



Union Bank of Nigeria Plc
Group Audited Financial Statements for the Year Ended December 31, 2019

Strong PBT growth driven by efficiency and disciplined execution of our strategy.

Declares dividend to shareholders for the first time since 2008.

LAGOS, NIGERIA – March 5, 2020 - Union Bank, one of Nigeria's longest standing and most respected financial institutions, announces its audited financial statements for the year ended 31st December 2019 which reflect strong growth in the Bank's underlying business operations and enhanced profitability. The performance also demonstrates the impact of some of the key operational and cost saving initiatives that have been implemented to accelerate growth and profitability.

Bank Financial Highlights:

- **Profit before tax:** up 33% to ₦24.7bn (₦18.7bn in FY 2018)
- **Gross earnings:** grew 14% to ₦159.9bn (₦140.1bn in FY 2018), driven by an increase in earning assets
- **Interest income:** up 11% to ₦116.5bn (₦104.8bn in FY 2018)
- **Net interest income before impairment:** up 1% to ₦51.7bn (₦50.9bn in FY 2018)
- **Non-interest income:** up 23% to ₦43.3bn (₦35.3bn in FY 2018); driven by growth in fees and commission income as well as recoveries
- **Net operating income:** up 6% to ₦95.5bn (₦89.7bn in FY 2018)
- **Operating expenses:** down 0.4% at ₦70.8bn (₦71bn in FY 2018); driven by our cost optimization programme
- **Gross loans:** up 20% to ₦595.3bn (₦496.8bn in December 2018) in line with our drive to create quality risk assets across key economic segments of opportunity
- **Customer deposits:** up 5% to ₦886.3bn (₦844.4bn in December 2018); reflecting the strength of the brand in a very competitive environment for deposits

Key Operational Highlights:

Profitability

- Steady focus on bottom-line initiatives including recoveries, lending and cost discipline delivered significant results across key income lines boosting PBT by 33%, notwithstanding a tough operating environment.
- Subject to shareholders' approval, a dividend of 25 kobo per 50 kobo share is being proposed.

Operations, Product & Service Innovation

- **Long Term Efficiency Acceleration (LEAP) Programme:** Project LEAP was



introduced in March 2019 to drive cost optimization and ensure optimal operational efficiency. The programme saved the Bank ₦2.4bn in recurring expenses helping drive overall cost down notwithstanding double-digit inflation and an increase in non-discretionary cost. This program continues in 2020.

- **Digitization:** We expanded our Robotic Process Automation (RPA) to include reconciliations, refunds and term deposit booking. In addition, we launched our digital loan offering in April 2019 enabling customers accept pre-approved loans via our mobile app.
- **Channels:** Active users on our enhanced mobile and online banking platforms are up by 60% and 42% - 2.1 million and 1.3 million users respectively. Coupled with increasing efficiency and growth of our traditional channels (e.g. ATM, POS), our e-business income grew by 64% to ₦7.7bn in 2019 from ₦4.7bn in 2018.
- **Lekki Flagship Branch:** A state of the art branch in Lagos' new commercial nerve center, Lekki Phase 1 was opened in November 2019. The solar-powered branch boasts the first ever Drive-Through ATM in Nigeria, which allows customers transact at the ATM from the convenience of their car.

Brand & Citizenship

- **edu360 2019:** The Bank hosted the second edition of **edu360**, now the foremost education conference in Nigeria. The event attracted nearly 7000 attendees over three days with over 200 teachers were trained and participation from 40 schools across Nigeria. **edu360** is driving Union Bank's engagement and penetration in education sector.
- **Employee Volunteer Day (EV Day):** Through our UnionCares initiative, we launched our first ever UBN Employee Volunteer Day which held in 15 locations across 9 states in Nigeria. Over 1500 people volunteered to clean up their local communities during the EV Day exercise which will now become an annual event. UnionCares was created to have direct impact on communities and deepen stakeholder engagement in the communities where we do business.
- **Strategic Partnerships on Women Entrepreneurship:** Union Bank empowered 60 women to launch small scale businesses in partnership with the **Mamamoni Innovation Center** which was fully funded by the Bank. In addition, we partnered with **Leading Ladies Africa** to run the Enterprise and Leadership Programme (ELP) for 40 women entrepreneurs and continued our support of the globally recognized Girls Coding Summer Camp for young girls organised by **Pearls Africa**. About 80 girls learnt coding and other ICT skills through the programme. Union Bank remains committed to supporting women through these initiatives and our **alpher** proposition which is focused on supporting women-owned and led businesses.

Capital & Funding

- **₦30bn Bond Issuance:** Union Bank raised the largest 10-year bond ever issued by a corporate institution in Nigeria demonstrating the strong confidence in the local capital market for the bank. The ₦30bn Tier 2 bond was fully subscribed from the Nigerian Capital Market.
- **\$200m OPIC funding:** Union Bank working in partnership with Atlas Mara, secured \$200 million in funding from the US Development Finance Corporation (DFC) previously called



OPIC, for investments over the next ten years in digitization, on-lending to SMEs and funding for alpher, our women banking proposition. This is one of the largest investments made by the DFC in a financial institution in Nigeria and sub Saharan Africa to date.

Awards & Recognition

- **Best Branch Digitisation Initiative in Africa** – *Asian Banker West Africa Awards (Joint award with Newgen Software).*
- **Excellence in Internet Banking** – *2019 Finnovex Awards (West Africa)*
- **Best Company in Environmental Excellence** – *2019 Sustainability, Enterprise and Responsibility Awards (SERAs)*
- **2019 Advertiser of the Year** – *Pitcher Awards Creativity Week.*
- **Outstanding Film in Banking and Investment & Corporate Image** – *2019 Lagos Advertising and Ideas Festival (LAIF) Awards*

Commenting on the results, Emeka Emuwa, CEO said:

“The Bank’s strong overall performance has paved the way for a critical milestone. With the approval of the Central Bank of Nigeria, the Board of Directors will recommend a dividend payment to shareholders for the first time in over a decade. Returning value to our shareholders has been at the core of Union Bank’s transformation and continuous drive to become a leading financial institution in Nigeria.

The Bank delivered a solid set of results for full year (FY) 2019, recording growth across the major income lines. The top-line revenue at ₦159.9bn is up 14% from ₦140bn in 2018. Profit Before Tax (PBT) increased by 33% from ₦18.6bn in 2018 to ₦24.7bn for the year.

Core to our earnings has been the conscientious growth of our loan book. The Bank booked ₦98bn in new loan assets in the course of the year reflecting a 20% growth to close at ₦595.3bn in Gross Loans.

As a result of our larger loan book and intensified recovery efforts, Non-Interest Income grew by 23% from ₦35.3bn to ₦43.3bn in the period with recoveries accounting for ₦8.8bn of the total amount.

Consistent with our vision to be Nigeria’s ‘most reliable and trusted banking partner,’ we are optimizing our business model to focus solely on Nigeria where we continue to invest and thrive. Consequently, we have made the strategic decision to divest of our UK subsidiary, Union Bank UK which will enable us focus on the distinct long-term opportunities in the Nigerian market. The divestment is expected to conclude in 2020 subject to regulatory approvals in Nigeria and the UK.

In 2020, we will continue to focus on bottom-line initiatives that will build on our success in 2019. We are promoting synergy across our businesses and functions to ensure alignment with and on our strategic objectives.

Speaking on the FY 2019 numbers, Chief Financial Officer, Joe Mbulu said:

“Our Group numbers reflect the classification of our UK subsidiary as a discontinued operation in line with IFRS 5. This is reflected in both 2018 and 2019 numbers.



We are proud of the top-line and bottom-line numbers the Bank delivered in 2019, owing largely to operational efficiencies and a laser focus on key deliverables.

Through our LEAP initiative, our focus on discretionary cost discipline led to a reduction of ₦2.4 billion on related cost lines driving overall expenses down. Consequently, our Cost-Income Ratio declined to 74.1% from 79.2% in 2018. Our Total Customer Deposits grew by 5% to ₦886.3bn from ₦844.4bn as at December 2018 with low-cost deposits up by 7.7% and now accounting for 74% of total customer deposits compared to 71% in 2018.

With our sustained and aggressive focus on recoveries to improve asset quality, we have brought the Bank's NPL ratio down to 5.8% from 7.8% as at December 2018, in line with our 2019 guidance. Capital Adequacy Ratio (CAR) remains well above the regulatory threshold at 19.7%.

We will leverage our improved risk asset and capital base as we continue to rebuild our loan portfolio which we expect to be a significant driver of growth in 2020.”

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Financial Summary

BANK				GROUP		
Balance Sheet (in billions of Naira)	Dec-19	Dec-18	Change	Dec-19	Dec-18	Change
Total Assets	1,711.7	1,324.3	29%	1,872.2	1,463.9	28%
Gross Loans & Advances	595.3	496.8	20%	595.3	542.6	9.7%
Customer Deposits	886.4	844.4	5%	886.3	857.6	3%
Shareholders' Funds	231.2	200.1	16%	252.3	225.6	12%
Ratios						
Coverage Ratio (incl. regulatory risk reserves)	138.1%	128.0%	10.1%	138.1%	110.5%	27.6%
Average Liquidity Ratio (regulatory minimum - 30%)	50.8%	38%	12.8%	N/A	N/A	N/A
Loan to Deposit Ratio	66.3%	58.8%	4.5%	67.2%	63.3%	3.9%
Non-Performing Loan Ratio	5.8%	8.1%	(2.3%)	5.8%	8.7%	(2.9%)
BANK				GROUP		
Income Statement (in billions of Naira)	FY 2019	FY 2018	Change	FY 2019	FY 2018	Change
Gross Earnings	159.9	140.1	14%	166.5	145.5	14%
Net Interest Income	51.7	50.9	1%	52.5	51.6	2%
Non-Interest Income	43.3	35.3	23%	42.8	34.3	25%
Credit Impairment	(0.2)	3.9	(5%)	(0.2)	3.9	(5%)
Operating Expenses	70.8	71.1	(0.4%)	71.0	71.4	(0.5%)
Profit Before Tax	24.8	18.7	33%	20.4	18.5	10%
Profit After Tax	24.4	18.4	32%	19.9	18.1	10%
Ratios						
Net Interest Margin	6.2%	7.1%	(0.9%)	5.8%	6.1%	(1.3%)
Cost to Income Ratio	74.1%	79.2%	(5.1%)	74.1%	79.8%	(5.7%)
Return on Equity	11.3%	7.1%	4.2%	10.2%	6.2%	4.0%
Return on Assets	1.6%	1.4%	0.2%	1.6%	1.2%	(0.3%)
Capital Adequacy	19.7%	16.4%	3.3%	N/A	N/A	N/A
Net Asset Value per share	₦7.91	₦6.87	₦1.04	₦8.64	₦7.75	₦0.89
Earnings Per Share	83k	63k	20k	67k	61k	6k
Dividend Per Share	25k	-	25k	N/A	N/A	N/A

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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Investor & Analyst Call Details

Union Bank will be hosting a conference call for investors, analysts and financial journalists on Monday, 9th March, 2020 at 15:00hrs Lagos, 14:00hrs London / 09:00hrs New York / 16:00hrs Johannesburg with its executive management team, to discuss the FY 2019 results and respond to questions. To participate in the call, please dial:

South Africa: + 27 10 201 6700

South Africa: +27 11 535 3500

Nigeria: +234 1 903 0040

UK: +44 333 300 1417

USA and Canada: +1 508 924 4325

Please enter your PIN to access the call

Passcode - 9623900

PIN - This will be unique to everyone that pre-registers.

To pre-register please go to <https://www.diamondpass.net/9623900>

To access the call, please dial one of the numbers supplied and then enter the passcode and PIN provided on registration.

For further information, please contact 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 UnionBeta.

More information can be found at: www.unionbankng.com

Media Enquiries: Email investorrelations@unionbankng.com

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