UBA
United Bank for Africa

Investor Presentation
Audited 2018FY Results

Africa's Global Bank

Disclaimer and Note of Caution

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- IMPORTANT: From time to time, the Bank makes written and/or oral forward-looking statements. These are included in this presentation and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. Forward looking statements include, but are not limited to, statements regarding the Bank's objectives and priorities for 2019 and beyond, strategies to achieve them, as well as the Bank's anticipated financial performance. Forward looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "may" and "could".

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United Bank for Africa

Section 1

Introduction to UBA

UBA Profile at a Glance

UBA
United Bank for Africa

A truly Pan-African Bank, with operations across 20 key African markets, London, New York and Paris

Over 20,000 direct and support staff at Group Level

3rd

Third largest bank in Nigeria, with an estimated *c.*10% market share

Serving over **15** million customers, through one of the most diverse channels in Africa;

1,000 branches and customer touch points | *2,550 ATMs* | *16,216 PoS*

Robust online and mobile banking platforms and social media

15m

UBA

The Nigerian headquartered bank with one of the widest earnings diversification and footprint across the African continent

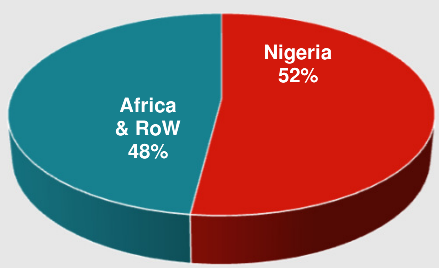
Meeting customers' global transaction needs through its presence in London, New York and Paris

Full scale exposure to key sectors of the African economy; consumer, commodities and infrastructure

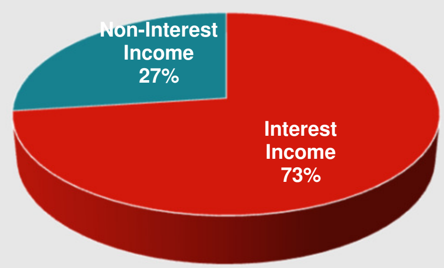
Moderate risk appetite, with a good balance between profitability and sustainability

- Enhanced risk management and control framework, with clear definition of risk appetite
- Well diversified loan book: 6.4% NPL, largely due to a "black swan" asset, being resolved; prudent NPL coverage of 80%
- Relatively low exposure to volatile sectors and segments of the market
- Strong governance structure and oversight

Earnings by Geography (2018FY)



Earnings by Type (2018FY)



Funding, Liquidity & Capital (2018FY

- Strong, stable CASA funding of 77%.
- Relatively low cost of funds at 4.2%.
- Headroom for lower CoF, on growing African retail penetration
- Liquid balance sheet to take advantage of emerging opportunities
- Group's BASEL II CAR strong at 24%

Asset Creation and Quality (2018FY)

- ₦4.9 trillion (USD13.6billion) balance sheet size
- Loan book focused on corporate and commercial segments and value chain
- Geographic, market and customer diversification reinforce the quality of the portfolio, with less vulnerability to macro and market volatilities

Profitability (2018FY)

- RoAE of 15%
- Notable upside to NIM (6.2%), on the back of balance sheet efficiency
- Cost-to-Income ratio of 64%
- Profitability built on sustainability and long term value creation

Source : UBA 2018FY Financial Statements

Evolution of UBA

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With a 70 year history, UBA is one of the strongest and most recognised banking brands to originate from Sub-Sahara Africa

1949
- British & French Bank Limited (“BFB”) commenced business

1961
- UBA incorporated to take over the banking business of the BFB

1970
- IPO on the NSE

1984
- Established New York branch

1997
- Standard Trust Bank (“STB”) commenced operations

1998
- GDR programme established

2004
- STB Ghana established

2005
- UBA merged with Standard Trust Bank
- Continental Trust Bank acquired
- New management team constituted

2007
- Fresh equity capital raised successfully
- UBA Capital (Europe) London opened

2008-10
- Acquired majority interest in two banks based in B/Faso and Benin
- Successfully raised ₦20bn debt capital
- Commenced operations in some African countries including Kenya, Uganda, Cameroon, Cote d’Ivoire, S/Leone and Mozambique

2011
- Commenced operations in Congo DR and Brazzaville
- Successfully raised ₦35bn debt capital

2012-13
- Won Financial Times’ Bankers’ Awards for Best Overall Bank in Africa, Best Bank in Cameroon and Best Bank in Senegal
- Successfully divested from its non-bank subsidiaries and property mgt business

2017
- Successfully raised USD500 million, 5year Senior Unsecured debut Eurobond
- Achieved Premium Board Listing on the NSE

Pre-Merger   Post-Merger

Source : https://www.ubagroup.com/group/history

Evolution of UBA - Building a Pan African Platform

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Over the last 10 years, UBA has established a pan African platform on the back of a successful Nigerian bank

1949 – 2008

12 presence countries

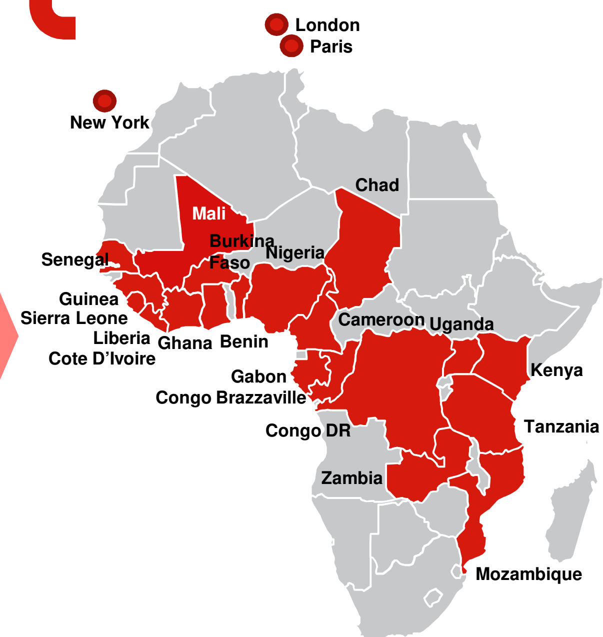
- Established
- Commenced operations in Cameroon, Cote D'Ivoire, Ghana, Liberia, Sierra Leone and Uganda
- Acquired majority interest in two banks, based in Burkina Faso and Benin
- Established New York and Paris operations and an associate in London

2009 – 2011

Grown to 22 presence countries

- Commenced operations in Chad, Congo Brazzaville, Congo DR, Gabon, Guinea, Kenya, Senegal, Tanzania, Uganda and Zambia.

2012 – 2018



Consolidating in 23 presence countries

- London business got the authorization of PRA and FCA to operate as a wholesale bank
- Licensed to operate in Mali
- Won Financial Times 'Banker' Awards for: Best Overall Bank in Africa, Best Bank in Cameroon and Best Bank in Senegal

A Leading Full Service Pan-African Business

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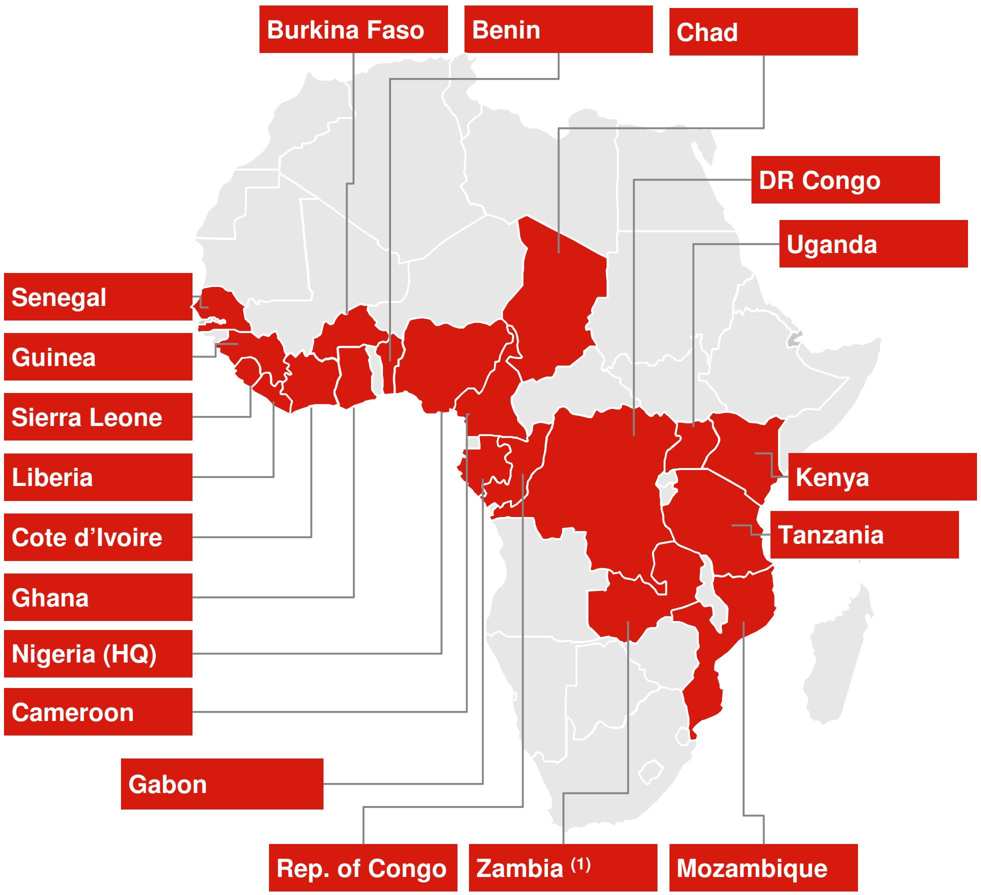
UBA has successfully established its African franchise and now has growing operations in 20 African countries



UBA is also present in the UK, USA and France

Headline[2] *(Audited 2018H1 numbers)*	UBA's % Interest	Market Share	Total Assets	Total Deposits
UBA Nigeria	100%	Top Tier	₦3,652bn	₦2,510bn
UBA Ghana Limited	91%	Top Tier	₦229bn	₦172bn
UBA Cameroun SA	100%	Top Tier	₦178bn	₦147bn
UBA Cote D'Ivoire	100%	Mid-sized	₦198bn	₦181bn
UBA Liberia Limited	100%	Top Tier	₦36bn	₦29bn
UBA Uganda Limited	74%	Niche	₦24bn	₦20bn
UBA Burkina Faso	64%	Top Tier	₦208bn	₦189bn
UBA Chad SA	89%	Top Tier	₦42bn	₦31bn
UBA Senegal SA	86%	Top Tier	₦188bn	₦165bn
UBA Benin	76%	Top Tier	₦123bn	₦108bn
UBA Kenya Bank Limited	81%	Niche	₦54bn	₦28bn
UBA Tanzania Limited	80%	Niche	₦17bn	₦14bn
UBA Gabon	100%	Mid-sized	₦53bn	₦38bn
UBA Guinea (SA)	100%	Top Tier	₦46bn	₦39bn
UBA Sierra Leone Limited	100%	Top Tier	₦22bn	₦16bn
UBA Mozambique (SA)	85%	Niche	₦20bn	₦11bn
UBA Congo DRC (SA)	100%	Mid-sized	₦28bn	₦13bn
UBA Congo Brazzaville (SA)	100%	Top Tier	₦69bn	₦45bn
UBA Zambia Limited (1)	49%	Niche	₦29bn	₦21bn

Major Non-banking Subsidiaries/ operation

- **UBA Pension Custodian Limited**, commenced operations in Nigeria on 3 May 2006 and principally operates as a custodian of pension assets
- **UBA UK Limited**, incorporated on 25 September 1995, a wholesale bank regulated by the PRA and FCA
- **UBA Global Investor Service**, custody business that serves as custodian to foreign investors/HNIs and local unit trust funds

Notes: (1) The Group provides banking services in Zambia through an associate company UBA Zambia Limited (2) UBA's interest, Total Assets and Total Deposits are as at December 31, 2018

UBA's Credit Ratings

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All rating agencies have "Stable Outlook" on UBA Plc

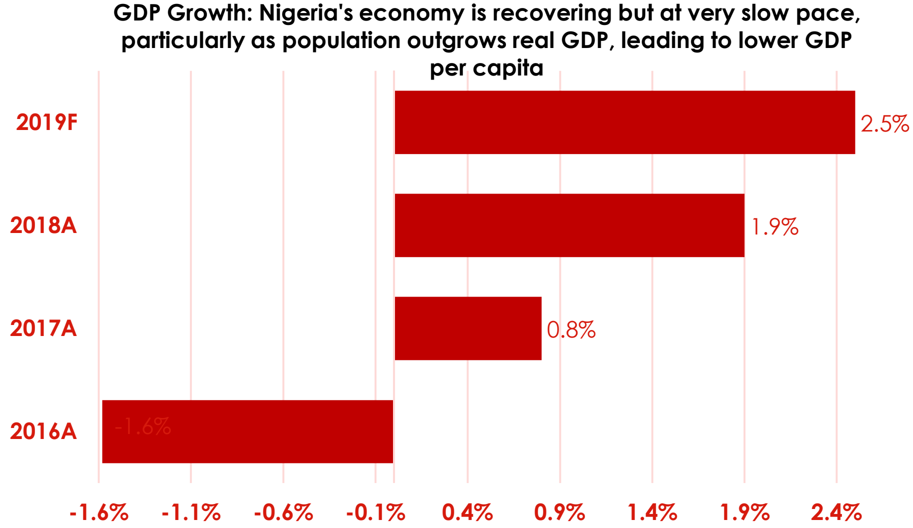
Fitch	GCR	Agusto & Co	S & P
National •Short term F1+ (nga) •Long term AA- (nga) Foreign Currency •Long Term B+	National • Short-term A1+ (NG) • Long term AA - NG) • International B+	National • Long term Aa- • Short term Aa-	National Scale • ngA/ngA-1 International • Short term B • Long term B

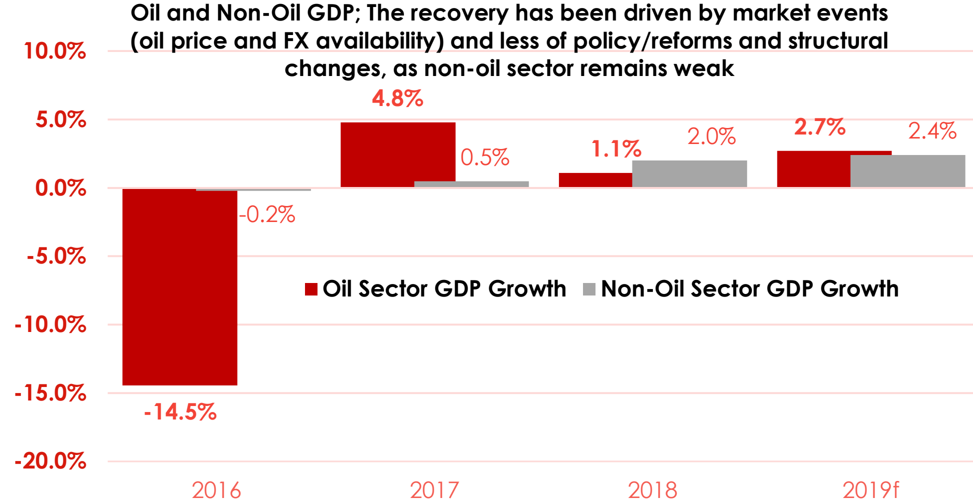
Note: S&P and Fitch assigned Credit Rating of "B" and "B+" on the Nigerian Sovereign, thus the ratings of UBA from S&P and Fitch ranks at par with the Nigerian Sovereign rating and these are the highest ratings for any Nigerian corporate, as the Sovereign rating underpins the ratings of corporates operating in the country.

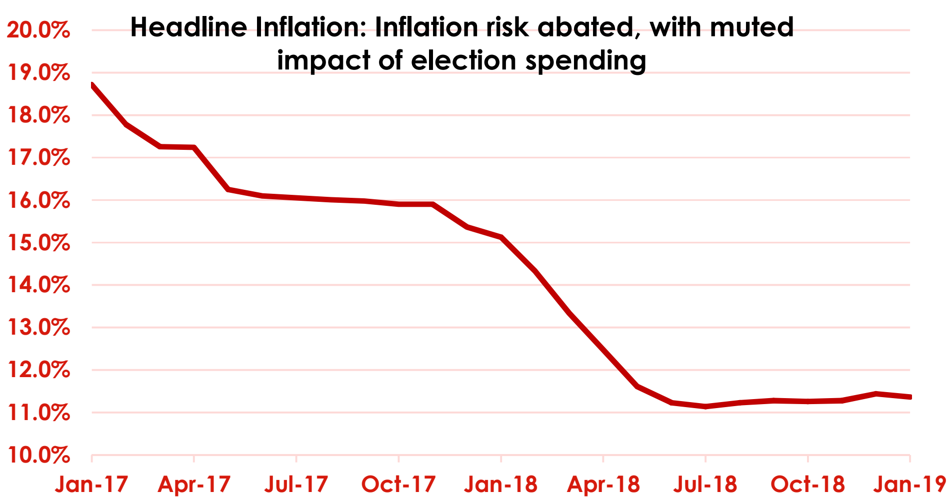
Section 2

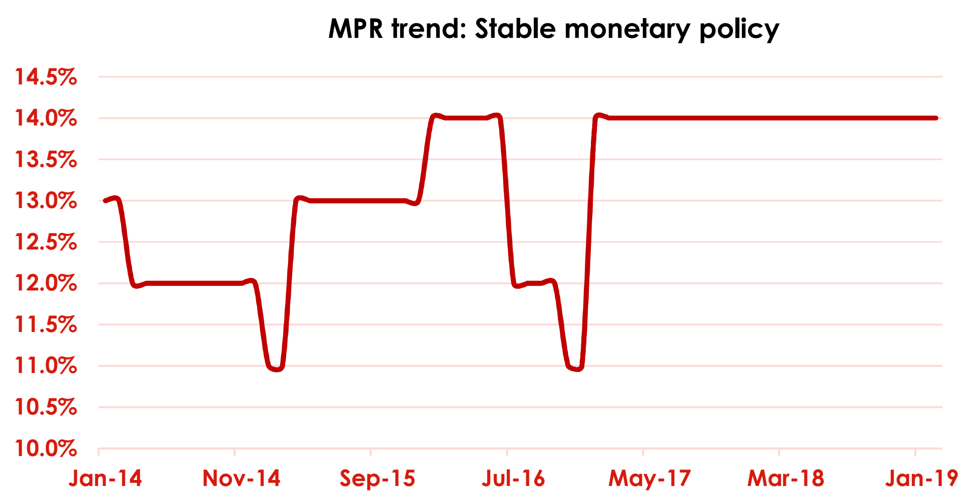
Operating Environment

Nigerian macros gaining strength









Source: Central Bank of Nigeria, National Bureau of Statistics, Bloomberg

Nigeria's Interest rate policy remains stable, as Naira stabilizes and inflation moderates

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Monetary Policy – Interest Rate	The MPC maintained policy rate at 14% through 2018 and at its first meeting in January 2019, as it remains cautious on potential impact of fiscal spending and exchange rate pressure. The CBN has adopted liquidity management approach, using the Open Market Operations and FX forward sales to mop-up excess liquidity. Depending on the priorities of the monetary policy authority (going forward) and oil price dynamics, the MPC may have scope for monetary policy accommodation in the second half of the year, as inflation and exchange rate pressures moderate. Though, CBN may seek to keep sovereign yield curve at attractive level to sustain foreign portfolio inflows, even so, monetary policies in the developed markets, with positive rub-off on foreign portfolio flows to Nigeria and broader Africa.
Exchange rate development	The Naira has been relatively stable, hovering around ₦361/USD at the Investor and Exporters (I&E) Window. External reserve remains strong at USD43.8billion, though a weakness of USD4bn from the peak of USD47.8bn in June 2018. Parallel market rate and the NAFEX Fixing have converged and the CBN will sustain its increased USD supply to keep NGN/USD rate under control across all market segments. The external reserve may gain traction in the months ahead, given strong oil price and rising FPI inflows. The discontinuation of NiFEX Fixing is a positive step towards rate convergence in the Nigerian FX market, particularly as effective price of CBN forward sales is also gradually converging to NAFEX Fixing.
Inflation rate and Economic Growth	Having peaked at 18.7% in January 2017, headline inflation eased to 11.4%. The imminent increase in minimum wage and potential for deregulation of downstream oil & gas sector remain risk factors that may lead to inflationary pressures in 2019. We expect the non-oil sector to recover slightly to 2.4% growth in 2019, as aggregate demand gradually recovers. Given expected production from Egina field, oil output should hover 2mbpd and price should average our USD55pb expectation, thus reinforcing our outlook of 2.7% growth in oil sector. We expect GDP growth to print at 2.5% in 2019, slightly higher than 1.9% growth recorded in 2018. Election risk weakened credit appetite and broader economic activity in 2018 but we expect stronger momentum in macros and credit creation in 2019, particularly in H2, when better clarity on fiscal and monetary policies should stimulate economic growth

Source: Central Bank of Nigeria, NBS, UBA

Section 3

Financial Overview

Audited 2018 Full Year Results Snapshot

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		31-Dec-18	31-Dec-17	% Change
COMPREHENSIVE INCOME & PROFIT TREND (N'million)	Gross Earnings	**494,045**	461,557	+7.0%
	Net Interest Income	**205,646**	207,632	-1.0%
	Net Operating Income	**303,689**	293,670	+3.4%
	Operating Expenses	**(197,342)**	(189,652)	+4.1%
	Profit Before Tax	**106,766**	104,222	+2.4%
	Profit After Tax	**78,607**	77,548	+1.4%
EFFICIENCY AND RETURN	Cost-to-Income Ratio	**64.0%**	57.8%	+620bps
	Post-Tax Return on Average Equity	**15.3%**	16.1%	-80bps
	Post-Tax Return on Average Assets	**1.8%**	2.1%	-30bps
		31-Dec-18	**31-Dec-17**	**% Change**
FINANCIAL POSITION TREND (N'million)	Total Assets	**4,869,738**	4,069,474	+19.7%
	Customer Deposits	**3,349,120**	2,733,348	+22.5%
	Net Loans to Customers	**1,715,285**	1,650,891	+3.9%
	Total Equity	**502,608**	527,779	-4.8%
BUSINESS CAPACITY AND ASSET QUALITY RATIOS	Total Loan-to-Deposit Ratio	**51%**	61%	-1000bps
	Capital Adequacy Ratio (BASEL II) Group	**24%**	22%	+200bps
	Non-Performing Loan Ratio	**6.5%**	6.7%	-27bps

Source: UBA 2018FY Audited Financials

Earnings Have Proven Strong and Resilient

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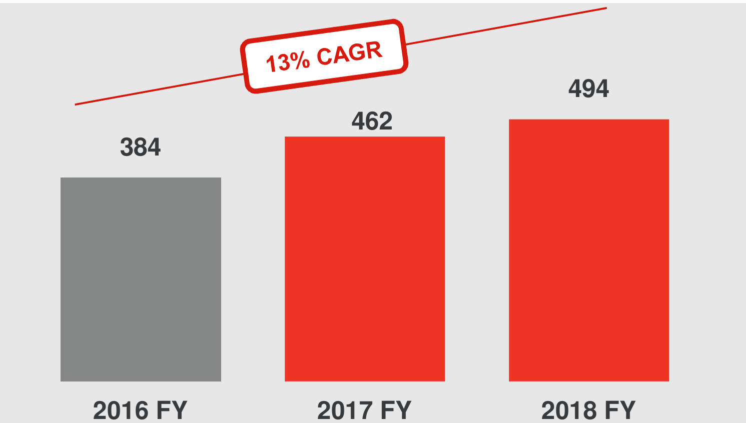
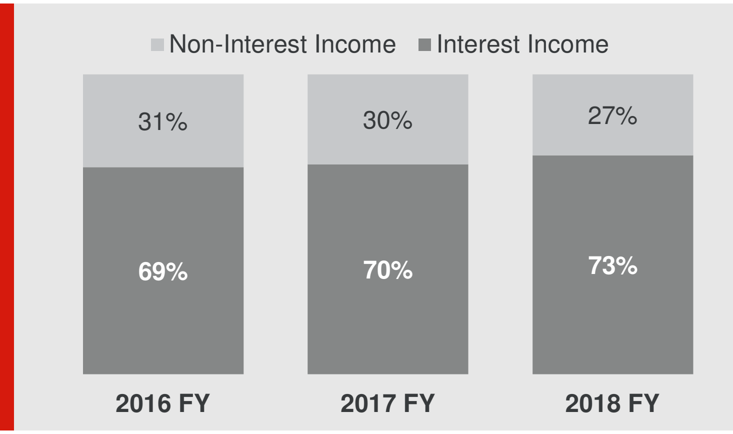
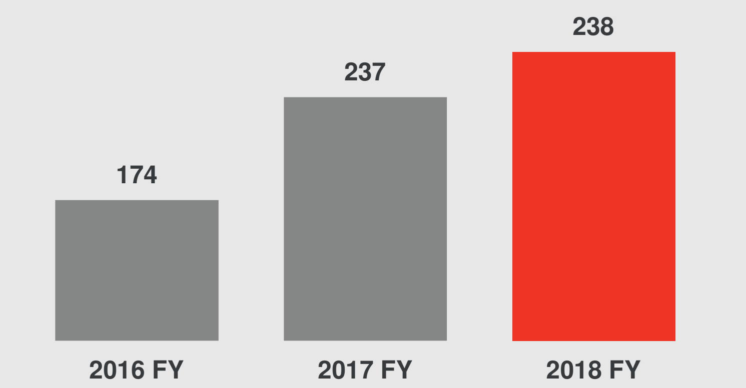
Gross Earnings Trend (₦'billion)



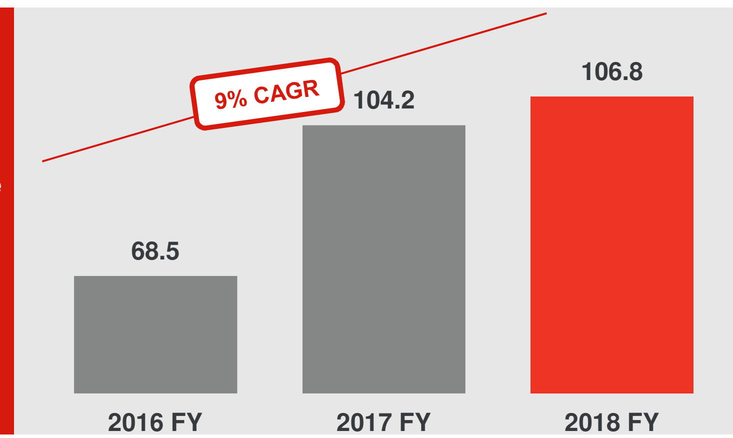
Breakdown of Gross Earnings



Net Operating Income (₦'billion)

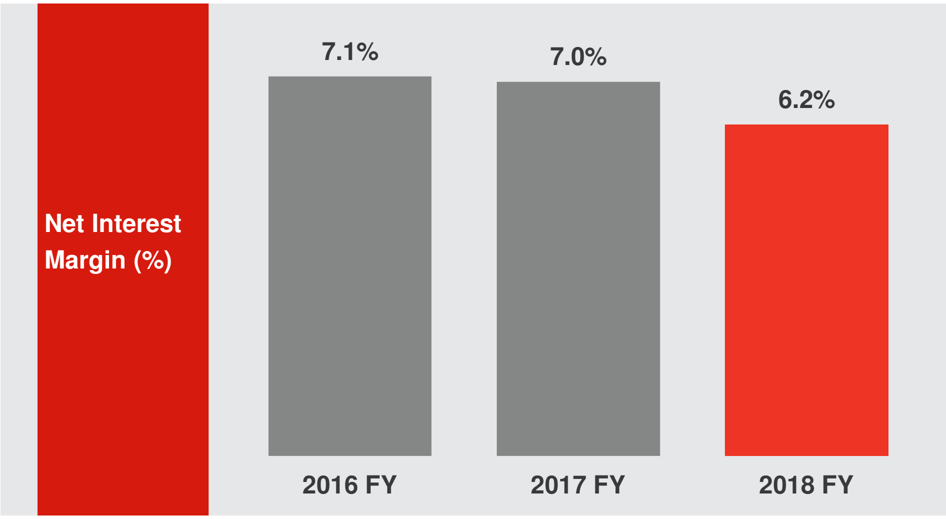


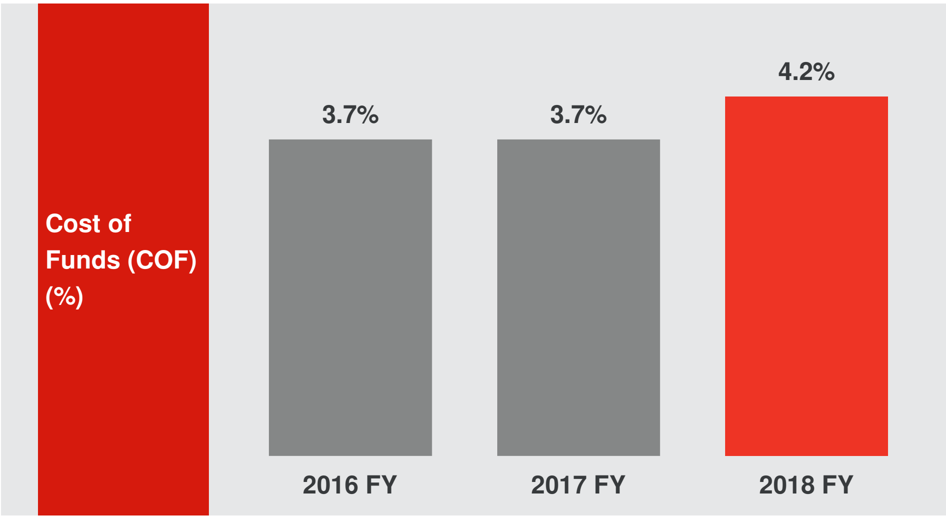
Profit Before Tax (₦'billion)

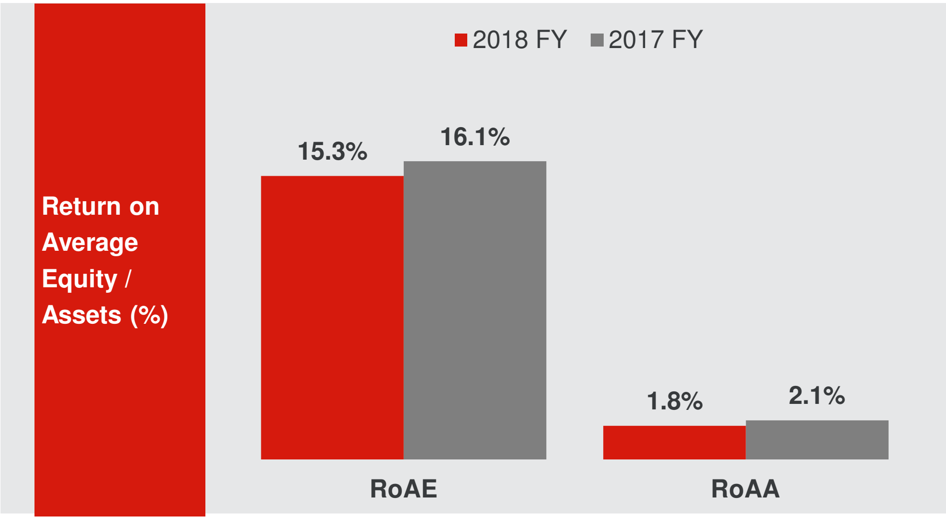


- Gross earnings grew by 7% year-on-year, despite regulation and market conditions undermined the non-interest income line.
- Interest income, which contributed 73% of gross earnings, grew 11%, driven by strong interest income on treasuries, reflecting the low-risk appetite and treasury-led strategy adopted during the year.
- The lower non-interest income was occasioned by market condition and regulatory impact on FX trading income. Albeit, growing volume on FX trading is compensating for lower margin on this business, thus reinforcing our positive growth expectation on this income line in 2019.
- Strong double digit growth in annuity-based trade services, remittances and transactional banking fees reflect enhance offerings and improved customer service.

Efficiency Gains To Drive Margin Improvements





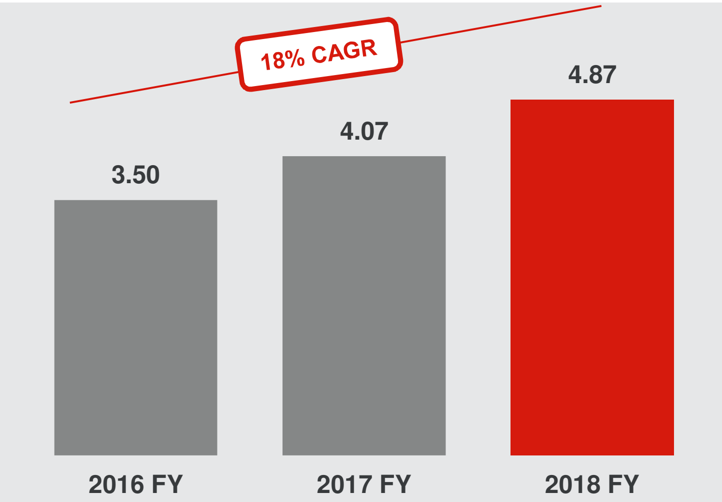


- The tight system liquidity and elevated treasury yield curve impacted funding cost in the year, resulting in 50bps rise in cost of funds to 4.2%. However, the low risk appetite undermined loan re-pricing, hence asset yield remained relatively flat in the period, as we our priority for portfolio quality limited re-pricing.
- Consequently, net interest margin was pressured by 80bps, closing the year at 6.2%. Nonetheless, the improving CASA ratio, easing liquidity environment and new balance management initiative should improve NIM in 2019.
- Reflecting the impact of higher cost of funds and statutory cost growth, we closed the year with 15% return on average equity (RoAE) and 1.8% return on average assets (RoAA), which are regrettably below our target of 18% and 2.1% respectively.

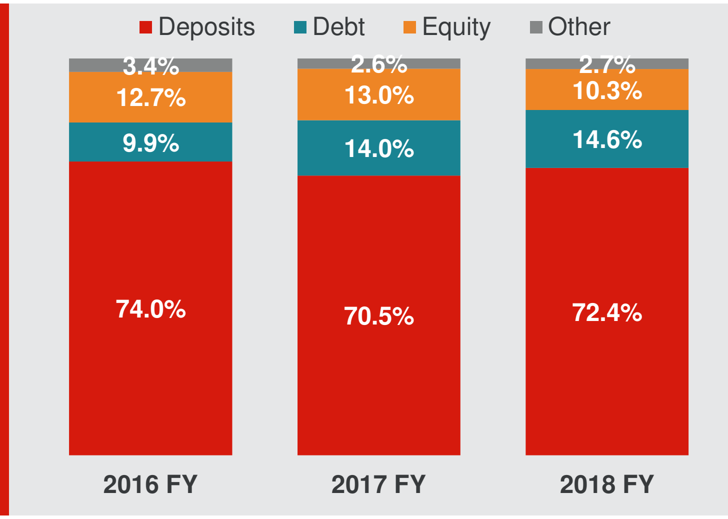
Source: UBA 2018FY Audited Financials

Well Diversified Asset Book Supported By Stable Funding Structure

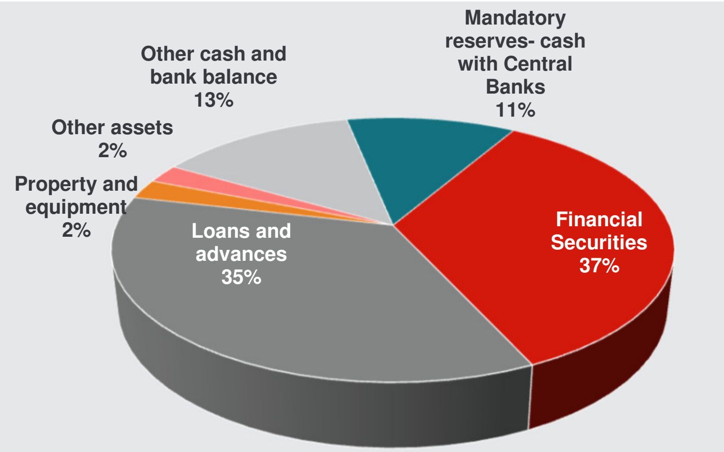
Total Assets (₦'trillion)



Funding Structure



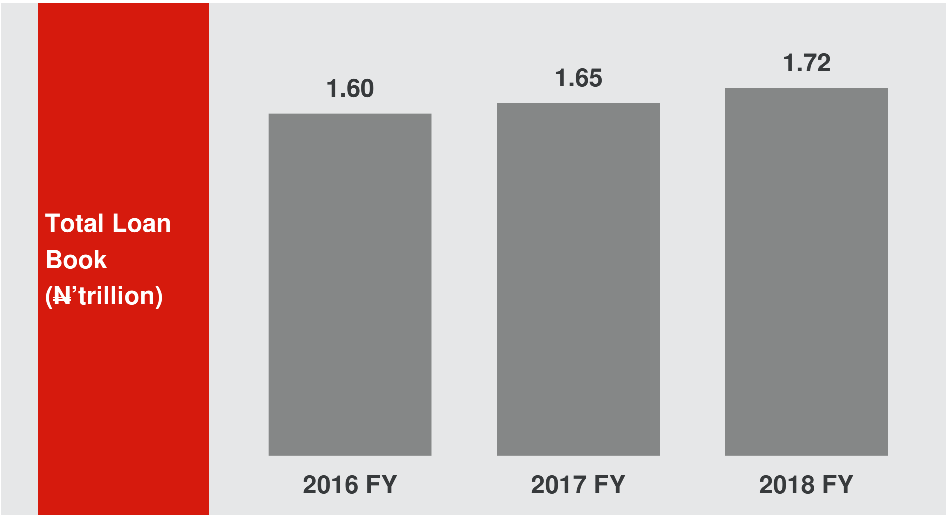
Composition of Total Asset Portfolio (2018FY)

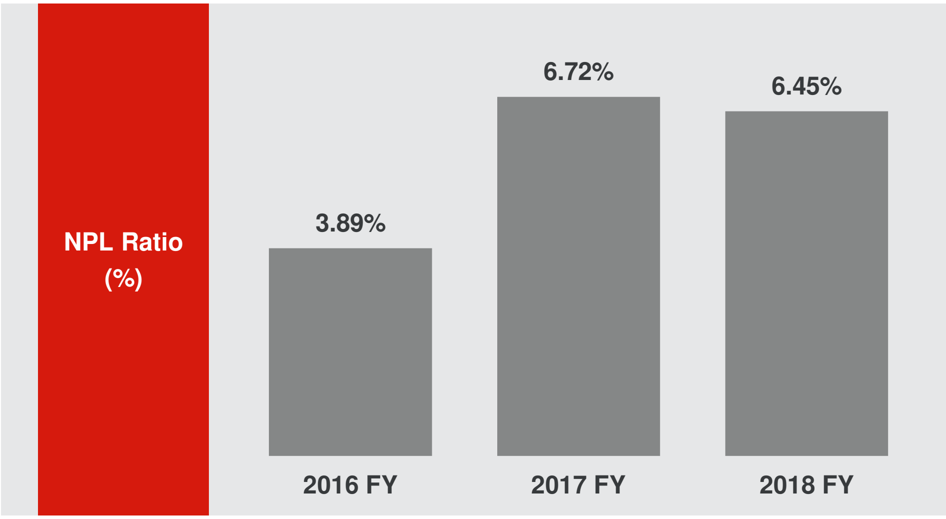


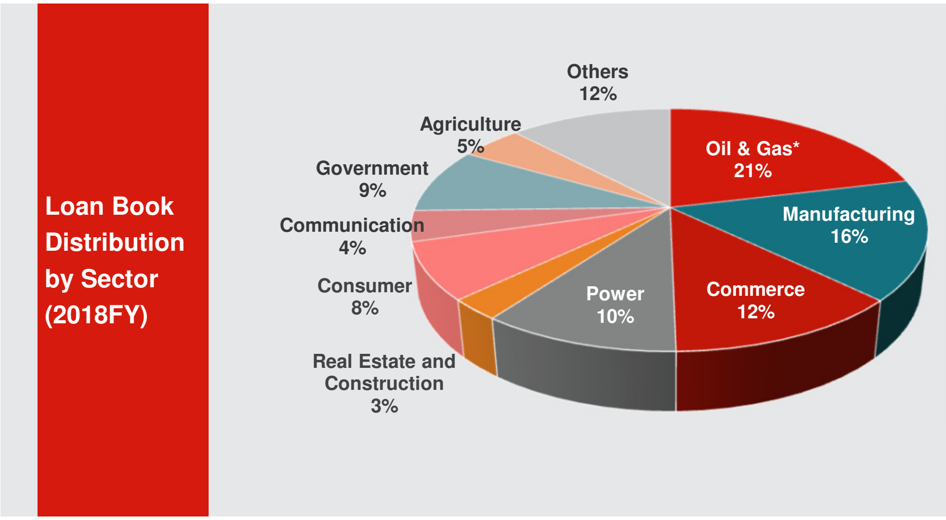
- In spite of slow recovery in economic activities in Nigeria (our single largest market), the Group's total assets has grown 19.7%, driven largely by a strong deposit growth of 23%, as the drive for retail deposits continue to yield desired results. Leveraging on enhanced customer service, the Group grew retail deposits by 48%, thus strengthening the funding base and providing the foundation for lower cost of funds in 2019.
- Notably, the growth in balance sheet also partly reflects the impact of exchange rate difference between the reporting dates (2017: ₦331/USD vs. 2018: ₦359/USD), as 37% of loans and 27% of overall balance sheet is FCY-denominated.
- The Group maintained its appetite for a well-diversified balance sheet, with over 60% in liquid, low risk instruments.

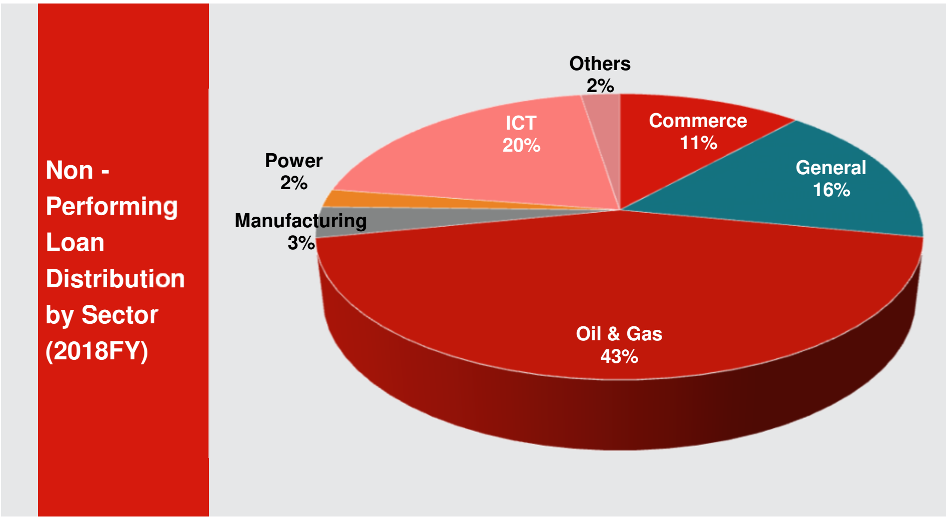
Source: UBA 2018FY Audited Financials

Stable and Well Diversified Loan Portfolio…









Source: UBA 2018FY Audited Financials

...Supported by Solid Capital and Liquidity...

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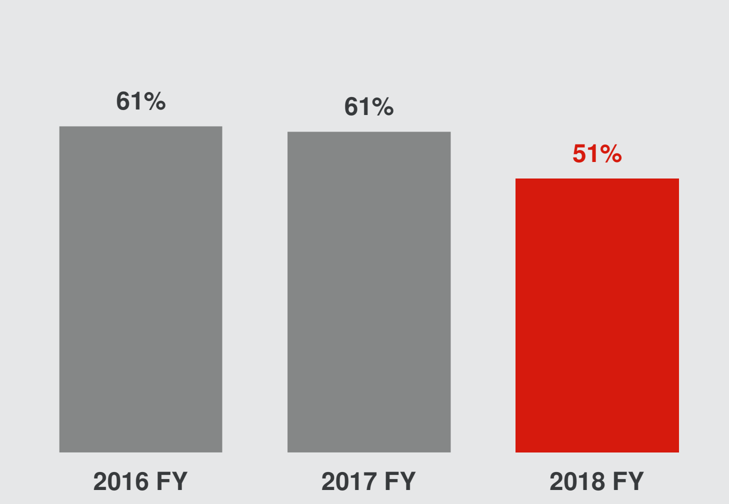
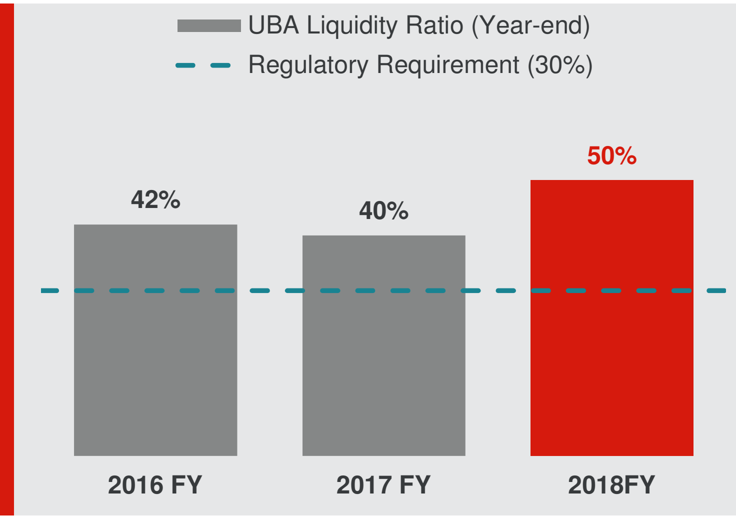
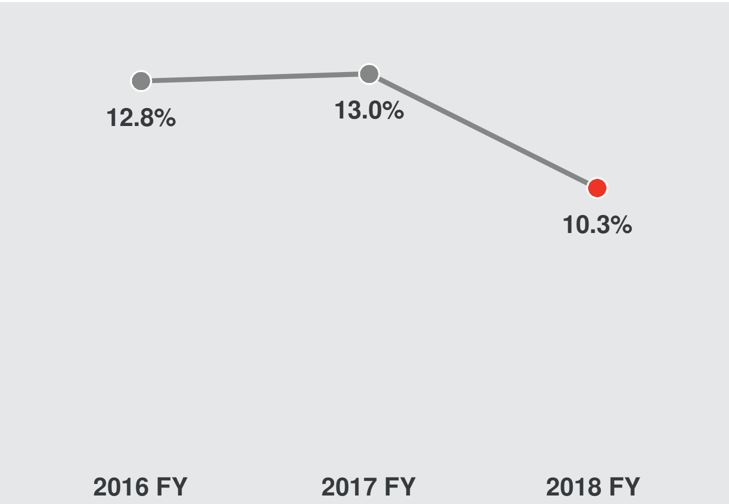
Loan-to-Deposit Ratio (%)



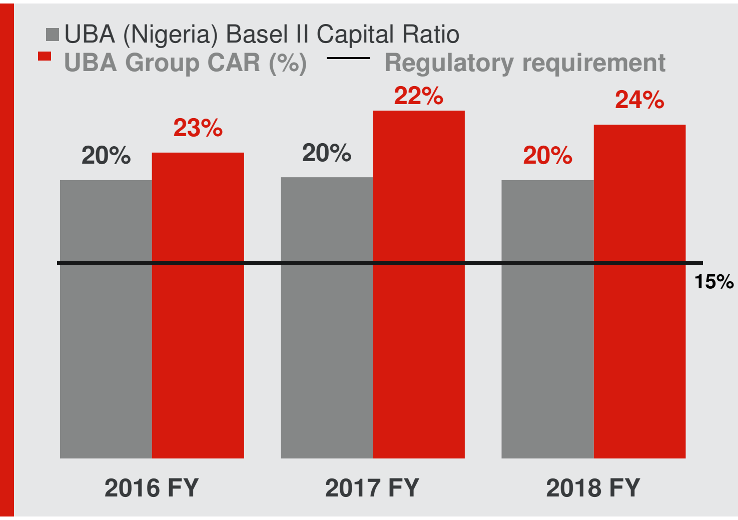
Average Liquidity Ratio (%)



Equity-to-Total Assets Ratio (%)



Capital Adequacy Ratio (%)



Source: UBA Audited 2018FY Financials

...Plus an Intense Focus on Asset Quality and Cost Efficiency

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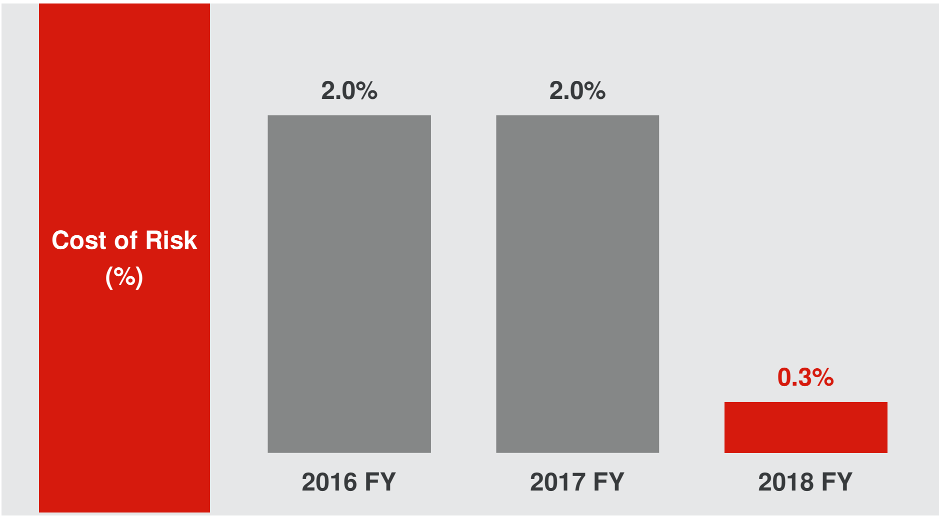

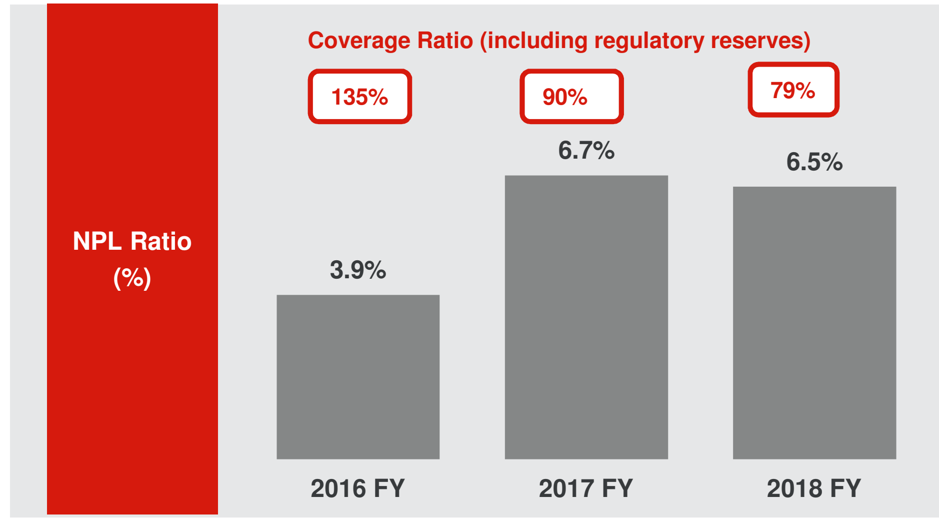

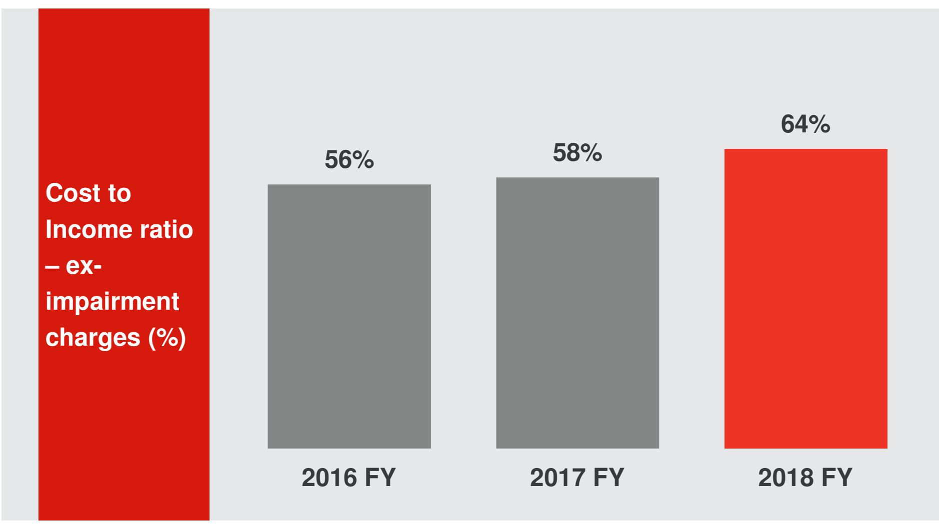

- Improving asset quality; 25bps YoY moderation in NPL ratio despite the impact of exchange rate difference between the reporting dates. The single largest NPL (9mobile) has been resolved but still in the Stage 3 bucket due to the need to observe the waiting period of 90days under IFRS 9 before migrating it to Stage 2 bucket. Isolating this facility, NPL ratio would have been 5.2%.
- Cost of risk eased to 30bps, having taken N48billion additional impairment charge on IFRS 9 transition (effected through retained earnings/owner's equity). Nonetheless, we expect cost of risk to normalize to less than 1% from 2019 onward.
- OPEX growth largely driven by statutory cost (AMCON charge) rose 21% due to balance sheet growth and inclusion of off-balance sheet, albeit, we remain committed to a medium term CIR of 50%.

Source: UBA Audited 2018FY Financials

Section 4

Outlook and Key Takeaways

2019FY Guidance

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1	Net Interest Margin	≈ 6.5%
2	Cost-to-Income Ratio (ex-impairment)	<60%
3	Cost of Risk	≈ 1%
4	NPL Ratio	≈ 5%
5	Loan Growth	12%
6	Deposit Growth	18%
7	Return on Average Assets	≈2.2%
8	Return on Average Equity	≈18%

Key Takeaways

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- A unique pan-African franchise – diversified risk and earnings across fast growing African economies.
- Sound governance, risk management and compliance culture – adherence to international best practice.
- A robust digital banking platform – leveraging technology to serve over 15 million customers in a cost efficient approach that helps to deepen African banking penetration.
- Strong financial capacity – high capitalization (BASEL II capital ratio well above requirement) and strong liquidity.
- Connecting Africa and the world through our presence in key African markets and major global financial centres – New York, London and Paris

Appendix

Summary Financials ::: Audited Results

UBA United Bank for Africa

Statements of Financial Position

	As at		
	31 December 2018	31 December 2017	31 December 2016
ASSETS	*(₦ millions)*	*(₦ millions)*	*(₦ millions)*
Cash and bank balances	1,220,596	898,083	760,930
Financial assets held for trading	19,439	31,898	52,295
Derivative assets	34,784	8,227	10,642
Loans and advances to banks	15,797	20,640	22,765
Loans and advances to customers	1,715,285	1,650,891	1,505,319
Investment securities	1,637,132	1,216,053	970,392
Other assets	63,012	86,729	37,849
Investment in equity-accounted investee	4,610	2,860	2,925
Property and equipment	115,973	107,636	93,932
Intangible assets	18,168	16,891	14,361
Deferred tax assets	24,942	29,566	33,060
Total assets	**4,869,738**	**4,069,474**	**3,504,470**
LIABILITIES			
Derivative liabilities	99	123	14
Deposits from banks	174,836	134,289	109,080
Deposits from customers	3,349,120	2,733,348	2,485,610
Other liabilities	120,764	98,277	111,209
Current tax liabilities	8,892	7,668	5,134
Borrowings	683,532	502,209	259,927
Subordinated liabilities	29,859	65,741	85,978
Deferred tax liabilities	28	40	62
Total liabilities	**4,367,130**	**3,541,695**	**3,057,401**
EQUITY			
Ordinary share capital	17,100	17,100	18,140
Share premium	98,715	98,715	117,374
Retained earnings	168,073	152,872	138,010
Other reserves	199,581	240,861	160,714
Equity attributable to owners of the parent	483,469	509,548	434,238
Non-controlling interests	19,139	18,231	13,218
Total equity	**502,608**	**527,779**	**447,456**
Total liabilities and equity	**4,869,738**	**4,069,474**	**3,504,470**

Source: UBA Audited Financials

Summary Financials ::: Audited Results

United Bank for Africa

Statements of Comprehensive Income

	For the year ended 31 December			
	2018	2017	2016	2015
			(₦ millions)	
Interest income	362,922	325,657	263,970	229,629
Interest expense	(157,276)	(118,025)	(98,770)	(96,030)
Net interest income	**205,646**	**207,632**	**165,200**	**133,599**
Fee and commission income	93,997	82,937	73,199	61,892
Fee and commission expense	(28,551)	(16,967)	(13,988)	(8,557)
Net fee and commission income	**65,446**	**65,970**	**59,211**	**53,335**
Net trading and foreign exchange income	31,675	49,063	43,820	20,366
Other operating income	5,451	3,900	2,658	2,957
Total non-interest income	**102,572**	**118,933**	**105,689**	**76,658**
Operating income	**308,218**	**326,565**	**270,889**	**210,257**
Net impairment loss on loans and receivables	(4,529)	(32,895)	(27,683)	(5,053)
Net operating income after impairment on loans and receivables	**303,689**	**293,670**	**243,206**	**205,204**
Employee benefit expense	(71,158)	(68,972)	(64,614)	(57,446)
Depreciation and amortization	(11,801)	(10,091)	(8,650)	(7,968)
Other operating expenses	(114,383)	(110,589)	(79,237)	(71,216)
Total operating expenses	**(197,342)**	**(189,652)**	**(152,501)**	**(136,640)**
Share of profit/ (loss) of equity-accounted investee	419	204	(63)	(110)
Profit before income tax	**106,766**	**104,222**	**90,642**	**68,454**
Income tax expense	(28,159)	(26,674)	(18,378)	(8,800)
PROFIT FOR THE PERIOD OR YEAR	78,607	**77,548**	**72,264**	**59,654**
Other comprehensive income:				
Foreign currency translation differences	(21,264)	12,151	38,960	(1,937)
Fair value reserve (available-for-sale financial assets):				
Net change in fair value	(14,498)	15,701	28,114	7,310
Net amount transferred to profit or loss	(777)	(83)	(1,188)	795
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD OR YEAR	**45,334**	**105,317**	**138,150**	**65,822**
Comprehensive income attributable to equity holders of the Bank	44,426	98,930	130,783	65,108
Comprehensive income attributable to non-controlling interest	908	6,387	7,367	714

Source: UBA Audited Financials