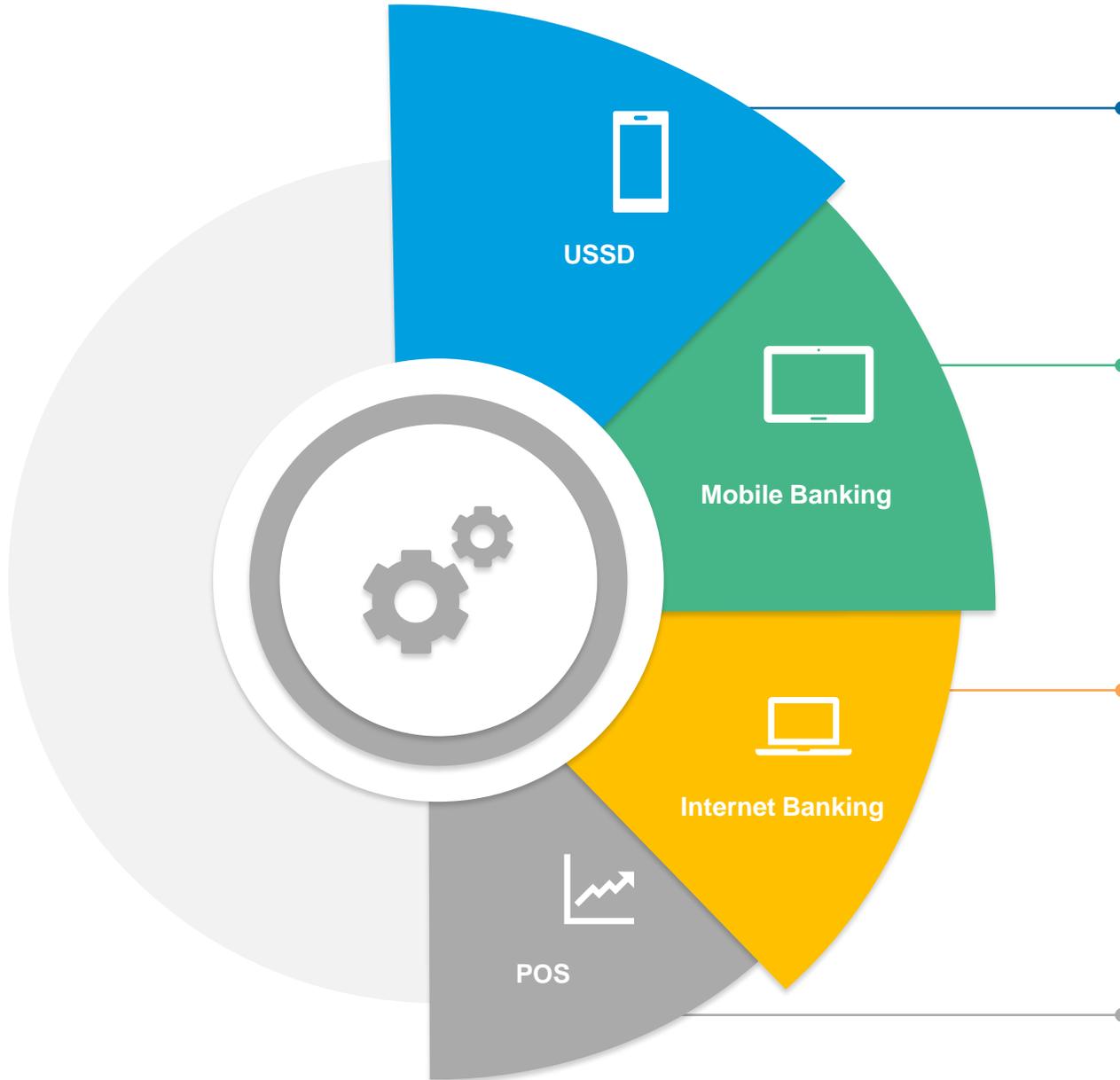


Active Debit Cards (millions)

+40%



Digital Channels



Value – N11.5bn (Sep '19) – N11.3bn (Sep '18) ↑ **1%**
Volume – 40m (Sep '19) – 22m (Sep '18) ↑ **36%**
Users – 1.3m (Sep '19) – 710k (Sep '18) ↑ **78%**

Value – N530bn (Sep '19) – N268bn (Sep '18) ↑ **98%**
Volume – 44m (Sep '19) – 18m (Sep '18) ↑ **144%**
Users – 2m (Sep '19) – 884k (Sep '18) ↑ **90%**

Value – N1.244tr (Sep '19) – N1.240tr (Sep '18) ↑ **0.3%**
Volume – 2.6m (Sep '19) – 3.1m (Sep '18) ↓ **19%**
Users – 1.2m (Sep '19) – 787k (Sep '18) ↑ **52%**

Value – N81bn (Sep '19) – N40bn (Sep '18) ↑ **103%**
Volume – 13.6m (Sep '19) – 7.2m (Sep '18) ↑ **86%**
Count – 5.1k (Sep '19) – 7.4k (Sep '18) ↓ **31%**

Q3 2019 Achievements



Customer Acquisition

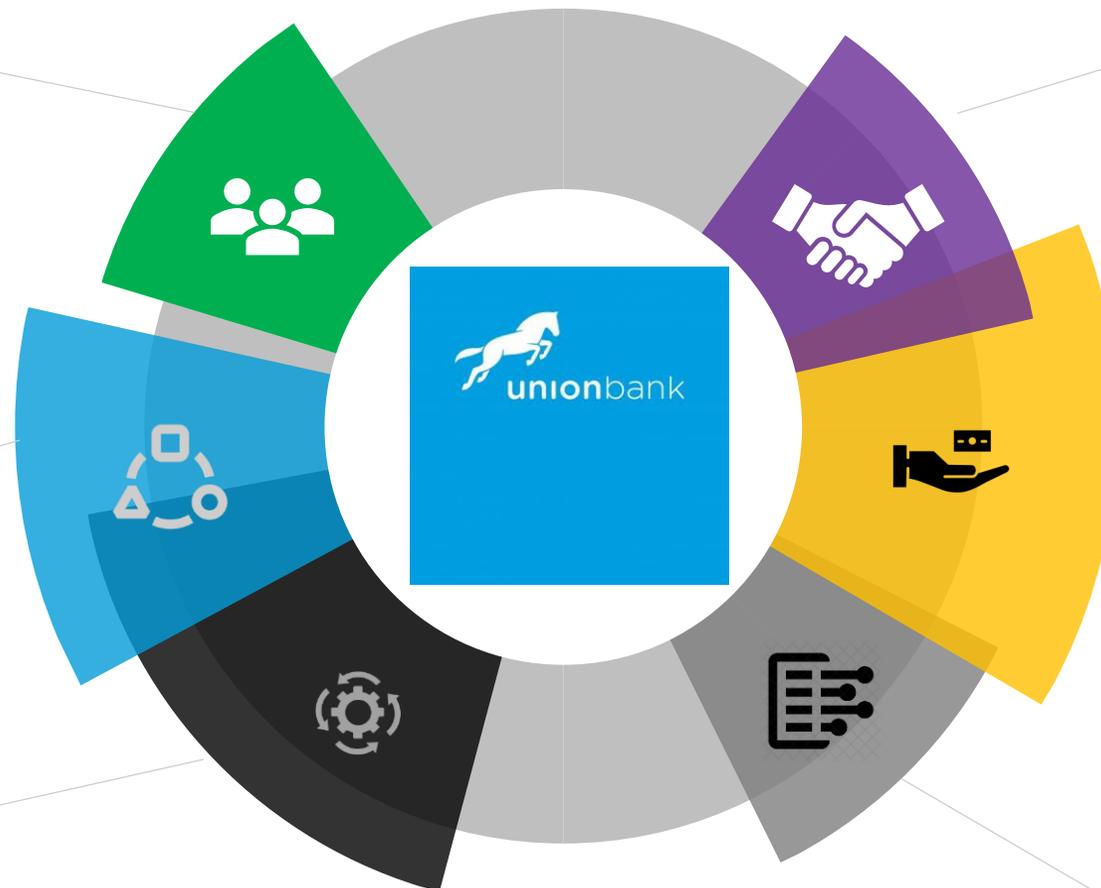
- **Active customers now 5.6m** in Sep'19 from 4.9m (Sep '18).
- Intensified pursuit for quality customers and deepened relationship with existing customers.

Value Chain

- **33% growth in Payroll Sign-ons** YTD (15.2k vs 11.4k – Dec 2018)
- **80% growth in Key Distributor conversion** YTD (1500 v 877)

Operational Efficiency

- **NPLs further dropped to 8%** from 8.7% (Dec '18)
- **3% YoY drop in total expenses**-driven by a 7% Y-o-Y decline in other expenses including General Admin Expenses, Repairs & Maintenance, Accommodation and Travel



Portfolio Diversification

- **Continued diversification** of our loan book:
 - Retail – 8.3% vs. 6.9% (Dec '18)
 - Information & Communication – 8.0% vs. 3.2% (Dec '18)
 - Oil & Gas - 31.7% vs. 36.2% (Dec '18)
 - Power - 8% vs. 7% (Dec '18)

Emerging Segments

- Launched **Cash Flow Lending Proposition to SME Customers** who can access loans up to N10m without collateral
- **alphaHer partnership** with Leading Ladies Africa to run the Enterprise and Leadership Programme (ELP) for women entrepreneurs.

Digitization

- Improved efficiency with Robotics Process Automation through **deployment of Robots to book Term Deposits** at the Central Processing Center.
- Increased self-services functionalities on Mobile e.g. **Card block and unblock, destroy card, and activate card** on ATM



9M '19 Financial Performance

Group Financial Performance



Income Statement

	Gross Earnings (₦'bn)
	Net Revenue after Impairments (₦'bn)
	Operating Expenses (₦'bn)
	Profit Before Tax (PBT) (₦'bn)

9M 2019

9M 2018

Trend

117.2

122.2



-4%

71.9

72.8



-1%

56.2

57.9



-3%

15.6

14.9



5%

Ratios

	Cost to Income
	RoE
	RoA

78.7%

79.7%



8.7%

6.1%



1.3%

1.3%



Balance Sheet

	Customer Deposits (₦'bn)
	Gross Loans (₦'bn)

Sep 2019

Dec 2018

892.9

857.6



4%

566.5

519.7



9%

Ratios

	CAR*
	NPL Ratio
	Coverage
	Loan to Deposit

17.8%

16.4%



8.0%

8.7%



85.9%

101.7%



63.4%

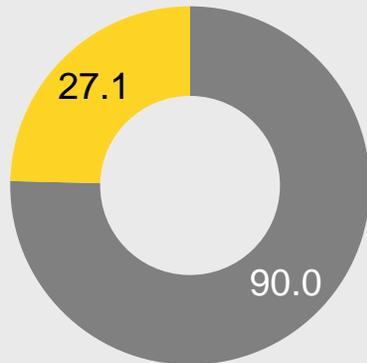
60.6%



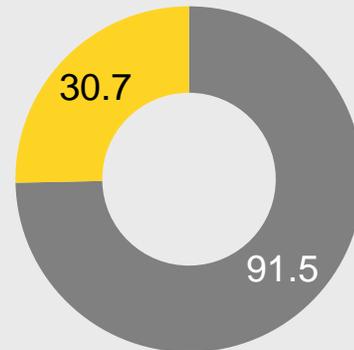
Earnings



Gross Earnings (₦'bn)



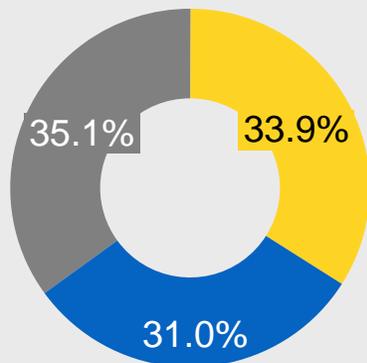
9M' 2019



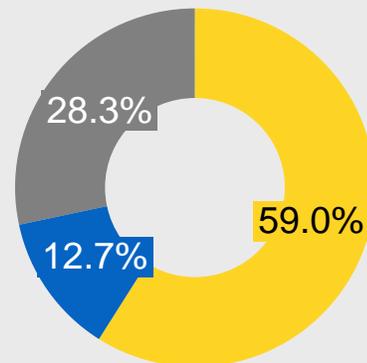
9M' 2018

Interest Income Non Interest Income

Non Interest Income* (%)



9M' 2019



9M' 2018

Fees & Commissions Trading Recoveries

Key Lines	9M 2019 (₦'bn)	9M 2018 (₦'bn)	Var
Interest Income	90.0	91.5	(2%)
Fee & Commission Income	9.5	8.7	9%
Trading & Other Income	9.2	18.1	(49%)
Recoveries	8.4	3.9	115%
Total	117.1	122.2	(4%)

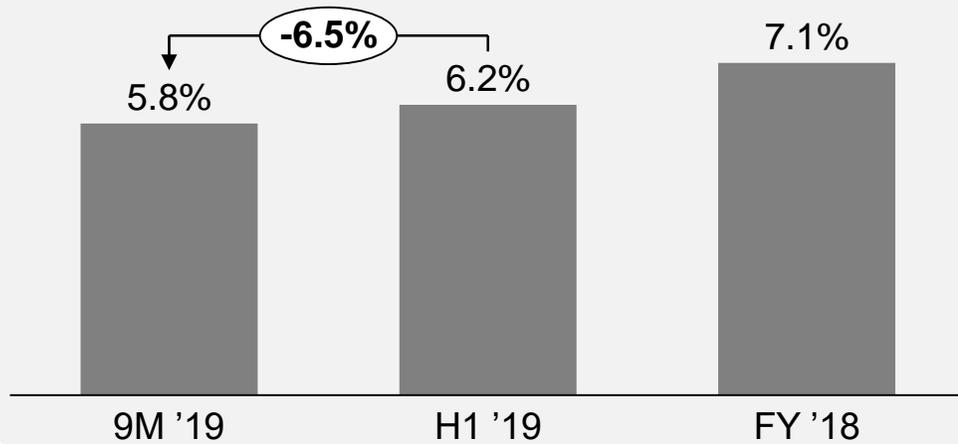
- Non-Interest Income down by N3.6bn driven by N2.9bn decrease in trading income and N6bn due to lower one off income.
- This was compensated for by 115% (N4.5bn) increase in Recoveries, 28% (N1.2bn) increase in E-business Fees.

*includes Net income from other financial instruments at fair value through profit or loss, dividends, gains on disposal of property, FX reval gains, rental income & sundry income

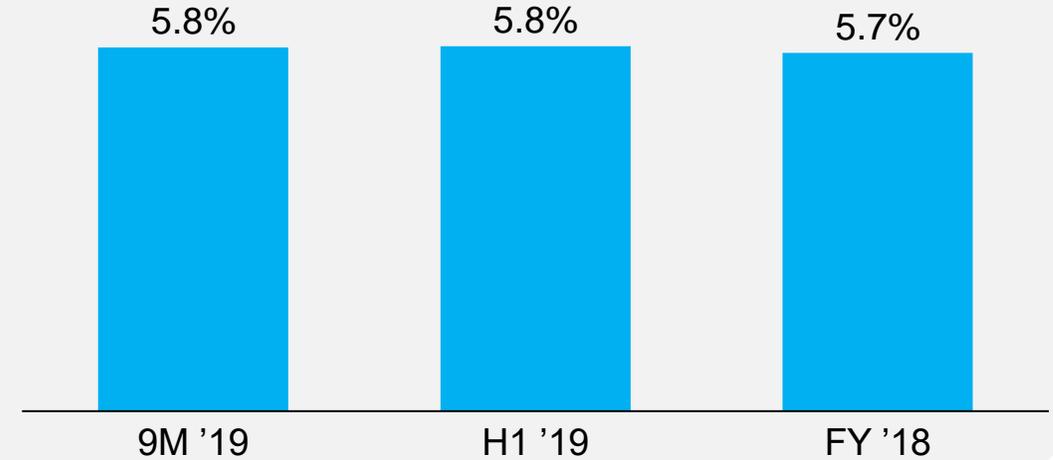
Net Interest Margin Analysis



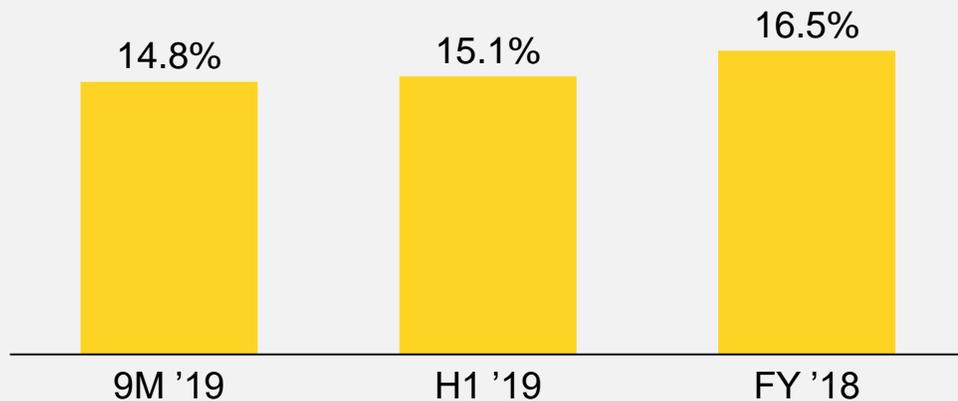
Net Interest Margin Trend



Funding Cost



Yield on Earning Assets

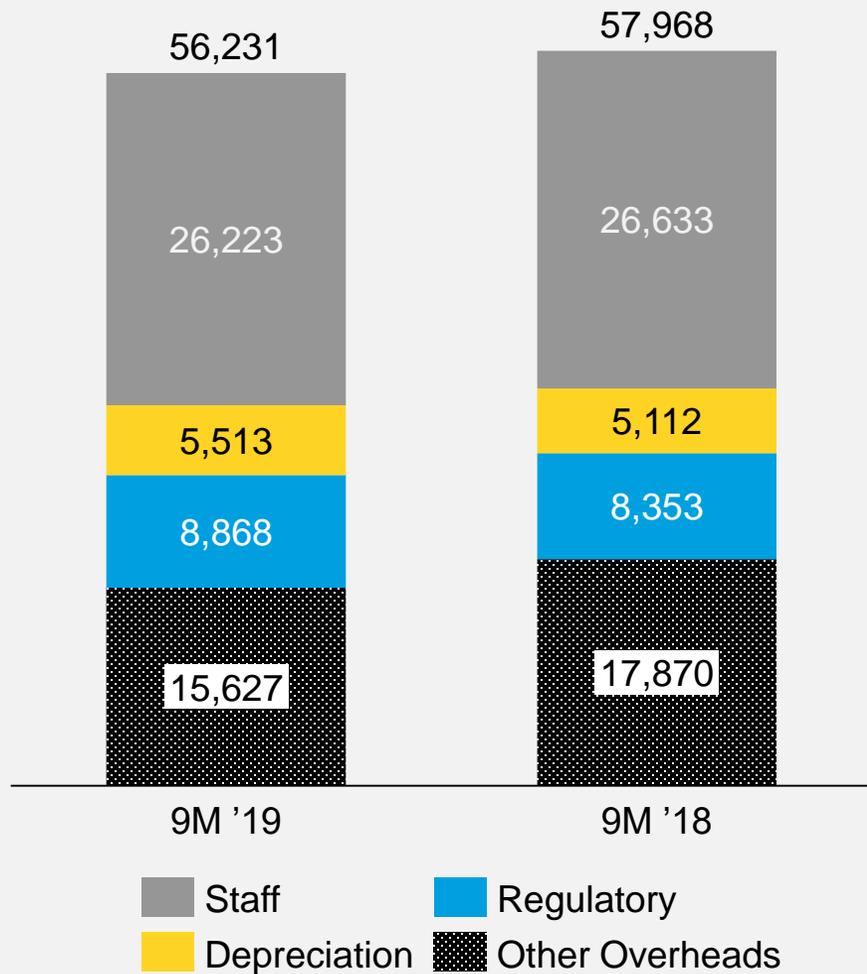


- Net interest margin remained flat at 5.8% due to lower average loan volumes.
- The drop in the yield on earning assets was due to lower proportion of loans with higher yields.
- Average funding cost increased by 30bps between Dec'18 and Sep'19 as a result of additional debt securities issued in June '19. Conversely, average cost of customer deposits reduced by 3bps over same period.

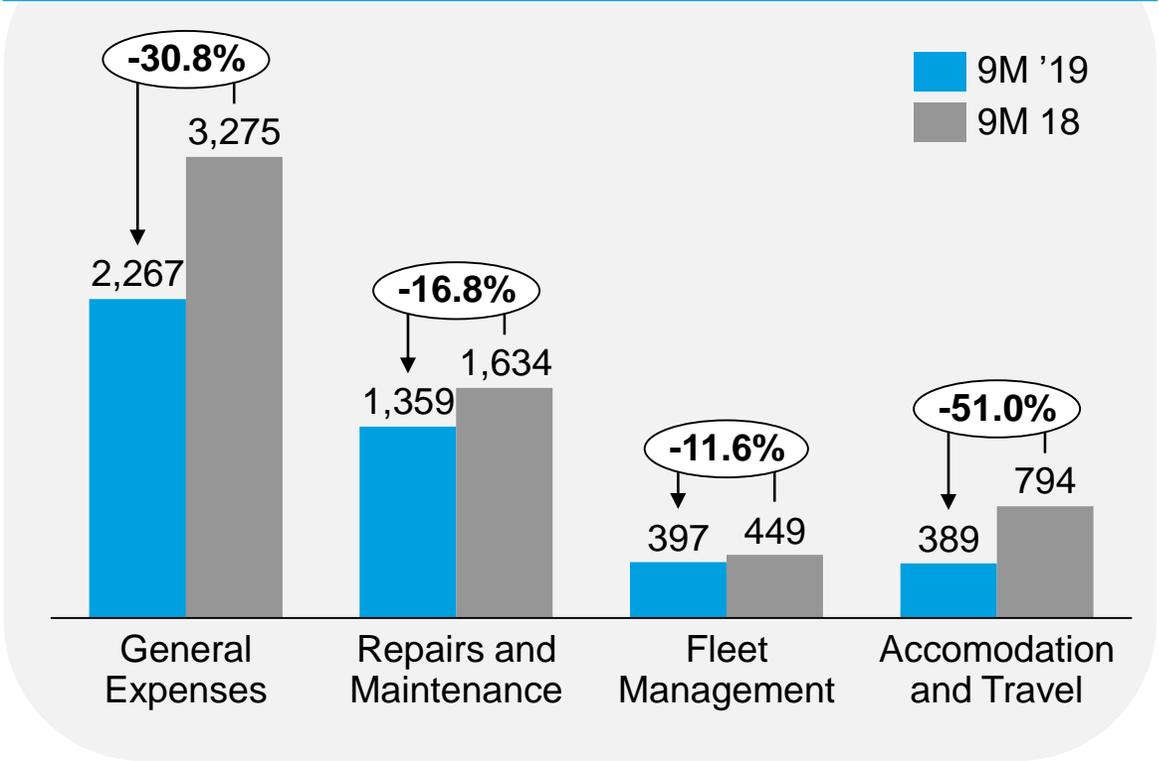
Operating Expenses



Operating Expenses (₹'bn)



Major Drivers of Other Overheads (₹'bn)

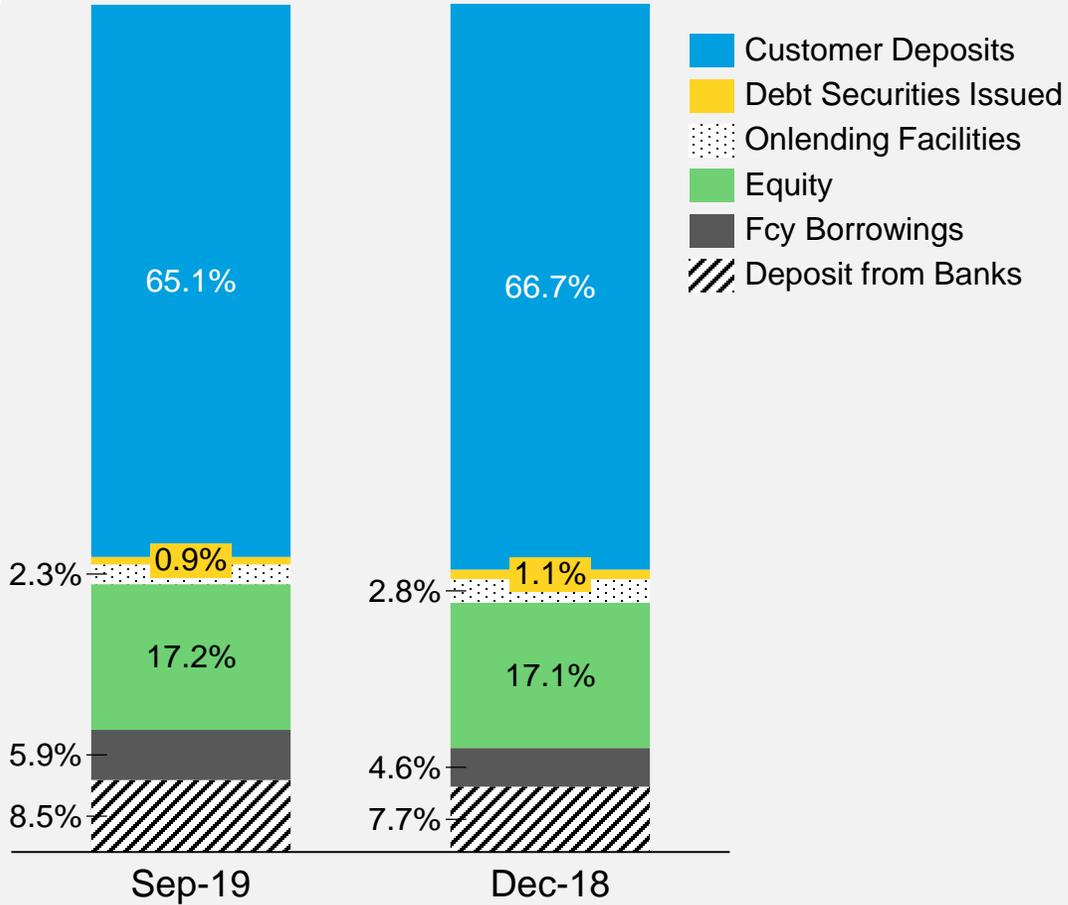


- 9M '19 expenses is 3% below 9M '18 expenses driven by 7% drop in other overheads.
- We expect a moderation in operating expenses for the rest of 2019 as we continue to improve on our operational efficiency.

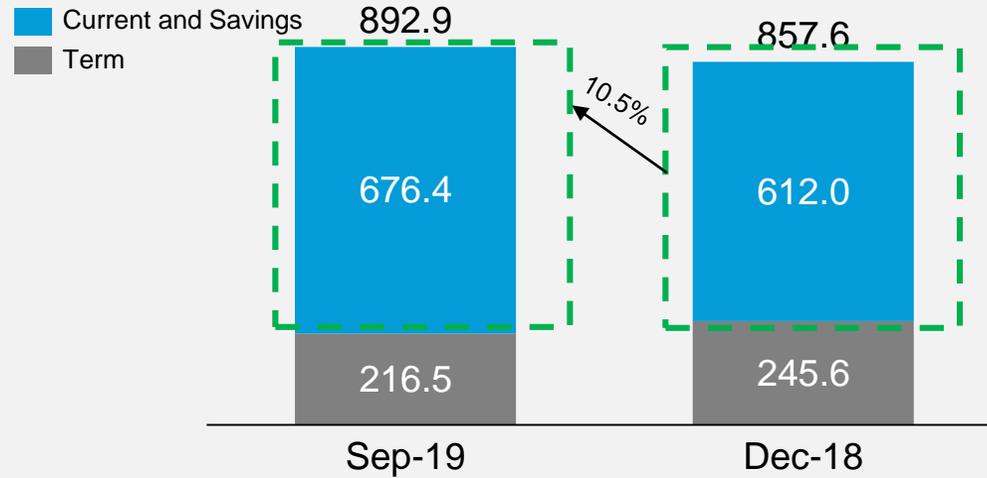
Funding Mix



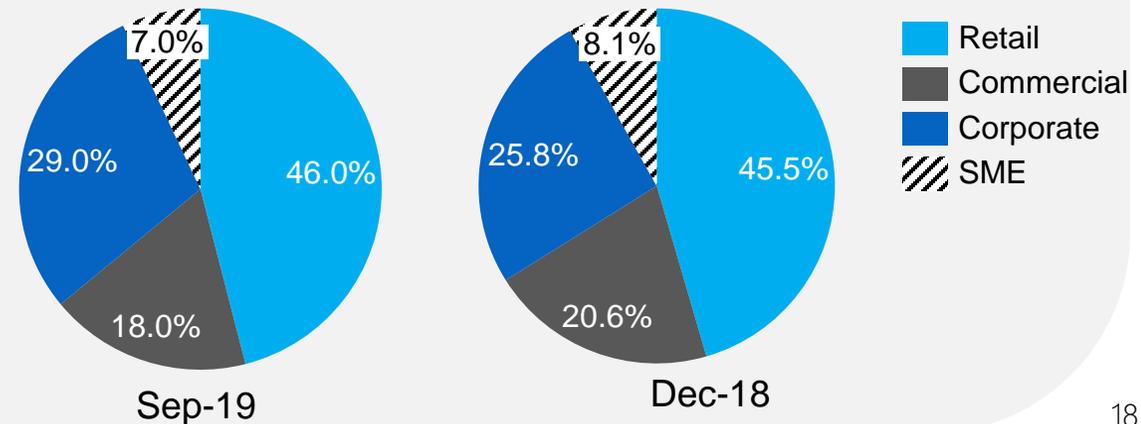
Funding Mix



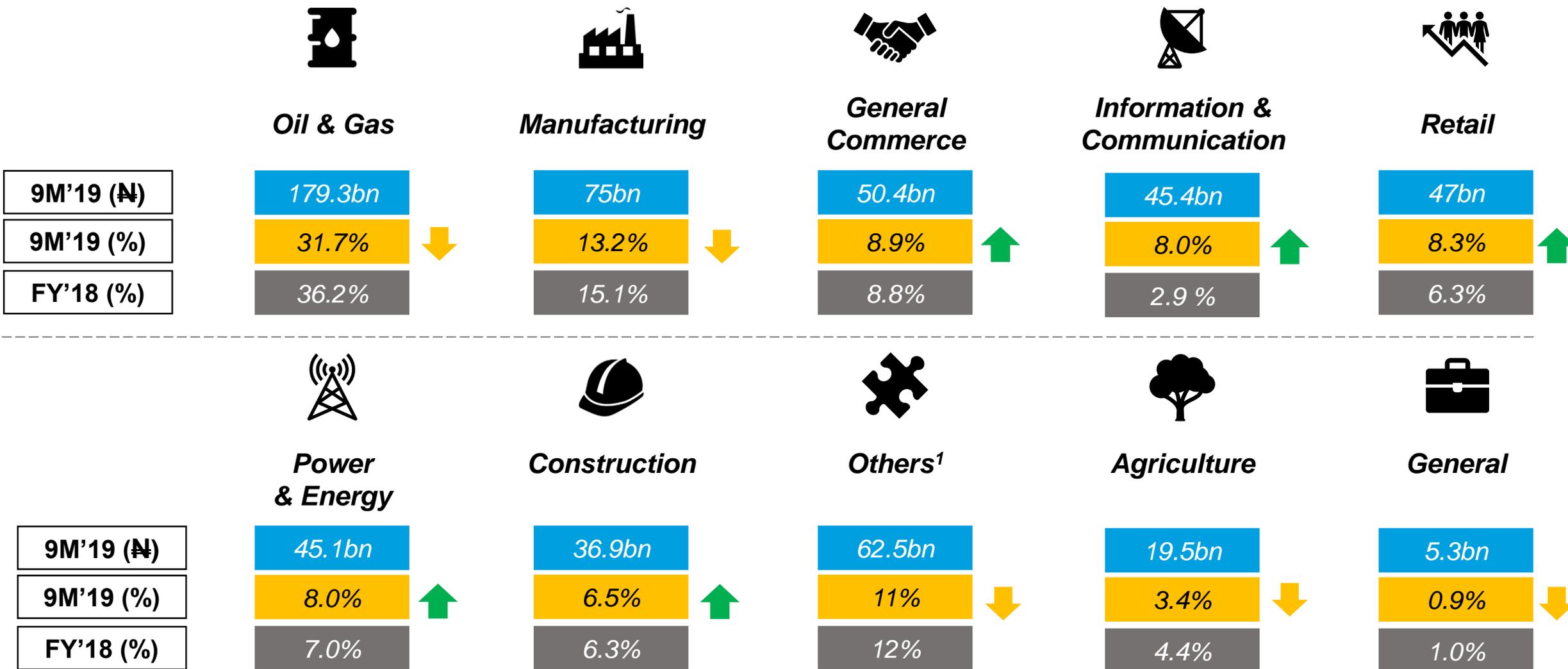
Customer Deposits (N'bn)



Deposit by Segment



Loan Portfolio



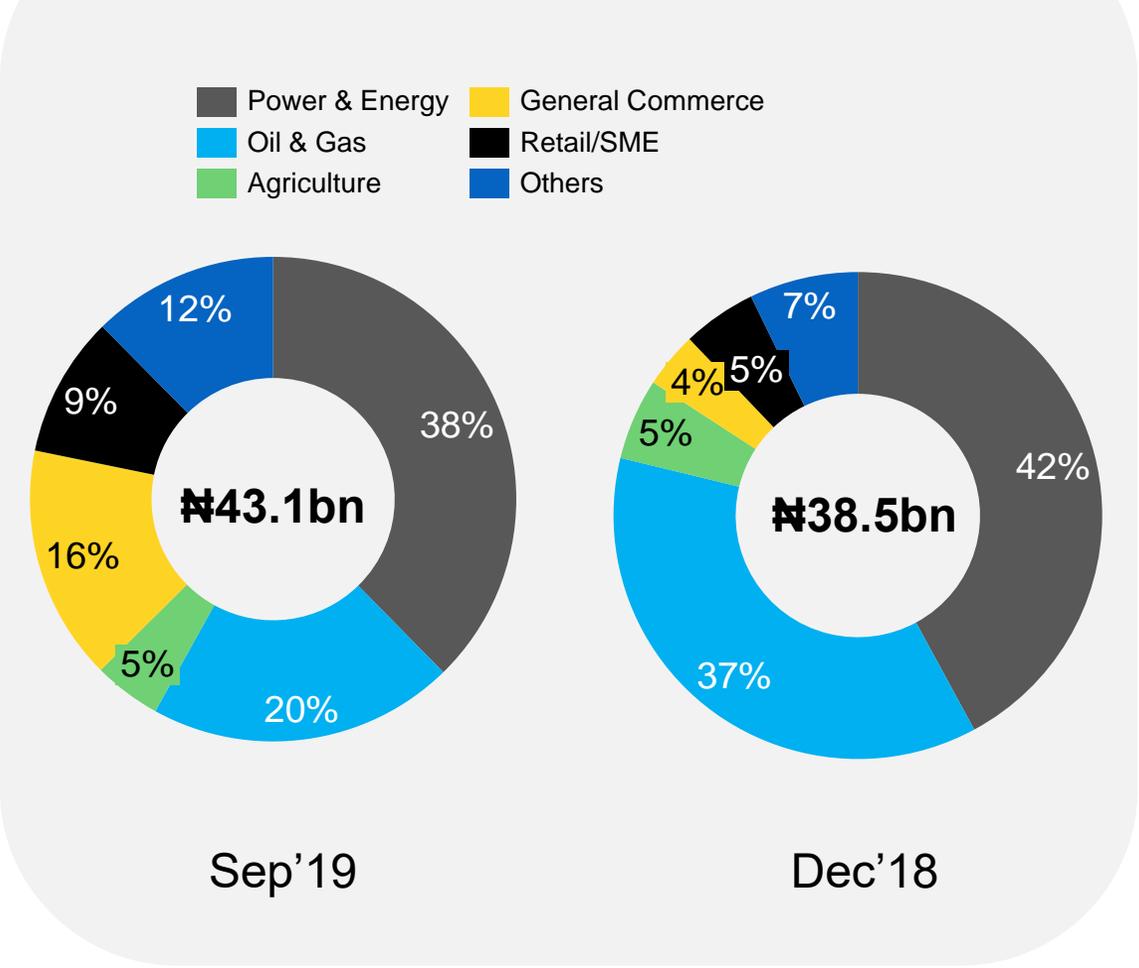
Group Loan Portfolio - Sep '19 – N566.5bn, Dec '18 – N519.7bn

1. Others includes, Education, Finance and Insurance, SME, Hospitality, Human health and Social work, Public Utilities, Real Estate, Transportation and Storage

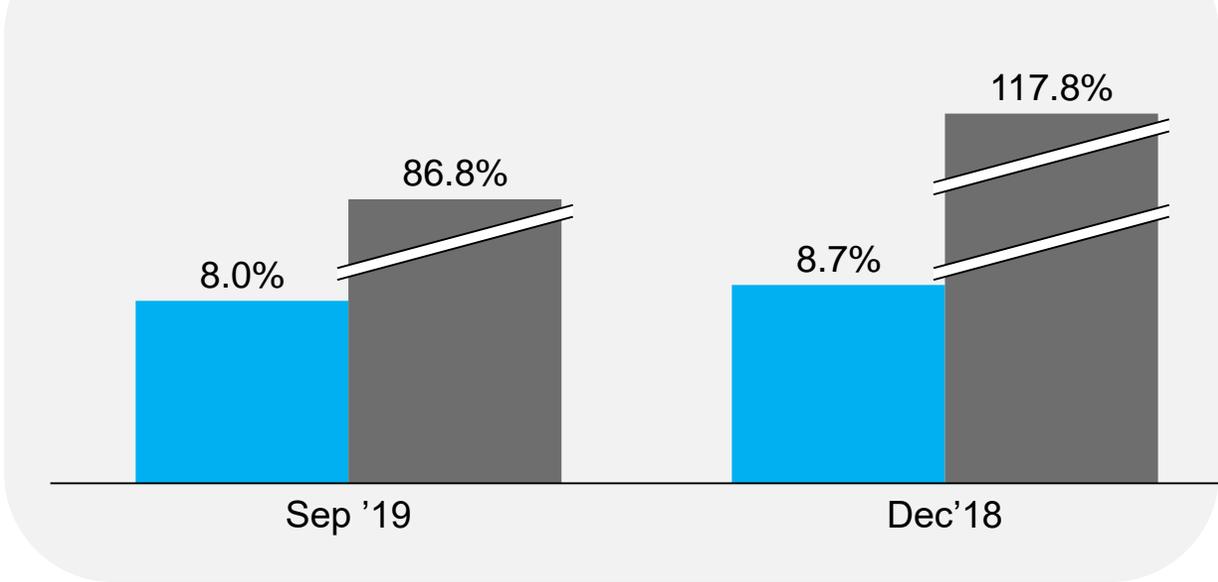
Improved NPL Ratio



NPL Portfolio by Sector (₦'bn)

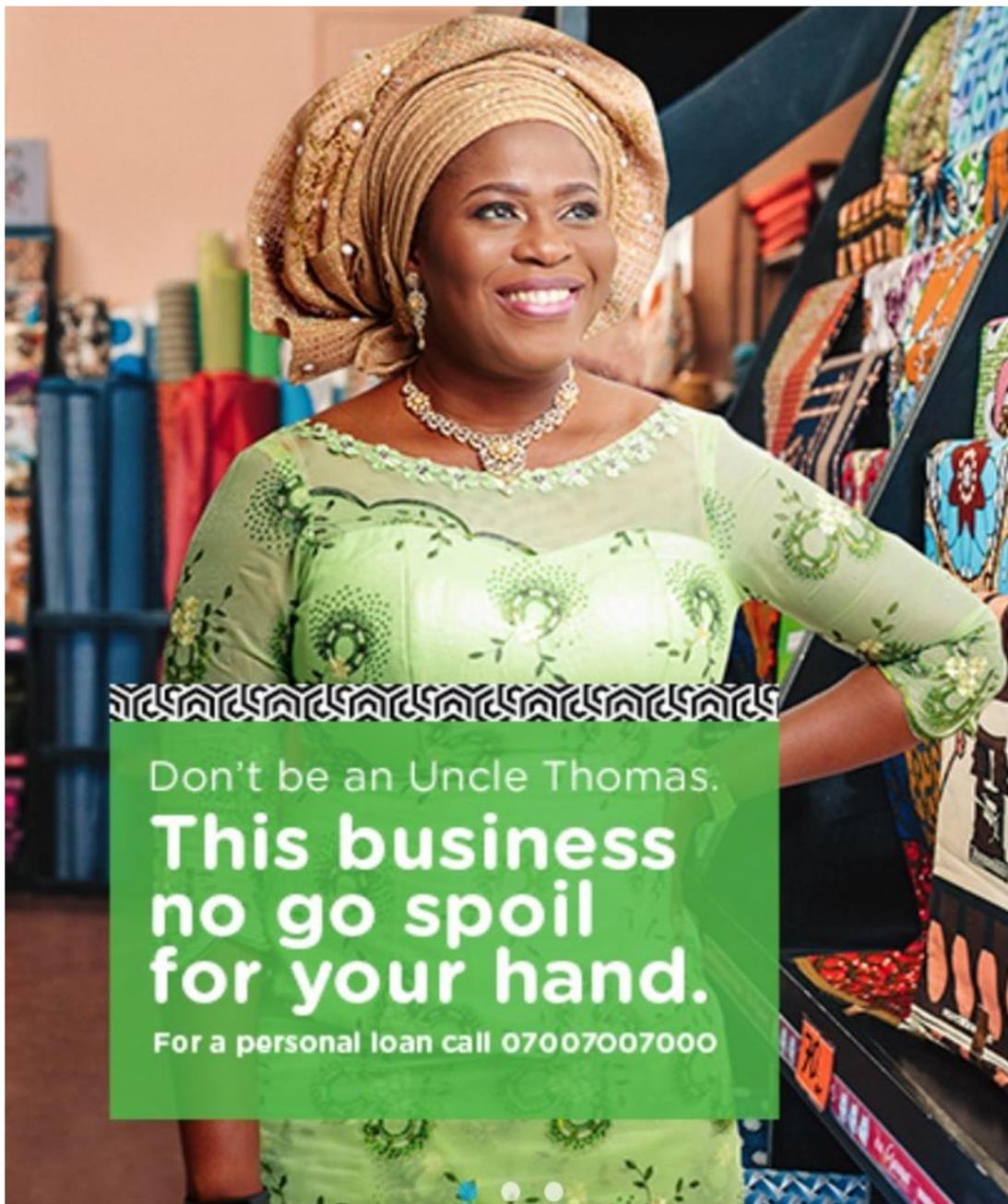


NPL Ratio



- NPL ratio down to 8% in Sep'19 (Dec'18: 8.7%)
- The Bank remains focused on creating high quality risk assets to priority sectors despite the slight increase in the NPLs portfolio.
- Coverage ratio of 87% at 9M '19 (117%: Dec '18) also reflects adequate loan provisioning
- Recoveries YTD is N8.4bn as at 9M '19 vs. N4bn at 9M '18 (114% increase)

1. Others includes Construction, Education, Finance and Insurance, General , Information & Communication.



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for your hand.**

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Looking Ahead

Appendix: Group Financials

9M 2019 Performance – Group Financial Summary



		Sep-2019	Dec-2018	Variance
Balance Sheet (₱ 'bn)	Assets	1,800.6	1,463.9	336.7
	Gross Loans and Advances	566.5	519.7	46.8
	Customer Deposits	892.9	857.6	35.5
Key Ratios	NPL Ratio*	8.0%	8.7%	0.2%
	Capital Adequacy Ratio	17.8%	16.4%	2.3%
	Coverage Ratio	85.9%	101.7%	-15.8%

		9M 2019	9M 2018	Variance
Income Statement (₱ 'bn)	Gross Earnings	117.2	122.2	-5.0
	Net Interest Income	40.5	49.5	-8.9
	Non-Interest Income	27.1	30.7	-3.6
	Credit/Other Impairment Charge	4.2	(7.4)	11.5
	Operating Expenses	(56.2)	(58.0)	1.8
	Profit Before Tax	15.6	14.9	0.8
	Profit After Tax	15.2	14.7	0.5
Key Ratios	Net Interest Margin	5.6%	7.1%	-1.7%
	Cost to Income Ratio	78.7%	79.7%	-1.0%
	Return on Equity	8.7%	6.1%	2.6%
	Return on Assets	1.3%	1.3%	-
	Net Asset Value per share	N8.31	N10.08	-N1.77
	Earnings Per Share	51k	49k	2k

9M 2019 Performance : Group Profit and Loss Statement



N million	9M 2019	9M 2018	Δ
Gross earnings	117,152	122,196	-4%
Interest income	90,026	91,479	-2%
Interest expense	(49,530)	(42,074)	18%
Net interest income	40,496	49,405	-18%
Net impairment charge for credit losses	3,790	(7,434)	-151%
Net interest income after impairment charge	44,268	41,971	5%
Net fee and commission income	9,542	8,693	10%
Net trading income	4,723	7,659	-38%
Cash recoveries	8,390	3,918	114%
Net income from other financial instruments at FVTPL	2,225	5,748	-61%
Other operating income	2,246	4,699	-52%
Non interest income	27,126	30,717	-12%
Operating income	71,412	72,688	-1%
Net impairment write-back on other financial assets	462	137	237%
Operating Expenses	(56,231)	(57,968)	-3%
Profit before tax	15,643	14,857	5%
Profit for the year	15,192	14,664	4%

September 2019 Performance: Group Balance Sheet



N million	Sep-19 N million	Dec-18 N million	Δ
ASSETS			
Cash and cash equivalents	361,109	233,566	55%
Financial assets at fair value through profit or loss	53,725	14,271	276%
Pledged assets	68,702	48,839	41%
Derivative assets held for risk management	-	1,029	-100%
Loans and advances to customers at amortised cost	528,870	473,462	12%
Investment securities	250,529	199,317	26%
Trading properties	186	186	0%
Investment properties	5,273	5,030	5%
Property and equipment	59,344	59,954	-1%
Intangible assets	5,757	6,045	-5%
Right of Use Assets	3,081	-	-
Deferred tax assets	95,875	95,875	0%
Cash reserve requirement	300,589	281,868	7%
Other assets	65,511	42,409	54%
Defined benefit assets	1,671	1,610	4%
Assets classified as held for sale	397	397	0%
TOTAL ASSETS	1,800,619	1,463,858	23%

September 2019 Performance: Group Balance Sheet (Cont'd)



N million	Sep-19	Dec-18	Δ
Liabilities			
Derivative liabilities held for risk management	291	1,120	-74%
Deposits from banks	116,934	99,477	18%
Deposits from customers	892,908	857,593	4%
Current tax liabilities	332	581	-43%
Deferred tax liabilities	240	263	-9%
Lease Liabilities	1,722	-	-
Other liabilities	388,468	169,653	129%
Retirement benefit obligations	821	788	4%
Debt securities issued	13,402	13,860	-3%
Long term subordinated bond	30,667	-	-
Other borrowed funds	112,841	94,891	19%
Total Liabilities	1,558,626	1,238,226	26%
Equity			
Share capital and share premium	201,652	201,652	0%
Accumulated losses	(33,995)	(44,380)	-23%
Other reserves	67,828	62,084	9%
Equity attributable to equity holder	235,485	219,356	7%
Non-controlling Interest	6,508	6,276	4%
Total Liabilities and Equity	1,800,619	1,463,858	23%

Appendix: Bank Financials

9M 2019 Performance: Bank Profit and Loss Statement



₹'million

Gross earnings

Interest income

Interest expense

Net interest income

Impairment charge for credit loss

Net interest income after impairment charge

Net trading income

Net Fees and commissions Income

Cash Recoveries

Net income from other financial instruments at fair value through profit or loss

Other operating Income

Non interest income

Operating Income

Operating expenses

Net impairment write-back on other financial assets

Profit before tax

Profit after tax

	9M'19	9M'18	Δ
Gross earnings	111,909	118,415	-5%
Interest income	84,850	87,238	-3%
Interest expense	(48,412)	(41,044)	18%
Net interest income	36,438	46,194	-21%
Impairment charge for credit loss	4,752	(7,019)	-168%
Net interest income after impairment charge	41,190	39,175	5%
Net trading income	4,598	7,553	-39%
Net Fees and commissions Income	9,038	8,222	10%
Cash Recoveries	8,390	3,918	114%
Net income from other financial instruments at fair value through profit or loss	2,225	5,748	-61%
Other operating Income	2,808	5,736	-51%
Non interest income	27,059	31,177	-13%
Operating Income	68,249	70,352	-3%
Operating expenses	(53,214)	(55,089)	-3%
Net impairment write-back on other financial assets	462	137	237%
Profit before tax	15,497	15,400	1%
Profit after tax	15,302	15,236	0%

September 2019 Performance: Bank Balance Sheet



₹'million

Assets

	Sep-2019 ₹'million	Dec-2018 ₹'million	Δ
Cash and Cash equivalents	272,006	159,028	71%
Financial assets at fair value through profit or loss	53,725	14,271	276%
Pledged assets	68,702	48,839	41%
Derivative assets held for risk management	-	1,029	-100%
Loans and advances to customers	485,098	428,037	13%
Investment securities	223,673	175,068	28%
Trading properties	187	187	0%
Investment in subsidiaries	10,567	10,567	0%
Property and equipment	59,243	59,830	-1%
Right of Use Assets	3,081	-	-
Intangible assets	5,495	5,628	-2%
Deferred tax assets	95,875	95,875	0%
Cash reserve requirement	300,589	281,868	7%
Other assets	65,535	42,135	56%
Defined benefit assets	1,671	1,610	4%
Assets classified as held for sale	325	325	0%
Total Assets	1,645,772	1,324,297	24%

September 2019 Performance: Bank Balance Sheet (Cont'd)



₹'million

Liabilities

	Sep-2019 ₹'million	Dec-2018 ₹'million	Δ
Deposits from banks	3,626	-	-
Deposits from customers	877,386	844,413	4%
Current tax liabilities	204	232	-12%
Derivative liabilities held for risk management	291	1,117	-74%
Lease Liabilities	1,722	-	-
Other Liabilities	387,484	168,827	130%
Retirement benefit obligations	819	786	4%
Debt Securities issued	13,402	13,860	-3%
Long Term Subordinated Bond	30,667	-	-
Other borrowed funds	112,929	94,975	19%
Total Liabilities	1,428,530	1,124,210	25%

Equity

Share capital and share premium	201,652	201,652	0%
Retained earnings / (accumulated loss)	(36,278)	(47,736)	-24%
Other reserves	51,869	46,171	12%
Equity attributable to equity-holders			
Total Equity	217,243	200,087	9%
Total Liabilities and Equity	1,645,772	1,324,297	24%



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Thank You