

## Union Bank of Nigeria Plc

### Group Audited Financial Statements for the year ended December 31, 2017

**LAGOS, NIGERIA – May 10, 2018** - Union Bank, one of Nigeria's longest standing and most respected financial institutions, announces its audited financial statements for the year ended 31<sup>st</sup> December 2017.

Following an oversubscribed rights issue that raised approximately ₦50 billion at the end of 2017, Union Bank now has a strengthened capital base to support business growth and maintain regulatory capital requirements.

#### **Group Financial Highlights:**

- **Gross earnings:** up 26% to ₦163.8bn (₦126.6bn in 2016).
- **Profit before tax:** largely flat at ₦15.5bn (₦15.7bn in 2016).
- **Interest income:** up 25% to ₦124.5bn (₦99.7bn in 2016), driven by the impact of naira devaluation on the foreign currency denominated loan book, government securities yields and loan book re-pricing.
- **Net interest income:** up 3% to ₦66.7bn (₦65.0bn in 2016).
- **Interest expense:** up 67% to ₦57.9bn (₦34.7bn in 2016): due to the challenging interest rate environment, as the yield curve remains elevated.
- **Non-interest income:** up 31% to ₦39.3bn (₦29.9bn in 2016); driven by a combination of improved fee and commission income, trading income and more effective debt recovery machine.
- **Operating expenses (OPEX):** up 5% to ₦65.1bn (₦62.0bn in 2016) despite a double-digit inflationary environment and the impact of devaluation on IT investments.
- **Gross loans:** up 5% to ₦560.7bn (₦535.8bn as at Dec 2016), almost entirely due to the impact of Naira devaluation on the foreign currency denominated loan book.
- **Customer deposits:** up 22% to ₦802.4bn (₦658.4bn as at Dec 2016); continuing its upward trajectory since 2016. The investments in customer-led products and our alternate channels, along with a strengthened brand, are delivering positive outcomes.

#### **Key Operational Highlights:**

- 90% increase in new-to-bank customers (vs. 2016) driving customer deposits up by 22%
- Newly launched suite of digital channels drove active subscriber numbers up by more than 100% across channels.

- Launched the award-winning “Uncle Thomas” campaign to support launch of digital platforms and the brand.
- Local and international recognition with awards for:
  - **2017 Corporate Communications Awards (CCA)** - “Best Rebrand”
  - **2017 Jobberman Best 100 Places to Work in Nigeria** – Ranked 4<sup>th</sup> Best Company to Work for in Nigeria – (up from 9<sup>th</sup>)
  - **2017 Marketing World Awards** – “Brand Evolution of the Year” and “Iconic Brand of the Year”
  - **2017 CBN/NIBSS e-Payment Efficiency Awards** – “Most Efficient Bank on e-Reference Operations”
  - **2017 International Finance Magazine Awards** – “Fastest Growing Retail Bank in Nigeria”

Speaking on the Group’s results for the year, Emeka Emuwa said:

*“Strengthening our capital base through the Rights Issue was key for the Bank in 2017. Notwithstanding the challenges a tightened economy presented, the rights issue was 20% oversubscribed. This overwhelming success is credited to strong shareholder and investor confidence in Union Bank’s immediate and longer-term plans. With sufficient capital buffers, we are now in pole position to execute our growth agenda from 2018 onwards.*

*Operationally, we continued to focus on growing our retail customer base and optimising customer experience with simpler, smarter banking solutions. We launched an upgraded suite of digital channels including **UnionMobile**, **UnionOnline** and our unique USSD banking code \*826#, driving an increase in active subscribers above 100% on the mobile app and online banking platforms. Union Bank’s alternative banking platform remains the fastest growing in the industry.*

*We continue to attract broad segments of new customers, adding 90% more new-to-bank customers in 2017 compared to 2016. Notwithstanding a fiercely competitive environment and reduced consumer purchasing power in the system, our new-to-bank customers and deepening share of wallet with existing customers have driven customer deposits up by 22% to ₦802 billion. Consequently, gross earnings are up by 26% to ₦164 billion.*

*By the end of the year, our NPL Ratio stood at 19.8%. This reflects the residual effects of devaluation and a post-recession economy on our loan book, particularly in the oil and gas sector as well as a recent high court ruling in respect of a large real estate exposure, which we have appealed.*

*While we have sufficient coverage and adequate capital buffers, we are aggressively focused on final resolution of key large exposures, which will have immediate positive impact on the NPL ratio, once resolved. In addition, we have strengthened our debt recovery teams with oversight from senior executives, and initiated necessary legal*

action against recalcitrant debtors. We are confident that this multi-pronged approach will bring the NPL ratio down steadily over the next few quarters.

For 2018, our focus is on leveraging our capital and investments in talent and technology to accelerate growth across all business segments and improve enterprise value for all our stakeholders.

Chief Financial Officer, Oyinkan Adewale, commenting further on the 2017 results said:

*“We grew our revenues by 26% in 2017, and notwithstanding double-digit inflation and the impact of Naira devaluation on foreign currency denominated costs, Group Cost Income Ratio is down to 61.5% from 65.3% in 2016.*

*As a result of our successful rights issue, which was oversubscribed, we ended the year with CAR at 17.8% - well above regulatory requirements.*

*Our coverage ratio was adequate at 103%, while our debt recovery efforts yielded good results with an increase of over 350% to ₦6 billion in the year. We continue to tighten our credit risk management and loan monitoring processes while pursuing an aggressive strategy to continue to grow our low-cost deposit base.”*

*We closed the year with the Regulatory Risk Reserve at ₦71 billion, which exceeds the expected impact of International Financial Reporting Standards (IFRS) 9 adoption in 2018.”*

## Group FY 2017 Financial Summary

<b>Balance Sheet</b> (in billions of Naira)	<b>Dec 2017</b>	<b>Dec 2016</b>	<b>Change</b>
Total Assets	1,455.5	1,252.7	16%
Gross Loans & Advances	560.7	535.8	5%
Customer Deposits	802.4	658.4	22%
Shareholders' Funds	345.7	271.7	27%
Number of shares in issue (billions)	29.12	16.94	72%
<b>Ratios</b>			
Coverage Ratio (incl. regulatory risk reserves)	103%	182%	(79%)
Loan to Deposit Ratio	69.9%	81.4%	(11.6%)
Non-Performing Loan Ratio	19.8%	6.9%	12.9%
<b>Income Statement</b> (in billions of Naira)			
	<b>FY 2017</b>	<b>FY 2016</b>	<b>Change</b>
Gross Earnings	163.8	129.6	26%
Net Interest Income	66.7	65.0	3%
Non-Interest Income	39.3	29.9	31%
Credit /other Impairment charge	25.6	17.2	43%
Operating Expenses	65.1	62.0	5%
Profit Before Tax	15.5	15.7	Flat

Profit After Tax	14.6	15.4	(5%)
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#### Ratios

Net Interest Margin	7.80%	8.62%	(0.82%)
Cost of Funds	6.31%	4.54%	1.78%
Cost to Income Ratio	61.5%	65.3%	(3.9%)
Cost of Risk	4.25%	3.59%	0.66%
Return on Equity	4.7%	5.9%	(1.2%)
Return on Tangible Equity	6.86%	9.42%	2.56%
Return on Assets	1.1%	1.4%	(0.3%)
Net Asset Value per share	₦11.87	₦16.04	(₦4.17)
Earnings Per Share (absolute)	48k	92k	(44k)
Earnings Per Share (weighted)	81k	92k	(11k)

### Bank FY 2017 Financial Summary

#### Balance Sheet (in billions of Naira)

	Dec 2017	Dec. 2016	Change
Total Assets	1,334.9	1,123.5	19%
Gross Loans & Advances	531.8	518.3	3%
Customer Deposits	796.7	633.8	26%
Shareholders' Funds	321.4	251.3	28%
Number of shares in issue (billions)	29.12	16.94	72%

#### Ratios

Capital Adequacy Ratio	17.8%	13.3%	4.5%
Coverage Ratio (incl. regulatory risk reserves)	103%	182%	(79%)
Liquidity Ratio (regulatory minimum - 30%)	37%	33%	4%
Loan to Deposit Ratio	66.8%	81.8%	(15%)
Non-Performing Loan Ratio	20.8%	7.1%	13.7%

#### Income Statement (in billions of Naira)

	FY 2017	FY 2016	Change
Gross Earnings	157.6	126.5	25%
Net Interest Income	62.3	62.5	Flat
Non-Interest Income	37.7	29.4	28%
Credit/other Impairment charge	25.5	17.1	43%
Operating Expenses	61.4	58.8	4%
Profit Before Tax	13.2	16.1	(18%)
Profit After Tax	12.8	15.9	(19%)

## Ratios

Net Interest Margin	8.56%	9.40%	(0.84%)
Cost of Funds	7.05%	4.99%	2.06%
Cost to Income Ratio	61.4%	64.0%	(2.6%)
Cost of Risk	4.42%	3.71%	0.71%
Return on Equity	4.5%	6.6%	(2.1%)
Return on Tangible Equity	6.74%	10.84%	(4.10%)
Return on Assets	1.1%	1.5%	(0.4%)
Net Asset Value per share	₦11.04	₦14.84	(₦3.81)
Earnings Per Share (absolute)	44k	94k	(50k)
Earnings Per Share (weighted)	75k	94k	(19k)

For the detailed Profit and Loss Account, Balance Sheet, Cash flow statement and notes to the accounts, please visit [www.unionbankng.com](http://www.unionbankng.com)

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## INVESTOR & ANALYST CALL DETAILS

Union Bank will be hosting a conference call for investors, analysts and financial journalists on **Monday, 14<sup>th</sup> May 2018** at **15:00 Lagos & London / 10:00 New York / 16:00 Johannesburg** with its executive management team, to discuss the FY 2017 and Q1 2018 results and respond to questions.

To participate in the call, [register online here](#) for your participant PIN, and dial:

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South Africa: +27 21 672 4118

For further information, please contact [InvestorRelations@unionbankng.com](mailto:InvestorRelations@unionbankng.com)

**Notes to editors:****About Union Bank of Nigeria, PLC.**

Established in 1917 and listed on the Nigerian Stock Exchange in 1971, Union Bank is a household name and one of Nigeria's long-standing and most respected financial institutions. The Bank has a network of over 300 Sales and Service Centers across Nigeria.

Following recapitalisation in 2012 from new investors and a new Executive Management team, Union Bank has undergone an award winning transformation programme to re-establish the bank as a leading provider of financial services in Nigeria.

Union Bank is focused on Retail, Commercial and Corporate Banking businesses. In addition to standard current and savings product portfolio, Union Bank has launched pioneering products into the Nigerian retail market including UnionKorrect, UnionGoal and UnionBetta.

More information can be found at: [www.unionbankng.com](http://www.unionbankng.com)

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