

Union Bank of Nigeria Plc

Group Unaudited Financial Statements for the quarter ended March 31, 2018

LAGOS, NIGERIA – May 10, 2018 - Union Bank, one of Nigeria's longest standing and most respected financial institutions, announces its audited financial statements for the quarter ended March 31 2018.

Group Financial Highlights:

- **Profit before tax:** up 16% to ₦5.4bn (₦4.7bn in Q1 2017).
- **Gross earnings:** up 15% to ₦39.5bn (₦34.3bn in Q1 2017), driven by improvement in **Net Interest Margins** from 7.1% to 8.7% and 18% increase in **Non-Interest Income** due to enhanced trading income and increased volumes on alternate banking channels.
- **Interest income:** up 14% to ₦31.7bn (₦27.7bn in Q1 2017) driven by improved yields on loans and government securities.
- **Net interest income before impairment:** up 22% to ₦17.8bn (₦14.6bn in Q1 2017), driven by 14% increase in interest income and a lower 6% increase in interest expense.
- **Non-interest Income:** up 18% to ₦7.8bn (₦6.6bn in Q1 2017); driven by a combination of trading income and alternate channel revenues.
- **Net operating income:** up 11% to ₦23.3bn (₦20.9bn in Q1 2017).
- **Operating expenses:** up 10% to ₦17.9bn (₦16.3bn in Q1 2017): largely due to regulatory levies from the NDIC and AMCON
- **Gross loans:** down 12% to ₦495.5bn (₦560.7bn as at Dec 2017); down due to collection efforts and the write-off of some non-performing loans.
- **Customer deposits:** down 5% to N759.1bn (N802.4bn Dec 2017) as we optimise the deposit book towards lower-cost deposits.

Key Operational Highlights

- 68% increase in new-to-bank accounts (vs. Q1 2017), highlighting customer acceptance of new products and increasing brand penetration.
- 90% increase in volume of funds transfer transactions on our alternate channels (vs. Q1 2017), highlighting efficiencies gained from technology investments, which are driving increased customer adoption
- 58x increase in net alternate channel fee income (vs. Q1 2017), highlighting efficiencies gained from investments in alternate channels
- Local and international recognition, with awards for:
 - **British Standard Institute (BSI)** - Awarded the *ISO 22301 Business Continuity Management System (BCMS)*
 - **Pitcher Awards 2018** – *Uncle Thomas Radio Advert (Silver Category)*
 - **2017 Jobberman Best 100 Places to Work in Nigeria** – *Ranked 4th Best Company to Work for in Nigeria*

Emeka Emuwa, CEO, commented on the results, saying:

“In 2018 we renewed our focus on driving efficiency and productivity across the entire organization. The objective is to ensure we fully leverage our resources including human, technology and new capital in order to maximize our bottom line. While we are just in the early stages of this drive, we are already starting to see positive results.

In the first quarter, our Profit Before Tax grew by 16% compared to the same quarter in 2017. Gross earnings, bolstered by improved asset yields, strong treasury trading and revenue from our alternate channels, which is steadily seeing increasing customer adoption, are also up by 15% to ₦39.5 billion against ₦34.3 billion Q1 2017.

Our Group Non-Performing Loan Ratio is down to 14.9% from 19.8% at the end of 2017. We continue to maintain aggressive focus on our impaired loans and we expect to resolve some large exposures in the course of the year, which will further drive down the ratio. We are pushing strongly on debt recovery efforts across board including initiating or continuing legal action where necessary.

For the first half of the year, we will continue to hone initiatives around our productivity drive, focusing our people on targeted opportunities across regions and optimising our technology and digital platforms to deliver operational efficiency and improved customer service.

Speaking on the Q1 2018 numbers, Chief Financial Officer, Oyinkan Adewale said:

“The first quarter numbers reflect the adoption of International Financial Reporting Standards (IFRS) 9, which came into effect at the start of 2018. We are pleased that the Bank’s regulatory risk reserve was adequate to absorb the impact of the new accounting rules.

Our Capital Adequacy Ratio (CAR) remains robust at 17.9% in spite of the impact of IFRS 9 on impairments. Liquidity ratio is at 39.4%, well above the minimum requirement, while Net Interest Margin improved to 8.73% from 7.14% in Q1 2017.

Profit After Tax (PAT) rose 17% to ₦5.3 billion compared to ₦4.5 billion recorded in Q1 2017.

Notwithstanding a 19% and 27% increase in our AMCON levy and NDIC premium respectively, our operating expenses increased by only 10% given the continued focus on optimising operating costs.

We continue to proactively in managing the risks in our business as we pursue targeted opportunities identified for growth.”

Group Q1 2018 Financial Summary

Balance Sheet <i>(in billions of Naira)</i>	Mar 2018	Dec 2017	Change
Total Assets	1,381.2	1,455.5	(5%)
Gross Loans & Advances	495.5	560.7	(12%)
Customer Deposits	759.1	802.4	(5%)
Shareholders' Funds	285.7	345.7	(17%)
Number of shares in issue (billions)	29.12	29.12	Flat
Ratios			
Coverage Ratio (incl. RRR)	81%	103%	(22%)
Loan to Deposit Ratio	65.3%	69.9%	(4.6%)
Non-Performing Loan Ratio	14.9%	19.8%	(4.9%)
Income Statement <i>(in billions of Naira)</i>			
	Q1 2018	Q1 2017	Change
Gross Earnings	39.5	34.3	15%
Net Interest Income	17.8	14.6	22%
Non-Interest Income	7.8	6.6	18%
Credit /other Impairment charge	2.3	0.3	634%
Operating Expenses	17.9	16.3	10%
Profit Before Tax	5.4	4.7	16%
Profit After Tax	5.3	4.5	17%
Ratios			
Net Interest Margin	8.73%	7.14%	1.59%
Cost of Funds	5.9%	6.2%	(0.3%)
Cost to Income Ratio	69.7%	76.6%	(6.9%)
Cost of Risk	1.8%	0.2%	1.6%
Return on Equity	6.8%	6.7%	0.1%
Return on Tangible Equity	9.8%	10.3%	(0.5%)
Return on Assets	1.6%	1.5%	0.05%
Net Asset Value per share	₦9.81	₦11.87	(₦2.06)
Earnings Per Share	18k	26k	(8k)

Bank Q1 2018 Financial Summary

Balance Sheet <i>(in billions of Naira)</i>	Mar 2018	Dec. 2017	Change
Total Assets	1,267.0	1,334.9	(5%)
Gross Loans & Advances	476.4	531.8	(10%)
Customer Deposits	749.4	796.7	(6%)
Shareholders' Funds	260.8	321.4	(19%)
Number of shares in issue (billions)	29.12	29.12	flat%
Ratios			
Capital Adequacy Ratio:	17.9%	17.8%	0.1%
Coverage Ratio (incl. RRR)	80%	103%	(23%)
Liquidity Ratio (regulatory min - 30%)	39.4%	37%	2.4%
Loan to Deposit Ratio	63.6%	66.8%	(3.2%)
Non-Performing Loan Ratio	15.4%	20.8%	(5.4%)

Income Statement <i>(in billions of Naira)</i>	Q1 2018	Q1 2017	Change
Gross Earnings	37.7	33.0	14%
Net Interest Income	16.7	13.6	22%
Non-Interest Income	7.4	6.4	16%
Credit/other Impairment charge	2.1	0.3	576%
Operating Expenses	16.9	15.5	8.7%
Profit Before Tax	5.0	4.2	20%
Profit After Tax	5.0	4.2	20%
Ratios			
Net Interest Margin	9.52%	7.94%	1.58%
Cost of Funds	6.4%	7.1%	(0.7%)
Cost to Income Ratio	70.1%	77.4%	(7.3%)
Cost of Risk	1.7%	0.0%	1.7%
Return on Equity	7.0%	6.7%	0.3%
Return on Tangible Equity	10.4%	10.6%	(0.2%)
Return on Assets	1.6%	1.5%	0.1%
Net Asset Value per share	₦ 8.96	₦11.03	(₦ 2.08)
Earnings Per Share	17k	25k	(8k)

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, 14th May 2018** at **15:00 Lagos & London / 10:00 New York / 16:00 Johannesburg** with its executive management team, to discuss the FY 2017 and Q1 2018 results and respond to questions.

To participate in the call, [register online here](#) for your participant PIN, and dial:

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Unites States: +1 631 913 1422

South Africa: +27 21 672 4118

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

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