

Union Bank of Nigeria Plc
Group Audited Financial Statements for the year ended December 31, 2016

LAGOS, NIGERIA – March 31, 2017 - Union Bank, one of Nigeria's longest standing and most respected financial institutions, announces its audited financial statements for the year ended 31st December 2016.

Following approvals from its shareholders, Union Bank will launch a rights issue in the second quarter of 2017 to raise up to Fifty Billion Naira (N50 billion) in Tier 1 capital as it looks to accelerate business growth and position as a leading commercial bank in Nigeria. The additional funding will also allow Union Bank to maintain compliance with regulatory capital requirements.

Union Bank also marks its centenary anniversary in 2017. The Bank will celebrate the 100-year milestone under three broad themes – **Celebrate, Impact** and **Lead**. According to Chief Executive Officer, Emeka Emuwa, “*Our 100th anniversary presents a unique opportunity for Union Bank to frame its own story, highlighting our many successes over the last century and presenting our simpler, smarter vision of banking and corporate citizenship to a new generation of customers.*”

Group Financial Highlights:

- **Profit before tax:** up 6% to N15.7bn (N14.9bn in 2015).
- **Gross earnings:** up 8% to N126.6bn (N117.2bn in 2015).
- **Interest income:** up 8% to N98.0bn (N90.9bn in 2015), driven by loan book growth and improved Bank asset yields.
- **Interest expense:** down 6% to N33.0bn (N35.2bn in 2015): improved customer funding base; less reliance on expensive interbank funding, leading to drop in core cost of funds to 5.23% in 2016 from 6.64% in 2015.
- **Net revenue before impairment:** up 14% to N93.6bn (N81.9bn in 2015): 8% interest income growth and 6% interest expense decline. Net Interest Margins improved from 8.45% to 8.65%
- **Non-interest revenue:** up 9% to N28.6bn (N26.2bn in 2015); driven mostly by income from e-business channels.
- **Operating expenses (OPEX):** up 7% to N62.0bn (N57.9bn in 2015) in the face of inflationary and devaluation pressures and ongoing investments in technology and network infrastructure. OPEX held flat from 2013 to 2015.
- **Gross loans:** up 38% to N535.8bn (N388.8bn as at Dec 2015). 25% of the growth is the impact of devaluation on foreign currency loans.

- **Customer deposits:** up 15% to ₦658.4bn (₦570.6bn as at Dec 2015); growth was led by new product offerings, increased market penetration and improved customer offtake.

Key Operational Highlights:

- Expanded retail product portfolio with the launch of five new products including UnionBetta, a savings product that allows customers to earn interest while also supporting a charitable cause
- Accelerated customer on-boarding on UnionMobile and UnionOnline with over 380% growth in mobile users and about 50% increase in internet banking users following the launch of new platforms with expanded capabilities in 2016
- More than half of our branches across the network have now been upgraded to align with our new brand identity and our customer centred service approach. Over 30 branch launch events held in 2016.
- Local and international recognition with awards for:
 - *Ranked No. 9 in Jobberman's Best Places to Work in Nigeria survey for 2016*
 - *"Global Award"*
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 - *"for Excellence in Business Process Management"- WfMC*
 - *"Most Efficient Bank on e-Reference Operations" - CBN/NIBSS e-Payment Efficiency*
 - *"Most improved bank in retail banking" - Business Day*
 - *"Best Bank to Support Nigeria's Small and Medium Scale Enterprises" - Business Day*
 - *"Best Brand Development to Reflect Changed Mission / Vision / Positioning" - Transform Awards MENA*
 - *"Best Visual Identity from the Financial Services Sector" - Transform Awards MENA*

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

"In 2016, we focused on executing our priorities across the different business segments, especially in the retail space, with an aggressive strategy to increase adoption of our alternate channels. Our success in this area, along with improved core interest earnings, contributed to pre-tax profit growth of 6%, compared to 2015.

Our research led product development strategy, coupled with an upskilled sales force and targeted marketing campaigns, propelled our customer deposit base by 15%, compared to 2015, and a 73% increase in new-to-bank customers.

While the operating environment remains a challenge, we are focused on our 2017 priorities which include raising Tier 1 capital to execute our growth agenda across our retail, commercial and corporate businesses, particularly transaction banking and value chain.

Commenting further on the 2016 numbers, Chief Financial Officer, Oyinkan Adewale, said:

“On the back of strong customer deposits, the Bank reduced average interbank local currency borrowing by 75%, leading to 141bps reduction in primary cost of funds and 17% increase in net interest income.

The Group continued to drive cost optimisation, with cost-income-ratio declining to 66.2% from 70.7% in 2015, notwithstanding a high inflation environment. We will continue to focus on optimising cost in 2017. As we look to raise additional capital to execute business priorities, we will maintain our prudent approach to growing our risk assets while aggressively growing low cost deposits.”

Group FY 2016 Financial Summary

Balance Sheet (in billions of Naira)	Dec 2016	Dec 2015	Change
Total Assets	1,252.7	1,049.7	19%
Gross Loans & Advances	535.8	388.8	38%
Customer Deposits	658.4	570.6	15%
Shareholders' Funds	271.7	246.8	10%
Ratios			
Coverage Ratio (incl. regulatory risk reserves)	182%	177%	5%
Loan to Deposit Ratio	81%	68%	13%
Non-Performing Loan Ratio	6.91%	6.67%	(0.24%)
Income Statement (in billions of Naira)			
Gross Earnings	126.6	117.2	8%
Net Interest Income	65.0	55.7	17%
Non-Interest Income	28.6	26.2	9%
Credit Impairment	16.6	9.9	67%
Operating Expenses	62.0	57.9	7%
Profit Before Tax	15.7	14.9	6%
Profit After Tax	15.4	14.3	8%
Ratios			
Net Interest Margin	8.62%	8.45%	0.2%
Cost to Income Ratio	66.2%	70.7%	4.5%
Return on Equity	5.9%	6.1%	(0.2%)
Return on Assets	1.4%	1.4%	0.0%
Net Asset Value per share	₦16.04	₦14.57	₦1.47
Earnings Per Share	92k	84k	8k

Bank FY 2016 Financial Summary

Balance Sheet <i>(in billions of Naira)</i>	Dec 2016	Dec. 2015	Change
Total Assets	1,123.5	1,001.0	12%
Gross Loans & Advances	518.3	370.9	40%
Customer Deposits	633.8	569.1	11%
Shareholders' Funds	251.3	233.5	8%
Ratio			
Coverage Ratio (incl. regulatory risk reserves)	182%	177%	5%
Average Liquidity Ratio (regulatory minimum - 30%)	40%	45%	(5%)
Loan to Deposit Ratio	82%	65%	17%
Non-Performing Loan Ratio	7.14%	6.99%	(0.15%)
Income Statement <i>(in billions of Naira)</i>			
	FY 2016	FY 2015	Change
Gross Earnings	123.5	118.4	4%
Net Interest Income	62.5	53.8	16%
Non-Interest Income	28.1	29.5	(5%)
Gain/(loss) on sale of subsidiaries	0.8	3.6	(78%)
Credit Impairment	16.5	9.9	(67%)
Operating Expenses	58.8	55.6	(6%)
Profit Before Tax	16.1	18.5	(13%)
<i>Profit Before Tax**</i>	15.3	14.9	3%
Profit After Tax	15.9	18.0	(12%)
<i>Profit After Tax**</i>	15.1	14.4	5%
Ratios			
Net Interest Margin	9.40%	8.96%	0.44%
Cost to Income Ratio	64.9%	66.8%	1.9%
Return on Equity	6.6%	8.2%	(1.6%)
<i>Return on Equity**</i>	6.2%	6.6%	(0.4%)
Return on Assets	1.5%	1.9%	(0.4%)
<i>Return on Assets**</i>	1.4%	1.6%	(0.2%)
Net Asset Value per share	₦14.84	₦13.79	₦1.05
Earnings Per Share	94k	106k	(12k)
<i>Earnings Per Share**</i>	89k	85k	4k

*Gain on sale of subsidiaries represents one-time gains realised on the sale of the bank's subsidiaries in compliance with the Central Bank of Nigeria's Regulation 3

**Excludes gain on sale of subsidiaries

For the detailed Profit and Loss Account, Balance Sheet, Cash flow statement and notes to the accounts, please visit www.unionbankng.com

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Analyst Presentation:

Please find below the dial-in details for the call on Thursday, 6th April 2017 at 3pm Lagos time.

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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

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