



H1 2019 Results Presentation

July 2019

Disclaimer



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1

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2

**Union
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4

**Looking
Ahead**

1

The Operating Environment

Macroeconomic Updates



↔ GDP

GDP grew by 2.01%(year-on-year), in real terms, in Q1 2019 (1.89% in Q1 2018).

↓ Inflation

Inflation rate down to 11.22% in June 2019. (Mar '19 – 11.25%)

↑ Reserves

Nigeria's external reserves at \$45.1billion (Mar '19 - \$44.4 billion)

↔ Exchange Rate

Parallel market rate flat at N360/\$ (vs Mar '19) , I&E FX rate averaged at N360.59

↔ Monetary Policy Rate

Monetary Policy Rate was maintained at 13.50% (vs Mar '19).

NIBOR ↓

NIBOR overnight Rate is at 5% (Mar '19 – 11.4%)

Oil Price ↓

Bonny light is currently trading at \$66.7/barrel (Mar '19 - \$68.66)

Oil Production ↑

Oil Production is at 1.85mbd (Mar '19 – 1.64mbd)

Money Supply ↑

Money Supply was N27.8tn in June 2019. (Mar '19 - N26.8tn)

Credit To The Private Sector ↑

Credit to the private sector is at N24.9tn (Mar '19 – N23.9tn)



Negative Decrease



Negative Increase



Positive Decrease



Positive Increase



Constant

2

Union Bank Update

Our Ambitions & Priorities

Ambitions

1

**Nigeria's Most Reliable
and Trusted Banking
Partner**

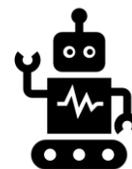
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**Leader in Retail and
Transaction Banking**

3

**Leader in Citizenship,
Sustainability and
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 June 2019

Assets / Equity

Total Equity		₦ 239bn
Total Assets		₦ 1.7tn

Our Channels

ATM		1,009
Debit Cards		4.1m
POS Terminals		6.7k
Online Banking		616k
Mobile Banking		1.7m
Branches / Cash Centers		295

Our People

Customers		4.9m
Employees		2,500

Ratings

Agusto&Co <small>Research, Credit Ratings, Credit Risk Management</small>	A- (Stable Outlook)
MOODY'S	B3 (Stable Outlook)
FitchRatings	B- (Stable Outlook)
GCR	BBB+ (Stable Outlook)

Social Engagement

151k	822k
29k	60k

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)

The Fastest Growing Retail Bank

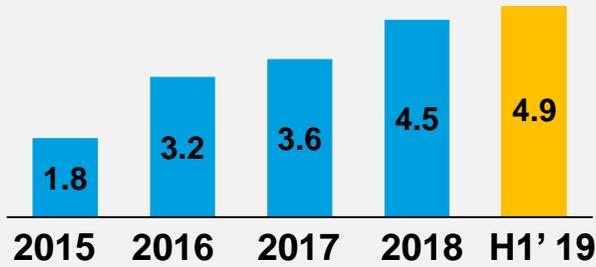
- International Finance Magazine (2017)

Growth Driven By Digital Evolution



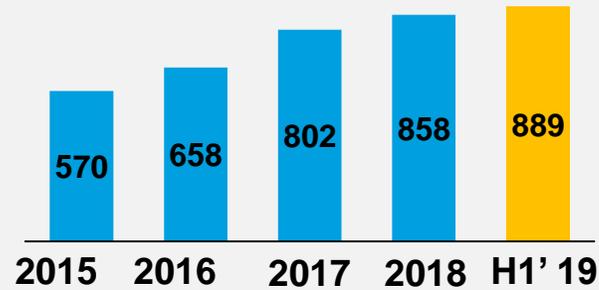
Customers (millions)

+28%



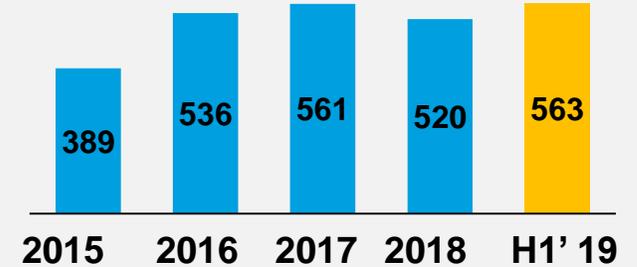
Deposits (N'bn)

+12%



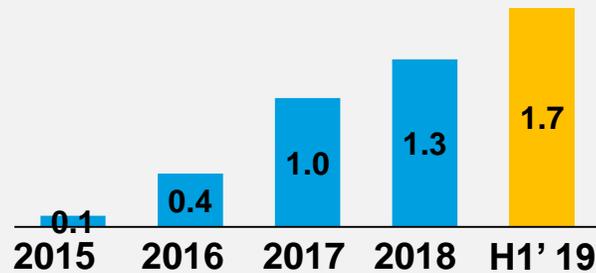
Gross Loans (N'bn)

+10%



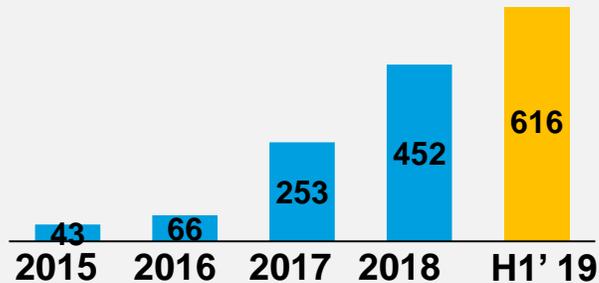
Active Mobile Banking Customers (millions)

+111%



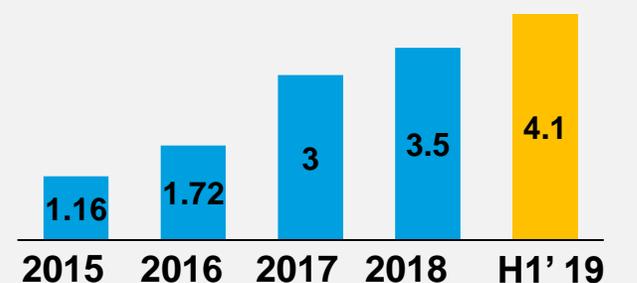
Active Online Banking Customers (thousands)

+95%

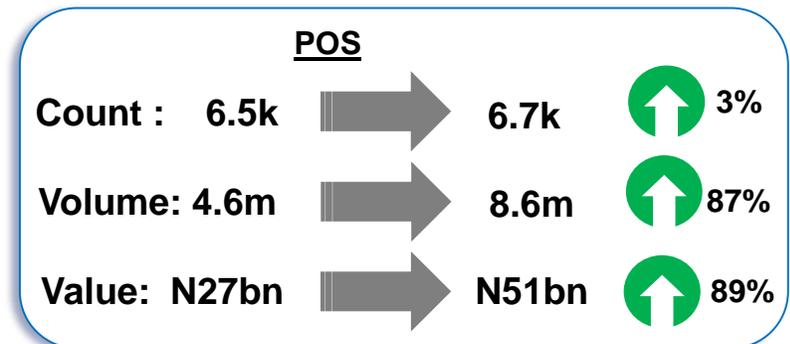
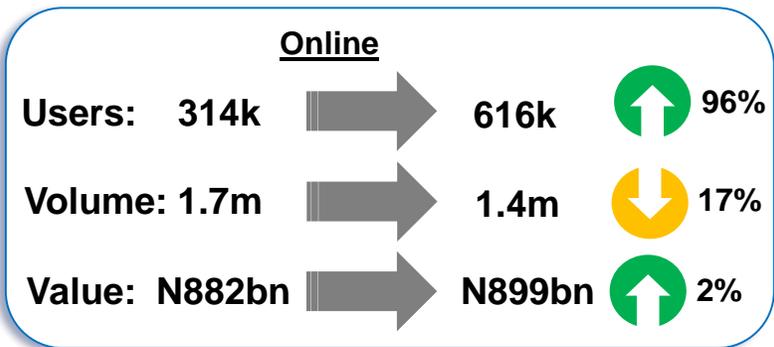
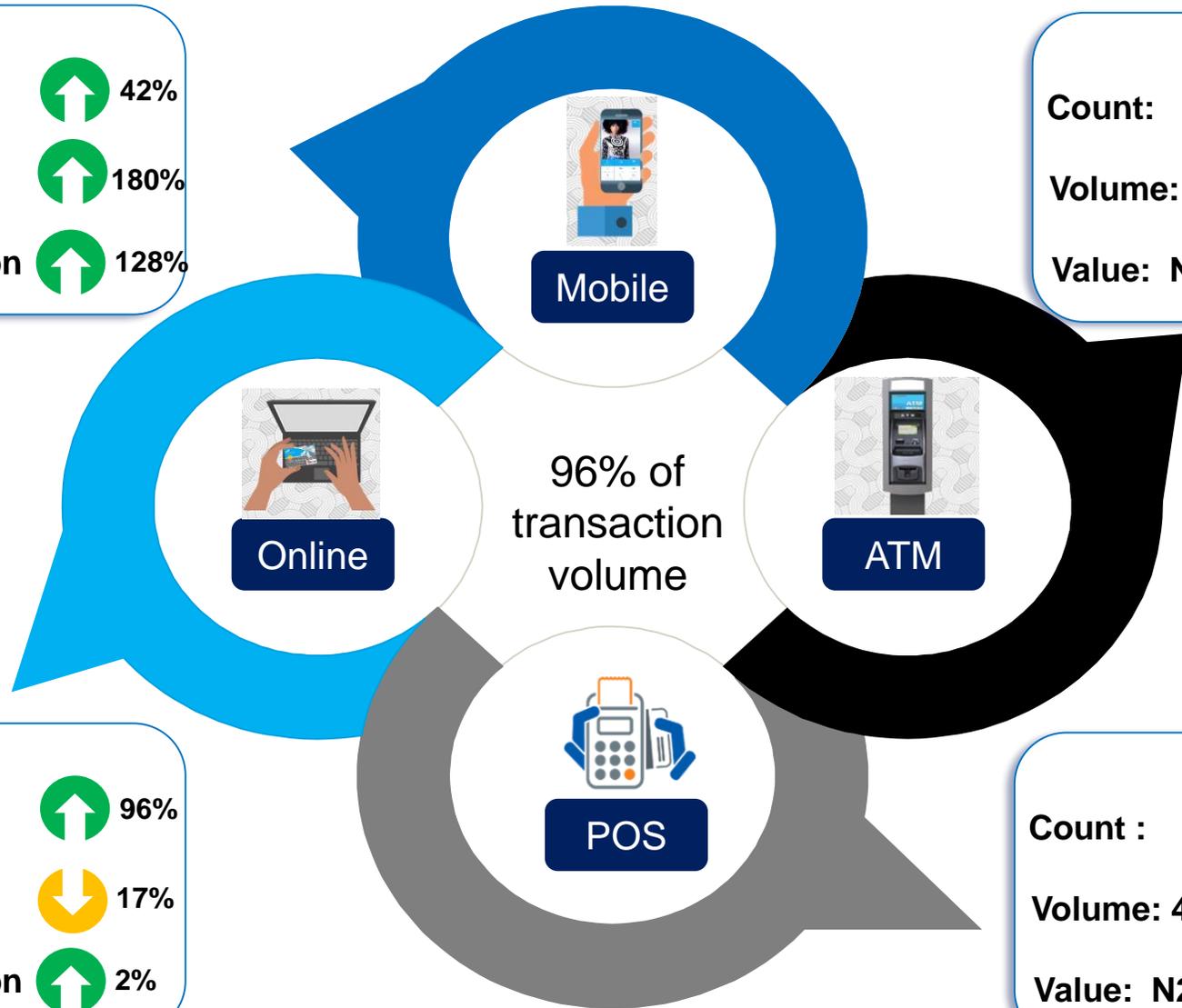
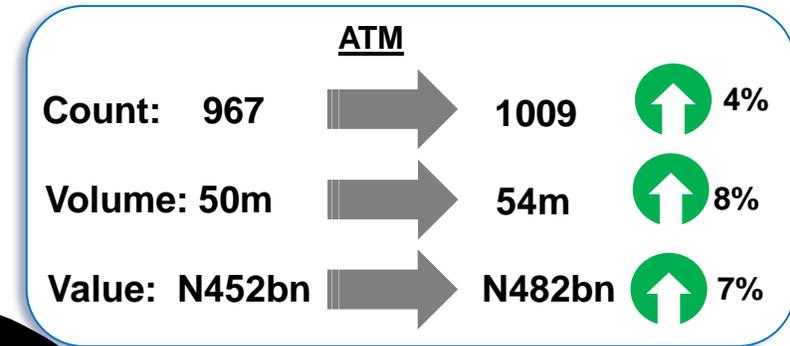
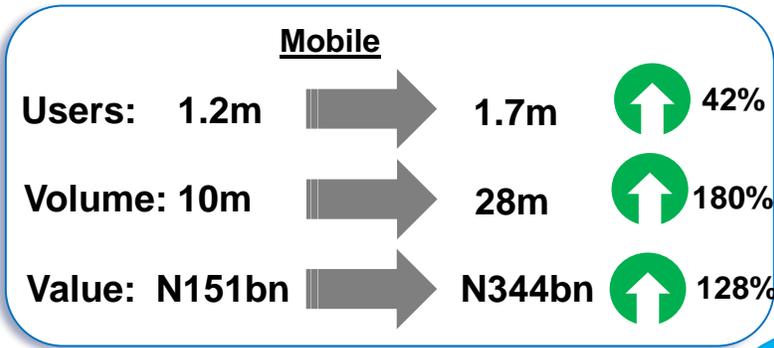


Active Debit Cards (millions)

+37%



Improved Digital Footprint (Y-o-Y)



H1 2019 Achievements



Customer Acquisition

- Active customers 4.9m in Jun'19 from 4.3m (Jun '18).
- Intensified pursuit for quality customers and deepened relationship with existing customers.



Portfolio Diversification

- Diversified our loan book. Increased lending to:
 - Retail – 8% vs. 6.9% (Dec '18)
 - Information & Communication – 8.9% vs. 3.2%
- Decrease in lending to Oil & Gas – 34.6% vs. 38.2%



Operational Efficiency

- Implementation of Project LEAP has led to a YoY drop in total expenses - driven by a 31% Y-o-Y decline across major overheads
- Upgraded Trade T.I Plus platform with improved efficiency and better customer experience



Ecosystems for Value Chain & Growth

- A refocus on our Value chain strategies have led to:
 - Holistic approach to pricing and recognition of overall client revenue
 - 14% growth in Payroll Sign-ons YTD (13k vs 11.4k – Dec 2018)
 - 32% growth in Key Distributor conversion YTD (1200 vs 908 – Dec '18)



Digitization

- Continued roll-out of enhanced self service options e.g. customer complaints mgmt., loan request/ fulfillment)
- Improved efficiency with deployment of Robotics in settlement and reconciliation activities (USSD, Union Instant Pay, ATM)

₦30bn Tier 2 Bond – 100% Subscribed



₦30bn Bond



- Largest 10 year bond ever issued by a corporate institution in Nigeria.
- Largest corporate bond to be issued so far in 2019
- First bank to issue a Naira 10 year fixed rate bond (Callable after 5 years) since 2014.

01

Issue Size
₦30bn Series 3
Subordinated
Unsecured Fixed Rate
Bond

02

Programme Limit
₦100bn

03

Tenor
10 Years

Business Segments - Strong Interdependencies



1 Retail Bank

1

- Focus: Customer Acquisition, Innovative Products (Savings & Lending, Payroll), Efficient Channels & Service, Partnerships
- **Recent Achievements:**
 - >21K average new retail loans booked monthly (vs 12k in FY '18)
 - >100K new-to-bank accounts monthly
 - Digital loans via USSD launched in Apr '19.

2 Commercial Bank

2

- Focus: Transaction Banking & Value Chain (Trade & Cash), Lending
- **Recent Achievements:**
 - Launched Tech Ventures in Jan 2019
 - Steady pipeline for bank-wide digital & innovation partnerships
 - Edu 360 Fair - 3000 attendees, 30 speakers, 70 Exhibitors, 10 Partners
 - Upgraded Trade T.I Plus platform with improved efficiency and better customer experience

4 Treasury

4

- Focus: Sales, trading and investment management across segments
- **Recent Achievements:**
 - Steady growth in treasury revenues driven by sales & trading

3 Corporate Bank

3

- Focus: Transaction Banking & Value Chain (Trade & Cash), Lending, FX
- **Recent Achievements:**
 - Deepened engagement with Anchor Clients to drive value chain penetration across the Bank
 - Since launch in Oct' 18, issued local LCs valued at ~N5bn in 2018 and ~N5.4bn in June'19 YTD



3

**H1 2019
Financial
Performance**

Group Financial Performance



Income Statement

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

H1 2019

H1 2018

Trend

76.0	83.3		-9%
49.6	50.9		-2%
37.5	39.6		-4%
12.1	11.7		4%

Ratios

	Cost to Income
	RoE
	RoA

76.3%	77.1%	
10.3%	6.4%	
1.5%	1.3%	

Balance Sheet

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

Jun 2019

Dec 2018

889.5	857.6		4%
563.0	519.7		8%

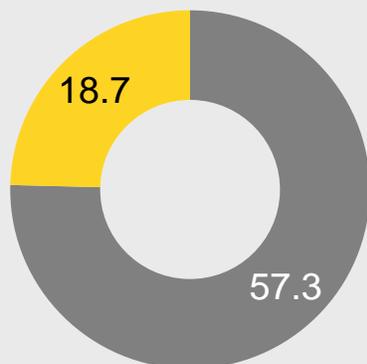
Ratios

	CAR
	NPL Ratio*
	Coverage
	Loan to Deposit
	Liquidity

19.4%	16.4%	
7.3%	8.1%	
92%	102%	
63.3%	60.6%	
38%	38%	

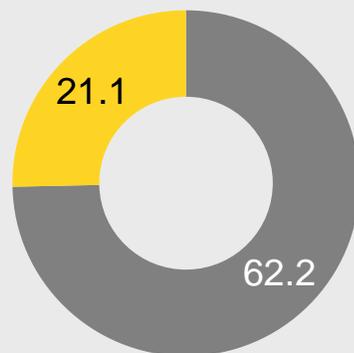
* Bank Figures.

Gross Earnings (₦'bn)



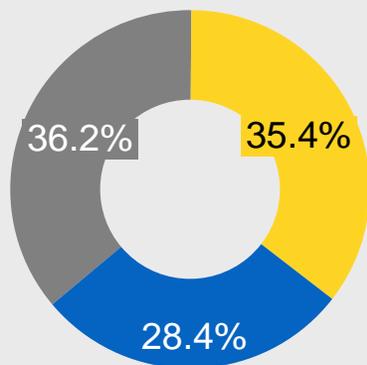
H1' 2019

Interest Income Non Interest Income



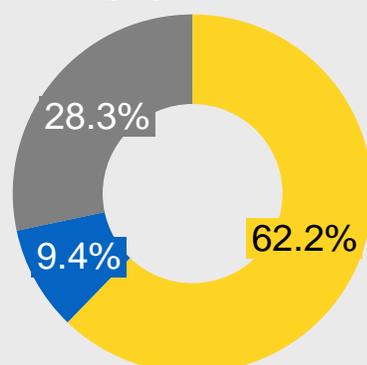
H1' 2018

Non Interest Income* (%)



H1' 2019

Fees & Commissions Trading&Other Recoveries



H1' 2018

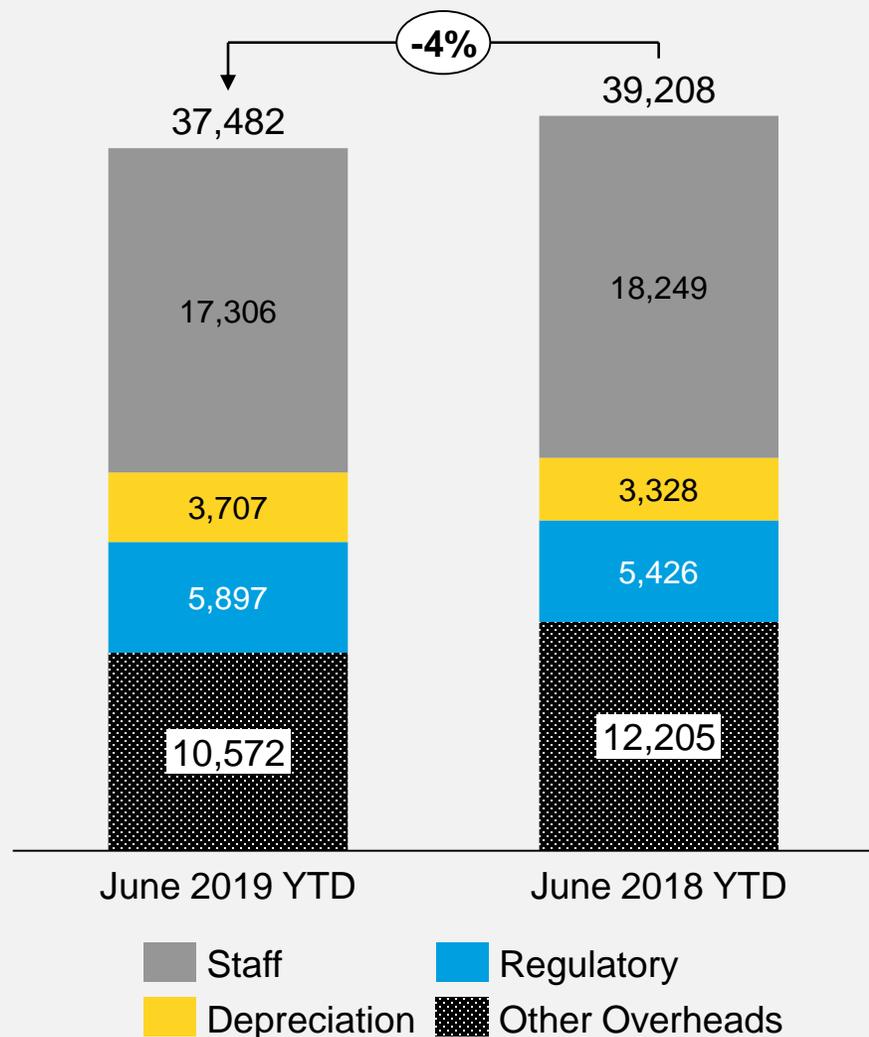
Key Lines	H1 2019 (₦'bn)	H1 2018 (₦'bn)	Var
Interest Income	57.4	62.2	(8%)
Fee & Commission Income	6.8	6.0	13%
Trading & Other Income	6.6	13.2	(50%)
Recoveries	5.3	2.0	169%
Total	76.0	83.3	(9%)

- Gross Earnings dropped by 9% on the back of a lower earning assets. However, the rebuilding of loan book continues with N43bn growth in H1 2019.
- Non-Interest Income down by N2.5bn driven by decrease in trading income (N3bn), lower gain on disposal (N1.2bn) and Fair Value gain (N1.4bn) however compensated by N3.3bn increase in Recoveries.

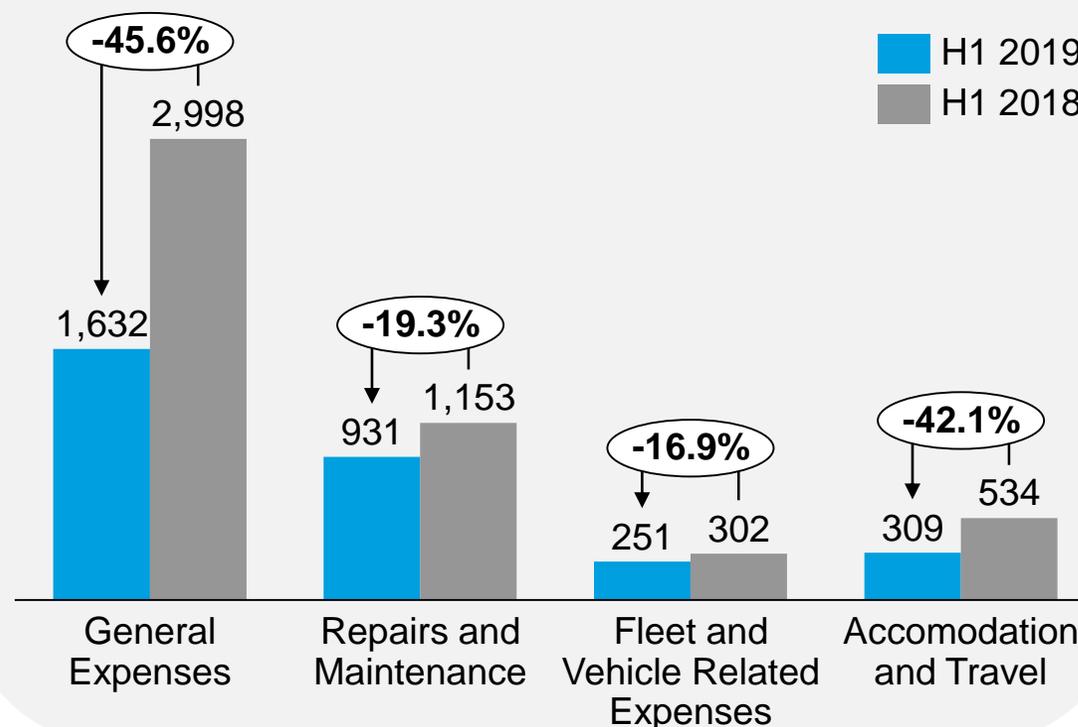
Operating Expenses



Operating Expenses (₹'bn)



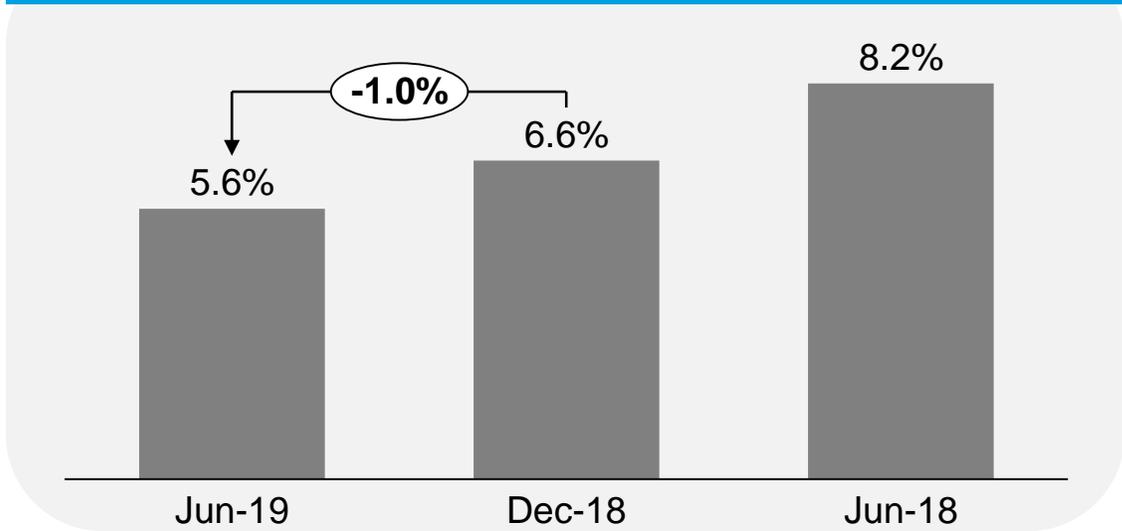
Major Drivers of Other Overheads (₹'bn)



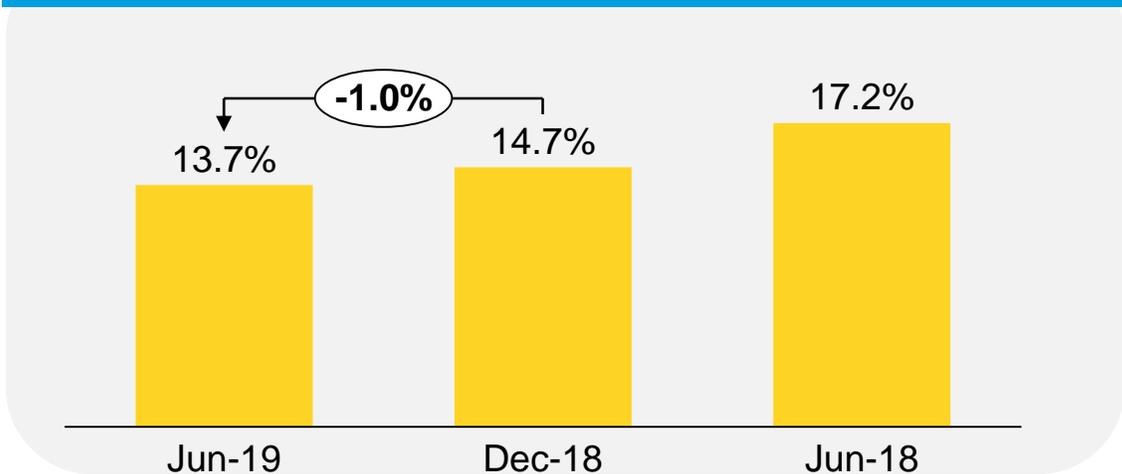
- June 2019 YTD expenses is 4% below June 2018 YTD expenses driven by 13% drop in other overheads and 5% reduction in staff cost.
- We expect a moderation in operating expenses for the rest of 2019 as we continue to improve on our operational efficiency

Net Interest Margin Analysis

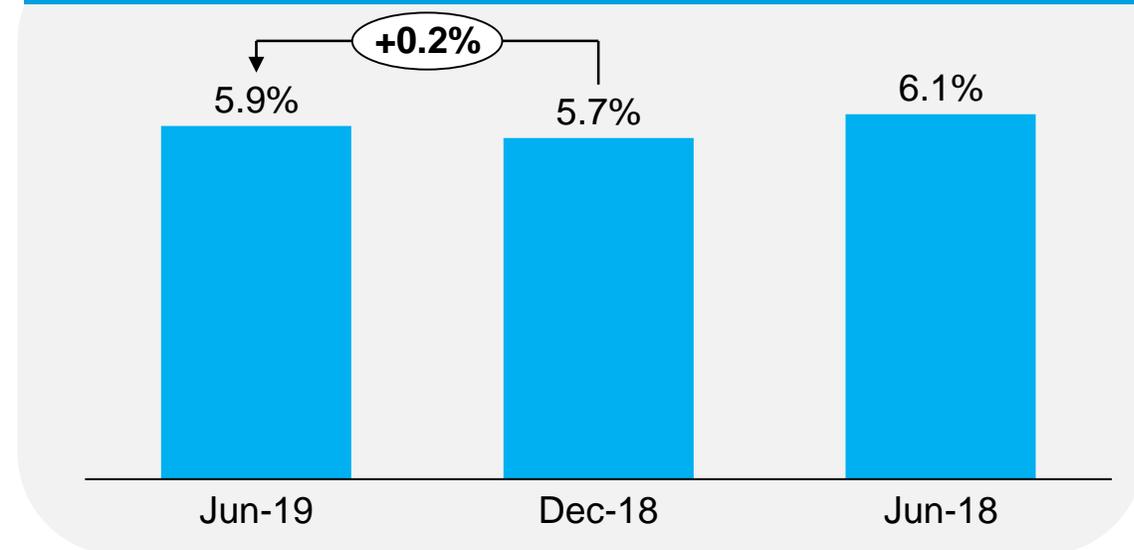
Net Interest Margin Trend



Yield on Earning Assets

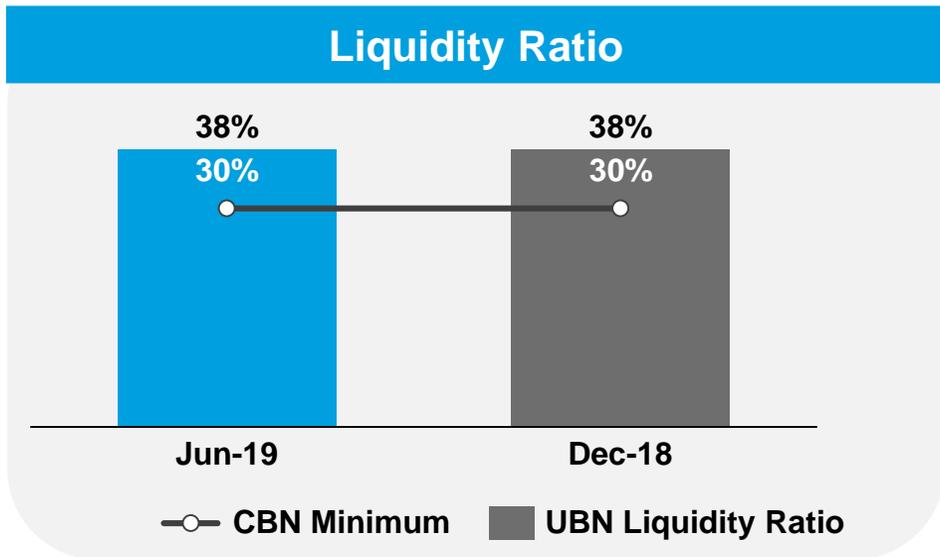
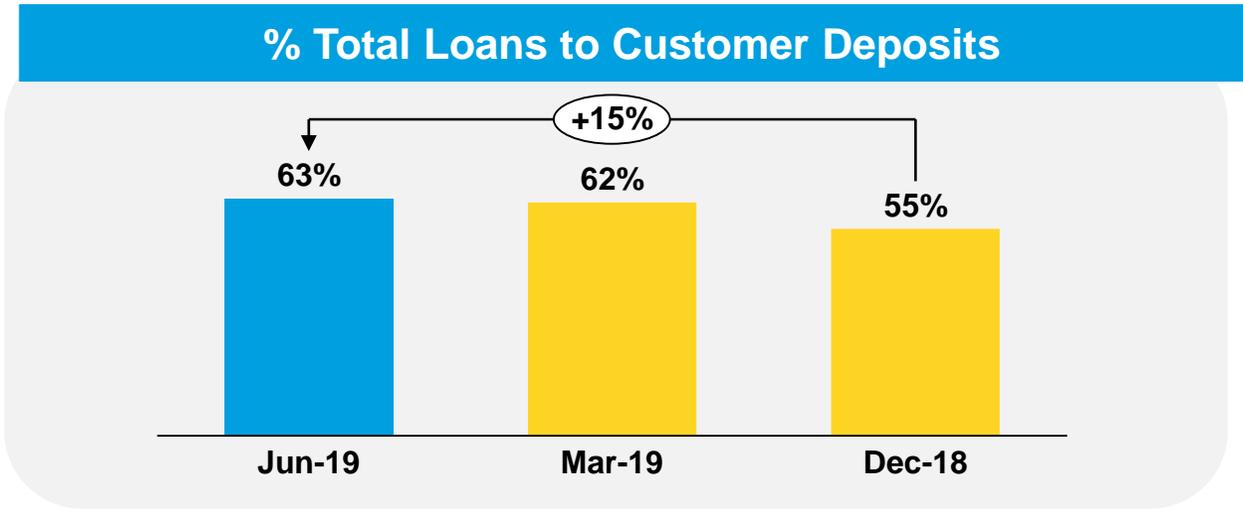
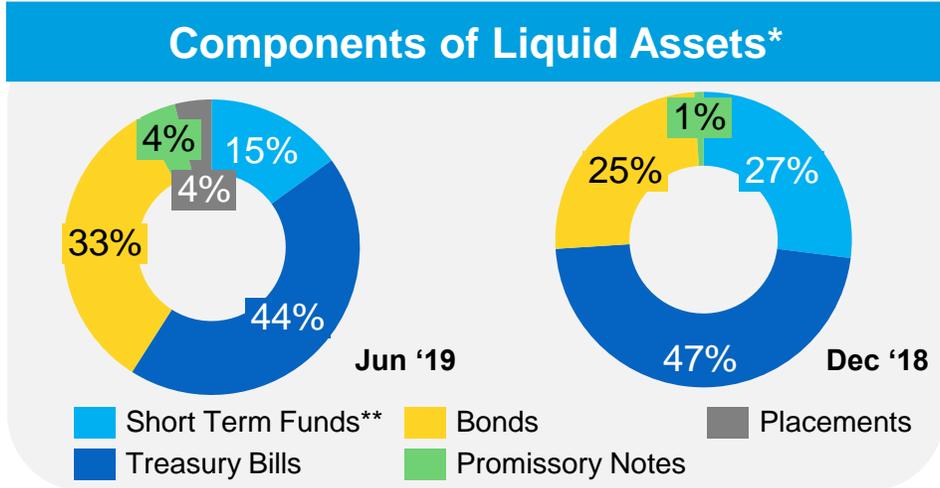


Funding Cost



- Net interest margin decreased by 100bps from Dec '18 to Jun '19 due to lower loan volume as a result of the write-offs in Dec '18
- The moderation in the yield on earning assets was due to the lower average lending rate
- Average funding cost increased by 20bps between Dec'18 and Jun'19 as a result of increase in average cost of deposits

Liquidity Metrics



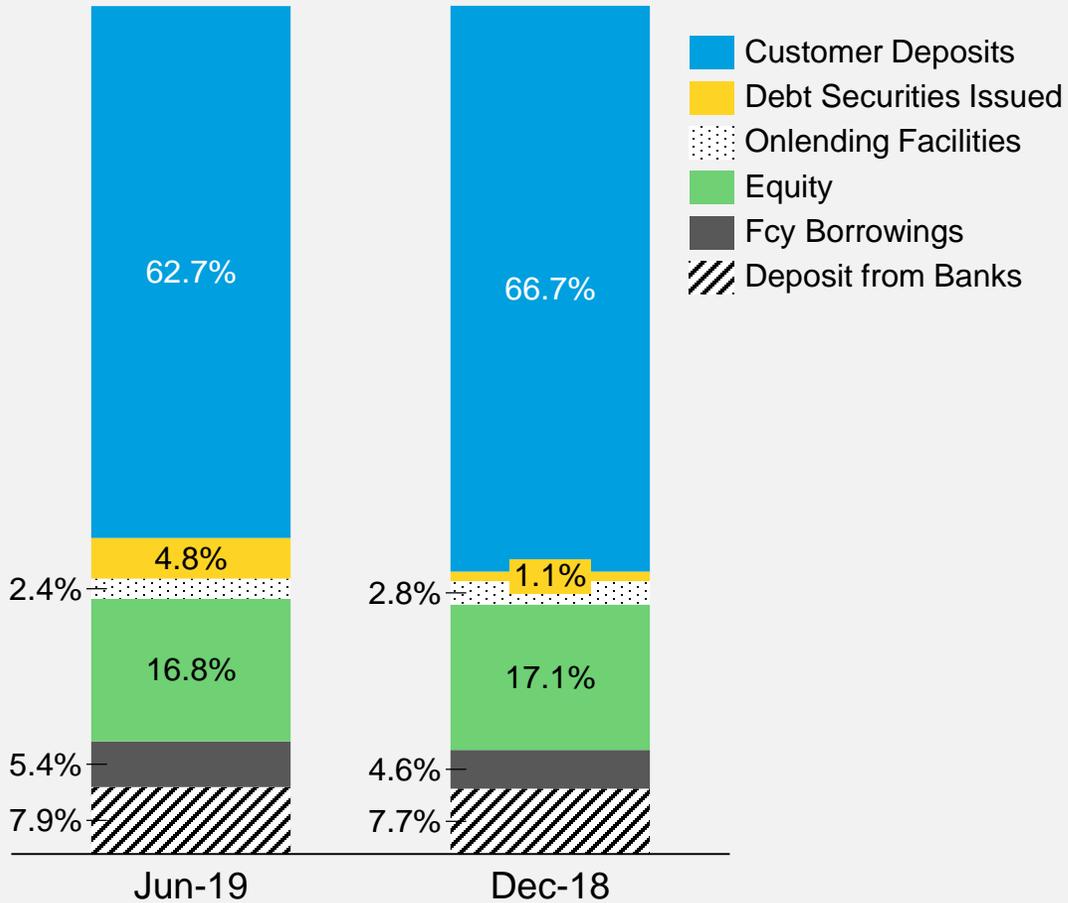
- Liquidity ratios remain flat at 38% in June 2019 (Dec 2018 – 38%) which is well above regulatory minimum of 30% as customer deposits continue to grow.
- Our liquidity position allows us to leverage opportunities to create quality risk assets.
- Our LDR is above the regulatory limit at 63% in June 2019 (Dec 2018 – 55%).

* Liquid Assets is 15% of Total Assets **Short term funds – Balance with CBN and Cash

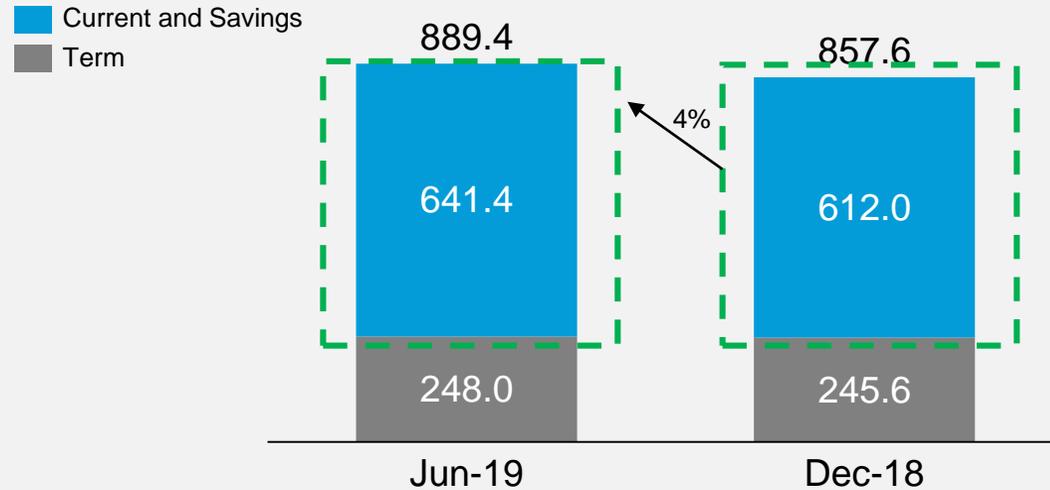
Funding Mix



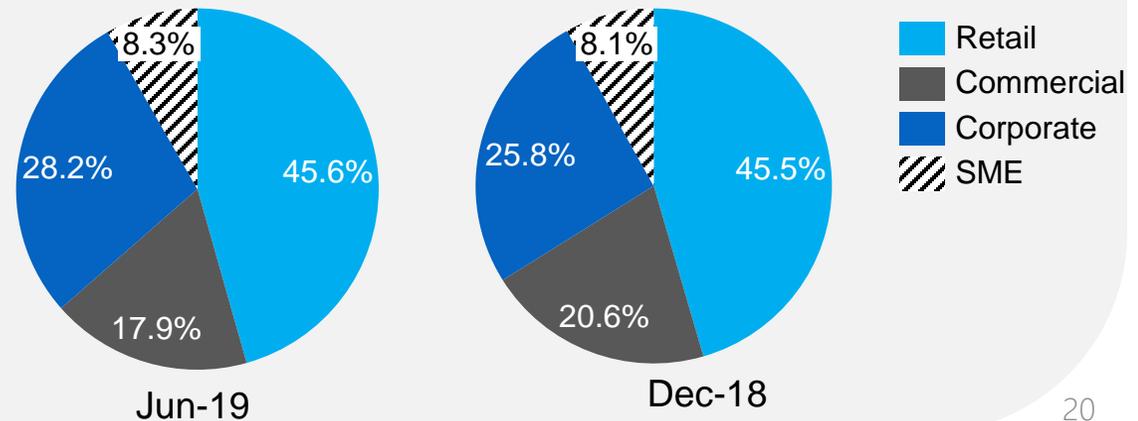
Funding Mix



Customer Deposits (N'bn)



Deposit by Segment



Loan Portfolio



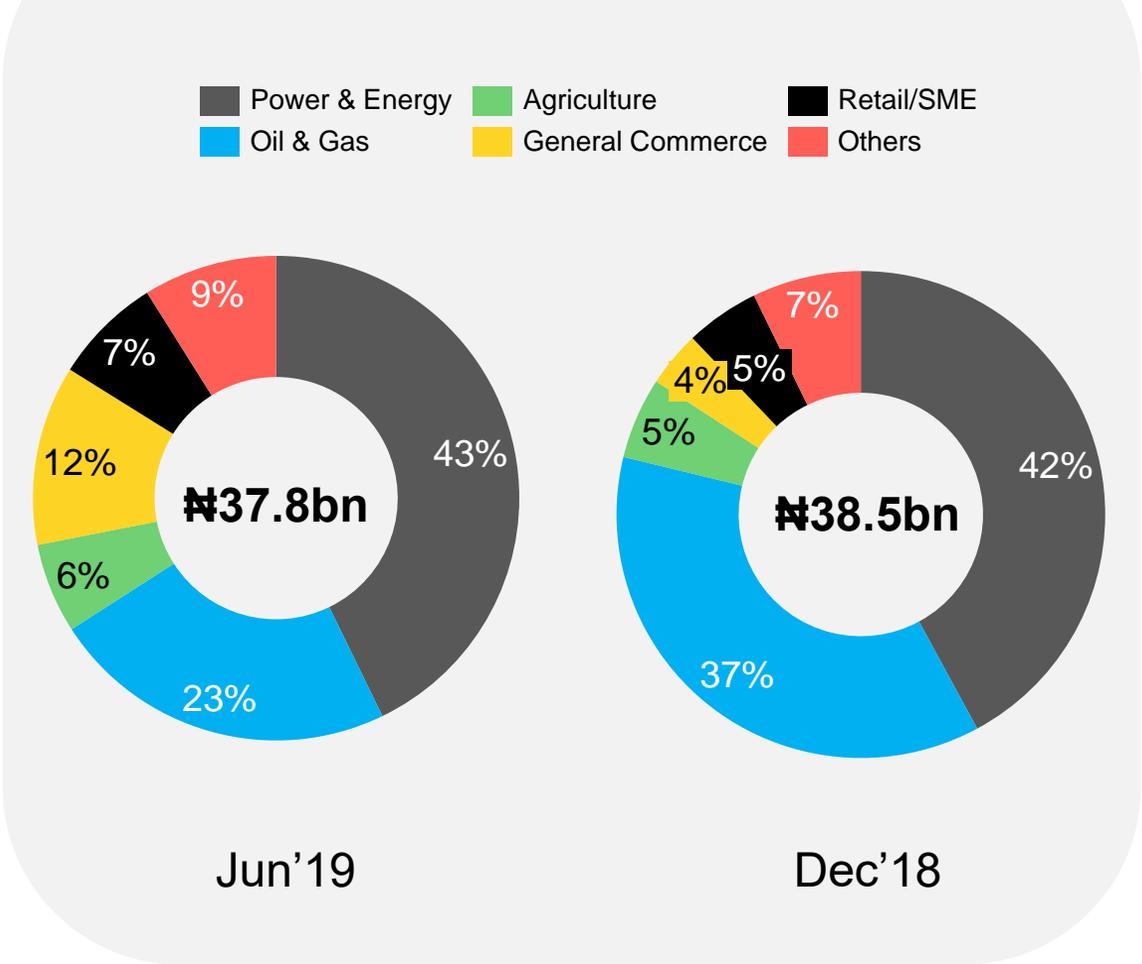
<u>Loans by Sector</u>		<u>H1'19</u> <u>(N'bn)</u>	<u>H1'19 (% of</u> <u>Portfolio)</u>	<u>FY'18 (% of</u> <u>Portfolio)</u>	<u>Change</u>
	Oil and Gas	179.5	34.6%	38.2%	(360bps) ↓
	Manufacturing	76.4	14.7%	16.0%	(130bps) ↓
	General Commerce	47.3	9.1%	9.6%	(50bps) ↓
	Information and Communication	46.0	8.9%	3.2%	570bps ↑
	Retail	41.5	8.0%	6.9%	110bps ↑
	Power and Energy	37.3	7.2%	7.7%	50bps ↓
	Construction	34.7	6.7%	6.7%	flat ↔
	Others ¹	26.5	5.1%	5.8%	(70bps) ↓
	Agriculture	21.7	4.3%	4.8%	(50bps) ↓
	General	7.2	1.4%	1.1%	30bps ↑

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

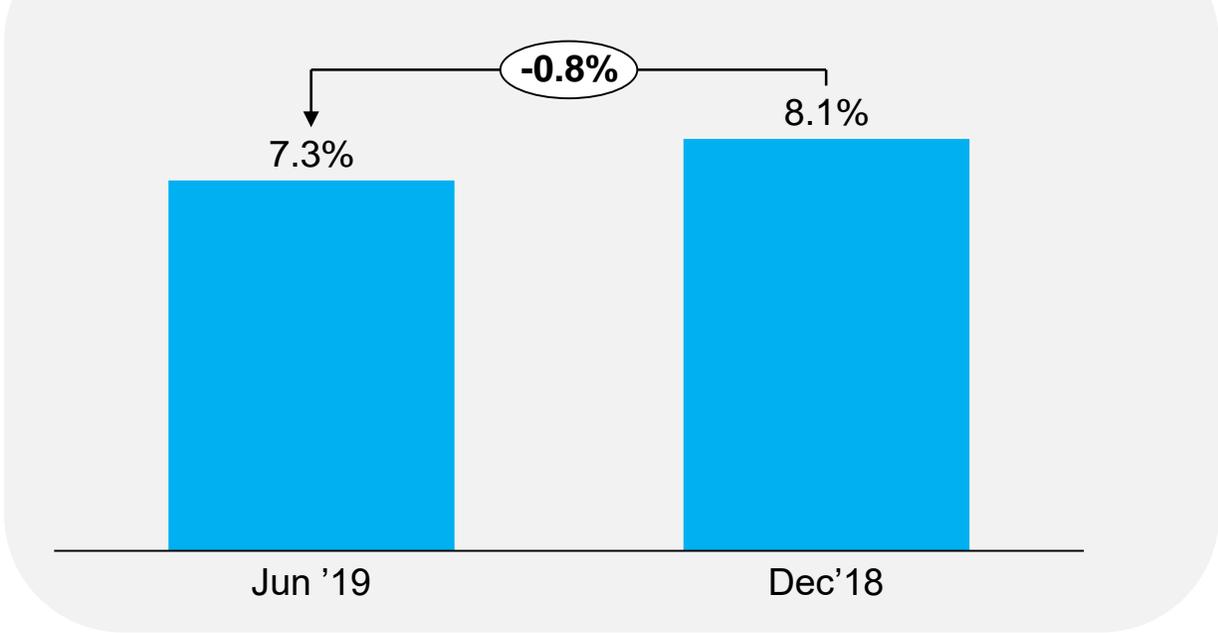
Improved NPL Ratio



NPL Portfolio by Sector (₦'bn)



NPL Ratio*



- NPL ratio down 80bps to 7.3% in Jun'19 (Dec'18: 8.1%), due to improved asset quality, growth in the loan book and proactive risk management.

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

*Bank numbers

4

Looking Ahead

H1'19 Actual vs. 2019 FY Guidance

LOOKING AHEAD

	FY 2018 Actual	H1 2019 Actual	FY 2019 Guidance	
PBT	¥18.5bn	¥12.1bn	¥19.5 - 21bn	✓
Loan Growth	(7.3%)	8.3%	10 - 12%	✓
Deposit Growth	7%	4%	12 -15%	
NPL Ratio	8.7%	7.1%	<8%	✓
ROE	6.4%	10.3%	6.5 - 7%	✓
ROA	1.3%	1.5%	1.4 -1.5%	✓
NIM	6.6%	5.6%	6.5 - 7%	
CIR	80.3%	76.3%	70 - 75%	✓

✓ On track



**Appendix:
Group
Financials**

H1 2019 Performance – Group Financial Summary



		Jun-2019	Dec-2018	Variance
Balance Sheet (₹ 'bn)	Assets	1,713.5	1,463.9	249.6
	Gross Loans and Advances	563.0	519.7	43.3
	Customer Deposits	889.5	857.6	31.9
Key Ratios	NPL Ratio*	7.3%	8.1%	-0.8%
	Capital Adequacy Ratio	19.4%	16.4%	3%
	Coverage Ratio	92.2%	101.7%	-9.5%

		H1 2019	H1 2018	Variance
Income Statement (₹ 'bn)	Gross Earnings	76.0	83.3	-7.3
	Net Interest Income	26.0	34.3	-8.3
	Non-Interest Income	18.7	21.1	-2.4
	Credit/Other Impairment Charge	4.5	(4.6)	0.7
	Operating Expenses	(37.5)	(39.2)	3.5
	Profit Before Tax	12.1	11.7	0.4
	Profit After Tax	11.9	11.5	0.4
Key Ratios	Net Interest Margin	5.6%	8.2%	-2.6%
	Cost to Income Ratio	76.3%	77.1%	-0.8%
	Return on Equity	10.3%	7.3%	3.0%
	Return on Assets	1.5%	1.6%	-0.1%
	Net Asset Value per share	₹8.2	₹7.7	₹0.5k
	Earnings Per Share	40k	38k	2k

* Bank figures.

June 2019 Performance: Group Profit and Loss Statement



N million	H1 2019	H1 2018	Δ
Gross earnings	76,017	83,333	-9%
Interest income	57,349	62,202	-8%
Interest expense	(31,356)	(27,856)	13%
Net interest income	25,993	34,346	-24%
Net impairment charge for credit losses	4,485	(4,625)	-197%
Net interest income after impairment charge	30,478	29,721	3%
Net fee and commission income	6,763	6,007	13%
Net trading income	3,722	6,989	-47%
Cash recoveries	5,281	1,963	169%
Net income from other financial instruments at FVTPL	1,315	2,738	-52%
Other operating income	1,587	3,434	-54%
Non interest income	18,668	21,131	-12%
Operating income	49,146	50,852	-3%
Net impairment write-back on other financial assets	462	20	2210%
Operating Expenses	(37,482)	(39,208)	-4%
Profit before tax	12,126	11,664	4%
Profit for the year	11,853	11,458	3%

June 2019 Performance: Group Balance Sheet



₺ million	Jun-19 ₺ million	Dec-18 ₺ million	Δ
ASSETS			
Cash and cash equivalents	316,401	233,566	35%
Financial assets at fair value through profit or loss	31,959	14,271	124%
Pledged assets	39,926	48,839	-18%
Derivative assets held for risk management	-	1,029	-100%
Loans and advances to customers at amortised cost	526,035	473,462	11%
Investment securities	271,249	199,317	36%
Trading properties	186	186	0%
Investment properties	5,248	5,030	4%
Property and equipment	59,510	59,954	-1%
Intangible assets	6,025	6,045	0%
Right of Use Assets	1,457	-	100%
Deferred tax assets	95,875	95,875	0%
Cash reserve requirement	295,218	281,868	5%
Other assets	62,303	42,409	47%
Defined benefit assets	1,671	1,610	4%
Assets classified as held for sale	397	397	0%
TOTAL ASSETS	1,713,459	1,463,858	17%

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



N million	Jun-19	Dec-18	Δ
Liabilities			
Derivative liabilities held for risk management	1,621	1,120	45%
Deposits from banks	112,583	99,477	13%
Deposits from customers	889,471	857,593	4%
Current tax liabilities	267	581	-54%
Deferred tax liabilities	240	263	-9%
Lease Liabilities	1,663	-	100%
Other liabilities	290,144	169,653	71%
Retirement benefit obligations	897	788	14%
Debt securities issued	13,912	13,860	0%
Commercial Papers	23,532	-	100%
Long term subordinated bond	29,969	-	100%
Other borrowed funds	110,191	94,891	16%
Total Liabilities	1,474,490	1,238,226	19%
Equity			
Share capital and share premium	201,652	201,652	0%
Accumulated losses	(35,263)	(44,380)	-21%
Other reserves	66,126	62,084	7%
Equity attributable to equity holder	232,515	219,356	6%
Non-controlling Interest	6,455	6,276	3%
Total Liabilities and Equity	1,713,460	1,463,858	17%

Appendix: Bank Financials

June 2019 Performance: Bank Profit and Loss Statement



₹'million	H1'19	H1'18	Δ
Gross earnings	72,356	80,991	-11%
Interest income	53,795	59,369	-9%
Interest expense	(30,061)	(27,242)	12%
Net interest income	23,194	32,127	-28%
Impairment charge for credit loss	4,509	(4,345)	-204%
Net interest income after impairment charge	27,703	27,782	0%
Net trading income	3,635	6,913	-47%
Net Fees and commissions Income	6,439	5,746	11%
Cash Recoveries	5,281	1,963	169%
Net income from other financial instruments at fair value through profit or loss	1,315	2,738	-52%
Other operating Income	1,891	4,262	-32%
Non interest income	18,561	21,622	-14%
Operating Income	46,264	49,404	-6%
Operating expenses	(35,487)	(37,302)	-5%
Net impairment write-back on other financial assets	462	20	2210%
Profit before tax	11,239	12,122	-7%
Profit after tax	11,128	11,990	-7%

June 2019 Performance: Bank Balance Sheet



₹'million

Assets

	June-2019 ₹'million	Dec-2018 ₹'million	Δ
Cash and Cash equivalents	250,070	159,028	57%
Financial assets at fair value through profit or loss	31,959	14,271	238%
Pledged assets	39,926	48,839	-18%
Derivative assets held for risk management	-	1,029	-100%
Loans and advances to customers	482,024	428,037	13%
Investment securities	237,064	175,068	35%
Trading properties	187	187	0%
Investment in subsidiaries	10,567	10,567	0%
Property and equipment	59,398	59,830	-1%
Right of Use Assets	1,457	-	100%
Intangible assets	5,709	5,628	1%
Deferred tax assets	95,875	95,875	0%
Cash reserve requirement	295,218	281,868	5%
Other assets	62,323	42,135	48%
Defined benefit assets	1,671	1,610	4%
Assets classified as held for sale	325	325	0%
Total Assets	1,573,773	1,324,297	19%

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



₹'million

Liabilities

	Jun-2019 ₹'million	Dec-2018 ₹'million	Δ
Deposits from banks	14,109	-	100%
Deposits from customers	875,317	844,413	4%
Current tax liabilities	120	232	-48%
Derivative liabilities held for risk management	1,604	1,117	45%
Lease Liabilities	1,663	-	100%
Other Liabilities	288,883	168,827	71%
Retirement benefit obligations	895	786	14%
Debt Securities issued	13,912	13,860	0%
Commercial Papers	23,532	-	100%
Long Term Subordinated Bond	29,969	-	-
Other borrowed funds	110,278	94,975	16%
Total Liabilities	1,360,282	1,124,210	21%

Equity

Share capital and share premium	201,652	201,652	0%
Retained earnings / (accumulated loss)	(38,434)	(47,736)	-19%
Other reserves	50,273	46,171	9%
Equity attributable to equity-holders			
Total Equity	213,491	200,087	7%
Total Liabilities and Equity	1,573,773	1,324,297	19%



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Thank You