



TURBOCHARGED
FOR SUCCESS



H1 2021
Results Presentation

July 2021



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Union Bank at a Glance (June 2021)



Financial

Total Assets **₺2.2tn**

Total Equity **₺243bn**

People

Customers **7.1m**

Employees **2.2k**

Ratings

Agusto&Co **A-**
Research, Credit Ratings, Credit Risk Management

GCR **BBB+**

FitchRatings **B-**

Channels

UnionMobile

3.1m

UnionOnline

1.8m

Cards

6.4m

POS

5.9k

UnionDirect

22.3k

ATM

956

Branches

255

Presentation Outline



1 The Operating Environment

2 Union Bank Update

3 H1 2021 Financial Performance

4 Looking Ahead

1 The Operating Environment

2 Union Bank Update

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4 Looking Ahead



Emeka Okonkwo
CEO

Overview of the Nigerian Economy



Macro Updates

- **Economy grew by 0.5% YoY in Q1 2021**, indicative of a steady recovery from recession
- **Reserves declined by ~\$2bn** since January to **\$33.3bn** in June, despite rise in oil price.
- Oil price surged to the highest in three years closing at **\$73.3/bbl** in June 2021.
- **Inflation marginally dropped to 17.75%** in June 2021 from 17.93% in May.



Regulatory Trends

- **CBN retained rates in July 2021** to drive credit expansion and economic output
 - MPR – 11.5%
 - CRR – 27.5%
 - LR – 30%
- **CBN extends the “Naira 4 Dollar Scheme”** for diaspora remittances
- **CBN issues new license requirements** for Payment System operators
- **CBN bans sales of FX to BDCs** on illegal FX trading



Socio- Political Trends

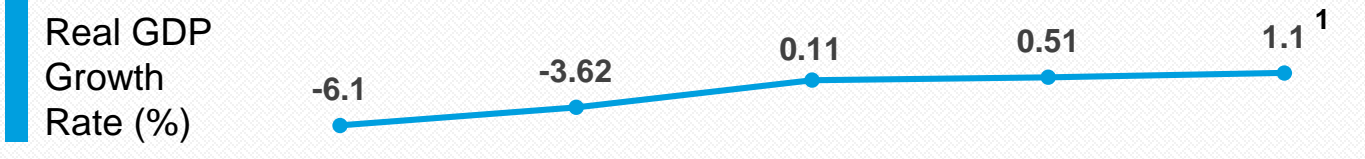
- **FEC approved N3.1bn** for a vaccine laboratory to kickstart human vaccine production
- Nigerian Senate has **passed the Petroleum Industry Bill (PIB)** to deregulate the Nigeria’s Oil and Gas sector
- **FEC approved the 2021 supplementary budget of N895bn** to be utilized for security, covid-19 vaccines, salaries, etc.



Consumer Trends

- **Food prices continue to soar** despite reported drop in food inflation¹.
- **Transportation inflation up by 15.0% YoY** as at June 2021 driving higher cost of goods (vs. 13.1% in Dec 2020)
- **Local air ticket fares and petrol prices** have increased by over 100% and 28% respectively from June 2020.
- **Consumer spending continues to be weighed down** by high unemployment and high inflation

Macroeconomic Overview



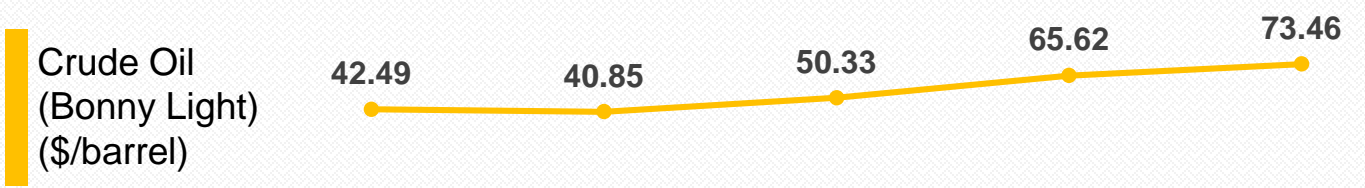
- The economy expanded by 0.5% in Q1 2021, recording a 2nd consecutive expansion from Q4 2020
- IMF revised Nigeria's growth forecast from 1.5% to 2.5%



- Inflation dropped for the third consecutive month to close at 17.75% in June 2021 from 17.93% in May 2021.
- Food inflation also declined in April, May and June 2021.



- Reserves declined further in June 2021 losing ~\$2bn in six months despite rise in oil prices as outflows exceeded inflows.



- Upward trajectory of oil prices crossing the \$70/bl mark, highest in three years.
- Recovery following the relaxed restrictions and reopening of key economies



- CBN has adopted the NAFEX /I&E window exchange rate devaluing the Naira to N410/\$, with aim to achieve exchange rate unification

IMF – International Monetary Fund 1 Q2 2021 Forecast
 OPEC – Organisation of Oil Producing Exporting Countries

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Emeka Okonkwo
CEO

H1 2021 Highlights: Strong synergies across customer segments



Corporate

- Net revenue up by 21% YoY (N15.2bn vs N12.6bn) largely driven by an increase in non-interest income
- 15% YTD growth in deposits (N372bn vs N323bn) driven by increased FCY placements
- 2% YTD marginal growth in loans (N566bn vs N554bn)



Business Banking

- Formerly Commercial Banking
- Net revenue declined by 3% YoY (N6.0bn vs N6.2bn) due to lower net interest income
- 17% YTD growth in loans (N138bn vs N118bn in Dec 2020) due to new facilities booked



Retail

- Net revenue up by 10% YoY (N13.4bn vs N12.2bn) largely due to an increased focus on our branch network
- 14% YTD increase in loans (N71.1bn vs N62.4bn) driven by revamped loan products
- Introduced Union Kampe, a micro health insurance product
- Commenced the N55m Save & Win Palli promo



SME

- Net revenue declined by 11% (N1.4bn vs N1.6bn) due to lower non-interest income
- 28% YTD growth in loans (N4.6bn vs. N3.6bn) due to new facilities booked
- 126% YoY growth in trade volumes (\$19.8m vs. \$8.8m) driven by an increase in import transactions
- Hosted a webinar on “How to become credit worthy with banks” for over 300 businesses.

H1 2021 Highlights: Steady channel growth and transaction metrics



Channel Update



UnionMobile

Mobile Users **↑** 32% (3.1m vs 2.4m)
Volume **↑** >100% (102.8k vs 50.1k)
Value **↑** 86% (N1,101bn vs N593bn)



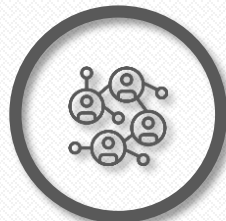
Union360

Union360 users **↓** 11% (23.2k vs 25.9k)
Volume **↑** 23% (640k vs 519k)
Value **↑** 2% (N1,132bn vs N1,115bn)



POS

POS count **↑** 9% (5.9k vs 5.3k)
Volume **↑** 71% (7.8m vs 4.5m)
Value **↑** 85% (N60bn vs N32bn)



UnionDirect

Agents **↑** >100% (22.3k vs 4.2k)
Volume **↑** >100% (23.7m vs 5.0m)
Value **↑** >100% (N436bn vs N103bn)



ATM*

ATMs **↓** (956 vs 963)
Volume **↓** 15% (21.2m vs 24.9m)
Value **↓** 15% (N143bn vs N158bn)

↑ YoY Growth, **↓** YOY Decline (H1'2021 vs H1'2020)

*Customer behavior changing across the industry as we see a shift towards Agency Banking

H1 2021 Highlights: New Retail Offerings and Revamped Products



UnionKampe – Micro Health Insurance

Stay Healthy with KAMPE

With only ₦500 monthly, you can live your best life with our discounted health insurance plans:

DIAL *826*31# OR LOGIN TO UNIONONLINE TO GET AN HMO PLAN TODAY.

- IMMUNIZATION (CHILDREN BELOW 6 YEARS)
- PERSONAL ACCIDENT COVER (₦50,000)
- ANNUAL PHYSICAL CHECKUPS
- ENJOY 10% DISCOUNT ON ANNUAL SUBSCRIPTION PLAN OF ₦6,000 **NEW**



Terms & Conditions apply

www.unionbankng.com

Save and Win Palli Promo

Union Mobile – New Features

Self service limit increase to N5mn

QR Payments

Refreshed User Interface (UI)

H1 2021 CSI Highlights



Education



32 schools & >2.2k Students

impacted through the Financial Literacy Day initiative



12 young innovators'

Gaming ideas nurtured through the Mobo Game Jam through partnership with Kucheza Gaming

Diversity & Inclusion



Disbursed >17.5k loans to women and women led businesses



71% of training spend expended on capacity building for female employees



41% of branches accessible to physically challenged persons

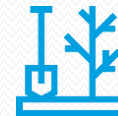
Environmental Impact



138 Solar Powered Branches (111 at FY 2020)



55% of total ATMs are Solar Powered



20 trees planted in 2 schools to commemorate World Environment Day 2021

Employee Engagement



Annual FitFeb programme organized to encourage a fitness culture among our employees



>13.3k retired employees and their spouse granted access to free medical care

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Joe Mbulu
CFO

H1 2021 Highlights: Key Performance Indicators



Income Statement		H1'21	H1'20	% Change
	Gross Earnings (₦'bn)	75.4	79.9	↓ 5.6%
	Net Revenue after Impairments (₦'bn)	48.3	46.8	↑ 3.3%
	Profit Before Tax (PBT) (₦'bn)	11.5	11.3	↑ 1.4%
Balance Sheet		Jun'21	Dec'20	% Change
	Customer Deposits (₦'bn)	1,172.1	1,131.1	↑ 3.6%
	Gross Loans (₦'bn)	778.1	736.7	↑ 5.6%
Key Ratios		H1'21	H1'20	% Change
	Return on Average Equity (ROAE)	9.1%	9.3%	↓ 0.2%
	Return on Assets(ROA)	1.1%	1.3%	↓ 0.2%
	Capital Adequacy Ratio (CAR)*	16.1%	17.5%	↓ 1.4%
	Cost to Income Ratio (CIR)	76.1%	75.7%	↑ 0.4%
	Non-Performing Loans (NPL)*	4.3%	4.0%	↑ 0.3%

*Balance Sheet Ratio as at Dec. 2020

H1 2021 Performance – Bank Financial Summary



		Jun-21	Dec-20	Variance
Balance Sheet (₹ 'bn)	Assets	2,164.0	2,073.8	90.2
	Gross Loans and Advances	778.1	736.7	41.4
	Customer Deposits	1,172.1	1,131.1	41.0
Key Ratios	NPL Ratio	4.3%	4.0%	0.3%
	Capital Adequacy Ratio	16.1%	17.5%	-1.4%
	Coverage Ratio*	166.2%	149.1%	17.1%

		H1'21	H1'20	Variance
Income Statement (₹ 'bn)	Gross Earnings	75.4	79.9	-4.5
	Net Interest Income	20.4	28.0	-7.6
	Non-Interest Income	27.7	22.7	5.0
	Credit/Other Impairment Charge	1	(4.2)	5.2
	Operating Expenses	(36.8)	(35.4)	-1.4
	Profit Before Tax	11.5	11.3	0.2
	Profit After Tax	11.0	10.8	0.2
Key Ratios	Net Interest Margin	3.2%	5.2%	-2.0%
	Cost to Income Ratio	76.1%	75.7%	0.4%
	Return on Equity	9.1%	9.3%	-0.2%
	Return on Assets	1.1%	1.3%	-0.2%
	Net Asset Value per share	₹8.3	₹8.5	-₹0.2
	Earnings Per Share	37k	37k	-

*Coverage Ratio – Excludes prior year adjustment

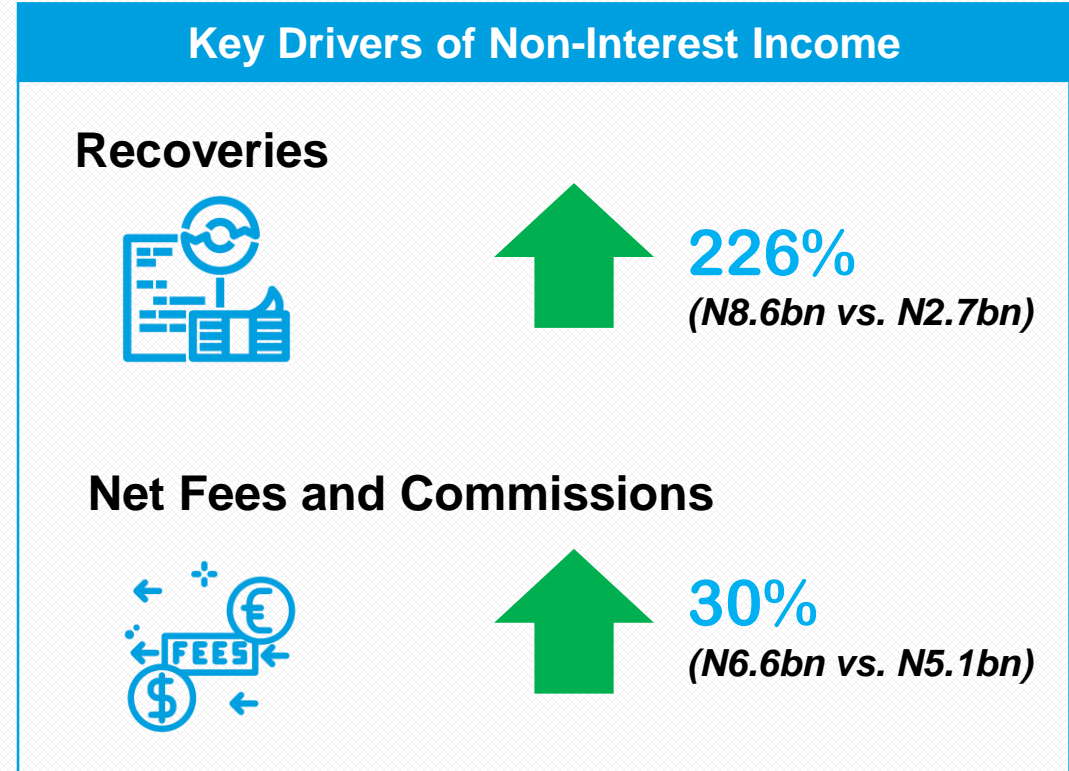
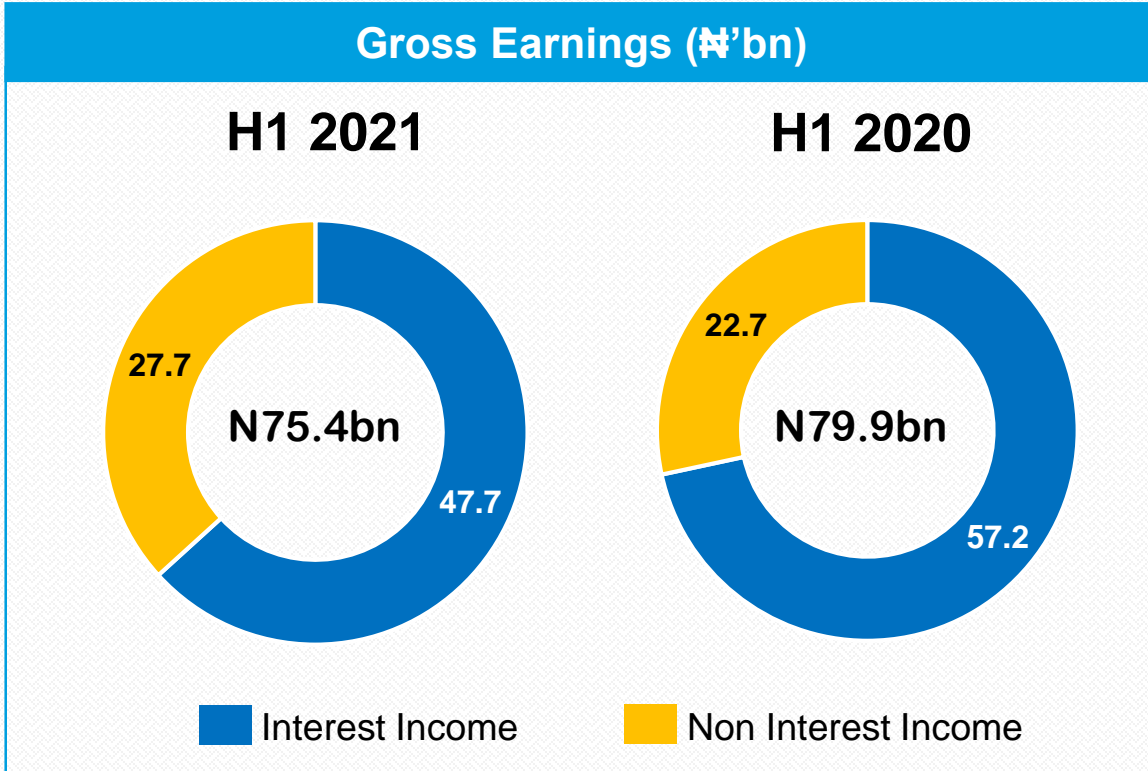
H1 2021 Performance – Group Financial Summary



		Jun-21	Dec-20	Variance
Balance Sheet (₹ 'bn)	Assets	2,211.1	2,191.0	20.1
	Gross Loans and Advances	778.1	736.7	41.4
	Customer Deposits	1,167.1	1,126.3	40.8
Key Ratios	NPL Ratio	4.3%	4.0%	0.3%
	Capital Adequacy Ratio	N/A	N/A	N/A
	Coverage Ratio	166.2%	149.1%	17.1%

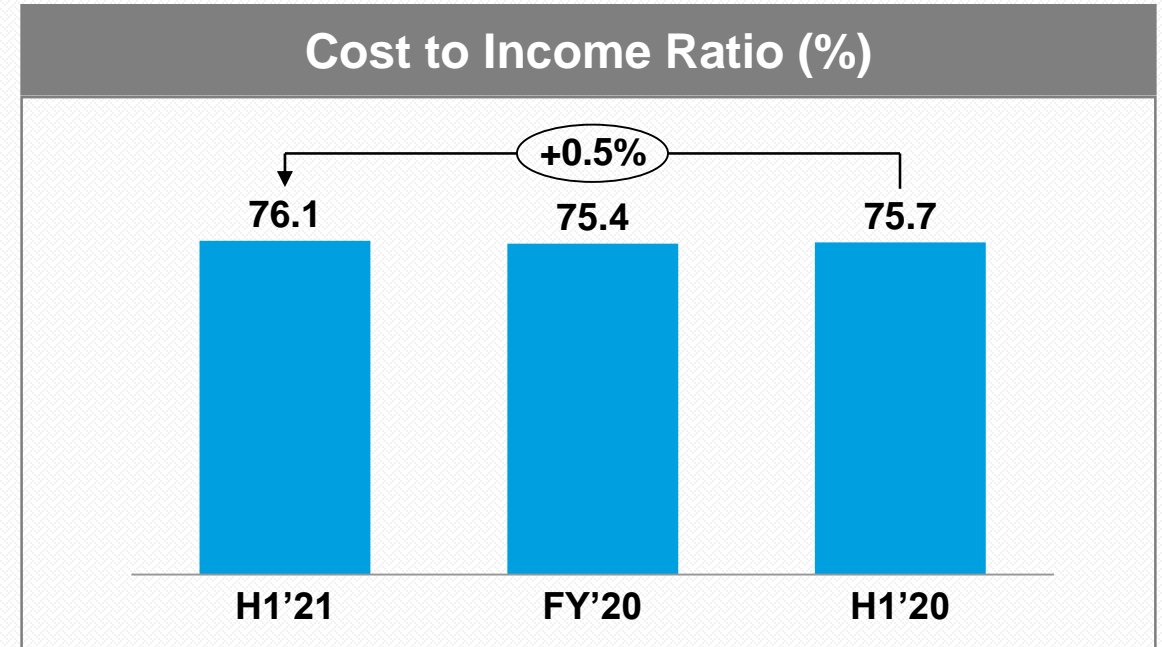
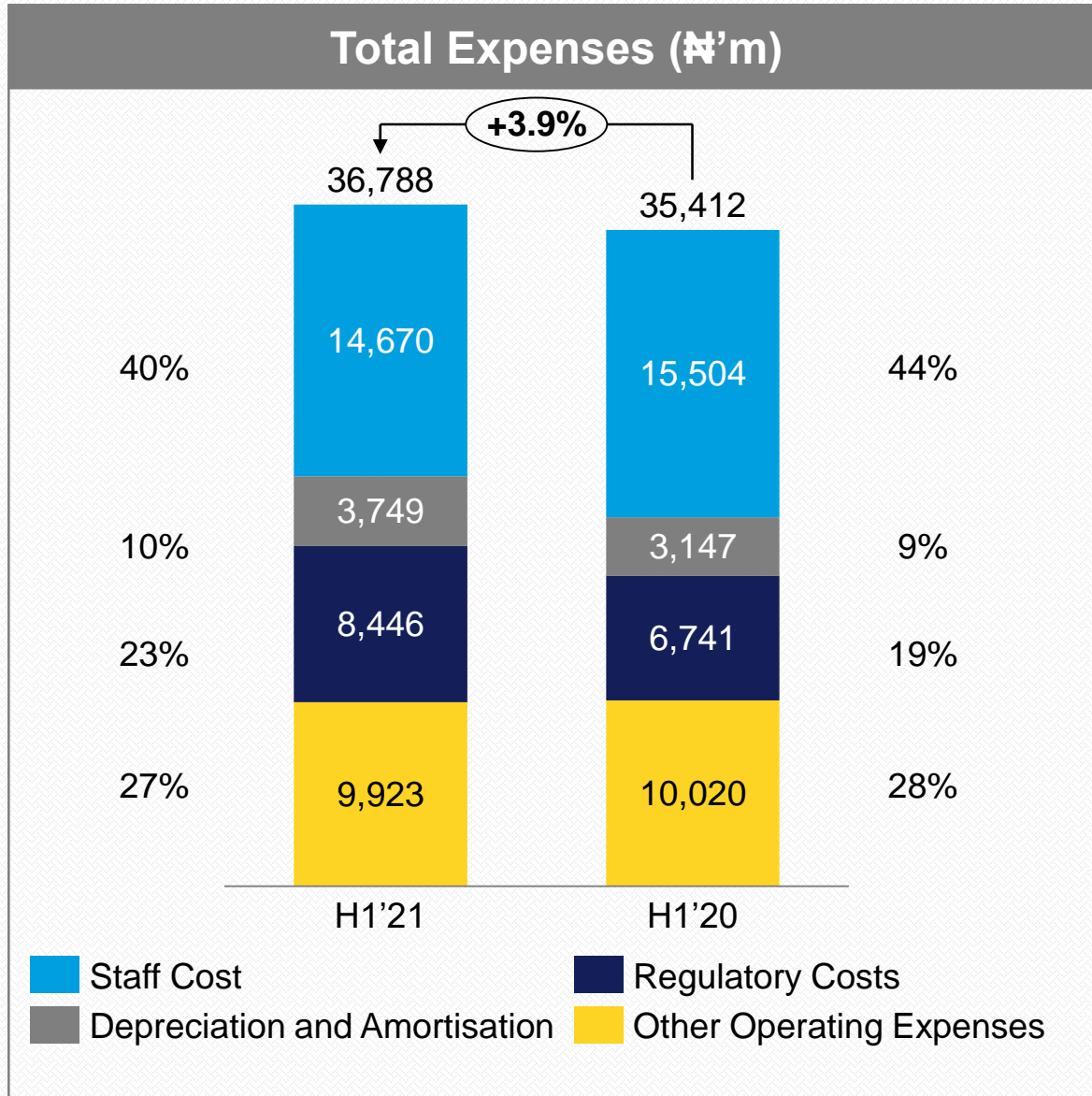
		H1'21	H1'20	Variance
Income Statement (₹ 'bn)	Gross Earnings	76.3	81.8	-5.5
	Net Interest Income	20.5	28.2	-7.7
	Non-Interest Income	27.8	22.7	5.1
	Credit/Other Impairment Charge	1	(4.2)	5.2
	Operating Expenses	(36.9)	(35.4)	-1.5
	Profit Before Tax	11.6	11.5	0.1
	Profit After Tax	11.1	11.0	0.1
Key Ratios	Net Interest Margin	3.2%	5.3%	-2.1%
	Cost to Income Ratio	76.2%	75.5%	0.7%
	Return on Equity	9.1%	8.5%	0.6%
	Return on Assets	1.1%	1.2%	-0.1%
	Net Asset Value per share	₹8.8	₹9.0	-₹0.2
	Earnings Per Share	38k	37k	1k

*Coverage Ratio – Excludes prior year adjustment



- Gross Earnings declined by 5.6% from N79.9bn in H1'20 to N75.4bn in H1'21 due to lower interest income
- Interest Income down by 16.7% from N57.2bn to N47.7bn reflecting a lower interest rate environment
- Non-Interest Income up by 22% driven largely by growth in net fees and commission income by 30% YoY (from N6.6bn to N5bn). Recoveries also grew by 226% from (N2.7bn to N8.6bn)
- Contribution of Non-Interest Income to revenue continues to trend upwards (37% in H1'21 vs. 28% in H1'20)

Operating Expenses

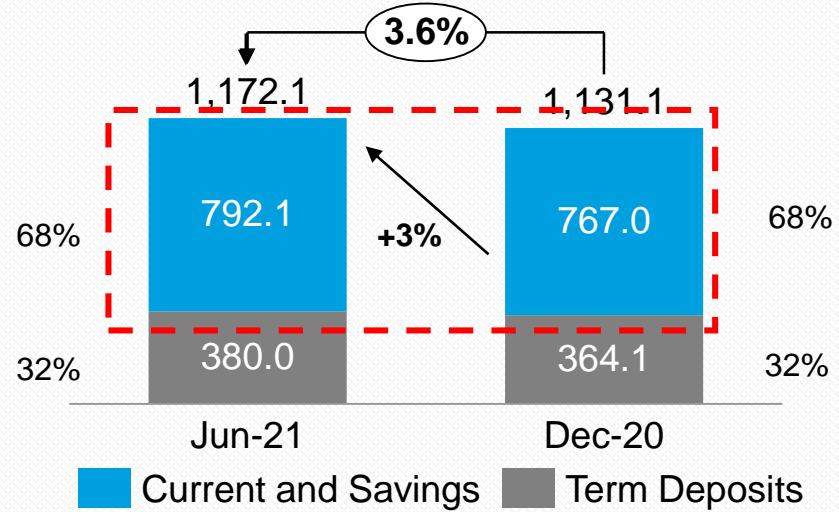


- OPEX increased by 3.9% y-o-y, as a result of a 59% increase in non-discretionary regulatory costs
- Cost to income Ratio (CIR) increased by 40bps from 75.7% in H1 2020 to 76.1% in H1 2021.

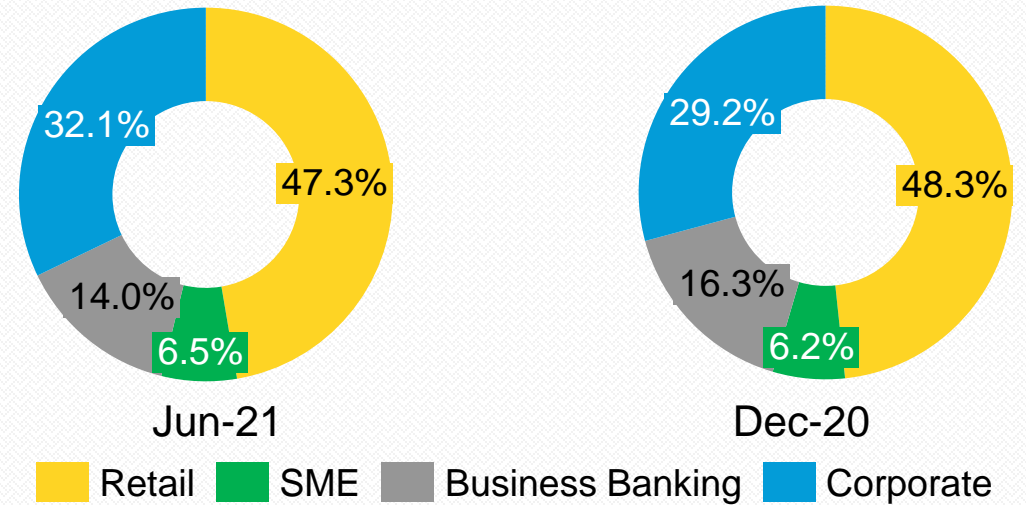
Funding Mix



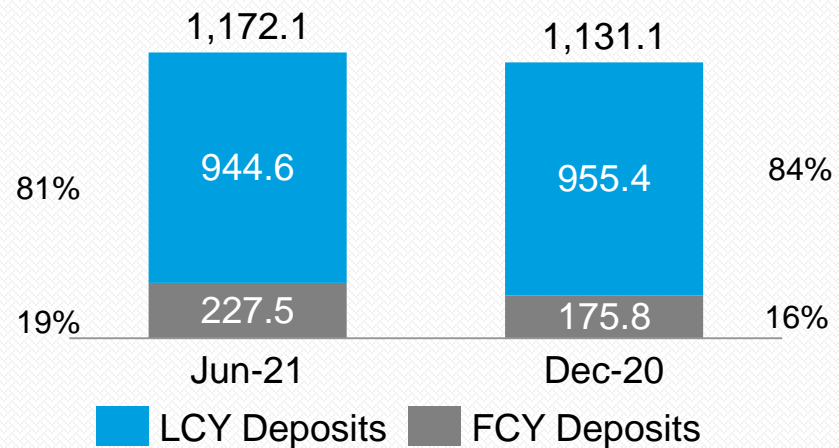
Customer Deposits (₹'bn)



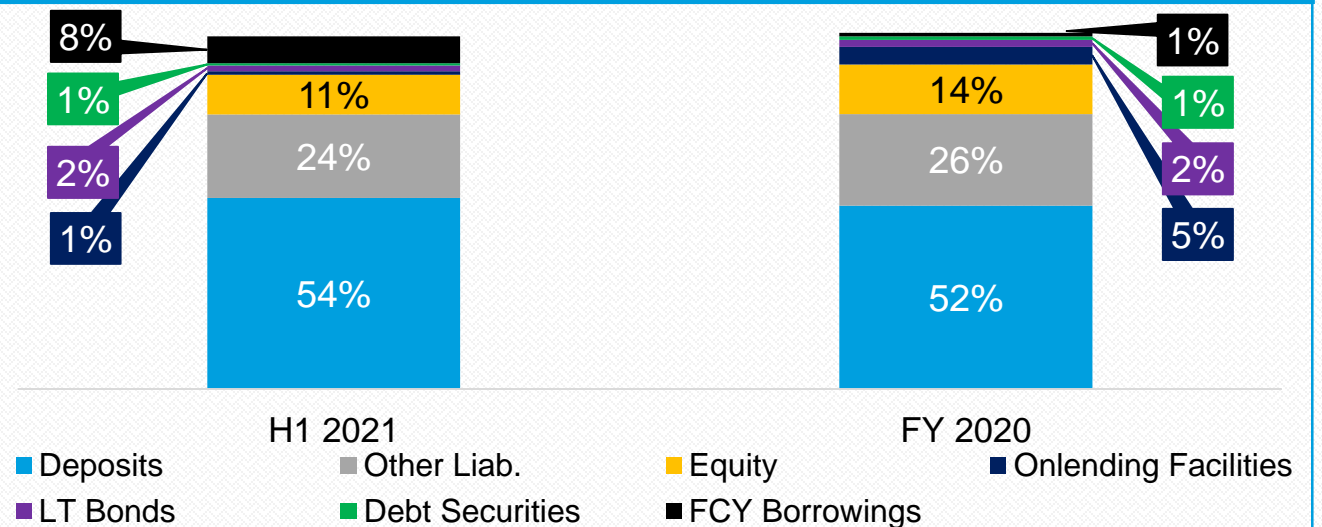
Deposits by Segment (₹'bn)



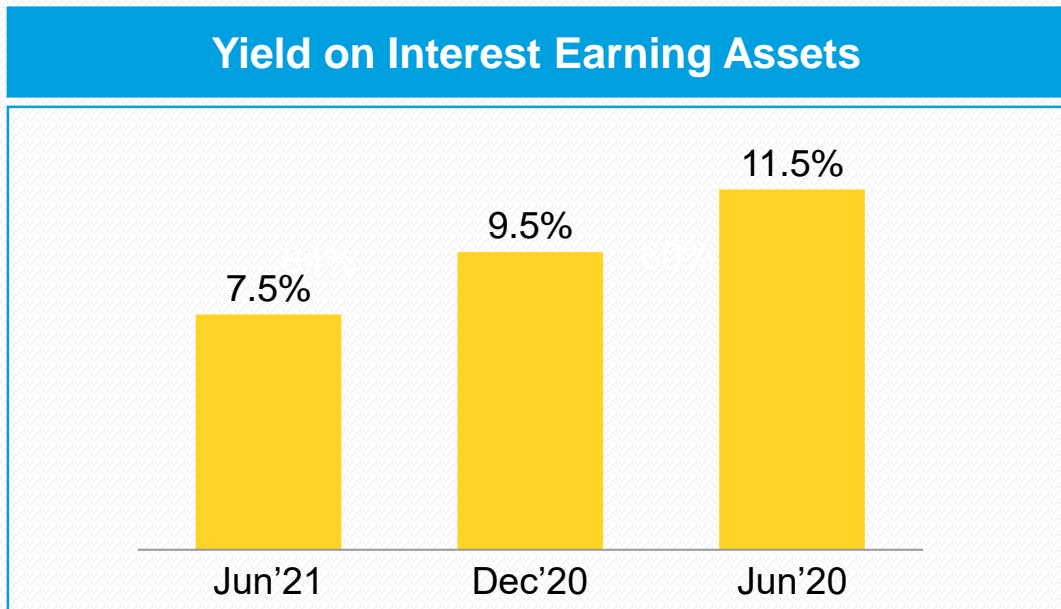
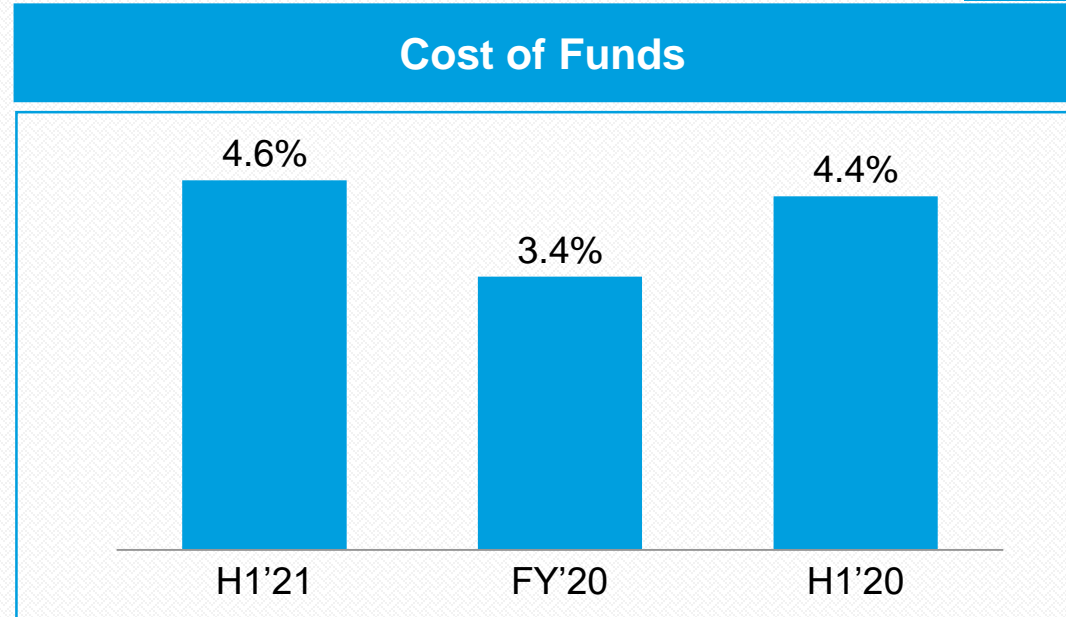
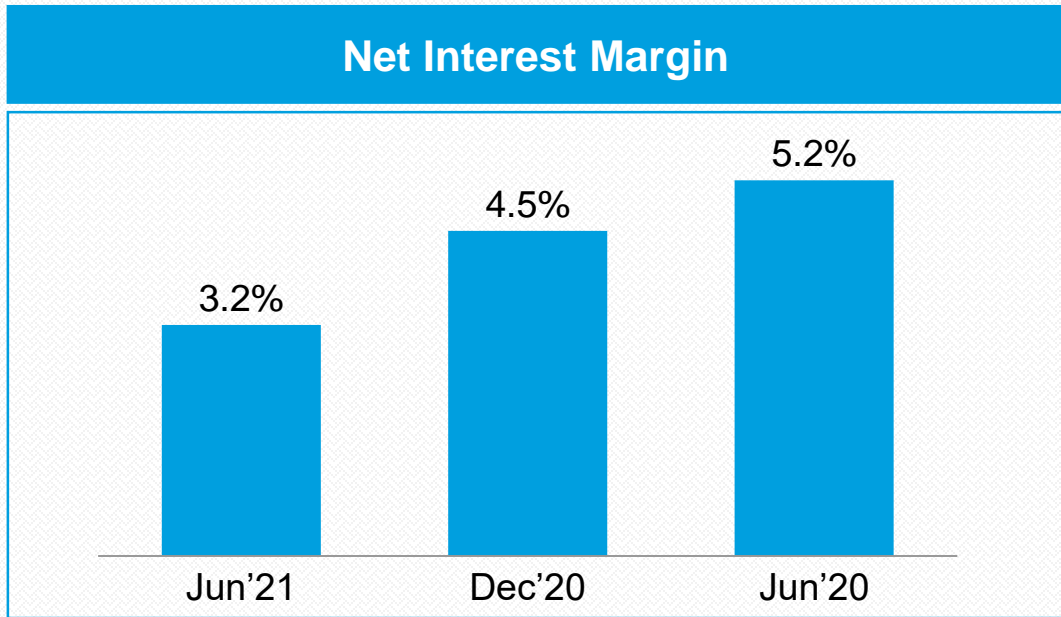
Deposits by Currency (₹'bn)



Funding Mix (Jun 2021)

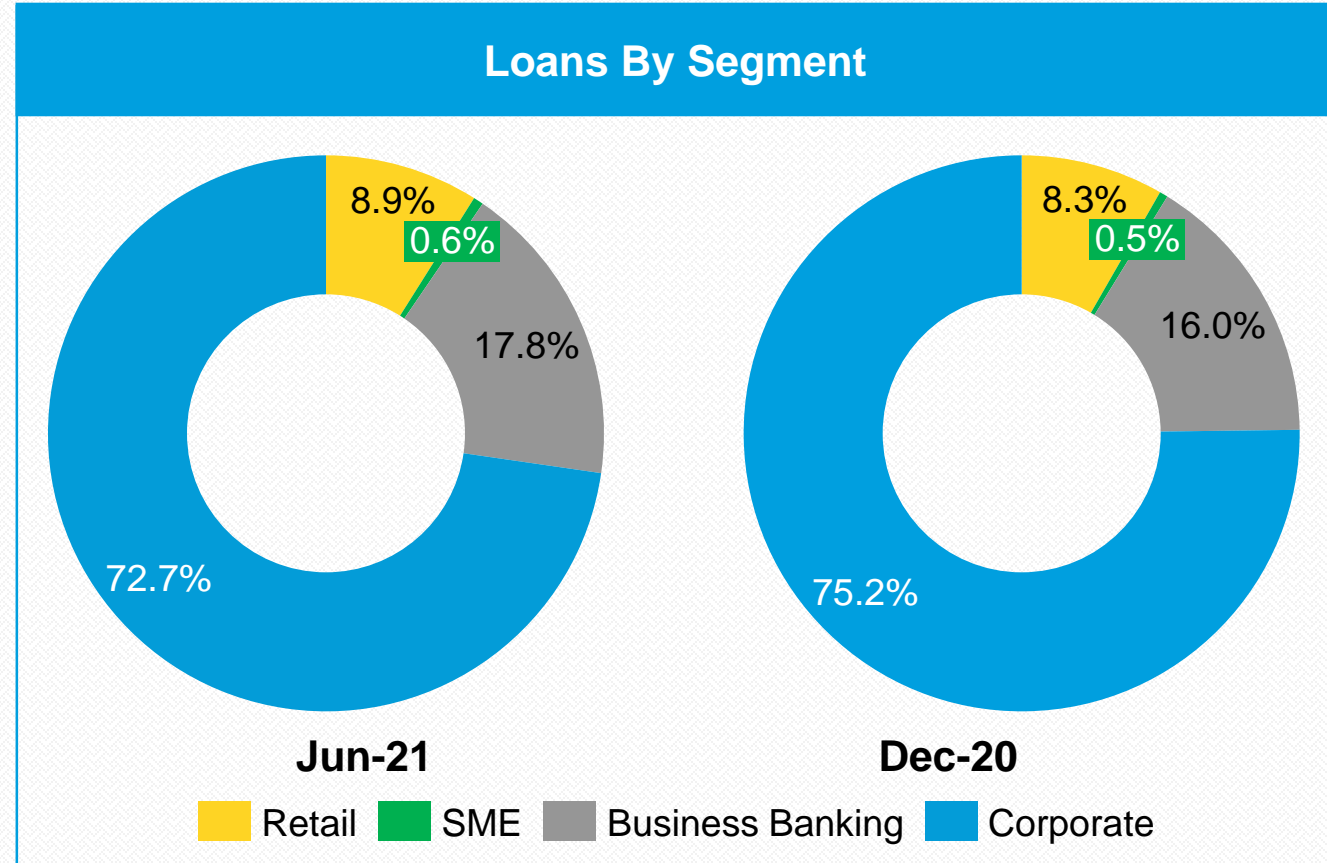
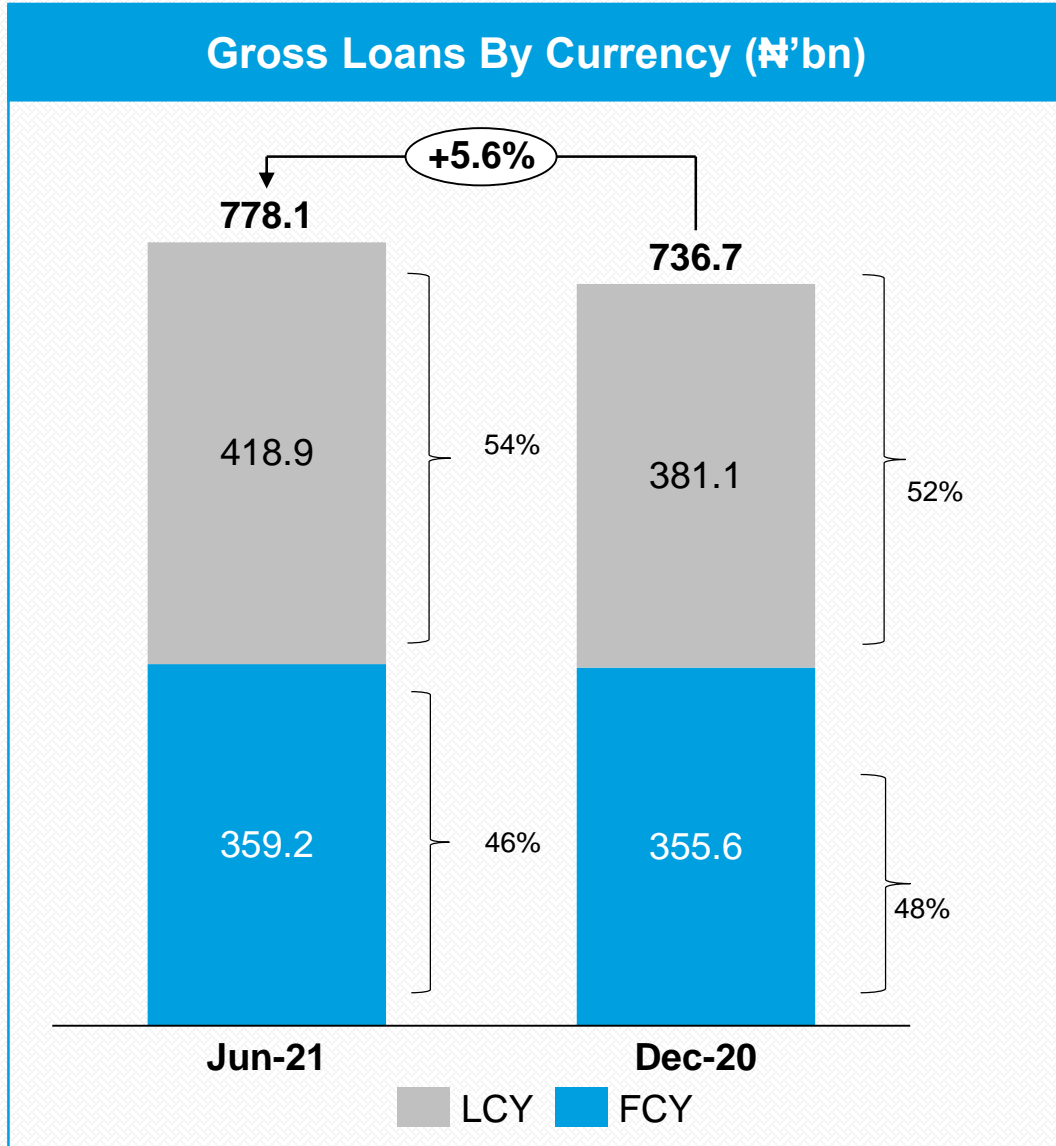


Margins



- The moderation in yield on interest earning assets and NIM was due to the low interest environment.










Optimized loan portfolio with increasing focus on the retail segment



- Gross loans to customers increased by 5.6% YTD as we continue to lend to key segments in the economy within the set risk criteria.

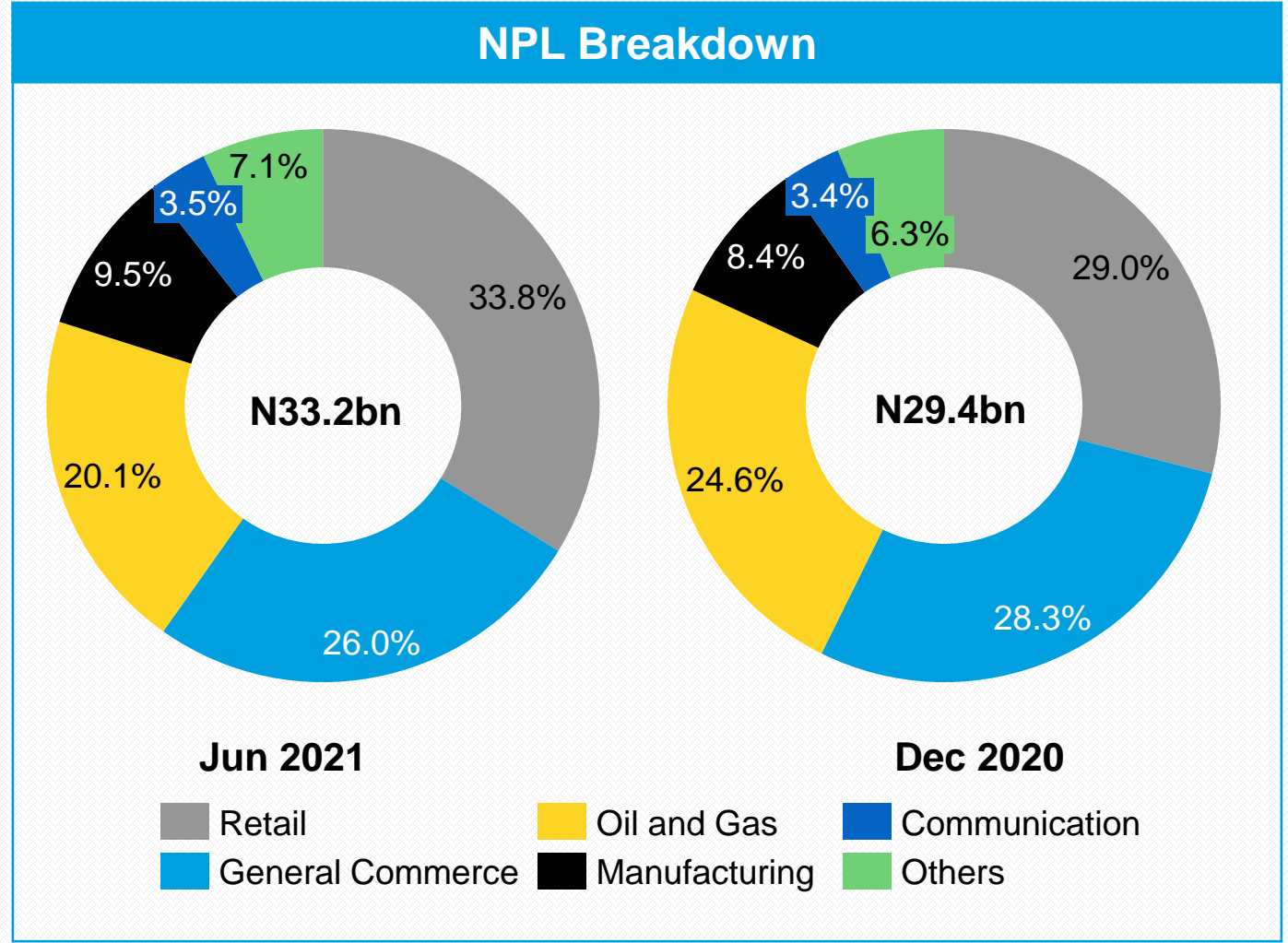
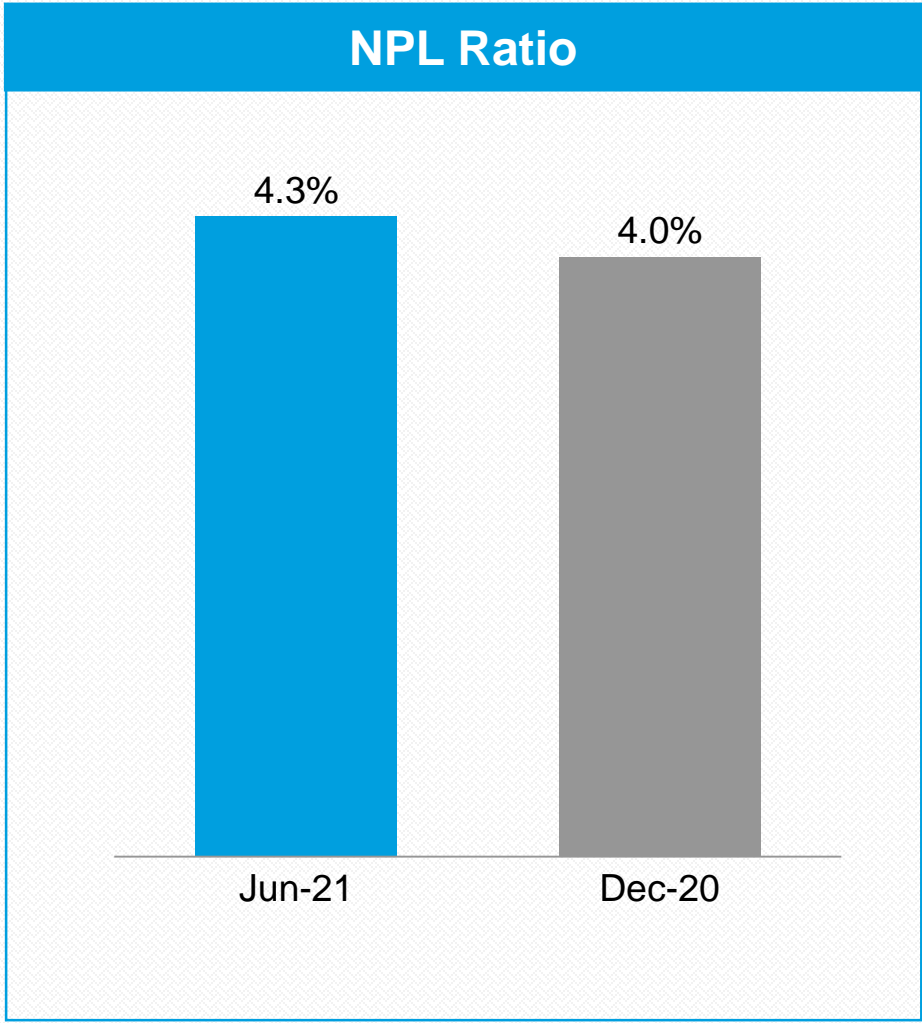
Diversified loan portfolio



	Jun'21	Dec'20
 Oil and Gas	26.5%	30.7%
 Manufacturing	23.1%	19.0%
 *Retail	8.9%	8.3%
 General Commerce	9.2%	12.0%
 Power	8.2%	8.3%
 Real Estate	5.1%	4.9%
 Communication	4.6%	5.2%
 Education	0.5%	0.6%
 Others	14.0%	10.9%

1. Others includes, Agriculture, Finance and Insurance, SME, Hospitality, Human health and Social work, Public Utilities, Real Estate, Transportation and Storage

2. *Retail – Consumer Credit

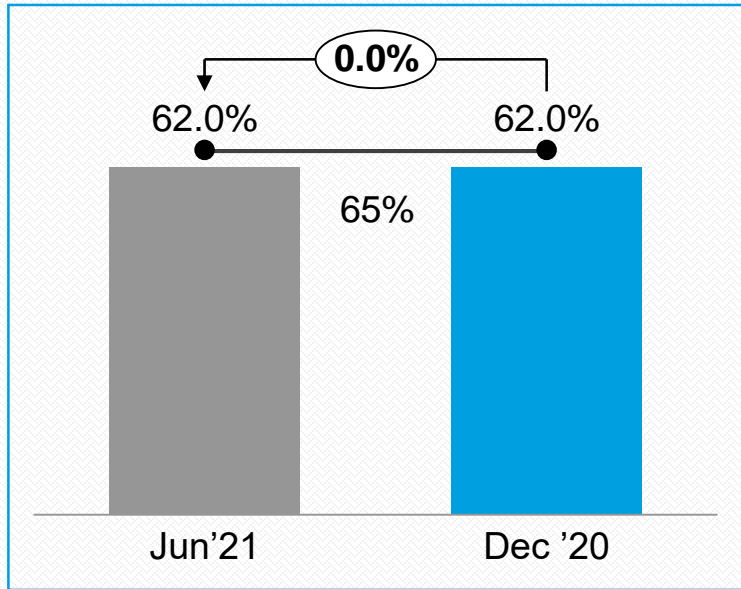


1. Others includes Power, Government, Agriculture, Real Estate, Education, Finance and Insurance, Human health and Social work.

Key ratios above regulatory requirements

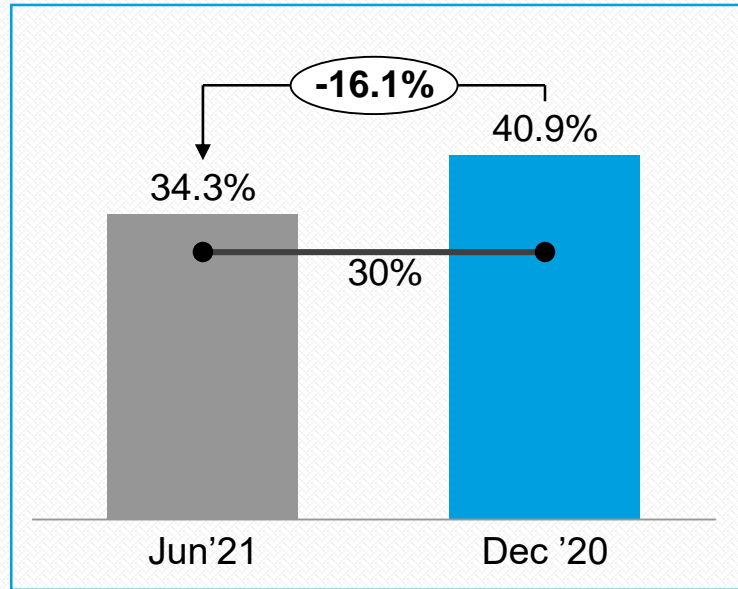


Loan to Deposit Ratio



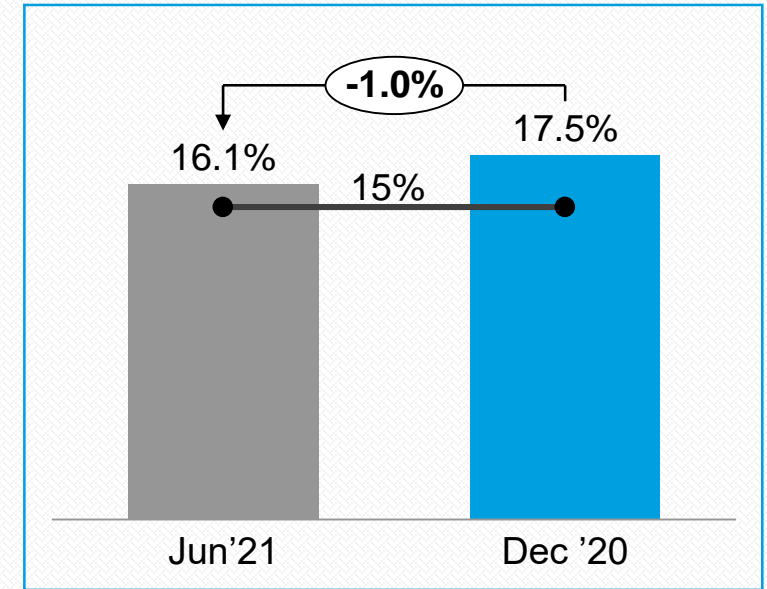
●—● CBN Minimum

Liquidity Ratio



●—● CBN Minimum

Capital Adequacy Ratio



●—● CBN Minimum

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Emeka Okonkwo
CEO

Growing Customer Acquisition, Engagement & Transactions



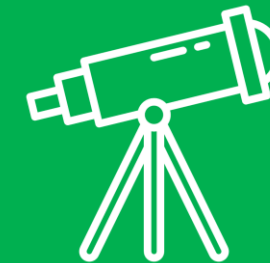
- *Customer segment strategies*
- *Compelling and innovative products*
- *Transaction banking / value chain*
- *Build & monetise ecosystems*

Optimising Service Delivery



- *Optimise customer experience and processes across touchpoints*
- *Optimise digital channels & platforms for growth*
- *Enhance employee productivity*

Exploring Beyond Banking Opportunities



- *Explore adjacent non-traditional banking opportunities*
- *Leverage partnerships & platforms*

Enhance Revenues | Accelerate Effectiveness

We will continuously leverage our strong risk management framework to deliver value to stakeholders



Risk

Mitigation Actions

1

Liquidity

- Focus on raising longer term liabilities in local and foreign currency
- Continuous engagement with FCY funding partners to maintain existing credit lines
- Working with our customers to effectively hedge all key exposures

2

Asset
Quality

- Ongoing portfolio review and obligor engagement in vulnerable sectors towards possible restructuring with CBN's forbearance
- Heightened early problem recognition especially for vulnerable areas (e.g. oil & gas, trade)
- Intensifying support for key sectors via local currency lending - healthcare, local manufacturing
- Leverage CBN intervention funds available to key sectors to drive lending
- Ongoing stress testing of portfolio with oil price and exchange rate sensitivities

3

Profitability

- Grow lending to essential sectors - healthcare, local manufacturing, FMCG
- Intensify digital efforts and incentivize usage of channels for efficiency
- Intensify cost optimization efforts

A Group
Financials

B Bank
Financials

A Group
Financials

B Bank
Financials

H1 2021 Performance: Group Profit and Loss Statement



N million	H1'21	H1'20	Δ
Gross earnings	76,305	81,857	-7%
Interest income	47,751	57,360	-17%
Interest expense	(27,260)	(29,102)	-6%
Net interest income	20,491	28,258	-27%
Net impairment charge for credit losses	(153)	(4,237)	-96%
Net interest income after impairment charge	20,338	24,021	-15%
Net fee and commission income	6,590	5,057	30%
Net trading income	4,121	8,896	-54%
Cash recoveries	8,645	2,653	226%
Other operating income	8,453	6,113	38%
Non interest income	27,810	22,719	22%
Operating income	48,147	46,740	3%
Net impairment write-back on other financial assets	340	306	11%
Operating Expenses	(36,893)	(35,513)	4%
Profit before tax	11,594	11,533	1%
Profit for the year	11,101	11,014	1%

H1 2021 Performance: Group Balance Sheet



N million	Jun-21	Dec-20	Δ
	N million	N million	
ASSETS			
Cash and cash equivalents	281,356	270,707	4%
Financial assets at fair value through profit or loss	4,626	52,212	-91%
Pledged assets	81,827	100,007	-18%
Derivative assets held for risk management	473	520	-9%
Loans and advances to customers at amortised cost	734,051	692,803	6%
Investment securities	360,133	351,862	2%
Trading properties	187	187	0%
Investment properties	5,153	4,817	7%
Property and equipment	58,732	57,364	2%
Intangible assets	4,364	5,212	-16%
Right of Use Assets	2,631	2,740	-4%
Deferred tax assets	95,875	95,875	0%
Other assets	527,096	439,952	20%
Defined benefit assets	1,475	1,475	0%
Assets classified as held for sale	53,082	115,292	-54%
TOTAL ASSETS	2,211,061	2,191,026	1%

H1 2021 Performance: Group Balance Sheet (Cont'd)



₺ million	Jun-21	Dec-20	Δ
Liabilities			
Derivative liabilities held for risk management	273	2	13550%
Deposits from banks	-	4,018	-
Deposits from customers	1,167,146	1,126,287	4%
Current tax liabilities	499	797	-37%
Deferred tax liabilities	175	280	-38%
Lease Liabilities	1,720	1,812	-5%
Other liabilities	479,061	425,714	13%
Retirement benefit obligations	1,227	996	23%
Debt securities issued	49,611	48,629	2%
Long term subordinated bond	29,594	29,546	0%
Other borrowed funds	185,546	184,223	1%
Liabilities classified as held for sale	38,097	104,400	-64%
Total Liabilities	1,952,949	1,926,708	1%
Equity			
Share capital and share premium	148,090	148,090	0%
Accumulated losses	23,435	23,399	0%
Other reserves	79,913	86,149	-7%
Equity attributable to equity holder	251,438	257,638	-2%
Non-controlling Interest	6,674	6,680	0%
Total Liabilities and Equity	2,211,061	2,191,026	1%

A Group
Financials

B Bank
Financials

H1 2021 Performance: Bank Profit and Loss Statement



	H1'21	H1'20	Δ
	₹'million	₹'million	
Gross earnings	75,442	79,912	-6%
Interest income	47,689	57,243	-17%
Interest expense	(27,334)	(29,223)	-6%
Net interest income	20,355	28,020	-27%
Impairment charge for credit loss	(153)	(4,237)	-96%
Net interest income after impairment charge	20,202	23,783	-15%
Net trading income	4,120	8,895	-54%
Net Fees and commissions Income	6,589	5,058	30%
Cash Recoveries	8,645	2,653	226%
Net income from other financial instruments at fair value through profit or loss	4,568	1,895	141%
Other operating Income	3,831	4,168	-8%
Non interest income	27,753	22,669	22%
Operating Income	47,955	46,452	3%
Operating expenses	(36,788)	(35,412)	4%
Profit before tax	11,507	11,346	1%
Profit after tax	11,015	10,835	2%

H1 2021 Performance: Bank Balance Sheet



	Jun-21 ₹'million	Dec-20 ₹'million	Δ
Assets			
Cash and Cash equivalents	281,627	262,730	7%
Financial assets at fair value through profit or loss	4,626	52,212	-91%
Pledged assets	81,827	100,007	-18%
Derivative assets held for risk management	473	520	-9%
Loans and advances to customers	734,051	692,803	6%
Investment securities	360,133	351,862	2%
Trading properties	187	187	0%
Investment in subsidiaries	2,195	2,195	0%
Property and equipment	58,715	57,342	2%
Right of Use Assets	2,631	2,740	-4%
Intangible assets	4,364	5,211	-16%
Deferred tax assets	95,875	95,875	0%
Cash reserve requirement	424,862	356,452	19%
Other assets	102,562	83,775	22%
Defined benefit assets	1,475	1,475	0%
Assets classified as held for sale	8,372	8,372	0%
Total Assets	2,163,974	2,073,758	4%

H1 2021 Performance: Bank Balance Sheet (Cont'd)



	Jun-21 ₹'million	Dec-20 ₹'million	Δ
Liabilities			
Derivative liabilities held for risk management	273	2	13550%
Deposits from banks	-	4,018	
Deposits from customers	1,172,060	1,131,116	4%
Current tax liabilities	494	778	-37%
Other liabilities	480,943	425,117	13%
Lease Liabilites	1,720	1,812	-5%
Employee benefit obligations	1,225	996	23%
Debt securities issued	49,611	48,629	2%
Long term subordinated bond	29,594	29,546	0%
Other borrowed funds	185,546	184,223	1%
Total Liabilities	1,921,467	1,826,237	5%
Equity			
Share Capital	14,633	14,633	0%
Share premium	133,457	133,457	0%
Retained earnings/(accumulated losses)	32,613	31,403	4%
Other reserves	61,805	68,028	-9%
Total Equity	242,508	247,521	-2%
Total Liabilities and Equity	2,163,975	2,073,758	4%



Thank You

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