

## Union Bank of Nigeria Plc.

### Group Audited Financial Statements for the year ended December 31, 2018

**LAGOS, NIGERIA – April 2, 2019** - Union Bank of Nigeria announces its audited financial statements for the year ended 31<sup>st</sup> December 2018.

Following the successful execution of our debut local currency bond issue to raise ₦13.5bn and the tightening up of our loan portfolio, Union Bank is well positioned to continue executing key business priorities in 2019.

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

- **Profit Before Tax:** up 33% to ₦18.5bn from ₦13.9bn as at December 2017
- **Earnings:** down 11% to ₦145bn from ₦168bn in 2017 due to 8% drop in loan book
- **Net Revenue After Impairments:** up 16% to ₦93.5bn compared to ₦80.64bn in 2017
- **Non-Performing Loan Ratio (Bank):** down to 8.1% from 20.8% as at December 2017
- **Customer Deposits:** up 7% to ₦857.6bn versus ₦802.4bn as at December 2017
- **Operating Expenses:** up from ₦66.7bn in 2017 to ₦75.0bn as at December 2018

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

##### *Product & Service Innovation*

- **Robotic Process Automation (RPA):** Led the industry with the roll out of RPA technology to deliver efficiency on key backend operations such as ATM reconciliation.
- **Enhanced Channels:** Active users on our enhanced channels contributed a 101% increase in channel fees to ₦2.2bn from ₦1.1bn in 2017.
- **Naira Letter of Credit:** Launched a first of its kind local letter of credit to facilitate and expand domestic trade in Nigeria.
- **Union360:** Rolled out dedicated online banking platform to facilitate transaction banking for corporates and small businesses.

### *Brand & Citizenship*

- **Edu360:** Union Bank hosted over 3000 attendees at its inaugural Edu360 education festival. Edu360 is an annual event designed to foster collaboration and engagement among all stakeholders on key issues affecting education.
- **Enabling Success:** Union Bank's TV commercial themed *Enabling Success* is now Nigeria's most watched advert ever on YouTube and has garnered over 8 million views across social media platforms. In the three months following the campaign, brand survey results reflect a 30% improvement in the Bank's net promoter scores and 4.9% bump in our brand equity scores.

### *Awards & Recognition*

- **Excellence in Banking Innovation:** 2018 New Age Banking Awards
- **Best Company in Environmental Excellence** and **'Most Outstanding Company in CSR/Sustainability:** 2018 Sustainability, Enterprise and Responsibility Awards (SERAs)
- **2018 Advertiser of the Year:** Pitcher Awards

Speaking on the Group's results for the year, the MD/CEO Emeka Emuwa said:

*"Our priorities in 2018 were three pronged; enhancing our productivity across board; tightening up our loan portfolio (especially resolving key large exposures which drove NPLs up significantly at the end of 2017); and optimizing the Bank's capital and funding base.*

*I am pleased to report that we made significant strides in each focus area. Notwithstanding a depressed economic environment and a challenging operating landscape, our efforts to optimise productivity delivered results. Union Bank's Group Profit Before Tax (PBT) is up 33% to ₦18.5 billion in 2018 from ₦13.9 billion in 2017. As consumer confidence in the brand continues to grow, customer deposits also continue to grow, up 7.3% to ₦857.6 billion in 2018 from ₦802.4 billion in 2017. Our Net Revenues After Impairments are also up 16% to ₦93.5bn compared to ₦80.6bn in 2017 with significant contribution from growth in retail transaction volumes across our channels.*

*Through an aggressive focus on recoveries and recognising fully provisioned loans on our books, we successfully reduced the Bank's NPL ratio, which is now down to*

8.1% in 2018 from 20.8% at the end of 2017, in line with guidance provided at the start of the year. In 2019, we will continue to maintain focus on recoveries while prudently rebuilding our loan book and maintaining a conservative risk profile.

On the funding side, we successfully initiated the first tranche of our oversubscribed local currency bond programme to raise ₦13.5 billion. We are encouraged by the market and investor community response to the bond issue and subsequent listing on the FMDQ platform as we continue our drive to optimize the Bank's capital and funding structure.

In 2019, we will double-down on our productivity efforts to deliver our financial targets. We are harnessing synergies across our business segments to ensure we maximize opportunities across entire value chains, while centralising key business and operational functions for better efficiency, and prioritizing customer experience across all our touchpoints.

We are also pleased to be introducing our women focused initiative, **alpHer**, which will provide a portfolio of financial and non-financial services to women across customer segments in Nigeria.

Lastly, we have commenced the Long-Term Efficiency Acceleration Programme (LEAP), a comprehensive transformation effort to embed cost discipline across the Bank. We believe LEAP will deliver significant cost savings in 2019 and entrench a culture of efficiency across all areas of the Bank.”

Chief Financial Officer, Joe Mbulu, commenting further on the 2018 results said:

“Gross revenues declined by 11% to ₦145.5 billion in 2018 from ₦163.8 billion in the previous year as a direct consequence of the loan book clean-up and resolution of key exposures.

Notwithstanding significant investments to execute our strategy including expanding our agency banking footprint and aligning compensation with market for our entry to mid-level employees (which increased operating expenses by 12% from ₦66.7bn in 2017 to ₦75.0bn as at December 2018), we are pleased that our core business delivered a 33% growth to our topline PBT. Through LEAP, we will ensure that operating expenses in 2019 remain within the Bank's targets.

Our Return on Tangible Equity (ROTE) improved to 9.6% from 6.2% in 2017 demonstrating long-term shareholder value enhancement.

In addition to our successful fund raising activities during the year, we will further support future growth and creation of high quality risk assets in 2019 through a Tier II

capital raise. This will boost our Capital Adequacy Ratio, which is currently at 16.4% and remains above the regulatory limit.

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)

## Financial Summary

	GROUP			BANK		
<b>Balance Sheet</b> (in billions of Naira)	<b>Dec-18</b>	<b>Dec-17</b>	<b>Change</b>	<b>Dec-18</b>	<b>Dec-17</b>	<b>Change</b>
Total Assets	1,463.9	1,455.5	1%	1,324.3	1,334.9	-1%
Gross Loans & Advances	519.7	560.7	-7%	473.4	531.8	-11%
Customer Deposits	857.6	802.4	7%	844.4	796.7	6%
Shareholders' Funds	225.6	337.7	-34%	200.1	319.2	-37%
<b>Ratios</b>						
Coverage Ratio (incl. regulatory risk reserves)	110.5%	103.3%	7%	128.0%	103.0%	25%
Average Liquidity Ratio (regulatory minimum - 30%)				39.0%	38.0%	1%
Loan to Deposit Ratio	60.6%	69.9%	-9%	56.0%	67.0%	-11%
Non-Performing Loan Ratio	8.7%	19.8%	-11%	8.1%	20.8%	-13%
	GROUP			BANK		
<b>Income Statement</b> (in billions of Naira)	<b>FY 2018</b>	<b>FY 2017</b>	<b>Change</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>Change</b>
Gross Earnings	145.5	163.8	-11%	140.1	157.6	-11%
Net Interest Income	55.4	66.7	-17%	50.9	62.3	-18%
Non-Interest Income	35.2	39.3	-11%	35.3	37.7	-6%
Credit Impairment	-3.4	25.6	-113%	-3.9	25.5	-115%
Operating Expenses	75.0	66.7	12%	71.1	63	13%
Profit Before Tax	18.5	13.9	33%	18.7	11.6	61%
Profit After Tax	18.1	13	39%	18.4	11.2	64%
<b>Ratios</b>						
Net Interest Margin	6.60%	7.80%	-1%	7.10%	8.60%	-2%
Cost to Income Ratio	82.90%	63%	20%	82.40%	63.00%	19%
Return on Tangible Equity	9.6%	6.2%	3.4%	11.3%	5.90%	5.4%
Return on Assets	1.30%	1.00%	0.3%	1.40%	0.90%	0.5%
Capital Adequacy	N/A	N/A	N/A	16.4%	16.7%	-0.3%
Net Asset Value per share	₦7.75	₦11.79	(₦4.05)	₦6.9	₦10.9	(₦4.1)
Earnings Per Share	61k	72k	(11k)	63k	66k	(3k)

## **INVESTOR & ANALYST CALL DETAILS**

Union Bank will be hosting a conference call for investors, analysts and financial journalists on **Thursday, 4<sup>th</sup> April, 2019 at 16:00 Lagos & London / 11:00 New York / 17:00 Johannesburg** with its executive management team, to discuss the FY 2018 results and respond to questions.

To participate in the call, please dial:

Nigeria: +234 (1) 903 0080  
United Kingdom: +44 3333 000 804  
United States Toll: +1 631 913 1422  
South Africa Toll: +27 21 672 4118

Please enter your PIN to access the call

PIN: 36968913#

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)

Media Enquiries: Email [investorrelations@unionbankng.com](mailto:investorrelations@unionbankng.com)



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