

9M 2018 Performance

November 1, 2018



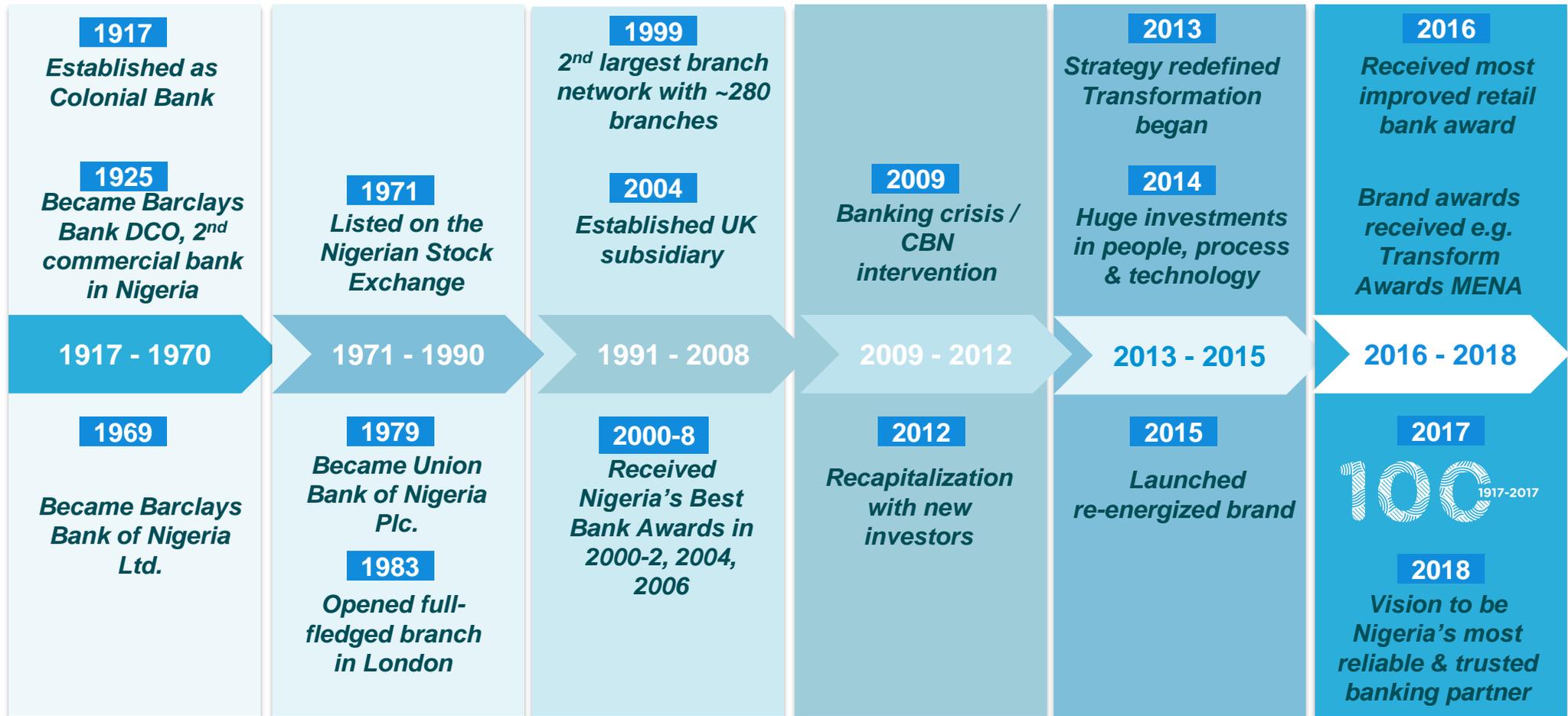
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9M 2018 Financial Performance

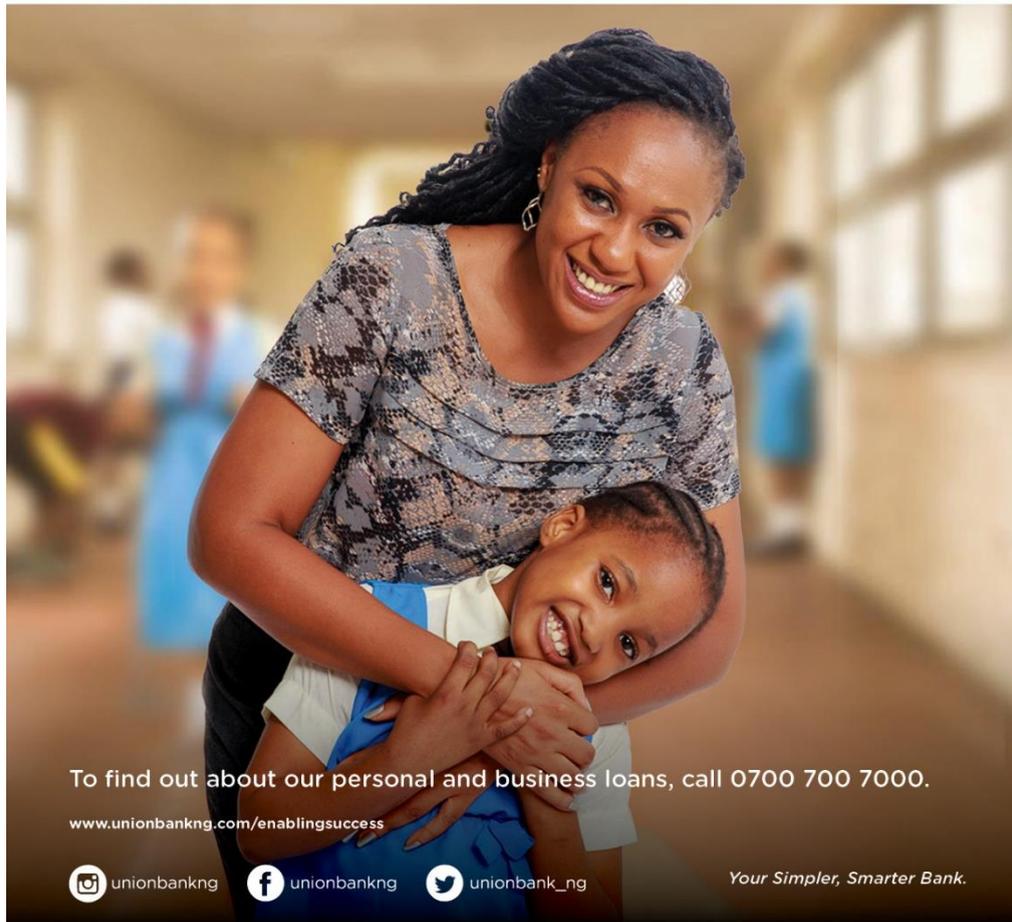
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Looking Ahead



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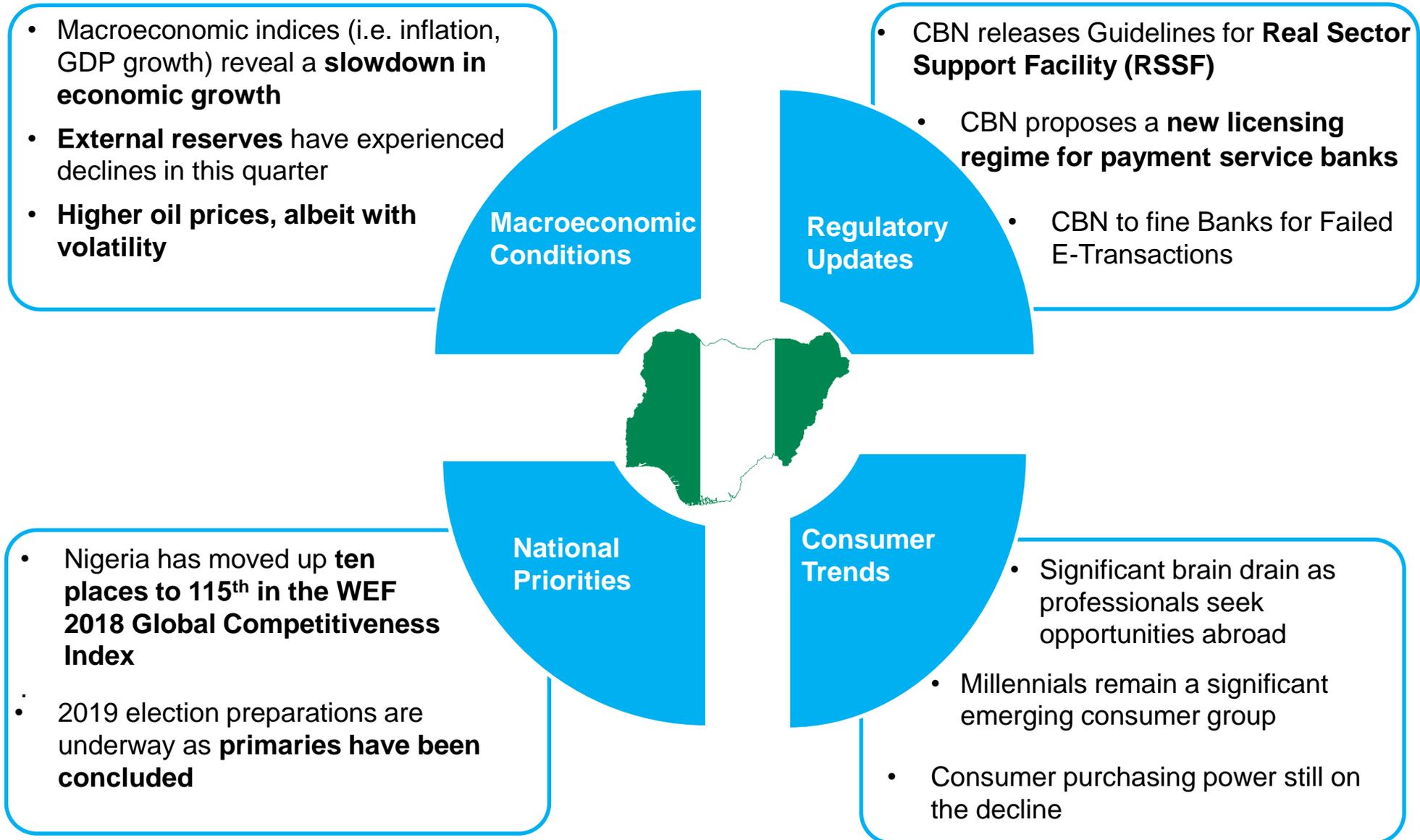
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1 The Operating Environment

Emeka Emuwa
Chief Executive Officer

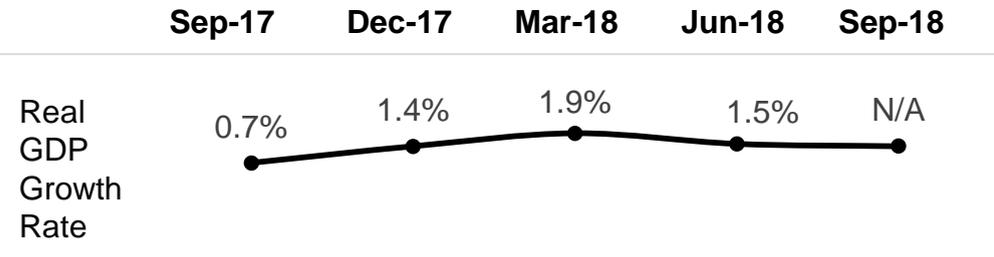


Overview of the Nigerian Economy

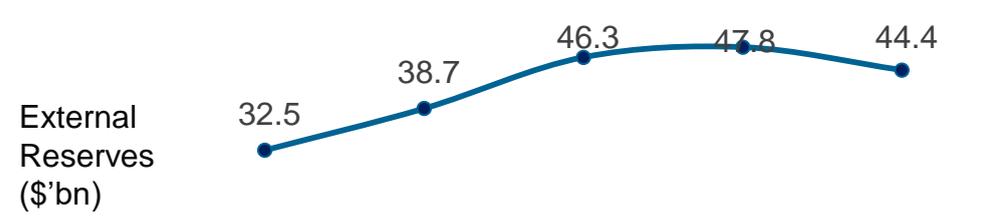


Current Macroeconomic Trends in Nigeria

GDP
 Nigeria's GDP grew by 1.5% YoY in H1'18, showing a slow down in growth from Q1'18 (1.95%). The FY18 GDP forecast is still ~2%, an improvement from 0.82% in FY17



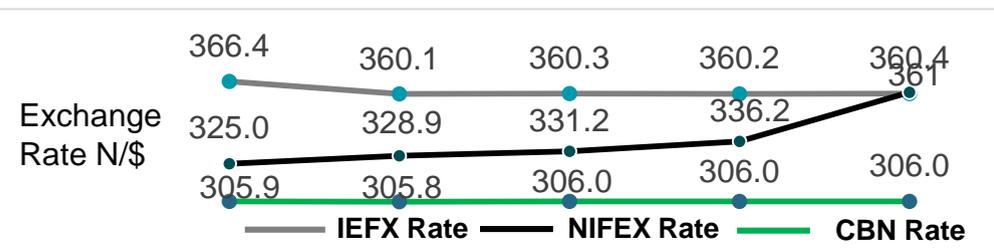
Reserves
 External Reserves have experienced declines to \$44.40bn in Sep'18 from \$47.80 in Jun'18. It declined by \$1.1bn in 2 weeks in Oct'18



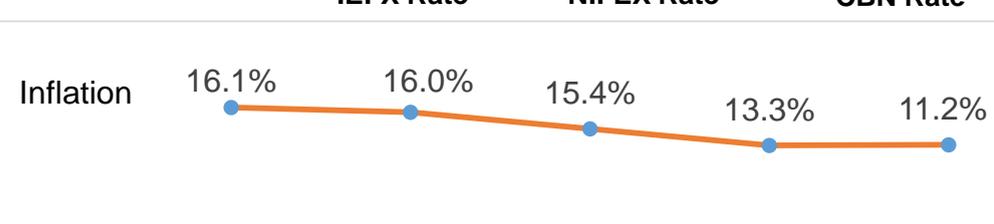
Oil Price
 Bonny Light price closed at \$79.45bp in Sep'18 up from \$75.10pb in Jun'18 and \$54.60pb in Sep'17.



FX
 The IEFX window closed at ₦360.40/\$ on 30 Sep'18. CBN's reference FX rate has remained constant at ~₦306/\$, while the NIFEX closed at ₦361.00/\$



Inflation
 Inflation in September is at 11.28%. Following 18 months of successive declines, inflation has now had two consecutive increases in August (11.23%),



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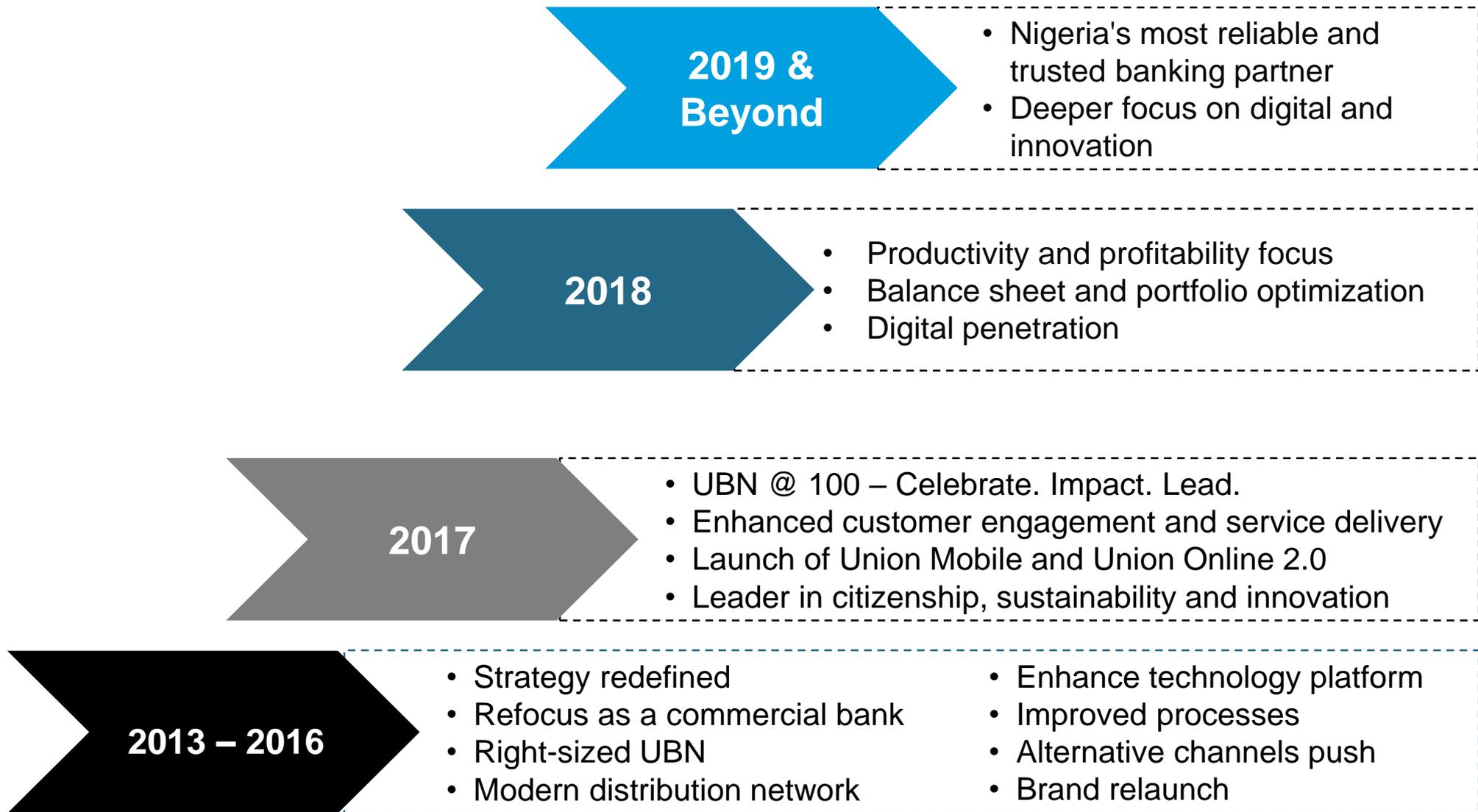
Union Bank Update

Emeka Emuwa
Chief Executive Officer



Recap: Our Journey

A Simpler, Smarter Bank



Union Bank Today

300



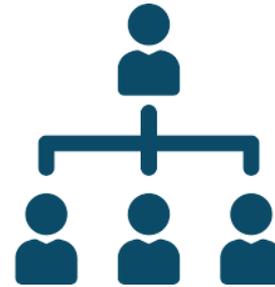
Sales and Service Centers

₦1.6tr¹



Total Assets

2,600



Employees

Our Credit Ratings

MOODY'S A2 (Stable Outlook)

Agusto&Co A- (Stable Outlook)
Research, Credit Ratings, Credit Risk Management

GCR BBB+(Stable Outlook)

FitchRatings B- (Stable Outlook)

4.3mn



Customers

₦293bn¹



Total Equity

Awards and Recognition

- 8th in KPMG's retail customer satisfaction survey
- Excellence in Innovation in Banking (*New Age Banking Awards 2018*)
- Most Efficient Bank on E-Reference Operations (*Efficiency Awards 2018*)
- Fastest Growing Retail Bank in Nigeria (*International Finance Magazine 2018*)



Our Channels



1.03mn
Mobile Banking²



2.4mn
Debit Cards²

UnionONE

₦1.1tr
In YTD transactions



1,000
ATMs



371k
Online Banking²



7.4k
POS²

Recap: Our Ambition

Nigeria's Most Reliable and Trusted Banking Partner

1

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

2

**Leader in Retail
and Transaction
Banking**

3

**Leader in
Citizenship,
Sustainability and
Innovation**

Union Bank Strategy:

Enabling customer success through digitization

Digital Strategy Pillars



Sales & Service Productivity

Enabling a high performing sales force and after-sales support



Operational Efficiency

Enhancing internal processes for simpler, smarter bank



Enhanced Revenue Streams

New revenue opportunities leveraging technology and partnerships

Digital customer acquisition and product sales

Customer service and CRM tools, data / analytics

Open platforms, Fintechs

Migration to alt. channels, Robotics

Mobile banking, agency banking

Union Bank Strategy:

Increased customer utilization across platforms

Mobile Banking Users



700k

Sep 2017



1.03m

Sep 2018

47%



Online Banking Users



150k

Sep 2017



371k

Sep 2018

147%



UnionOne Users (Corporates)



5k

Sep 2017



10k

Sep 2018

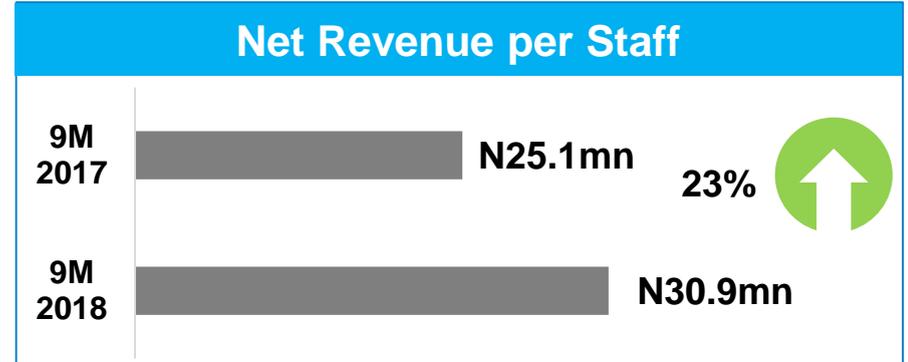
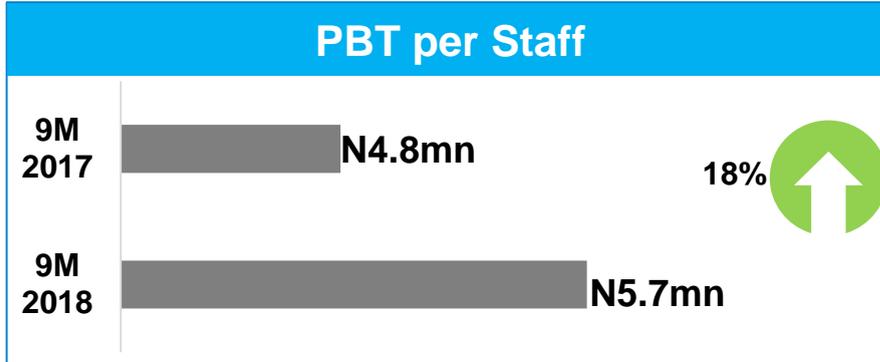
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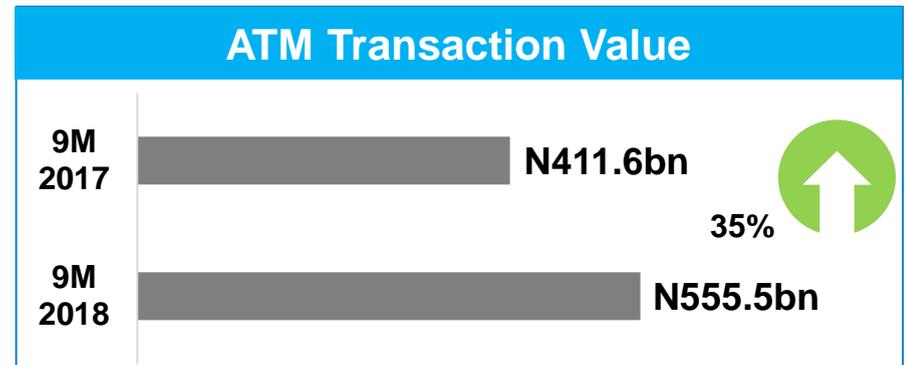
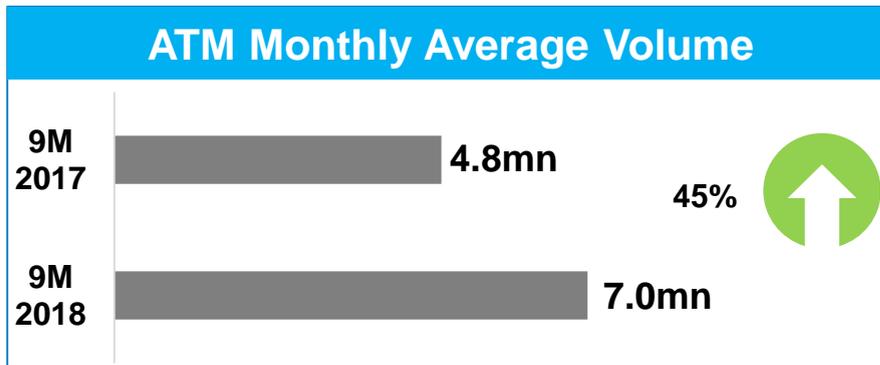
Union Bank Strategy:

Continued improvement across key productivity metrics

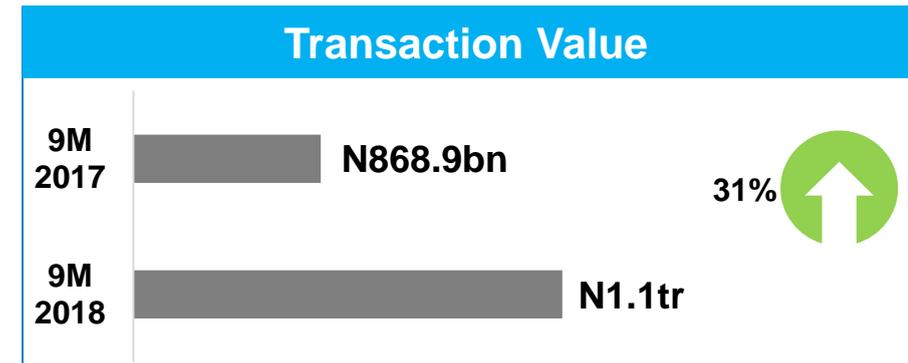
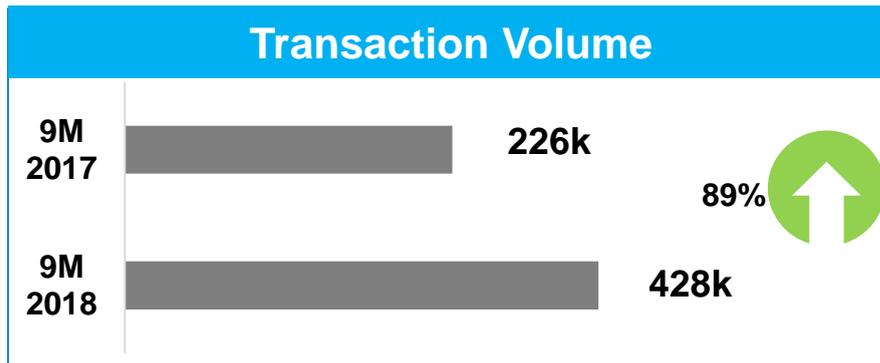
Staff Productivity



ATM

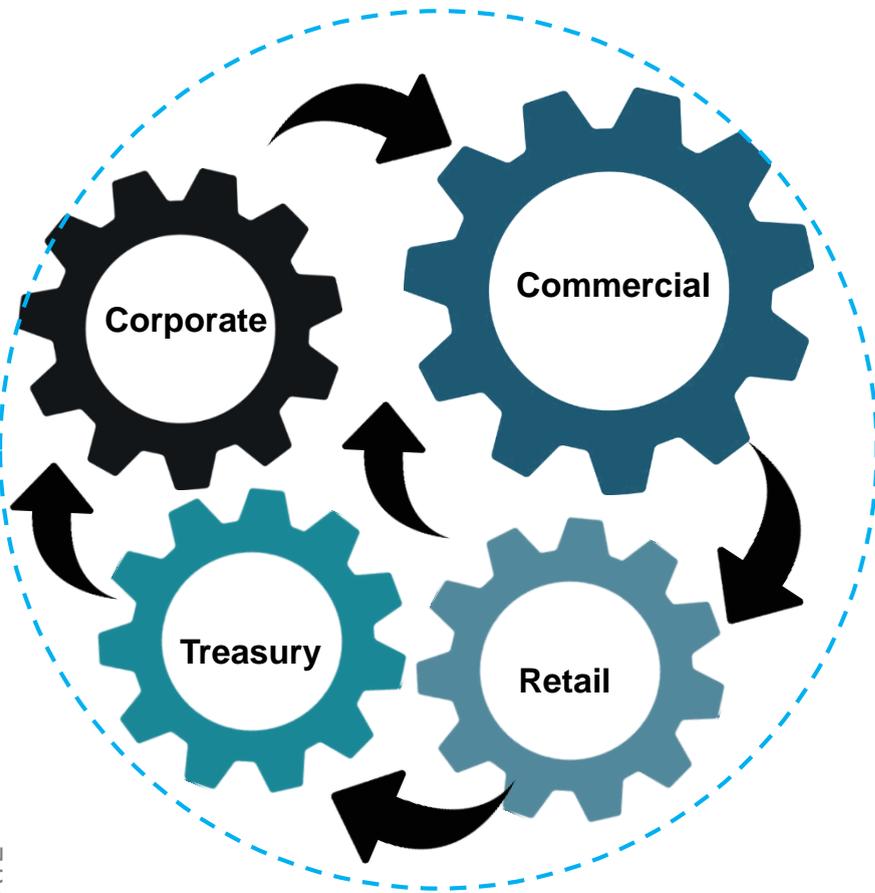


UnionOne



Union Bank Strategy:

Leveraging business interdependence for success



Corporate Bank

- Trade volumes doubled YoY
- Issued first local LC transaction in the market
- Deposit YoY growth of 13% largely driven by FCY and low cost LCY deposits

Commercial Bank

- Launched Union360 - an enterprise online banking platform
- 21% increase in net revenue

Retail Bank

- Increased loan output by 3x from Jan '18
- Increased customer acquisition and visibility via targeted market storms and tailor-made solutions to customer segments

Treasury

- Issued LCY bond with 3 year and 7 year tenors in Aug'18
- Currently 8th on the FMDQ traders ranking
- Growth in trading revenues by 33%

Union Bank Strategy:

Significant progress made on identified growth enablers

 <p>Customer Acquisition</p> <ul style="list-style-type: none"> • Attract and retain high-quality customers • Relevant products and solutions 	 <p>Risk Management</p> <ul style="list-style-type: none"> • Disciplined risk mgmt practices • Proactive portfolio monitoring 	 <p>Funding & Liquidity</p> <ul style="list-style-type: none"> • Lower funding costs • Support increased customer activity 	 <p>Operational & Cost Efficiency</p> <ul style="list-style-type: none"> • Reduce cost to serve • Leverage innovation for efficiency 	 <p>People</p> <ul style="list-style-type: none"> • Drive productivity • Talent retention & succession • Investment in the right people
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 Technology



Customer Acquisition

Edu360 organized as a platform to engage and drive **impact in the entire education ecosystem**




Risk Management

Deployed automated consumer credit scoring platform

Enhanced Business Continuity Management Systems; certified by the British Standard Institute



Funding & Liquidity

N100bn bond program registered; inaugural debt issuance in Aug'18



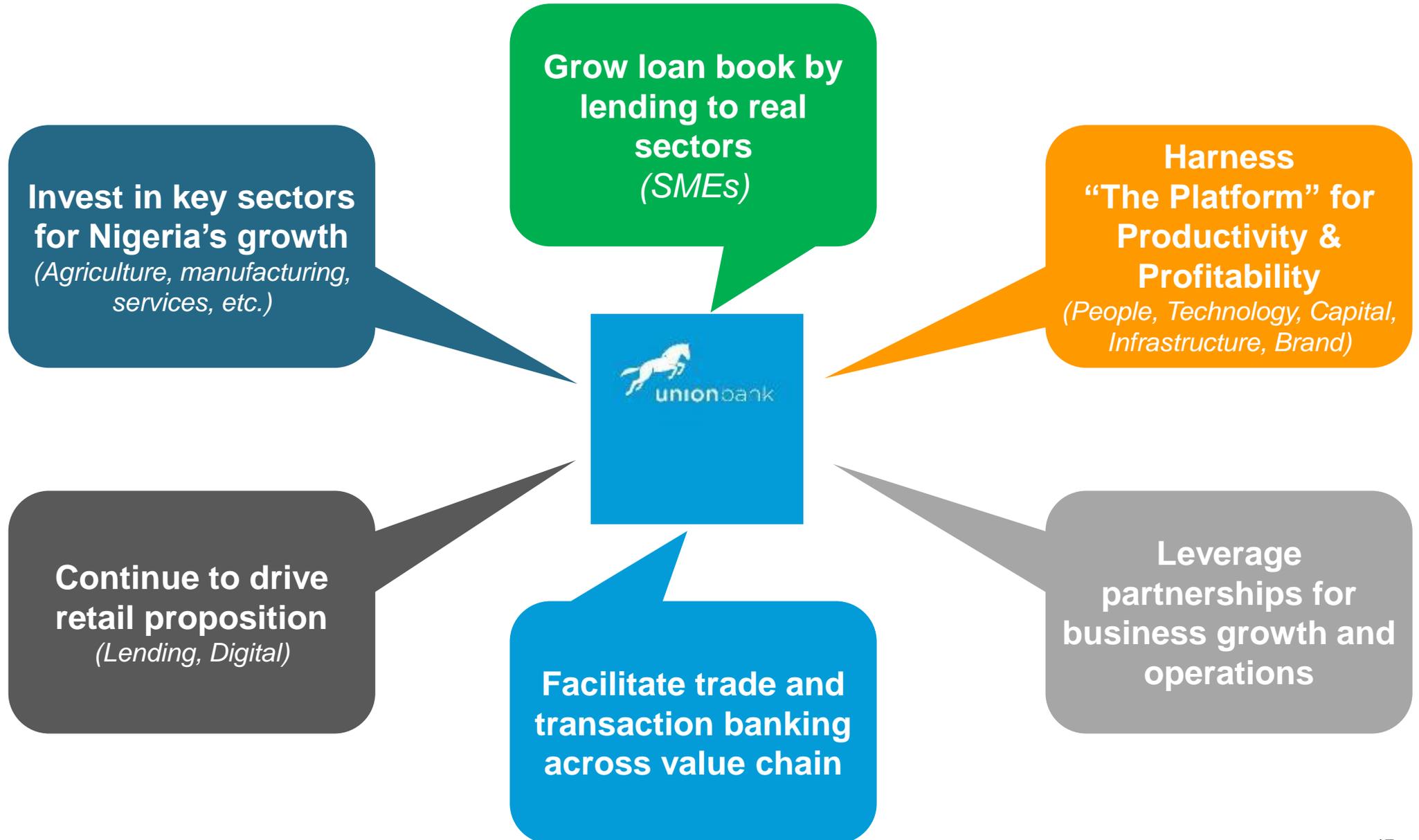

Operational & Cost Efficiency

Cost savings & improved service delivery from RPA implementation

Increased deployment of solar-powered solutions 34 today branches; further deployment ongoing

Union Bank Strategy:

We remain focused on real opportunities in line with Nigeria's growth



Union Bank Performance:

Our strategy is translating to improved performance along key metrics



	9M 2017	9M 2018	Trend
 Gross Earnings (₦'bn)	109.5	122.2	 12%
 Profit Before Tax (PBT) (₦'bn)	13.0	14.9	 14%
 RoE (%)	6.0	6.1%	 10bps
 RoA (%)	1.3	1.3	
 Cost to Income (%)	72.2	72.3	 10bps
	Dec 2017	Sep 2018	Trend
 Customer Deposits (₦'bn)	802.4	882.2	 10%
 Gross Loans (N'bn)	560.6	588.9	 5%
 NPL Ratio¹ (%)	19.8	9.8	 1000bps

SME

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9M 2018 Financial Performance

Joseph Mbulu
Chief Financial Officer

Group Key Financial Highlights – 9M 2018

Gross Earnings

 Up 12% to ₦122.2bn (₦109.5bn in Q3 2017), driven by higher earning assets and a 46% growth in non-interest income.

Interest Income

 Up 3% to ₦91.5bn (₦88.5bn in Q3 2017).

Non-Interest Income

 Up 46% to ₦30.8bn (₦21.0bn in Q3 2017); a result of opportunistic treasury income, intensified recovery efforts and improved e-business revenues

Profit Before Tax (PBT)

 Up 14% to ₦14.9bn (₦13.0bn in Q3 2017)

Customer Deposits

 Up 10% to N882.2bn (N802.4bn Dec 2017); showing a 37% increase in foreign currency deposits (excluding impact of devaluation) alongside a growing low cost deposit book.

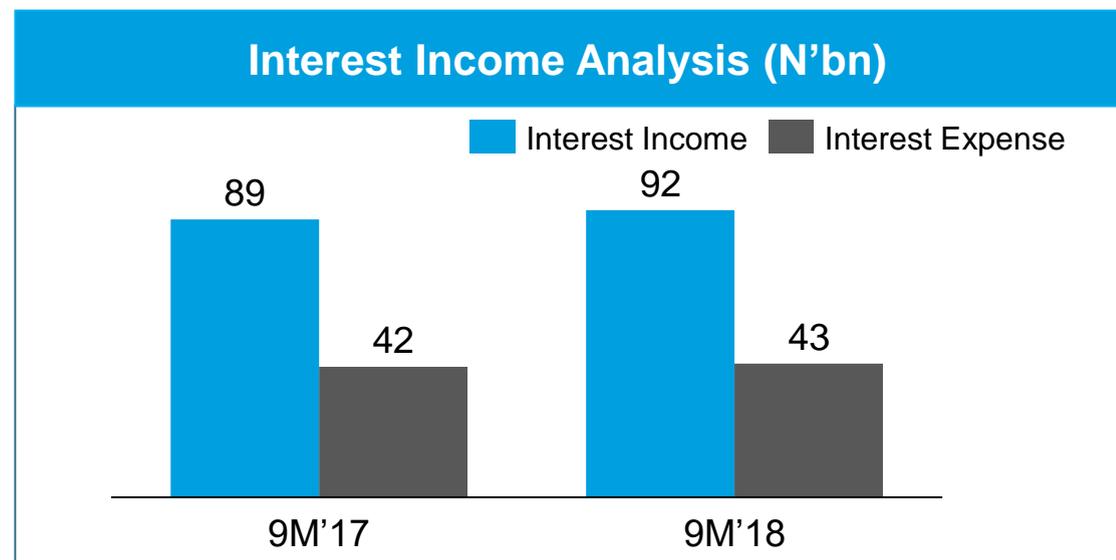
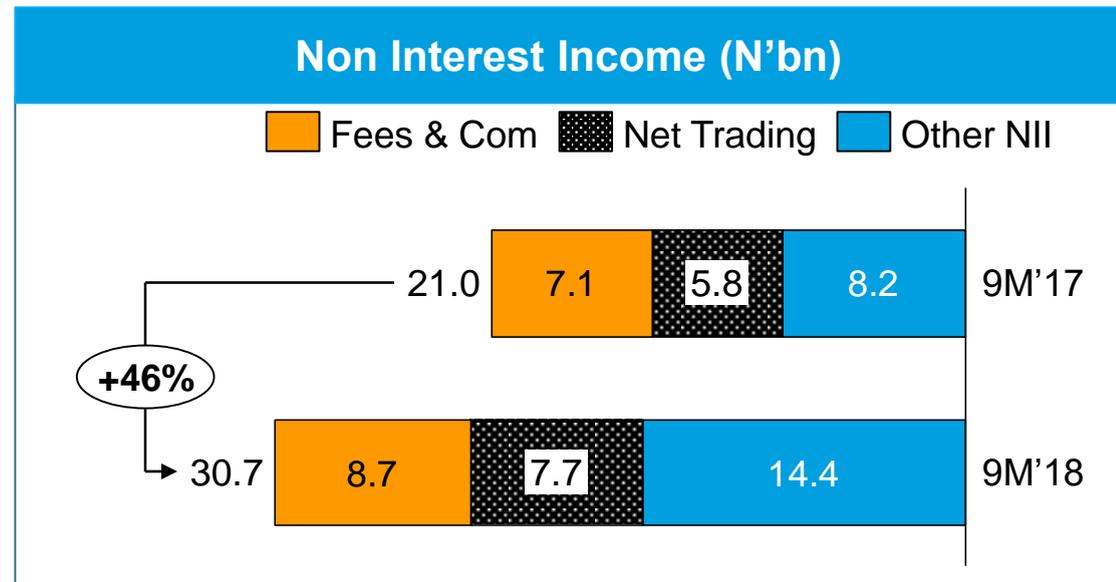
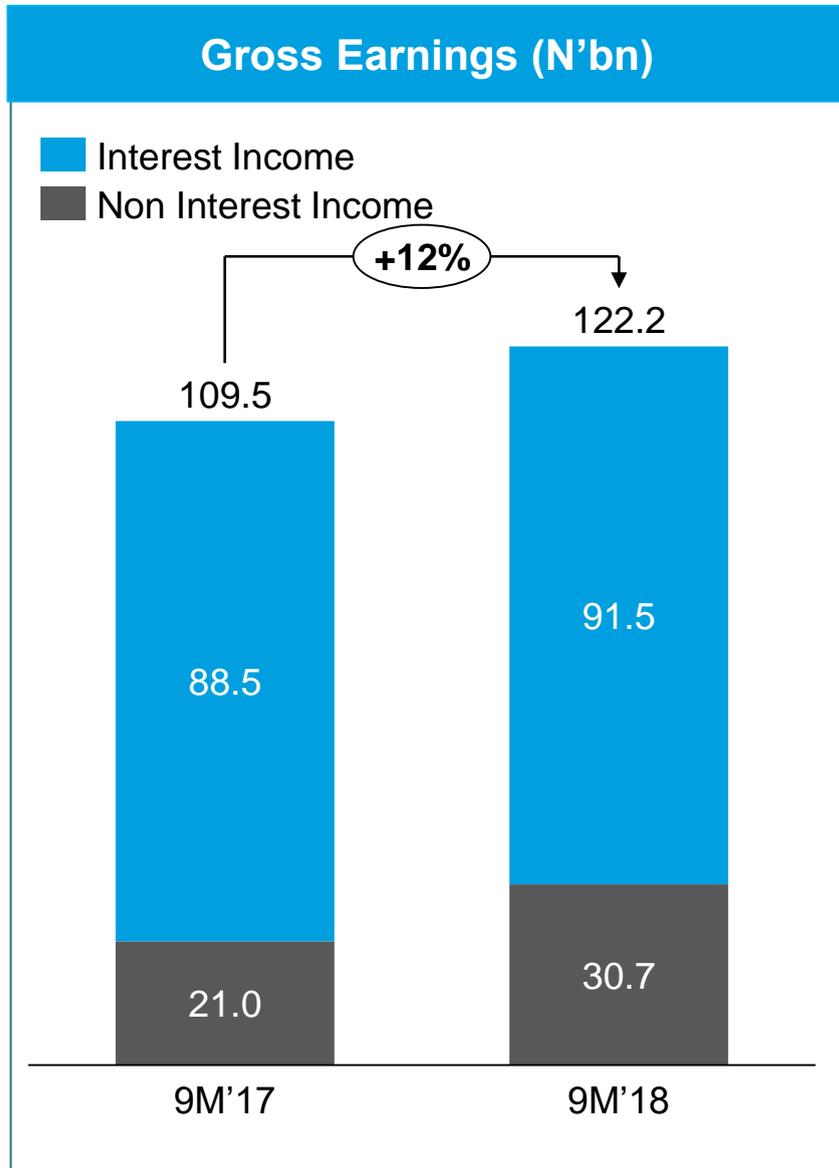
Gross Loans

 Up 5% to ₦588.9bn (₦560.7bn Dec 2017) as we begin to selectively create new risk assets across various business lines.

9M 2018 Performance – Group Financial Summary

		Sep-2018	Dec-2017	Δ
Balance Sheet (₹ 'bn)	Assets	1581.8	1,455.5	9%
	Gross Loans and Advances	588.9	560.7	5%
	Customer Deposits	882.2	802.4	10%
Key Ratios	NPL Ratio	9.8%	19.8%	(10.0%)
	Coverage Ratio	94%	103%	(9%)
	Capital Adequacy Ratio	16.8%	17.8%	(1%)
		Q3 2018	Q3 2017	Δ
Income Statement (₹ 'bn)	Gross Earnings	122.2	109.5	12%
	Net Interest Income	49.4	46.9	5%
	Non-Interest Income	30.7	21.0	46%
	Credit/Other Impairment Charge	7.3	5.9	24%
	Operating Expenses	58.0	49.0	18%
	Profit Before Tax	14.9	13.0	14%
	Profit After Tax	14.7	12.4	18%
Key Ratios	Net Interest Margin	7.3%	7.5%	(0.2%)
	Cost of Funds	5.8%	6.7%	(0.9%)
	Cost to Income Ratio	72.3%	72.2%	0.1%
	Cost of Risk	1.8%	1.6%	0.2%
	Return on Equity	6.1%	6.0%	0.1%
	Return on Assets	1.3%	1.3%	-
	Net Asset Value per share	10.08	11.87	(1.79)
Earnings Per Share	49k	72k	(23k)	

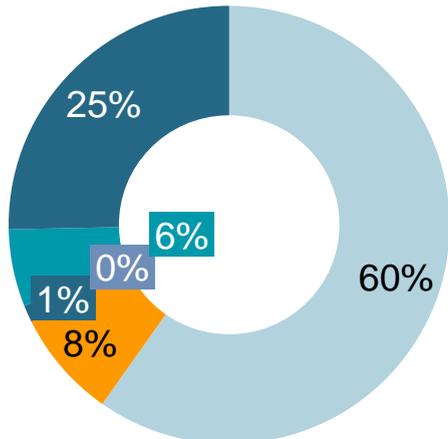
Gross earnings improved on the back of non interest income gains



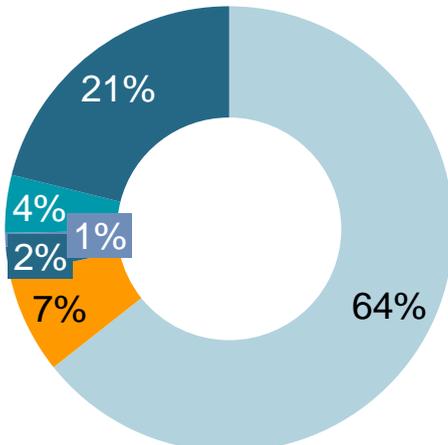
We continue to improve our funding structure on the back of increased low-cost deposits

Funding Structure

- Customer Deposits
- Deposits from Banks
- Onlending facilities
- LCY borrowings
- FCY borrowings
- Equity



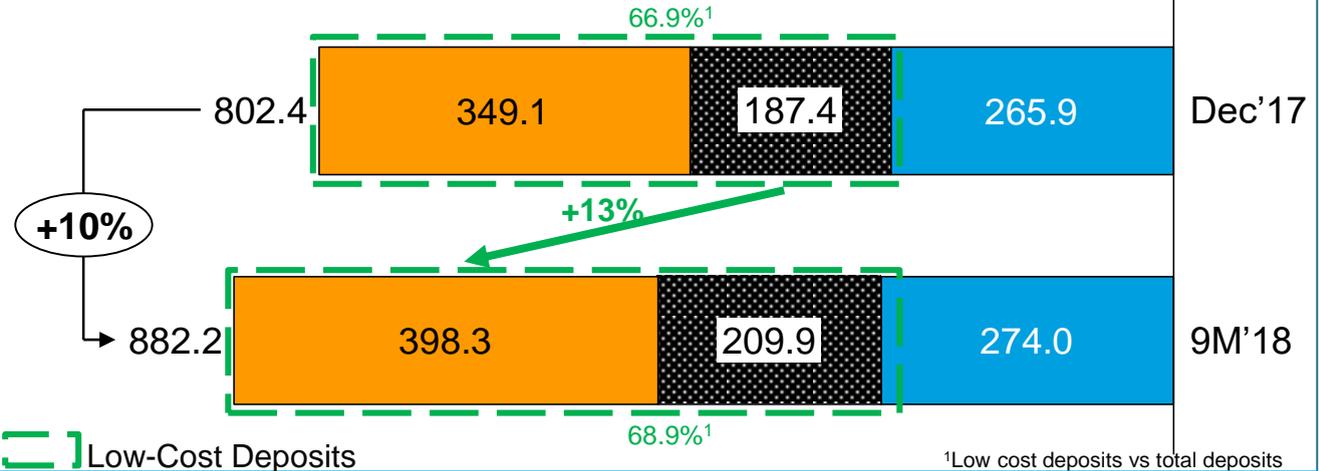
Dec'17



Sep '18

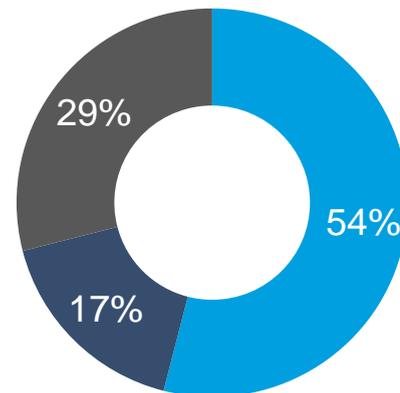
Deposit Type (N'bn)

- Current
- Savings
- Term Deposits

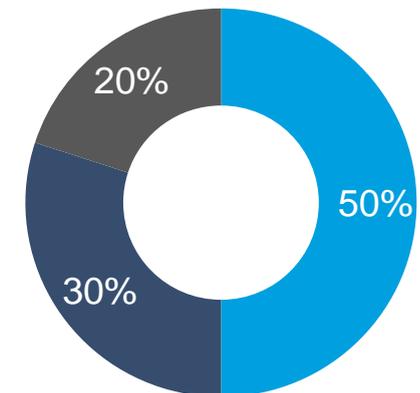


Deposits by Business

- Retail
- Commercial
- Corporate



Dec'17

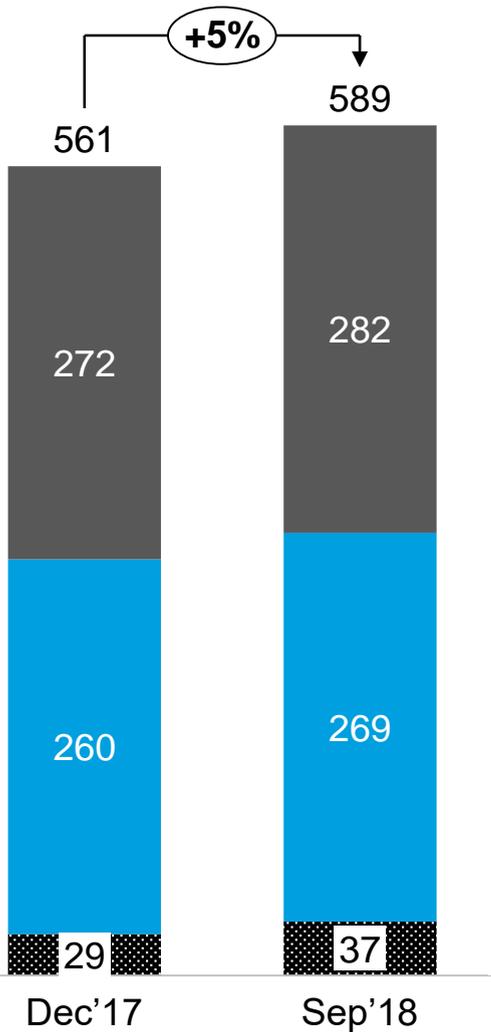


Sep'18

We continue to selectively grow our loan book with high quality risk assets

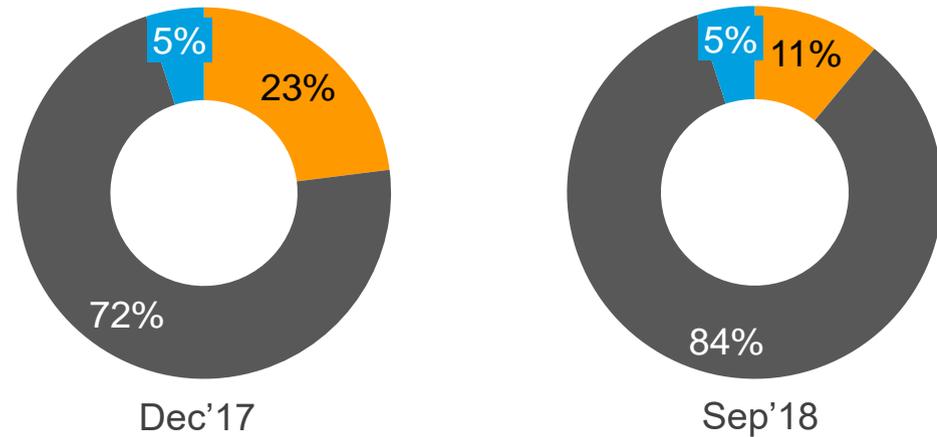
Gross Loans (₹'bn)

■ LCY ■ UBN FCY ■ UBUK



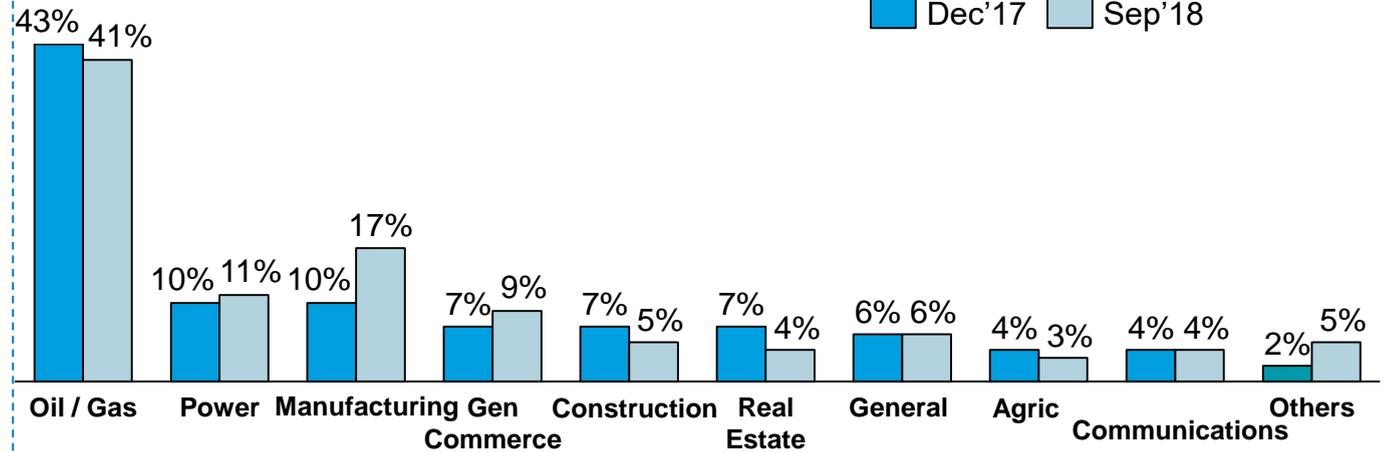
Loans by Business

■ Commercial ■ Corporate ■ Retail/SME



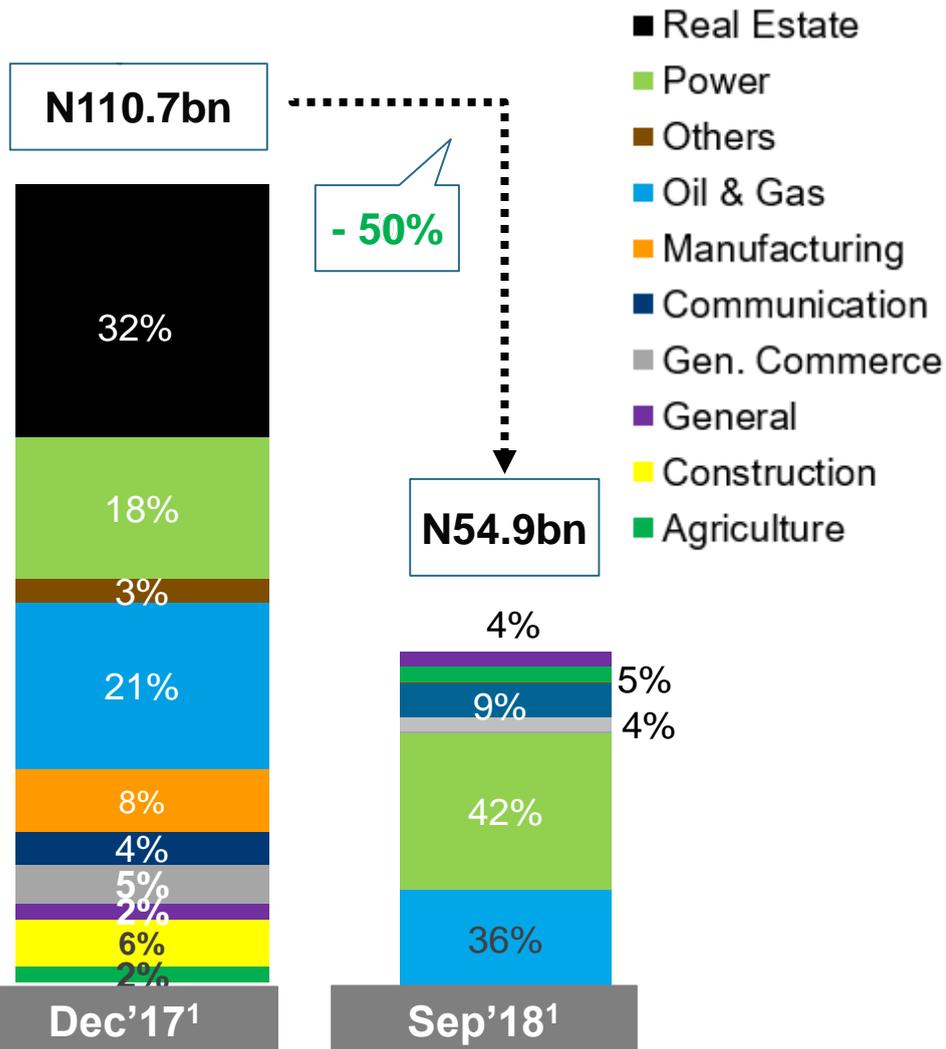
Loans by Segments

■ Dec'17 ■ Sep'18

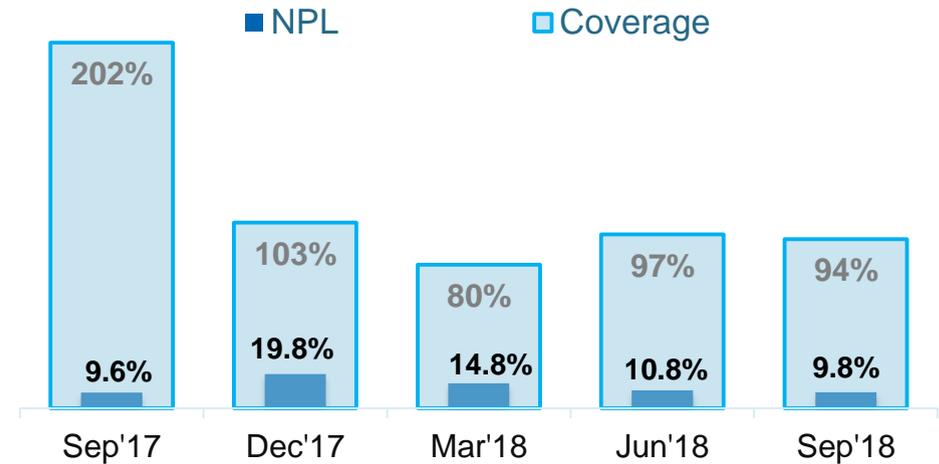


Diversification of loan portfolio aligns with Nigeria's growth areas

NPL by Sector



NPL and Coverage ratio



Comments

- NPL ratio of 9.8% at Sep'18 (19.8% Dec'17)
- NPL by sector continues its downward trend as we focus on asset quality
- Coverage ratio of 94% at 9M'18 (103% Dec'17) reflects adequate provisioning
- ~~N~~3.9bn in recoveries in 9M 2018 vs. ~~N~~2.0bn in 9M 2017 (94% increase)

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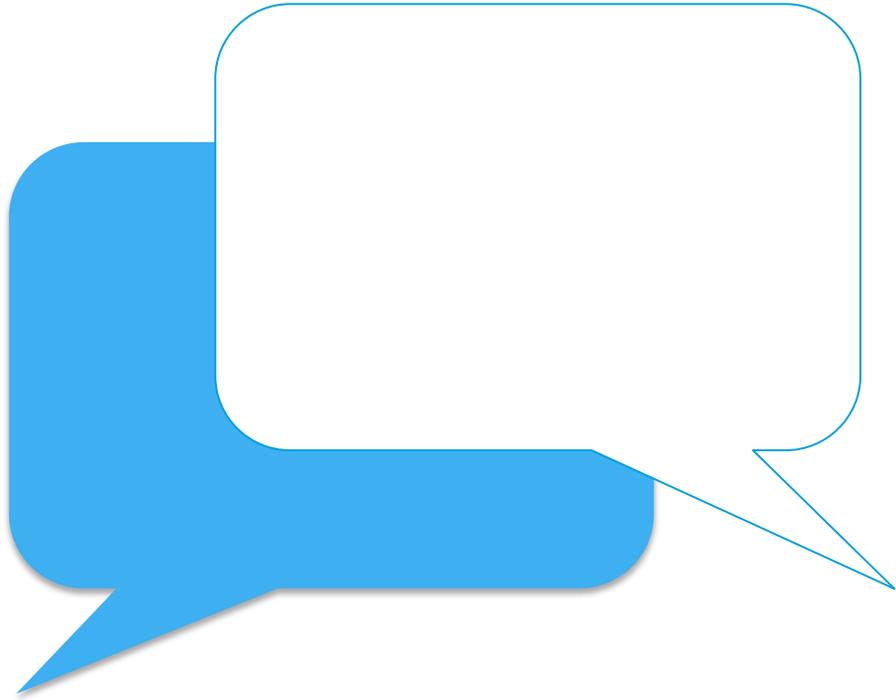
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Looking Ahead

Emeka Emuwa
Chief Executive Officer

FY 2018 Guidance

	FY 2016 Actual	FY 2017 Actual	9M 2018 Actual	FY 2018 Guidance (as of Q1'18)
PBT	¥15.7bn	¥15.5bn	¥14.9bn	¥20 - 24bn
Loan Growth	38.0%	2.2%	5% ²	10 - 12%
Deposit Growth	15.0%	21.9%	10% ²	10 - 12%
NPL Ratio	6.9% ¹	19.8% ¹	9.8%	<10%
ROE	5.9%	4.7%	6.1%	7 - 8%
ROA	1.4%	1.1%	1.3%	1.5 - 2.0%
NIM	9.4%	7.8%	7.3%	8.7 - 9.5%
CIR	65.3%	61.5%	72.3%	<65%



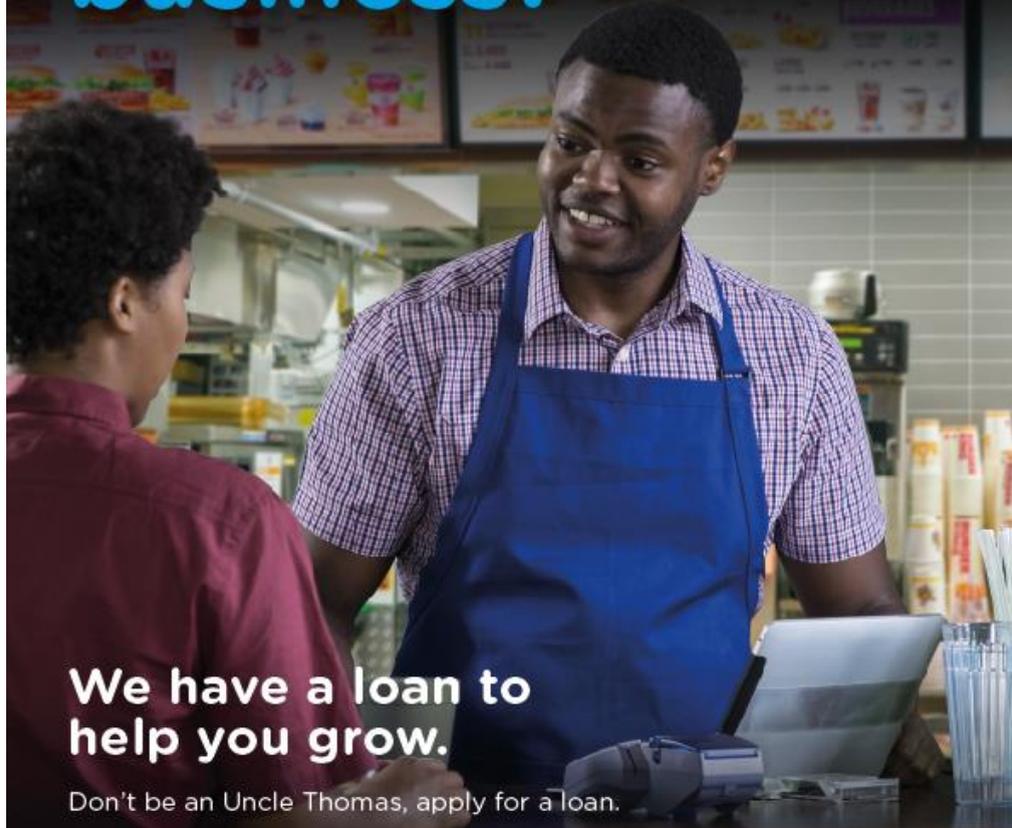
Q&A



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Appendix -

A

Group Financial Performance

9M 2018 Performance – Group Profit and Loss Statement

₹'million	9M'18	9M'17	Δ
Gross earnings	122,196	109,513	12%
Interest income	91,479	88,470	3%
Interest expense	(42,074)	(41,564)	1%
Net interest income	49,405	46,906	5%
Impairment charge for credit loss	(7,434)	6,009	24%
Net interest income after impairment charge	41,971	40,847	3%
Net trading income	7,659	5,763	33%
Fees and commissions	8,693	7,110	22%
Net income from other financial instruments at fair value through profit or loss	5,748	44	12964%
Other operating Income	4,699	6,105	-23%
Cash Recoveries	3,918	2,021	94%
Non interest income	30,717	21,043	46%
Operating Income	72,688	61,940	17%
Net impairment write-back on other financial assets	137	102	34%
Operating expenses	57,968	49,044	18%
Profit before tax	14,857	12,998	14%
Profit after tax	14,664	12,410	18%

September 2018 Performance – Group Balance Sheet

₹'million	Sep-2018 ₹'million	Dec-2017 ₹'million	Δ
Assets			
Cash and cash equivalents	191,421	222,577	-14%
Non-pledged trading assets	4,590	20,076	-77%
Pledged assets	63,191	54,079	17%
Derivative assets held for risk management	171	1,297	-87%
Loans and advances to customers	549,805	517,103	6%
Loans and Advances to Banks	35,086	-	-
Investment securities	227,978	185,658	23%
Trading properties	512	1,153	-56%
Investment properties	5,021	4,951	1%
Property and equipment	59,036	55,986	5%
Intangible assets (software)	4,858	4,344	12%
Deferred tax assets	95,875	95,875	0%
Cash Reserve Requirement	274,795	225,770	22%
Other assets	343,478	291,692	18%
Defined benefit assets	343	352	-3%
Assets classified as held for sale	397	397	0%
Total Assets	1,581,762	1,455,540	9%

September 2018 Performance – Group Balance Sheet (cont'd)

₹'million	Sep-2017 ₹'million	Dec-2017 ₹'million	Δ
Liabilities			
Deposits from banks	100,319	100,131	0%
Deposits from customers	882,159	802,384	10%
Current tax liabilities	461	524	-12%
Deferred tax liabilities	263	259	2%
Derivative liabilities held for risk management	-	972	-
Other Liabilities	205,976	111,461	85%
Retirement benefit obligations	746	857	-13%
Other borrowed funds	98,387	93,211	6%
Total Liabilities	1,288,311	1,109,799	16%
Equity			
Share capital and share premium	201,652	201,652	0%
Retained earnings / (accumulated loss)	7,567	(14,384)	-153%
Other reserves	78,010	152,642	-49%
Equity attributable to equity-holders	287,229	339,910	-15%
Non-controlling interest	6,222	5,831	7%
Total Equity	293,451	345,741	-15%
Total Liabilities and Equity	1,581,762	1,455,540	9%



Repay on time,
GET REWARDED.



Get up to three months interest refund on your existing loan when you make your loan payments on time.

*Terms and conditions apply

Appendix -

B

Bank Financial Performance

Bank Key Financial Highlights – 9M 2018

Gross Earnings

 Up by 12% to N105.3bn (from N105.3bn in FY 2017)

Interest Income

 Up by 3% to N97.23bn (from N85.0bn in FY 2017)

Non-Interest Income

 Up by 54% to N20.3bn (from 14.9bn in FY 2017)

Profit Before Tax (PBT)

 Up by 31% to N15.4bn (from N11.7bn in FY 2017)

Customer Deposits

 Up by 7% to N851.8bn (from N796.7bn in FY 2017)

Gross Loans

 Up by 4% to N531.5bn (from N531.8bn in FY 2017)

Capital Adequacy

 Capital Adequacy Ratio is up to 16.8% (17.8% as at Dec 2017)

9M 2018 Performance – Bank Financial Summary

		Sep-2018	Dec-2017	Δ
Balance Sheet (₹ 'bn)	Assets	1422.3	1334.9	7%
	Gross Loans and Advances	551.5	531.8	4%
	Customer Deposits	851.8	796.7	7%
Key Ratios	NPL Ratio	9.95%	20.81%	(10.86%)
	Coverage Ratio	98%	103%	5%
	Capital Adequacy Ratio	16.8%	17.8%	0.4%
		Q3 2018	Q3 2017	Δ
Income Statement (₹ 'bn)	Gross Earnings	118.4	105.3	12%
	Net Interest Income	46.2	43.8	5%
	Non-Interest Income	31.2	20.3	54%
	Credit/Other Impairment Charge	6.9	5.8	19%
	Operating Expenses	55.1	46.6	18.2%
	Profit Before Tax	15.4	11.7	31%
	Profit After Tax	15.2	11.4	33%
Key Ratios	Net Interest Margin	8.2%	8.2%	-
	Cost to Income Ratio	71.2%	73.0%	(1.8%)
	Cost of Risk	1.8%	1.6%	0.2%
	Return on Equity	6.9%	5.9%	1.0%
	Return on Assets	1.5%	1.3%	0.2%
	Net Asset Value per share	9.2	11.0	(1.8)
	Earnings Per Share	52k	67k	(15k)

9M 2018 Performance – Bank Profit and Loss Statement

₹'million	9M'18	9M'17	Δ
Gross earnings	118,415	105,310	12%
Interest income	87,238	85,060	3%
Interest expense	(41,044)	(41,247)	0%
Net interest income	46,194	43,813	5%
Impairment charge for credit loss	(7,019)	(5,865)	20%
Net interest income after impairment charge	39,175	37,948	3%
Net trading income	7,553	5,619	34%
Fees and commissions	8,222	6,619	24%
Net Income from other financial instruments at fair value through profit or loss	5,748	44	12964%
Other operating Income	9,654	7,968	21%
Non interest income	31,177	20,250	54%
Operating Income	70,352	58,198	21%
Net impairment write-back on other financial assets	137	102	34%
Operating expenses	55,089	46,967	17%
Profit before tax	15,400	11,733	31%
Profit after tax	15,236	11,445	33%

September 2018 Performance – Bank Balance Sheet

₹'million	Sep-18 ₹'million	Dec-17 ₹'million	Δ
Assets			
Cash and cash equivalents	92,567	137,497	-33%
Non-pledged trading assets	4,590	20,076	-77%
Pledged assets	63,191	54,079	17%
Derivative assets held for risk management	171	1,297	-87%
Loans and Advances to Banks	36,124	-	-
Loans and advances to customers	513,112	488,555	5%
Investment securities	199,259	175,329	14%
Trading properties	513	513	0%
Investment in subsidiaries	10,567	10,567	0%
Property and equipment	58,887	55,801	6%
Intangible assets (software)	4,415	3,949	12%
Deferred tax assets	95,875	95,875	0%
Other assets	342,380	290,706	18%
Defined benefit assets	343	352	-3%
Assets classified as held for sale	325	325	0%
Total Assets	1,320,954	1,334,921	-1%

June 2018 - Bank Balance Sheet (cont'd)

₹'million	Sep-18 ₹'million	Dec-17 ₹'million	Δ
Liabilities			
Deposits from banks	-	10,686	-100%
Deposits from customers	851,801	796,708	7%
Current tax liabilities	174	271	-36%
Derivative Liabilities held for risk management	-	972	-100%
Other liabilities	203,293	108,359	88%
Retirement benefit obligations	742	801	-7%
Other borrowed funds	98,387	95,736	3%
Total liabilities	1,154,397	1,013,533	14%
Equity			
Share capital and share premium	201,652	201,652	0%
Retained deficit	4,336	(19,118)	-123%
Other reserves	61,934	138,854	-55%
Equity attributable to equity-holders of the bank	267,922	321,388	-17%
Total liabilities and equity	1,422,319	1,334,921	7%



THANK YOU

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