

## Union Bank of Nigeria Plc.

### Group Audited Financial Statements for the Year Ended December 31, 2020

*Declares 25 kobo dividend per 50 kobo share  
Business fundamentals strengthened despite Covid-19 impact*

**LAGOS, NIGERIA – March 18, 2021:** Union Bank has released its audited financial statements for the year ended 31st December 2020. The Bank's results for the period show sustained growth in key income lines and significantly improved fundamentals, notwithstanding a constrained operating environment largely due to the impact of the Covid-19 pandemic.

Union Bank's investments in technology and building a progressive work culture over the past eight years, enabled a swift response to the pandemic that allowed our workforce transition to remote working while maintaining the productivity required to deliver these strong set of results in 2020.

#### **Bank Financial Highlights:**

- **Profit before tax:** up 2.8% to ₦25.4bn (₦24.7bn in FY 2019).
- **Gross earnings:** down 1.9% to ₦156.9bn (₦159.9bn in FY 2019).
- **Net operating income after impairments:** up 8.3% to ₦103.4bn (₦95.5bn in FY 2019).
- **Net interest income before impairment:** up 10.1% to ₦56.9bn (₦51.7bn in FY 2019) due to reduced interest expenses.
- **Non-interest income:** up 1.6% to ₦44bn (₦43.3bn in 2019) driven by growth in net trading income as well as revaluation gains.
- **Operating expenses:** up 10% to ₦78bn (₦70.8bn in FY 2019) due to an increase in regulatory and technology expenses.
- **Gross loans:** up 23.8% to ₦736.7bn (₦595.3bn in FY 2019) driven by targeted lending to key sectors of the economy.
- **Customer deposits:** up 27.6% to ₦1,131.1bn (₦886.3bn in FY 2019) reflecting our agility in delivering a compelling range of products to our customers during the pandemic and increased adoption of our digital channels.
- **Non-performing loans ratio:** down to 4% from 5.8% (FY 2019) driven by a disciplined recoveries strategy (₦7.2bn in 2020), a more robust loan book and key restructurings to support customers during the pandemic.

#### **Key Operational Highlights:**

- **Channels:** Active users on our digital platforms grew 1.3x. During the year, we added new features such as end-to-end account opening and enhanced card services including home delivery of cards, boosting revenues from digital our channels by 1.5x.

- **Agent Network Expansion:** We expanded our UnionDirect network to over 18,000 agents, representing a 6x increase. Transaction volume and value grew 10x and 12x respectively delivering 14x revenue growth.
- **Enhanced Retail and Digital Offerings:** We relaunched *UnionVibe*, *UnionLegend* and *UnionInfinity*, a suite of products targeting the key youth and teen demographic; and disbursed over ₦9.4bn loans with new credit propositions.
- **Systems Upgrade** – We upgraded our core systems to support our growth aspirations, while strengthening the performance, reliability, security and processing capacity of our platforms. With this upgrade, we are now in a position to process at least 10x the volume of transactions for 2020.
- **Funding:** We secured both local and foreign currency funding to support growth across our priority areas. Union Bank raised:
  - **₦35bn commercial paper** issuance. The 180 and 270-day notes were oversubscribed, reaffirming market confidence in our brand
  - **\$200m 10-year funding** from U.S International Development Finance Corporation (DFC)
  - **\$75m Pandemic Trade Mitigation funding** from Afrexim
  - **\$30m working capital funding** from IFC
- **COVID-19 Response:** The impact of COVID-19 in 2020 cannot be understated. In response, the Bank constituted a CEO-led task force in February and adopted a proactive approach to ensure the health and safety of key stakeholders and to mitigate negative impact on our business.
  - **Employees:** The Bank was the first in the industry to implement remote working for its employees in March 2020. With over 70% of our workforce operating remotely at the height of the pandemic, we introduced resources to maintain and enhance the physical and mental health of our colleagues.
  - **Customers:** We deepened our engagement via digital platforms and reinforced our channels to enable self-service. Supported by the Central Bank, we also offered restructuring of loan terms for businesses affected by the outbreak of Covid-19 in key sectors of the economy. At our branches, heightened hygiene & social distancing guidelines were put in place.
  - **Community:** We donated over ₦350m towards the fight against Covid-19. These included donations to the Private Sector Coalition against Covid-19 (CACOVID); 54gene to support testing and research, working with the Nigeria Centre for Disease Control (NCDC); and the Lagos State COVID-19 Emergency Food Response programme to support families affected by the pandemic.
  - **Business continuity:** Operationally, the Bank adapted as lockdowns and movement restrictions evolved during the year. We designed a work model that ensured operational efficiency while maintaining adequate contingencies that guaranteed business continuity should newly identified operational risks crystallise.
  - **Managing liquidity and credit risks:** We focused on raising long term liabilities in local and foreign currencies. We also deepened our focus on essential sectors during the pandemic and enhanced portfolio diversity. With ongoing review of our credit portfolio and stress testing, we focused on promoting asset quality with solid risk management structures while leveraging CBN's forbearance opportunities.

- **Brand & Citizenship:** Through our initiatives, we impacted over 3 million people in 2020. We continued our support for the education sector impacting teachers, students and parents through our Edu360 platform; deepened our investments in women/girl empowerment initiatives via vocational, digital and leadership trainings; continued our social innovation drive; and supported community development via the “gift of water” and supply of food to the underprivileged.  
Key partnerships in this area in 2020 include: MamaMoni, Pearls Africa, Awarri, LEAP Africa, Cece Yara Foundation, Junior Achievement Nigeria, GiveFood.ng Initiative, etc.
- **UBUK Update:** In January 2020, Union Bank announced its divestment from its UK subsidiary to focus solely on Nigeria and the distinct long-term opportunities that the market presents. In Q4 2020, we obtained a “no-objection” clearance by the Central Bank of Nigeria and the divestment is ongoing.
- **Dividend Payment:** For the second year running, the Bank is proposing a dividend payment and returning value to shareholders. Union Bank’s ability to deliver a strong performance in the face of an economically debilitating pandemic speaks to the resilience and long-term fundamentals of the Bank. Subject to shareholders’ approval, a dividend of 25 kobo per 50 kobo share is being proposed.
- **Management Update:** In December 2020, the Bank’s Chief Executive Officer, Emeka Emuwa, announced his retirement effective March 31, 2021. Following a successful search process, the Board has appointed Emeka Okonkwo, an Executive Director currently leading the Bank’s Corporate Banking business, to succeed him. Emeka Emuwa served as CEO for eight years and led the Bank’s transformation and repositioning as a key player in the Nigerian financial space.

Commenting on the results, Emeka Emuwa, CEO said:

*“The Bank has delivered a strong set of results notwithstanding the impact of COVID-19 on our operations and the wider economy, enabling the Board of Directors to continue to return value to shareholders with a proposed dividend payment for the second year in a row. This demonstrates the strong foundations we have built, as we continue to deliver against our target of becoming a leading financial institution in Nigeria.*

*For the full year, we grew across key income lines. Net income after impairments grew 8.3% from ₦95.5bn to ₦103.4bn and translated into 2.8% growth in Profit Before Tax to ₦25.4bn from ₦24.7bn.*

*The core of this performance is driven by the growth in our loan book, with 23.8% increase in gross loans, to ₦736.7bn from ₦595.3bn in 2019.*

*The pandemic accelerated trends in customer behaviour and we have seen rapid increase in digital adoption with a 38% YOY increase in active users on our UnionMobile channel with total active users now at 2.9 million. Our UnionOne and Union360 platforms for businesses grew by 11% from 25,000 users to 27,700 users. 94% of transactions in the Bank are now done digitally, up from 89% in 2019.*

*We also aggressively grew UnionDirect (our agent network) by 6x from 3,100 to 18,100 in line with our focus on our retail business. With our investments yielding positive results, we are well positioned as a strong leader in the retail and digital space.*

*In 2021, the Bank will focus on enhancing revenues and shareholder value by revving up customer acquisition, engagement and transactions through seamless customer journeys and an optimized service delivery platform.*

*As I retire following eight years of rebuilding and repositioning this storied institution, I am*

*convinced that with the excellent management team and a clear strategy in place, Union Bank is well positioned to continue to compete and deliver value to its shareholders.*

Speaking on the FY 2020 numbers, Chief Financial Officer, Joe Mbulu said:

*“We are pleased with both our top and bottom-line performance in 2020, in light of the impact of the pandemic and economic challenges. Significant inflationary pressures and the translation of currency depreciation drove growth in our cost base, however we maintained strong control, limiting operating expense increase to 10% (₦77.9bn from ₦70.8bn), well below the rate of inflation. Consequently, we saw marginal increase in our cost to income ratio to 75.4% from 74.1%.*

*Our customer deposits hit a milestone during the year, crossing the ₦1tr mark to ₦1,131.1bn from ₦886.3bn in FY 2019, an increase of 27.1%. Low cost deposits were up by 17%, constituting 68% of total deposits helping to push cost of funds down by 1.4%.*

*We continued to proactively manage our growing risk asset portfolio and recorded better asset quality, with our NPL ratio improving from 5.8% to 4.0%. This achievement, combined with a solid capital adequacy at 17.5% and continued top-line growth, provides the platform for strong growth going forward.*

*We will continue to grow our loan portfolio in 2021, which we expect to be a significant driver of growth, combined with our value chain synergies across our business which will drive customer and transaction growth during the year and beyond.*

*Our UBUK subsidiary remains classified as “Available for Sale” as the sale process continues albeit delayed due to the pandemic-induced lockdowns”*

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## Financial Summary

|  | BANK          |               |               | GROUP         |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Balance Sheet</b> <i>(in billions of Naira)</i> | <b>Dec-20</b> | <b>Dec-19</b> | <b>Change</b> | <b>Dec-20</b> | <b>Dec-19</b> | <b>Change</b> |
| Total Assets                                       | 2,074.7       | 1,711.7       | 21.2%         | 2,191.0       | 1,872.3       | 17%           |
| Gross Loans & Advances                             | 736.7         | 595.3         | 23.8%         | 736.7         | 595.3         | 24%           |
| Customer Deposits                                  | 1131.1        | 886.3         | 27.6%         | 1126.3        | 886.3         | 27%           |
| Shareholders' Funds                                | 247.5         | 231.2         | 7.1%          | 264.3         | 252.3         | 4.8%          |
| <b>Ratios</b>                                      |               |               |               |               |               |               |
| Coverage Ratio (incl. regulatory risk reserves)    | 149.1%        | 138.1%        | 11.0%         | 149.1%        | 138.1%        | 11.0%         |
| Average Liquidity Ratio (regulatory minimum - 30%) | 40.9%         | 50.8%         | -9.9%         | N/A           | N/A           | N/A           |
| Loan to Deposit Ratio                              | 62%           | 67.2%         | -5.2%         | N/A           | N/A           | N/A           |
| Non-Performing Loan Ratio                          | 4.0%          | 5.8%          | -1.8%         | 4.0%          | 5.8%          | -1.8%         |

|   | BANK           |                |               | GROUP          |                |               |
|---|----------------|----------------|---------------|----------------|----------------|---------------|
| <b>Income Statement</b> <i>(in billions of Naira)</i> | <b>FY 2020</b> | <b>FY 2019</b> | <b>Change</b> | <b>FY 2020</b> | <b>FY 2019</b> | <b>Change</b> |
| Gross Earnings  | 156.9          | 159.9          | -1.9%         | 160.3          | 166.5          | -3.7%         |
| Net Interest Income                                   | 56.9           | 51.7           | 10%           | 57.4           | 52.5           | 9.3%          |
| Non-Interest Income                                   | 44.0           | 43.3           | 1.6%          | 44.5           | 42.8           | 4%            |
| Credit Impairment                                     |                |                |               |                |                |               |
| Operating Expenses                                    | 78.0           | 70.8           | 10%           | 78.5           | 71.0           | 11%           |
| Profit Before Tax                                     | 25.4           | 24.7           | 2.8%          | 19.5           | 20.3           | -4%           |
| Profit After Tax                                      | 24.7           | 24.4           | 1.2%          | 18.7           | 19.9           | -6%           |
| <b>Ratios</b>   |                |                |               |                |                |               |
| Net Interest Margin                                   | 4.7%           | 6.2%           | -24%          | 4.7%           | 5.8%           | -1.1%         |
| Cost to Income Ratio                                  | 75.4%          | 74.1%          | -1.3%         | 75.4%          | 74.1%          | -1.3%         |
| Return on Equity                                      | 10.3%          | 11.3%          | -1.0%         | 10.0%          | 10.2%          | -0.2%         |
| Return on Assets                                      | 1.3%           | 1.6%           | -0.3%         | 1.2%           | 1.6%           | -0.4%         |
| Capital Adequacy                                      | 17.5%          | 17.8%          | -0.3%         | 17.5%          | 17.8%          | -0.3%         |
| Net Asset Value per share                             | N8.47          | N7.91          | 7%            | N9.05          | N8.64          | 5%            |
| Earnings Per Share                                    | 84k            | 84k            | -             | 63k            | 68k            | -7%           |

For the detailed Profit and Loss Account, Balance Sheet, Cash flow statement and notes to the accounts, please visit [www.unionbankng.com](http://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 March 22<sup>nd</sup>, 2021 at 14:00hrs Lagos, 13:00hrs London / 09:00hrs New York / 15:00hrs Johannesburg with its executive management team, to discuss the FY 2020 results and respond to questions.

To pre-register, please go to <https://www.diamondpass.net/2935416>

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

The presentation to investors and analysts will be available on Union Bank's website before the conference call

For further information, please contact [InvestorRelations@unionbankng.com](mailto: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 260 Sales and Service Centers across Nigeria and over 930 automated teller machines spread 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, SME, 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](http://www.unionbankng.com)

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