First Half Results 2011

Investor/analyst Briefing

July 26, 2011

Outline

- Financial highlights
- Developments in the operating environment
- Analysis of the income statement
- Inherent potential in subsidiaries
- Analysis of financial position
- Summary and conclusions
- Questions

Financial highlights

N' million	30-Jun-11	30-Jun-10	% Change
Net Interest Income	**35,127**	37,801	-7.1%
Other Income	**30,340**	25,928	+17.0%
Operating Income	**65,467**	63,729	+2.7%
Operating Expenses	**(50,551)**	(51,771)	-2.4%
Profit Before Tax	**10,111**	8,636	+17.1%
Group Profit After Tax	**8,218**	4,319	+90.3%
Cost-to-Income Ratio	**77%**	81%	-4%
	30-Jun-11	**31-Dec-10**	**% Change**
Total Deposits	**1,411,952**	1,267,171	+11.4%
Gross Loans	**757,086**	674,096	+12.3%
Loan-to-Deposit Ratio	**50.7%**	49.6%	+1.1%
Capital Adequacy Ratio	**17.0%**	18.2%	-1.2%
Liquidity Ratio	**42%**	39%	+3%

Developments in the operating environment

Key Macro Indicators

Indicator	2011	FY10	Comments
GDP Growth (%) (Provisional for June 2011)	7.93	7.85	• Strong Q2-2011 growth over Q1-2010 GDP levels • Increased government spending and growth in Agriculture output • Strong crude oil prices and stable output.
Inflation (%) (June 2011)	10.2	11.8	• Decline in food inflation • Improved exchange rate of the Naira
MPR (%) (May 2011)	8.0	6.25	• Raised to 6.5% in Jan-11, 7.5% in Mar-11 and 8% in May-11 to offset the expected rise in aggregate spending and liquidity • CRR doubled to 4% and Liquidity Ratio of 30%... • ...attest to CBN's tight monetary policy stance for 2011
Exchange Rate (N/US$) (18th Jul 2011)	149.5	148.7	• Improvement arising from increase in Forex supply, and • CBN's introduction of forward FX transactions
External Reserves ($bn) (20th Jul 2011)	33.8	32.3	• Growth in oil revenues • Impact of CBN's FX management strategy gradually coming into play
Credit to Private Sector (N' trillion) Jun 2011	9.9	9.7	• Gradual growth in bank lending after the elections
Broad Money - M2 (N' trillion) Jun 2011	12.2	11.5	• Enhanced banking penetration • Availability of various bank product offerings
All Share Index (points) (22nd July 2011)	23,926	24,770	• Selling pressure continues • Foreign portfolio investments still low • "Watch and see" strategy, as banking sector reforms heat up.

FY10 indicators are as at 31st December 2010

Overview of the operating environment

- Sustained growth in Nigeria's economy with robust oil prices and increased government spending. Provisional 2Q-2011 GDP growth was 7.93%.
- Strong crude oil prices, as disturbances in the Middle East/North Africa persist. Brent Crude is recently trading at $118/barrel.
- Inflation rate has been volatile this year. June figure was 10.2%, down from 11.8% in Dec 2010.
- 525 bids received by the Bureau of Public Enterprises (BPE) for the next round in the process of privatizing Nigeria's electricity sector.
- Expansionary budget of N4.97 trillion approved for 2011.
  - 18% higher than N4.22tr proposed by the Executive.
  - N2.47tr (49.6%) for recurrent expenditure.
  - N1.56tr (31.4%) for capital expenditure.
- Lull in stock market performance continues, as investor confidence remains weak.

Developments in the banking industry

- CBN further tightened banks' capacity to lend:
  - Increased MPR to 8% in May; from 7.5% in March and 6.5% in January 2011.
  - Doubled Cash Reserve Ratio (CRR) to 4%, effective June 8 2011.
    - Liquidity squeeze causes hike in interest rates (interbank rates range between 6.25% and 10.25%)
    - Further rise in interest rates imminent as CBN threatens to withdraw guarantee on interbank placements by Sept-2011…
  - ….In addition to pronouncements that it will liquidate any rescued bank that fails to consummate its merger/acquisition talks with identified suitors.
- New operating licenses granted to 17 banks:
  - Hold co structures approved for UBA and three others.
  - Banks granted mono-line licenses to divest fully from non-bank subsidiaries by May 2012.
  - Technical agreements signed by (Access/Intercontinental; ACA/UBN; FCMB/Finbank)
- AMCON's round-two absorption of non-performing loans in progress – N500 billion set aside to acquire NPLs in the "healthy banks".
  - N1.7 trillion 3-year bond issuance completed on March 31, 2011.
  - Yields on the Bond range between 10.125 and 11.8% (vs. 12.25% yield for 3-year FGN Bond).
  - Listed on the NSE and eligible for trading.
- Periodic filings with SEC (Annual/Quarterly results, forecasts) to be accompanied by certification letters, signed by the CEO and CFO, in line with ISA 60 (2).

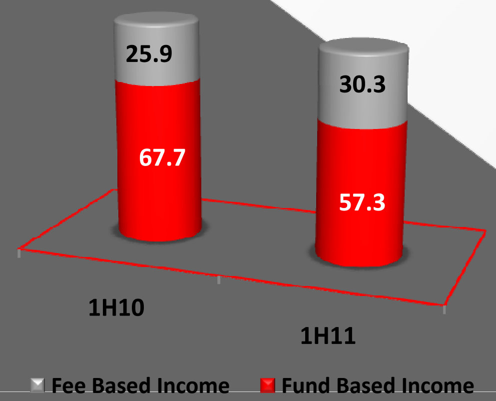
Analysis of the income statement

Condensed Group income statement

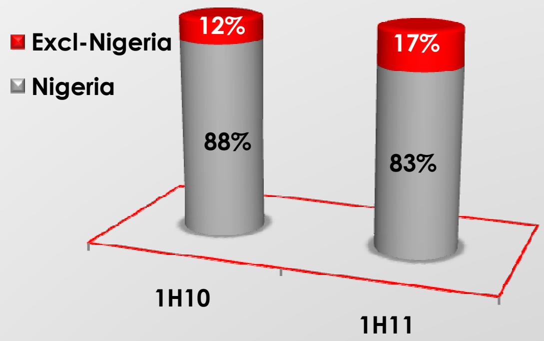
N' million	1H-2011	1H-2010	% Change
Gross earnings	**87,663**	93,656	-6.4%
Net interest income	**35,127**	37,801	-7.1%
Other income	**30,340**	25,928	+17.1%
Operating income	**65,467**	63,729	+2.7%
Operating expenses	**(50,551)**	(51,771)	-2.4%
Net diminution in assets	**(4,941)**	321	+1,639%
Exceptional items	**-**	(3,520)	-100%
Profits before tax	**10,111**	8,636	+17.1%
Group profit after tax	**8,218**	4,319	+90.3%

Revenue distribution

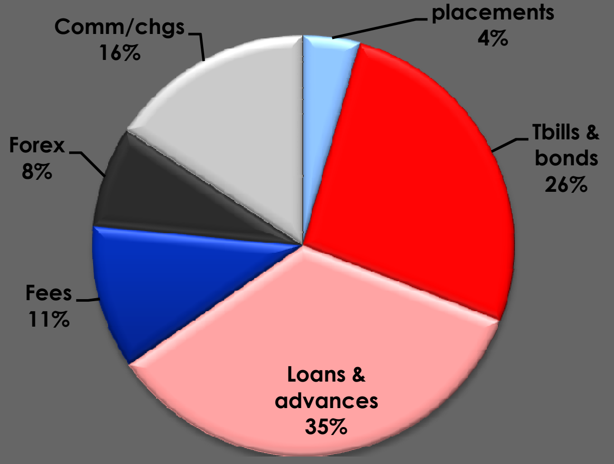
Revenue mix (N'bn), by class



Revenue mix, by geography (%)



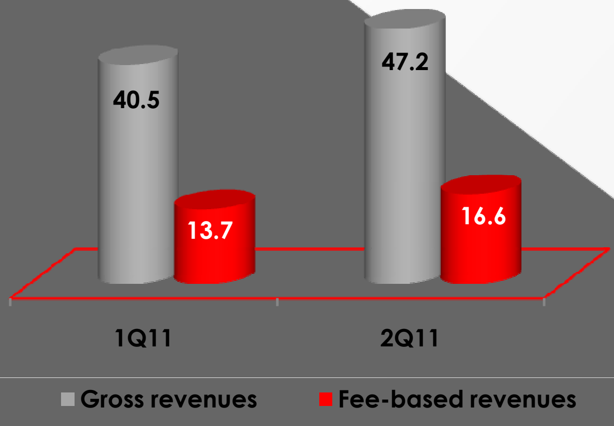
Revenue distribution, by product



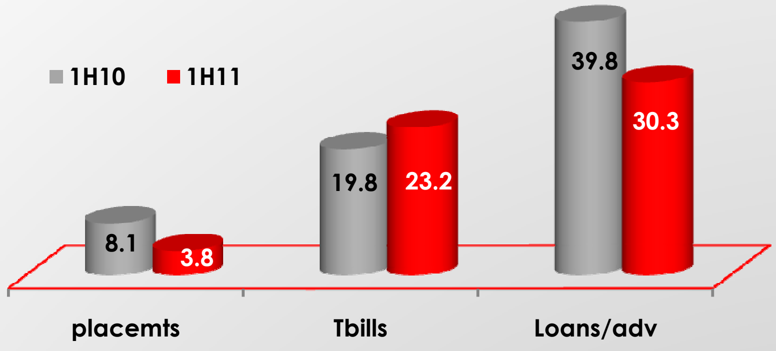
- Impact of loan growth on interest income not apparent in 1H11, as bulk of loan growth came towards the end of Q2.
  - Full reflection expected in 2H11.
- More contribution from African subsidiaries, resulting in 17% of Group revenues.
- Earnings on government securities and loans accounted for 61% of revenues.

Fee-based revenues gain momentum

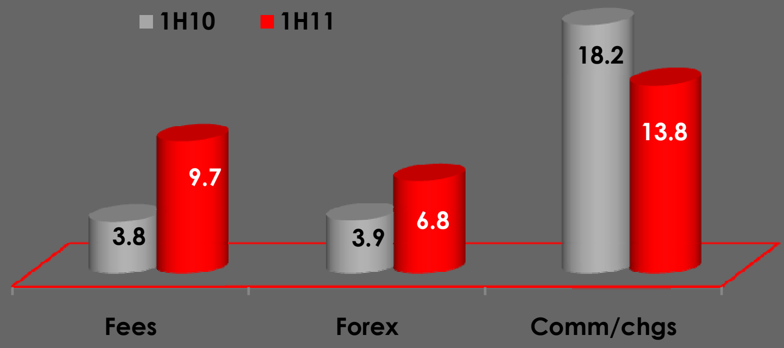
Stronger Revenues in 2Q11, (N'bn)



Fund-based revenues, by products (N'bn)



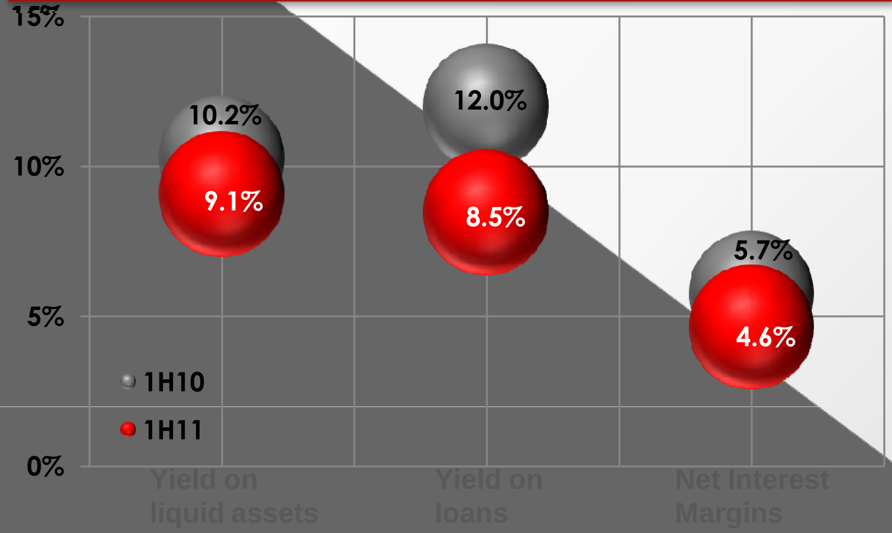
Fee-based revenues, by type (N'bn)



- Gross earnings stronger in second quarter…
- On the back of growth in non-interest incomes;
- Driven by credit fees, transaction and e-banking incomes.
- Yields came under pressure, as some loans were refinanced via the BOI window at rates lower than average market rates.

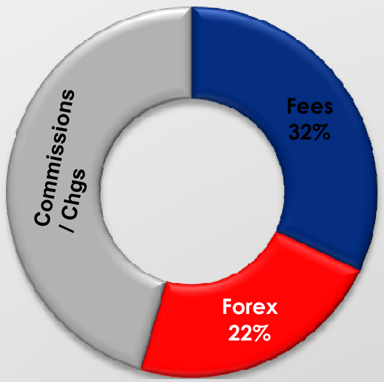
Yield and margin analyses

Yields and margins reflect fund-based incomes

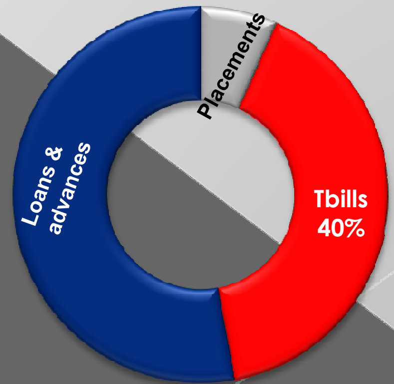


- Net interest margins slipped to 4.6% due to distortion in yield on earning assets.
- Interest incomes driven by loans, while commissions and charges induced growth in non-interest incomes.

Sources of fee-based income

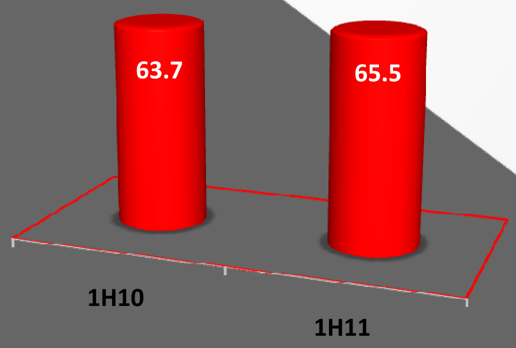


Sources of fund-based income

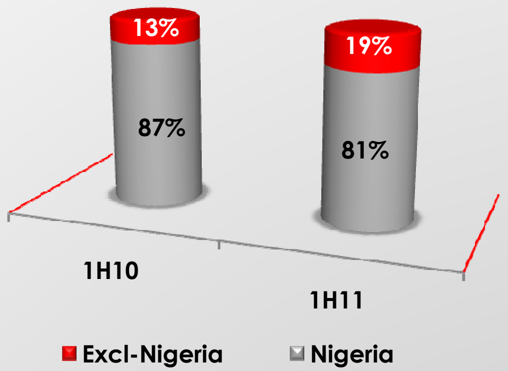


Operating income up, costs down

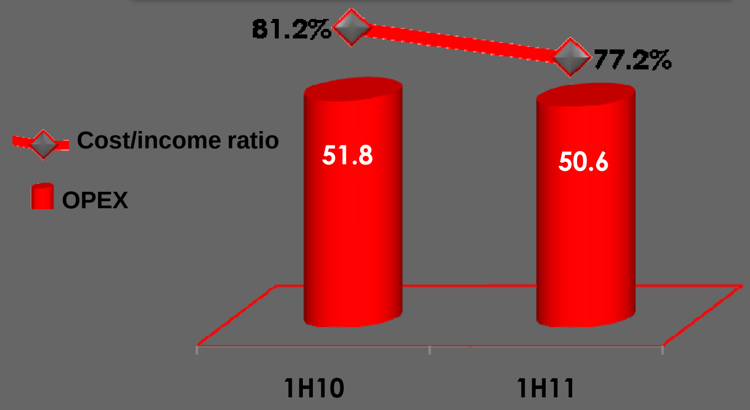
Growth in operating income (N'bn)



Geographical split of operating income



OPEX, Cost/Income ratio decline



- Banking income (operating income) expands.
  - Helped by growth in fee incomes and lower cost of funds.
- Other African countries contribute 19% (1H10: 13%) to operating income.
- Cost-to-income ratio down to 77.2%, as benefits from cost efficiency initiatives kick in.

Inherent potentials in subsidiaries

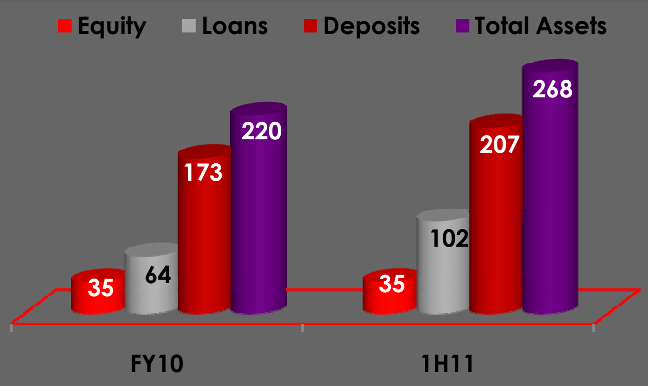
UBA Africa is upbeat!

Income statement analysis, UBA Africa

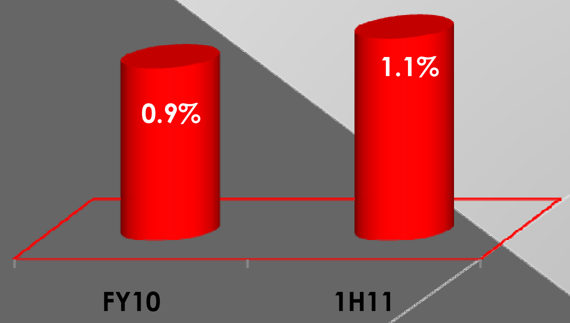
N'million	1H10	1H11	% Chg
Gross earnings	10,475	14,754	41%
Net interest income	3,476	6,019	73%
Fee-based income	4,730	6,408	35%
Operating income	8,206	13,357	63%
Operating cost	(8,651)	(10,494)	21%
Profit before tax	(467)	383	182%
Key Ratios			
Cost-to-income ratio	105.4%	78.6%	
Fee-based/revenue	45.2%	43.4%	
fund-based/revenue	54.8%	56.6%	

- Positive story for UBA's African subsidiaries so far;
  - Strong revenue growth of 41%
  - Profit reported in 1H11
- Loans, deposits, equity and assets all grew in the last six months to Jun-11
- Financial ratios are looking up: cost-to-income improves to 78.6% and pre-tax ROE higher at 1.1%.
- Stronger performance expected by FY11, as Ghana, B/Faso, Cameroon, Guinea, Benin, Kenya, S enegal, Zambia, Chad, S/Leone and Tanzania deliver month/month profits.
- The remaining seven are mostly new businesses.

Key balance sheet items grow in 6mths (N'bn)



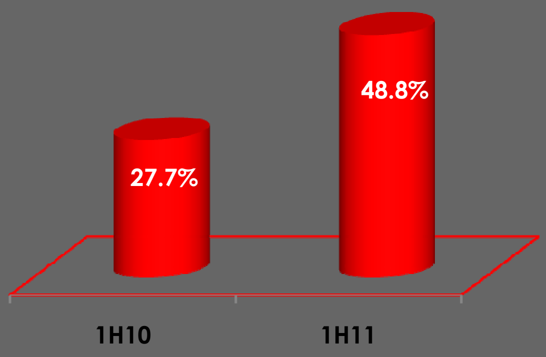
Pre-tax ROE improves



Likewise the Non-bank subsidiaries

	1H10	1H11	% Chg
Gross earnings	1,861	3,292	77%
Operating income	1,703	2,754	62%
Operating cost	(632)	(880)	39%
Profit before tax	1,255	1,873	49%
Key Ratios			
Cost-to-income ratio	37.1%	32.0%	
Equity-to-asset ratio	10.1%	14.0%	
Annualized pre-tax return on equity	27.7%	48.8%	

Robust pre-tax ROE



- Non-bank subsidiaries continue to add value to the Group
  - Solid topline performance; grew by 77% year-on-year.
  - Strong profit growth of 49%
- Delivering ample returns of equity.
  - Annualized pre-tax ROE of 48.8% in IH11 (27.7% in 1H10)

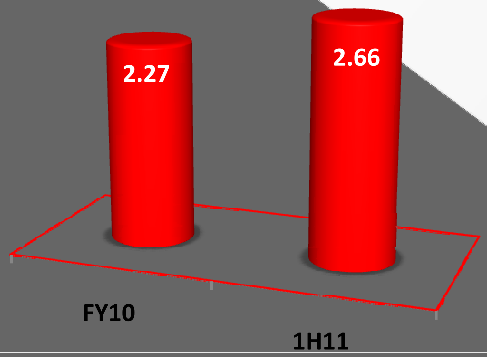
Analysis of financial position

Condensed Group balance sheet statement

N' million	1H-2011	FY-2010	% Change
Treasury bills	**243,310**	191,511	+27.0%
Due from other banks	**355,010**	302,272	+17.4%
Loans and advances	**715,844**	628,811	+13.8%
Investment securities	**397,010**	384,453	+3.3%
Other assets	**45,709**	45,449	+0.6%
Property & equipment	**61,948**	65,200	-5.0%
Total assets	**1,817,831**	1,617,696	+12.4%
Customer deposits	**1,411,952**	1,267,171	11.4%
Debt security in issue	**18,851**	18,851	-
Other liabilities	**199,953**	152,248	31.3%
Total liabilities	**1,630,756**	1,438,270	13.4%
Shareholders' funds	**187,075**	179,426	+4.3%
Liabilities plus Equity	**1,817,831**	1,617,696	+12.4%
Contingencies	**843,604**	654,360	+27.5%
Balance sheet size	**2,661,435**	2,272,056	+17.1%

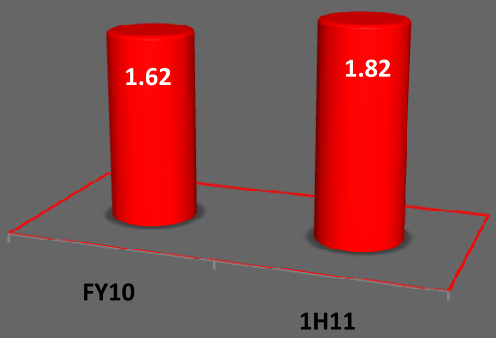
Solid balance sheet footing…

Total assets and cont. (N'tn)

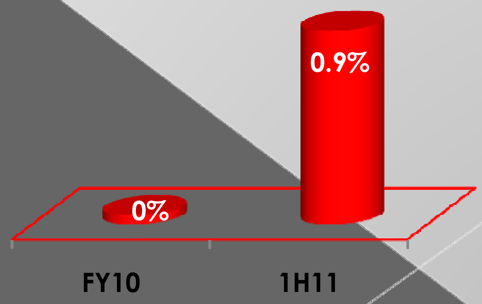


- Balance sheet size expands by 17%.
  - Driven by deposit and credit expansion.
- Return on assets recover to 0.9%, in spite of 12.4% growth in asset base.

Growing asset base… (N'tn)

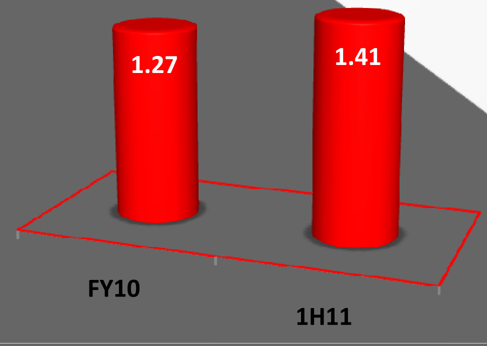


…But return on assets improve

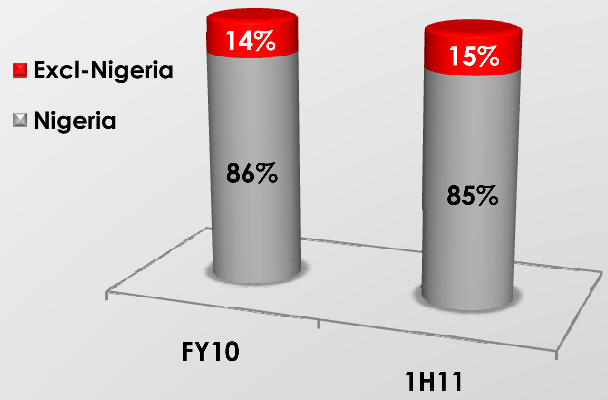


...Driven by growing deposit base...

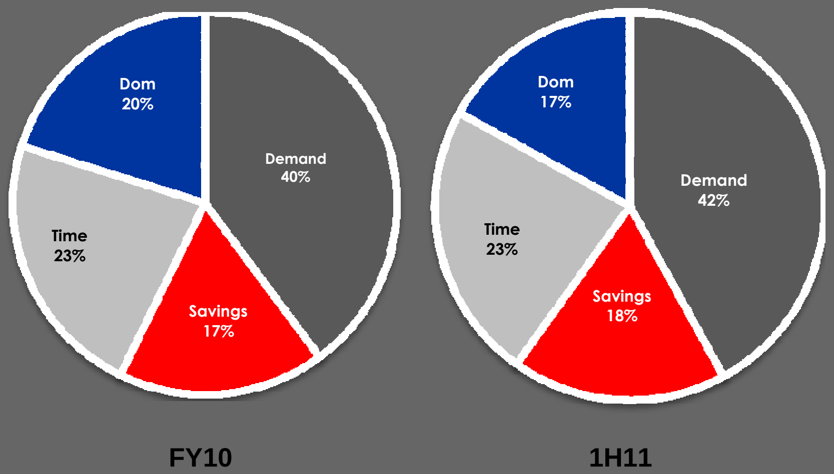
Strong deposit growth (N'bn)



Excl-Nigeria deposits also growing



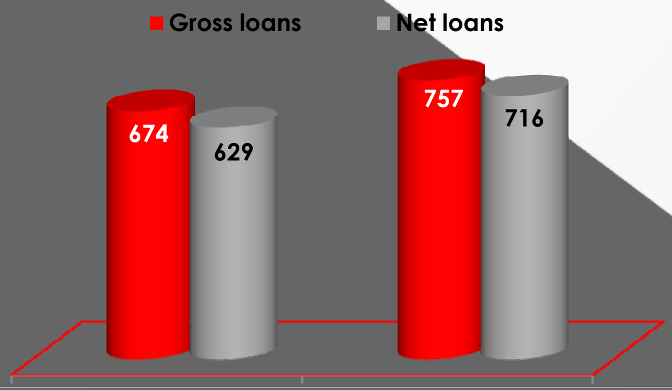
Deposit mix, by class



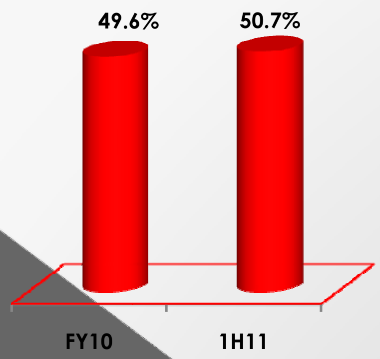
- 11.4% growth in deposits achieved.
  - Cheaper and more stable with demand and savings deposits growing during 1H11.
- More deposits came from our African bank subsidiaries.
  - 15% in 1H11 as against 14% in FY10.

...and stronger loan book

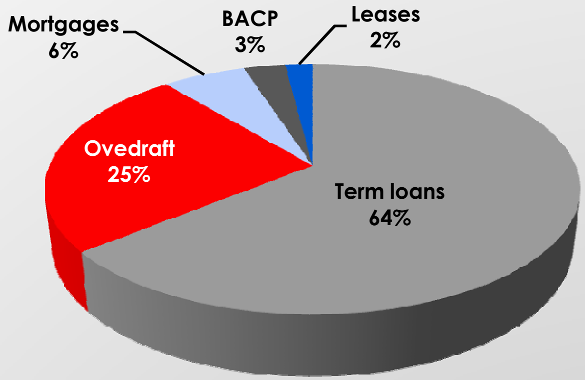
Group loan book (N'bn)



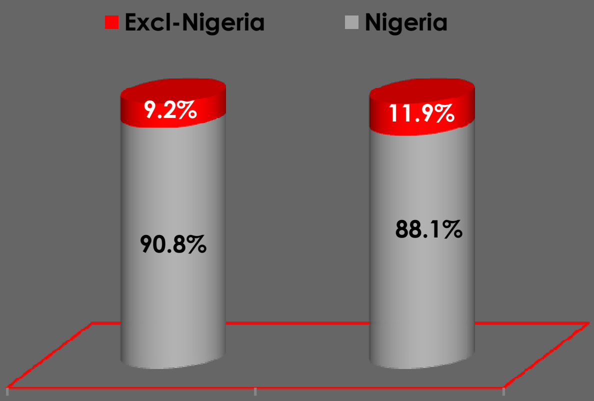
Loan-to-deposit ratio



Loans, by type



Geographical split of net loans



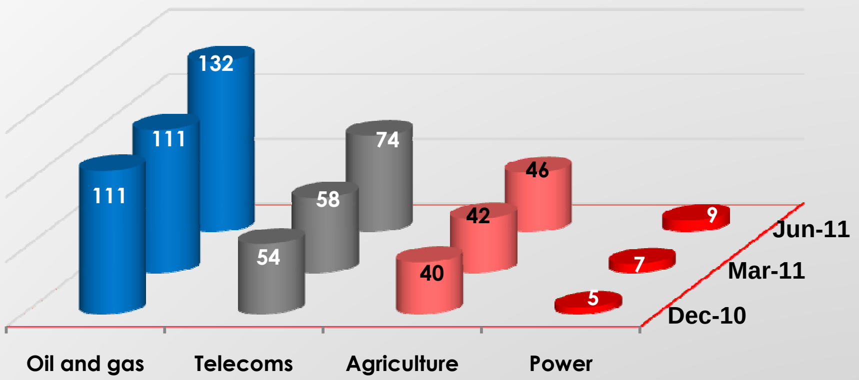
- Impressive loan growth in six months (to Jun-11), leading to increased loan to deposit (LDR) ratio.
  - In spite of movements relating to pay downs and AMCON transactions.
  - LDR growth marginal, as deposit base also grew.
- Term loans, overdraft represent 89% of loan book.
- Increased lending in other African countries – now 12% of group loans.

Growing oil & gas, telecoms, agric book

Sector Distribution of Gross loans (N'mn)

SECTOR	Exposure (N'mn)	% exposure
Oil and gas	131,701	17.4%
Financial institutions	115,046	15.2%
Consumer/retail	114,509	15.1%
Telecommunications	74,276	9.8%
Manufacturing	62,129	8.2%
Government	52,507	6.9%
GeneraL commerce	51,406	6.8%
Reasl estate/constrtn	50,891	6.7%
Agriculture	45,786	6.0%
Transportation	38,817	5.1%
Power	8,989	1.2%
Education	3,531	0.5%
Services	3,171	0.4%
Others	2,202	0.3%
Health	2,126	0.3%
TOTAL	757,086	100.0%

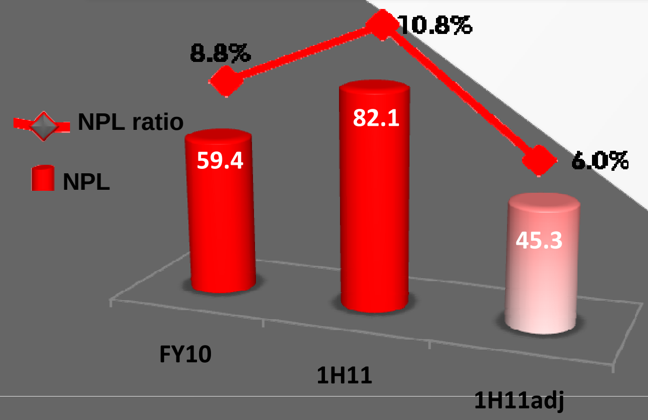
Sustained growth in selected sectors (N'bn)



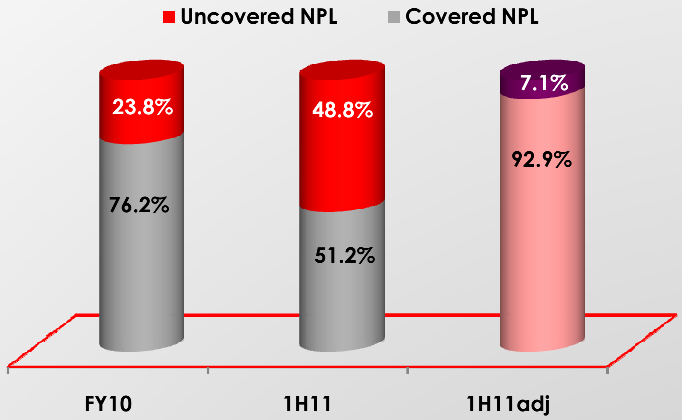
- Oil and gas, retail, telecoms and financial institutions account for 55% of our loan book.
  - Lending focuses on known and reliable names in these sectors.
- Gradually increasing exposure to these sectors since Dec-10.

Loan performance

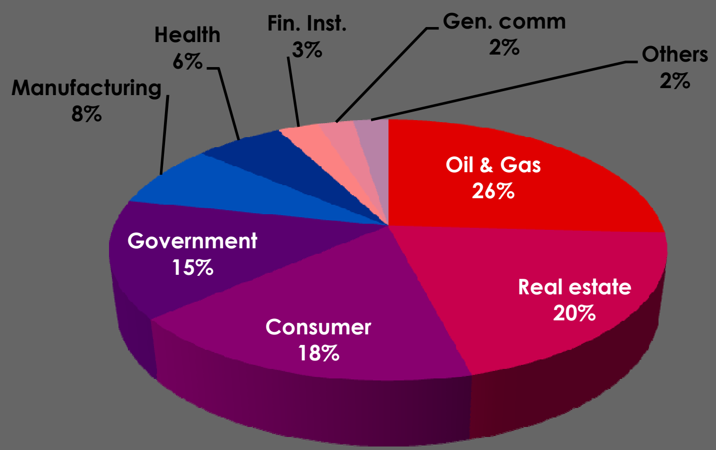
Non-performing loans



NPL coverage in 1H11



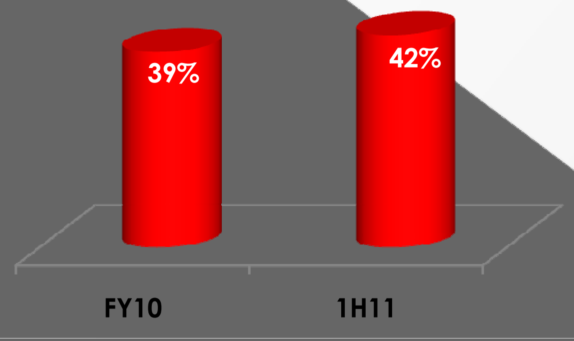
Sector distribution of NPLs



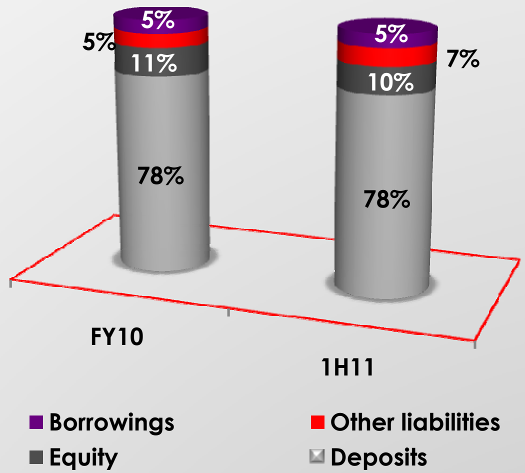
- NPL ratio now 10.8%; coverage ratio down to 51.2% also.
  - Recently classified loans (being sold to AMCON) led to the decline.
- Full provisions made in line with prudential guidelines – over 51% of NPLs within the substandard category.
- Discussion is ongoing with AMCON to purchase this loan with potential positive impact on NPLs and coverage ratios.
  - Had the discussion been completed, NPL and coverage ratios would have been 6% and 93% respectively. See 1H11adj above

Liquidity, funding and capital adequacy

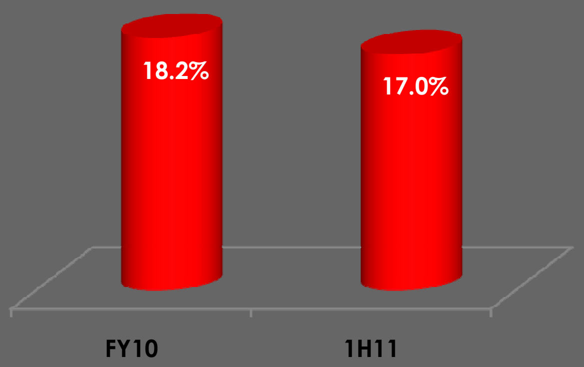
Liquidity Ratio (LR)



Funding mix



Capital Adequacy Ratio (CAR)



- Improving liquidity and good capital adequacy.
  - Both in excess of regulatory thresholds.
- Stable funding mix…
- …deposits still the biggest driver with 78%.

In summary

Overview of UBA

Presence and business model

- Operations in 19 African countries (including Nigeria) and 3 global financial centres. Plan to commence operations in Mali and Angola.
- 8 non-bank subsidiaries; Over 12,000 staff
- Capability in retail, corporate and institutional banking and plans to deepen commercial banking play.
- Array of innovative financial products and services, strong electronic and mobile e banking platforms.
- Largest distribution network in Nigeria : 706 branches across Africa and 1230 ATMs.
- Process of adopting Holdco model in progress.

Strategic Thrust

- Dominance in Nigeria.
- Leading bank in Africa (to rank 6th in market share).
- Presence in key global financial centres.
  - Already present in New York, London, Paris (rep. office).
  - To extend operations to UAE and China.
- Low cost retail banking model (target cost/income of 65%, NIM of 6%, funding cost of 3%).
- Sound enterprise-wide risk management and strong corporate governance standards.
  - Target the adoption of Basel II accord, IFRS reporting in progress.
  - Regular ICAAP, investment in tools, systems, etc

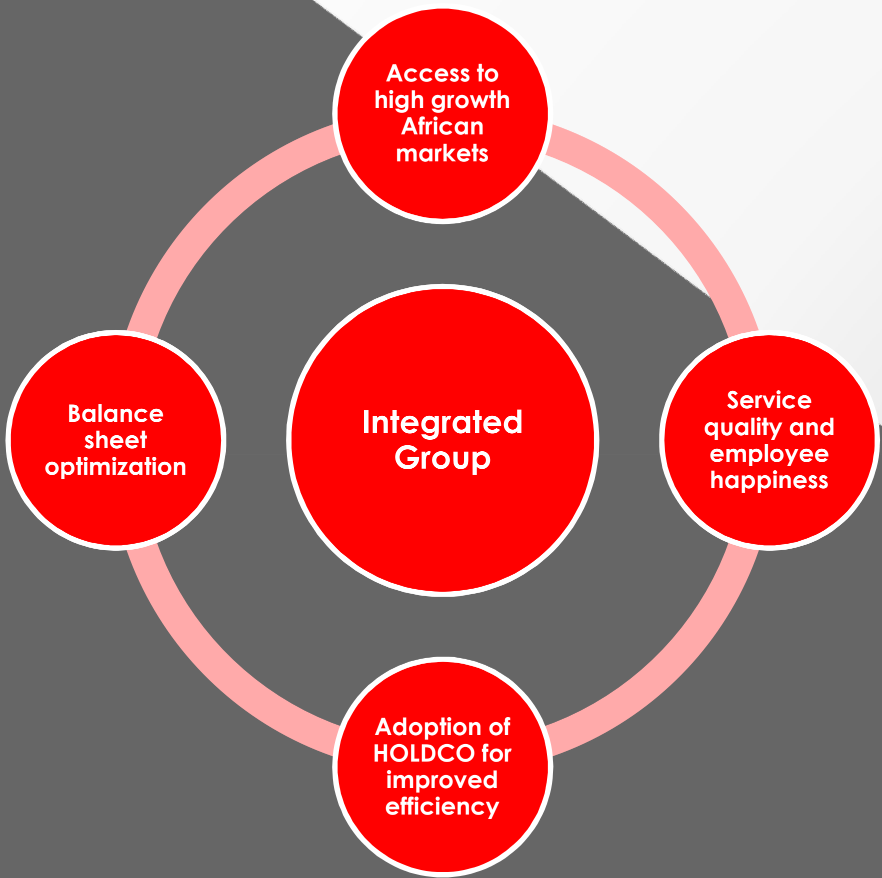
Ratings and brand recognition

- Fitch rating of B+ ; Agusto rating of A+
- GCR rating of (AA ST) and (A1+ LT)
- Adjudged the second fastest global brand by the FT/Banker magazine in 2010.

Share ownership and listing

- Institutional holding of 20%; over 70% free float.
- Equity listed on the Nigerian Stock Exchange (Market Cap of $1.2bn).
- Unlisted GDR equivalent to 200 local shares.

Clear and focused strategy…



Business focus	
Entrench corporate lending strategy	Access the top echelon of the middle markets through product cross-selling
Sustain retail banking strategy	Continue to provide new product offerings
Extract value distribution channels	Revamp electronic banking platform

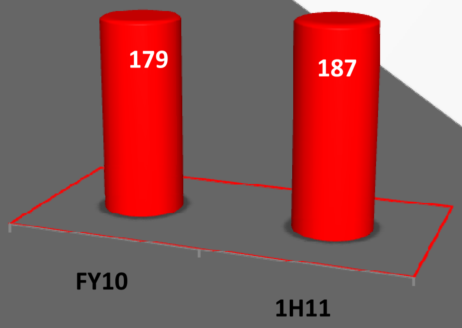
Engage the best people and adopt robust risk management standards

…that will enable UBA to;

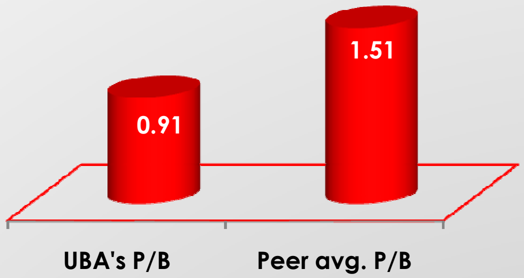
- Maintain solid capital position that will align with our growth aspirations.
- Build a low-cost banking model.
- Pursue quality and diversified earnings base.
- Put the customer at the center of all business activities.
- Entrench its core values; humility, empathy, integrity and resilience.
- Implement utmost risk management and corporate governance standards.
- Enhance long-term value for shareholders, as well as other stakeholders.

Stock trading at discount to book value

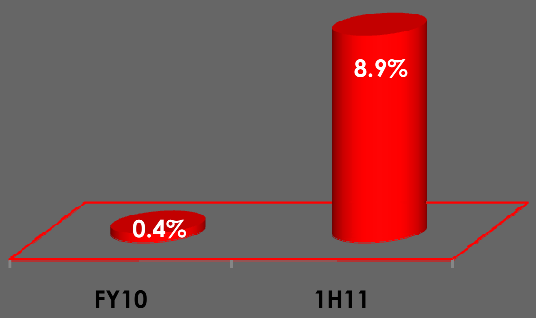
Growing equity base (N'bn)



Undervalued on Price-to-book basis



Return on equity recovers



- Total equity grew over the period.
  - Driven by retained earnings.
- Strong recovery in RoEs – annualized RoE of 8.9% in line with management projections for FY11.
- On book value basis, UBA is one of the cheapest banks;
  - Trading at a 66% discount to peers.
  - Market valuation to be bolstered by potential earnings recovery.

Thank you!

Questions.