

Union Bank of Nigeria Plc

Group Unaudited Financial Statements for the Half-Year Ended June 30, 2018

LAGOS, NIGERIA – July 25, 2018 - Union Bank, one of Nigeria's longest standing and most respected financial institutions, announces its unaudited financial statements for the period ended June 30 2018.

Group Financial Highlights:

- **Profit before tax:** up 23% to ₦11.7bn (₦9.5bn in H1 2017).
- **Gross earnings:** up 16% to ₦83.3bn (₦72.1bn in H1 2017), driven by a 10% increase in interest income and 37% increase in non-interest income.
- **Interest income:** up 10% to ₦62.2bn (₦56.6bn in H1 2017).
- **Net interest income before impairment:** up 14% to ₦34.4bn (₦30.1bn in H1 2017); driven by an improvement in net interest margins from 7.9% to 8.2% on the back of lower cost of funds.
- **Non-interest income:** up 37% to ₦21.1bn (₦15.4bn in H1 2017); driven by enhanced treasury trading income, recoveries and 311% growth in alternate channel revenues.
- **Net operating income:** up 22% to ₦50.9bn (₦41.9bn in H1 2017).
- **Operating expenses:** up 21% to ₦39.2bn (₦32.4bn in H1 2017); largely due to a 25% increase in regulatory levies from the NDIC and AMCON as well as some one-off items.
- **Gross loans:** down 9% to ₦508.5bn (₦560.7bn Dec 2017) due to successful recovery/collection efforts and the write-off of some fully provisioned non-performing loans.
- **Customer deposits:** up 3% to ₦826.7bn (₦802.4bn Dec 2017); reflects 66% increase in foreign currency deposits and the optimization of our local currency deposit book towards low-cost deposits.

Commenting on the results, Emeka Emuwa, CEO said:

"In the first half of the year, we have continued to see positive results from our efficiency and productivity drive. Across all our business lines, we witnessed strong underlying performance, translating into improved earnings. We continue to focus on the recovery of non-performing loans. With the resolution in Q2 2018 of the large real estate exposure which was impaired in December 2017, the Group NPL ratio is down to 10.8% from 14.9% at 31 March 2018 and 19.8% at 31 December 2017. The Group continues to demonstrate its ability to deliver strong results notwithstanding a competitive and challenging operating environment.

Gross earnings rose by 16% to ₦83.3 billion from ₦72 billion in H1 2017, underpinned by improved Net Interest Margins (NIM), robust treasury trading income, recoveries and alternate channel revenues, on the back of increased customer adoption. Our Profit Before Tax (PBT) grew by 23% compared to H1 in 2017.

In the second half of the year, we will continue to focus on productivity, leveraging our enhanced platform to deliver best-in-class services to our customers and taking advantage of targeted opportunities across business lines and geographies.”

Speaking on the H1 2018 numbers, Chief Financial Officer, Oyinkan Adewale said:

“With low-cost deposits now accounting for 70% of total deposits, up from 67% as at December 2017, our cost of funds fell in H1 2018. Consequently, the Group NIM has improved from 7.9% in H1 2017 to 8.2% in the period. Our foreign currency deposits are up 66%, compared with December 2017; and up 40% compared with March 2018, as we continued to optimize our balance sheet.

We are pleased that for the first time since 2012, the Group’s retained earnings moved from a negative to a positive position, thus eliminating a major technical impediment to the payment of dividends.

Operating Expenses for the period were affected by some one-off items, as well as a combined 25% increase in NDIC premium and AMCON levy. For the rest of the year, we will intensify our cost rationalization initiatives.

The Bank remains well capitalized with Capital Adequacy Ratio at 18.2%.”

Group H1 2018 Financial Summary

Balance Sheet (in billions of Naira)	June 2018	Dec 2017	Change
Total Assets	1,471.1	1,455.5	1%
Gross Loans & Advances	508.5	560.7	(9%)
Customer Deposits	826.7	802.4	3%
Shareholders’ Funds	290.4	345.7	(16%)
Number of shares in issue (billions)	29.12	29.12	Flat
Ratios			
Coverage Ratio (incl. RRR)	97%	103%	(6%)
Loan to Deposit Ratio	61.5%	69.9%	(8.4%)
Net Asset Value per share	₦9.97	₦11.87	(₦1.90)
Non-Performing Loan Ratio	10.8%	19.8%	(9.0%)
Income Statement (in billions of Naira)			
	H1 2018	H1 2017	Change
Gross Earnings	83.3	72.1	16%
Net Interest Income	34.3	30.1	14%
Non-Interest Income	21.1	15.4	37%
Credit /other Impairment charge	4.6	3.7	26%
Operating Expenses	39.2	32.4	21%
Profit Before Tax	11.7	9.5	23%
Profit After Tax	11.5	9.2	25%

Ratios

Net Interest Margin	8.2%	7.9%	0.3%
Cost of Funds	5.7%	6.1%	(0.4%)
Cost to Income Ratio	70.7%	71.2%	(0.5%)
Cost of Risk	1.7%	1.4%	0.3%
Return on Equity	7.3%	6.6%	0.7%
Return on Tangible Equity	10.4%	10.1%	0.3%
Return on Assets	1.6%	1.5%	0.1%
Earnings Per Share	38k	54k	(16k)

Bank H1 2018 Financial Summary

Balance Sheet (in billions of Naira)	June 2018	Dec 2017	Change
Total Assets	1,321.0	1,334.9	(1%)
Gross Loans & Advances	478.7	531.8	(10%)
Customer Deposits	789.2	796.7	(1%)
Shareholders' Funds	266.5	321.4	(16%)
Number of shares in issue (billions)	29.12	29.12	flat

Ratios

Coverage Ratio (incl. RRR)	107%	103%	4%
Loan to Deposit Ratio	60.7%	66.8%	(6.1%)
Net Asset Value per share	₦9.2	₦11.0	(₦1.8)
Non-Performing Loan Ratio	10.2%	20.8%	(10.6%)

Income Statement (in billions of Naira)	H1 2018	H1 2017	Change
Gross Earnings	81.0	69.4	17%
Net Interest Income	32.1	28.1	14%
Non-Interest Income	21.6	14.9	45%
Credit/other Impairment charge	4.3	3.6	21%
Operating Expenses	37.3	30.8	21%
Profit Before Tax	12.1	8.7	40%
Profit After Tax	12.0	8.6	40%

Ratios

Net Interest Margin	9.2%	8.8%	0.4%
Cost of Funds	6.0%	6.6%	(0.6%)
Cost to Income Ratio	69.4%	71.5%	(2.1%)
Cost of Risk	1.7%	1.5%	0.2%
Return on Equity	8.2%	6.7%	1.5%
Return on Tangible Equity	12.2%	10.7%	1.5%
Return on Assets	1.8%	1.5%	0.3%
Earnings Per Share	41k	51k	(10k)

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 Tuesday July 31st, 2018 at 14:00 Lagos & London / 09:00 New York / 15:00 Johannesburg with its executive management team, to discuss the H1 2018 results and respond to questions. To participate in the call, [register online here](#) for your personal PIN, and dial:

Nigeria: +234 (1) 903 0080
United Kingdom: +44 (0)2034262891
United States Toll: +1 2024030719
South Africa Toll: +27 (0)216724117

For attendees dialing the Nigerian number +234 19030080, use PIN 29971181# and quote your personal PIN when accessing the call.

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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