



2014 Full Year & 2015 First Quarter Results Presentation

April 2015



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By their very nature, these statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the financial, economic and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which are difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause such differences include: credit, market (including equity, commodity, foreign exchange, and interest rate), liquidity, operational, reputational, insurance, strategic, regulatory, legal, environmental, and other risks. All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward looking statements, when making decisions with respect to the Bank and we caution readers not to place undue reliance on the Bank's forward looking statements.

Any forward looking statements contained in this presentation represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's investors and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation

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Presentation Outline

- ⊙ **Macroeconomic and operating environment**
- ⊙ **Review of 2014 Full Year Results**
- ⊙ **A Synopsis of UBA Africa (Ex-Nigeria)**
- ⊙ **Review of 2015Q1 Results**
- ⊙ **Questions & Answers**

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Operating Environment...a mix of global and domestic challenges

❖ Economic Growth: most African economies took a breather

- The plunge in commodities' prices weakened fiscal revenue and slowed down economic activities in most African economies – prices of crude oil, cocoa, gold, diamond and other commodities were weak
- Security challenges, outbreak of Ebola Virus Disease and political uncertainties also affected foreign direct investment and overall economic activity in some African countries.
- Given relatively weak fiscal positions and protracted recovery of commodities' prices, growth of most African economies are expected to remain less aggressive.

❖ Exchange Rate: most African local currencies were weak

- Except for the CFA which is pegged to the Euro, local African currencies were under pressure due to slowed FDI/FPI, weak FX receipts from commodity exports and fragile external reserves
- Some African countries like Nigeria and Ghana devalued their currencies and introduced strict FX policies to manage the weakness of the local currencies

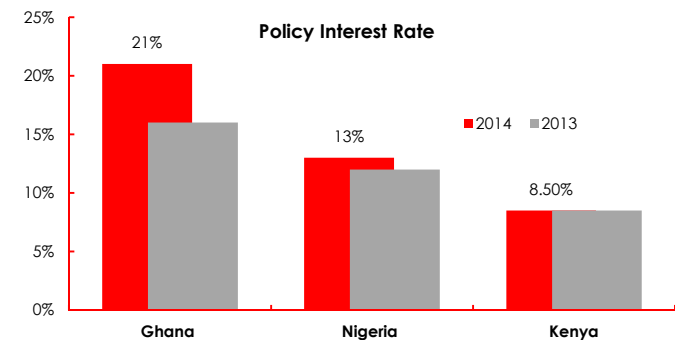
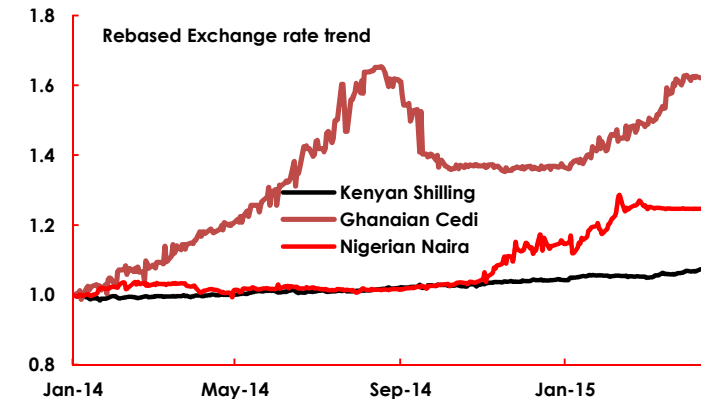
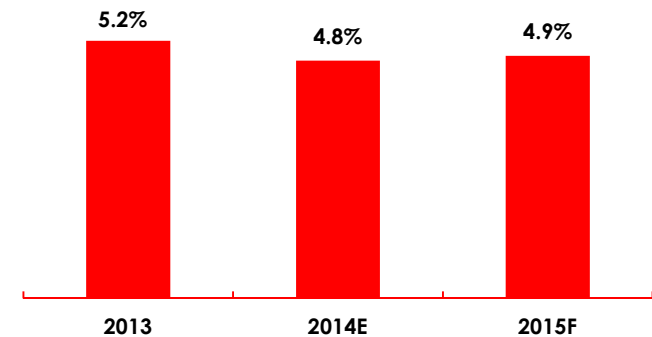
❖ Interest Rate: tight monetary policies to stem local currency weakness

- Monetary policy authorities adopted tight measures, raising policy rates to historic high levels – MPR was raised to 13% and 21% in Nigeria and Ghana respectively
- Credit growth was relatively modest in most African countries, given high interest rate environment and concern over the impact of currency weakness on corporates

❖ Inflation Rate: relatively stable consumer prices

- Consumer prices were relatively stable, except in markets like Ghana, where exchange rate volatility led to inflationary pressures.
- Inflation rate may however edge up modestly in Nigeria, Kenya and some other African markets, as the lagged effect of currency volatility impacts consumer good prices

Sub-Saharan Africa GDP Growth



Policy and regulatory environment in FY 2014 and Q1 2015

❖ Nigeria

- An 100bps increase in the Monetary Policy Rate to 13%
- Increased cash reserve requirement (CRR) on private sector deposits to 20%
- Limit on foreign currency borrowings to 75% of capital (from 200%)
- Reduced net open trading position (NOTP) to 0.5% (initially reduced to 0%, later 0.1% before upward revision to 0.5%)
- Implementation of BASEL II/III for capital adequacy ratio (CAR) measurement and reporting
- Closure of rDAS window
- Implementation of Treasury Single Accounts, with MDAs funds moved to Consolidated Revenue Fund

Implications

- Impacted cost of funds, particularly for wholesale funds
- Sterilized system liquidity and technically increased funding cost
- Moderated the appetite for on-lending funds and balance sheet growth
- Limited FCY trading position
- Increased risk weighted assets, with attendant impact on CAR, given higher operational and market risk charge on capital.
- Tacit/technical devaluation of the Naira
- Further sterilization of public sector funds

❖ Other African Markets

- Ghana: Increased MPR to 21%, on the back of sharp depreciation of the Cedi
- Kenya:
 - Kept policy rate at 8.5%, given relatively stable inflation and exchange rate
 - Operationalization of Banks' Reference Rate
 - Implementation of data rendition to Credit Reference Bureaus
- Francophone West African markets: Relatively stable economies

- Notable impact on cost of funds and moderated appetite for credit growth
- Stabilized lending rates
- Relative regulation of bank's lending rate, with impact on margins
- Foundation for credit history, even so marginal impact on operational cost
- Stable operating margins

Presentation Outline

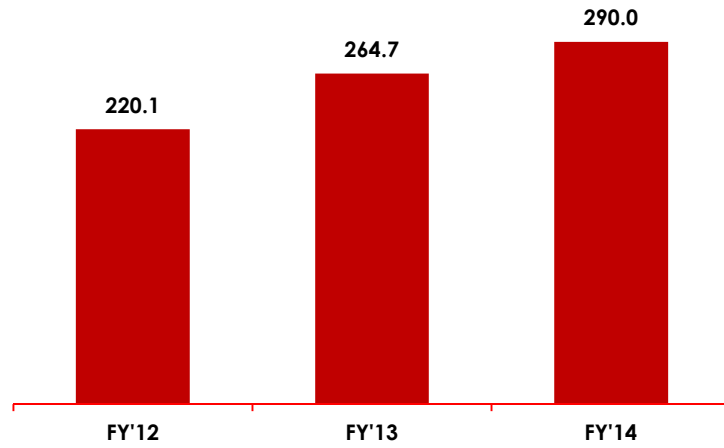
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2014FY Financial Highlights

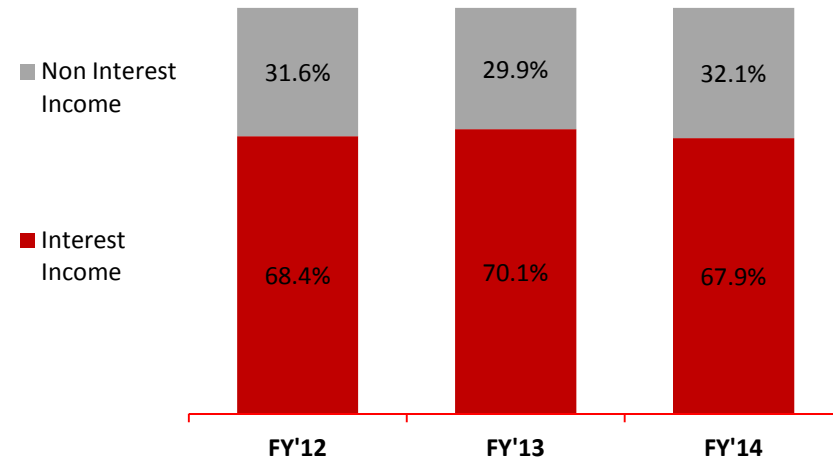
		31-Dec-14	31-Dec-13	% Change
COMPREHENSIVE INCOME & PROFIT TREND (N'million)	Gross Earnings	290,019	264,687	+9.57%
	Net Interest Income	106,133	103,231	+2.81%
	Operating Income	192,455	176,993	+8.74%
	Operating Expenses	(129,686)	(107,851)	+20.25%
	Profit Before Tax	56,200	56,058	+0.25%
	Profit After Tax	47,907	46,601	+2.80%
EFFICIENCY AND RETURN	Cost-to-Income Ratio	67.4%	60.9%	
	Post-Tax Return on Average Equity	19.2%	21.8%	
	Post-Tax Return on Average Assets	1.8%	1.9%	
		31-Dec-14	31-Dec-13	% Change
FINANCIAL POSITION TREND (N'million)	Total Assets	2,762,573	2,642,296	+4.55%
	Total Deposits	2,228,891	2,221,764	+0.32%
	Net Loans	1,119,952	963,871	+16.19%
	Net Assets	265,406	235,036	+12.92%
BUSINESS CAPACITY RATIOS	Loan-to-Deposit Ratio	50.2%	43.4%	
	Capital Adequacy Ratio	17.0%	20.0%	
	Liquidity Ratio	48.9%	67.0%	

Income Analysis

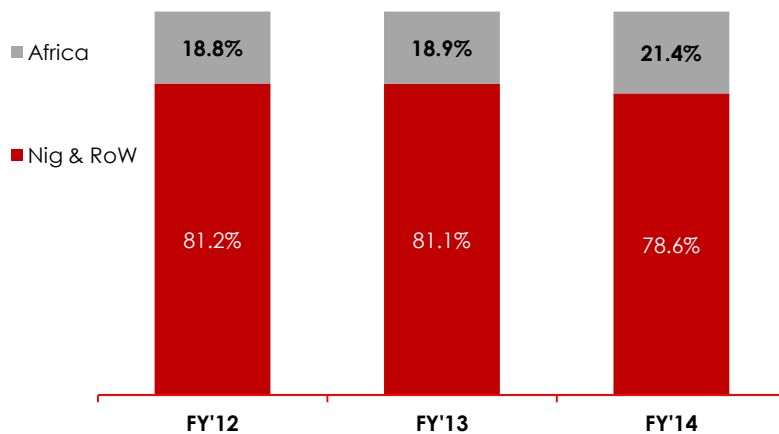
Gross earnings trend (N'bn)



Gross earnings by source



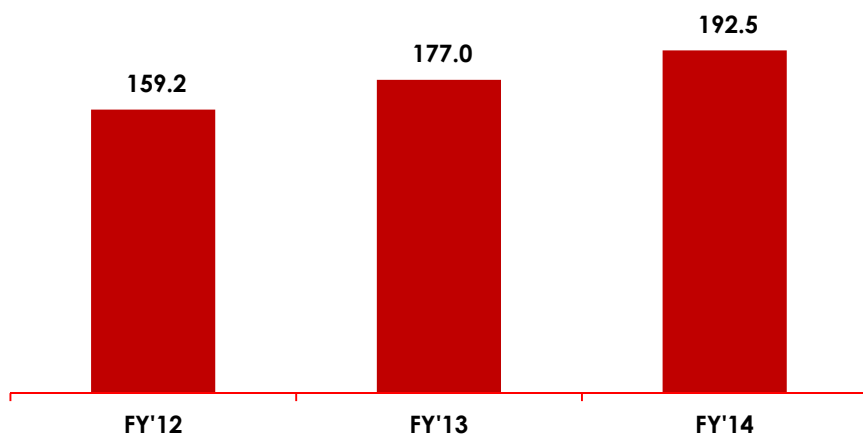
Earnings split by geography



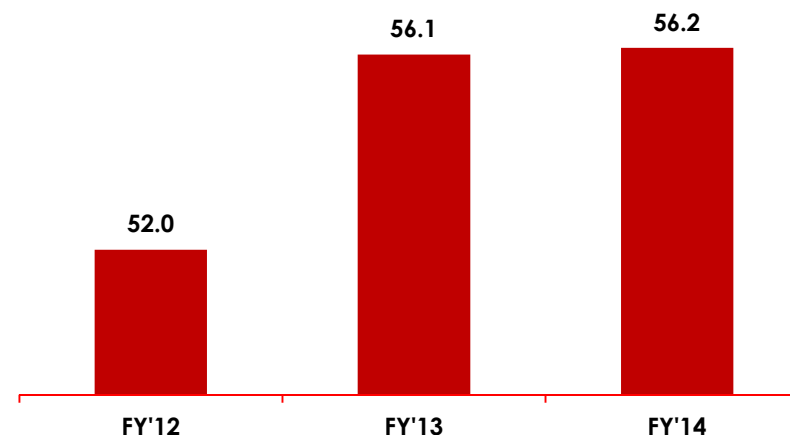
- Gross earnings grew by 10% YoY, defying the regulatory and macroeconomic pressure on earnings in Nigeria; our core market.
- Strong fee accretion from credit-related transactions, e-banking, remittances and trade services provided the impetus for non-interest income growth; in addition to the strong trading gains in the year.
- UBA Africa continues to wax stronger, with increasing earnings contribution to the Group, as the subsidiaries gain critical mass

Profitability

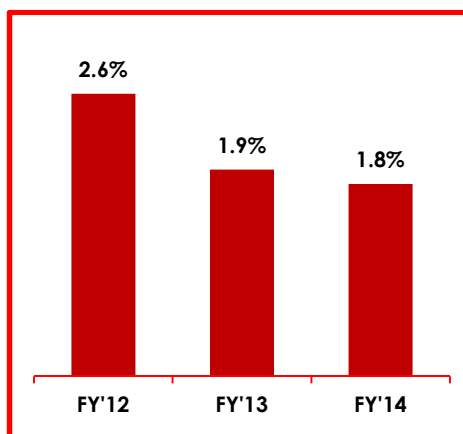
Operating Income (N'bn)



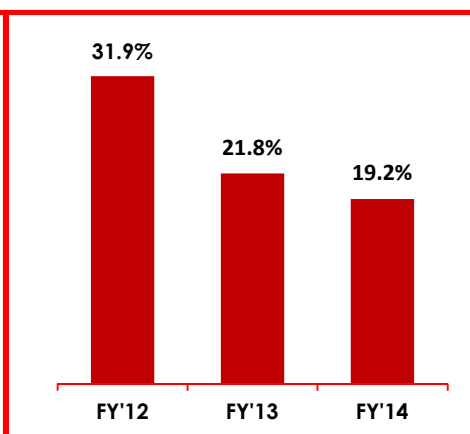
Profit Before Tax (N'bn)



Return on Avg. Assets



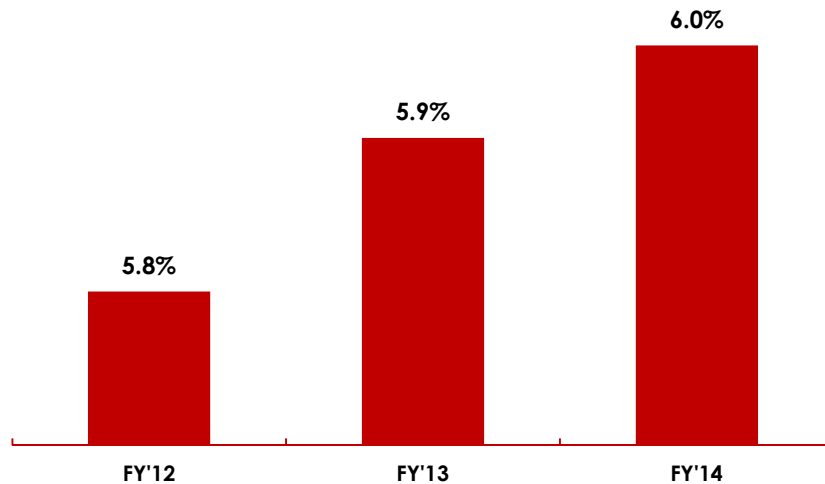
Return on Avg. Equity



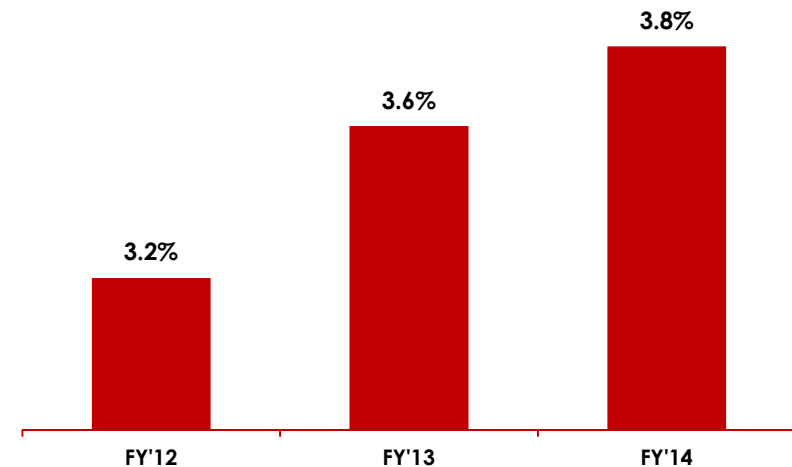
- Steady growth trajectory in operating income; a reflection of improving balance sheet optimization, cross selling and product penetration.
- Even as the cost of doing business in Africa remains relatively high and regulatory pressure further constrained earnings in the year; the ROAE and ROAA remains relatively competitive, with strong upside in the years ahead.

Profit Drivers

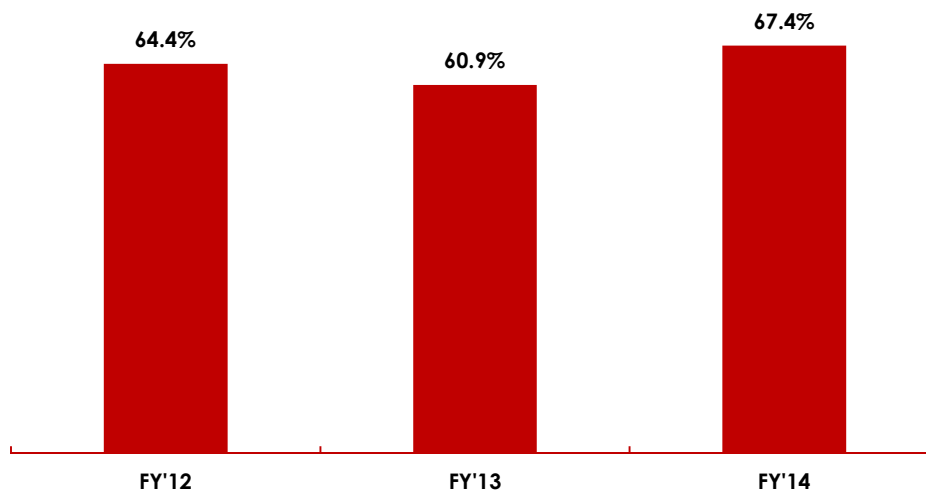
Net Interest Margin



Cost of Funds



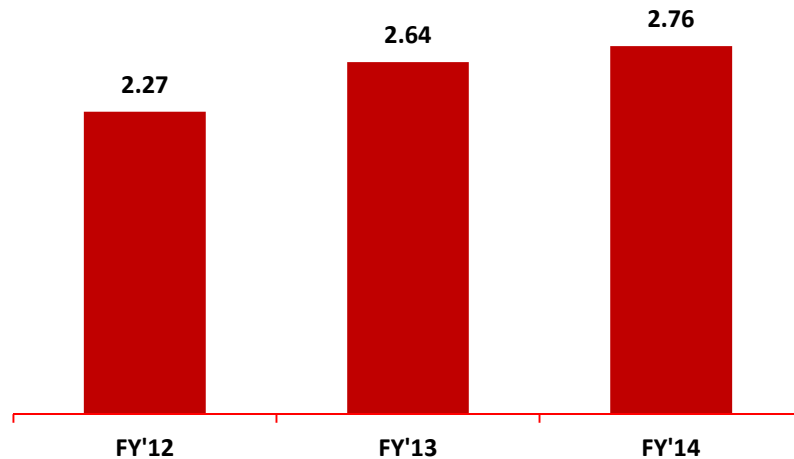
Cost-to-Income Ratio



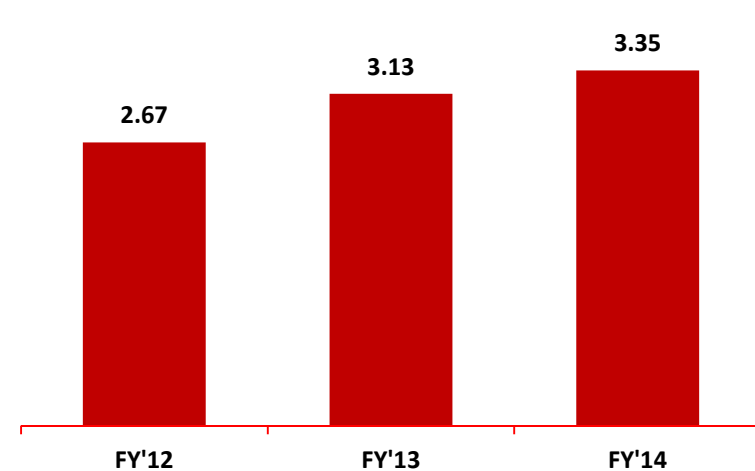
- Modest improvement in Net Interest Margin, as better yields on assets compensated for regulatory-induced rise in funding cost.
- Recent cost management initiatives and improving earnings accretion are expected to moderate the cost-to-income ratio in 2015, especially as operational and cost efficiency become cardinal objectives for the year.

Financial Position

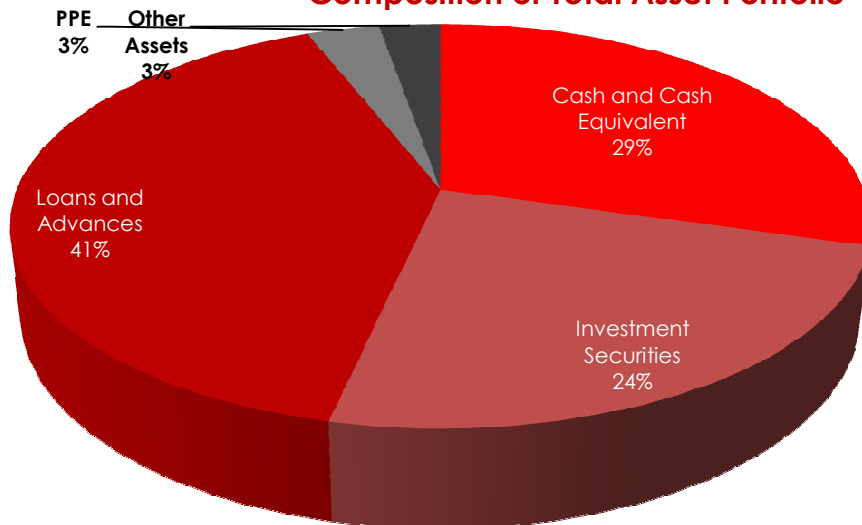
Total Assets (N'trillion)



Total Assets plus Contingents (N'trillion)



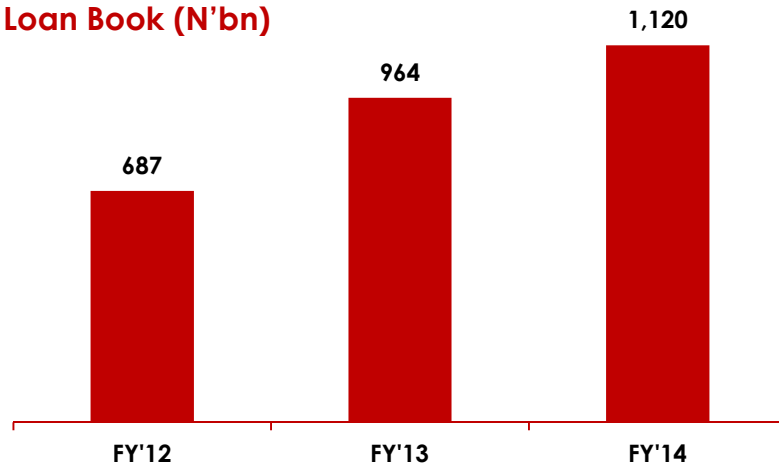
Composition of Total Asset Portfolio



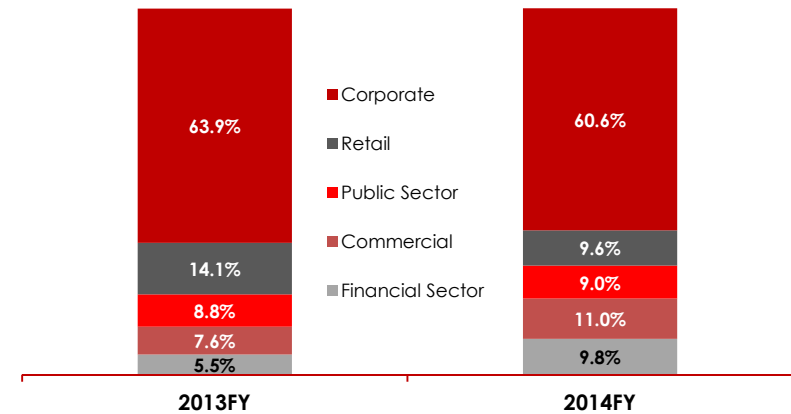
- Responsibly growing balance sheet, with focus on quality assets in selected market segments across Africa.
- Liquid balance sheet that ensures flexibility and ability to take advantage of emerging opportunities across our target markets.
- A strong balance sheet that enhances our support to customers in the real sector of the African market

Loan Portfolio

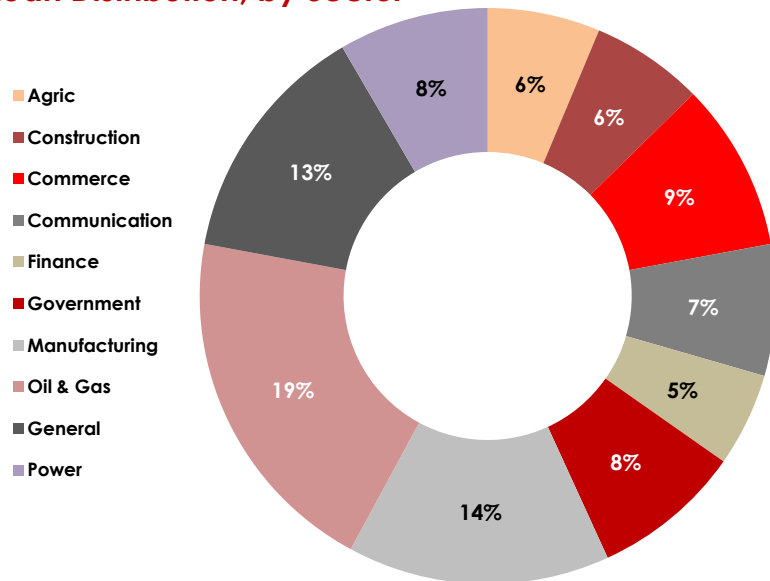
Loan Book (N'bn)



Loan Book, by Customer Type

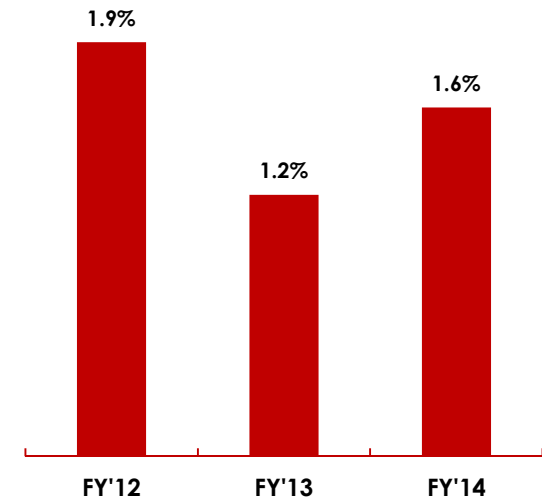


Loan Distribution, by Sector



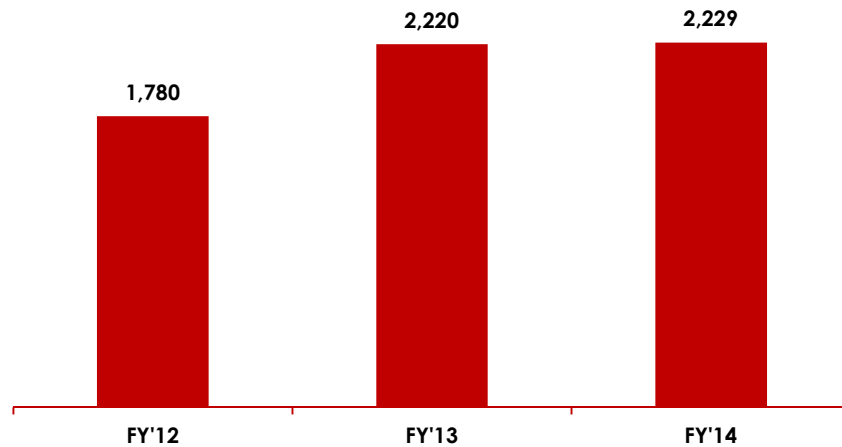
- Moderate loan growth (partly driven by foreign exchange translation), with focus on profitability and asset quality
- Highly diversified portfolio of assets, reflecting the risk management culture and appetite for moderate risk across different segments of the market.
- Even though, NPL ratio rose to 1.55%, the cost of risk remains moderate at 0.7% and NPLs are adequately provisioned

NPL Ratio (%)

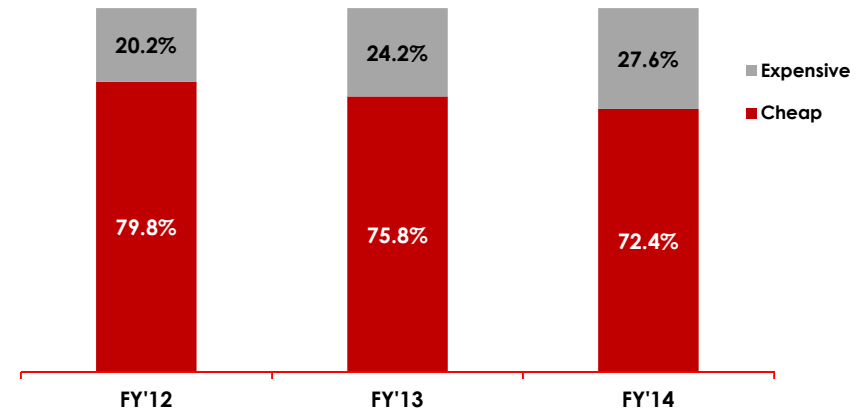


Deposits Portfolio

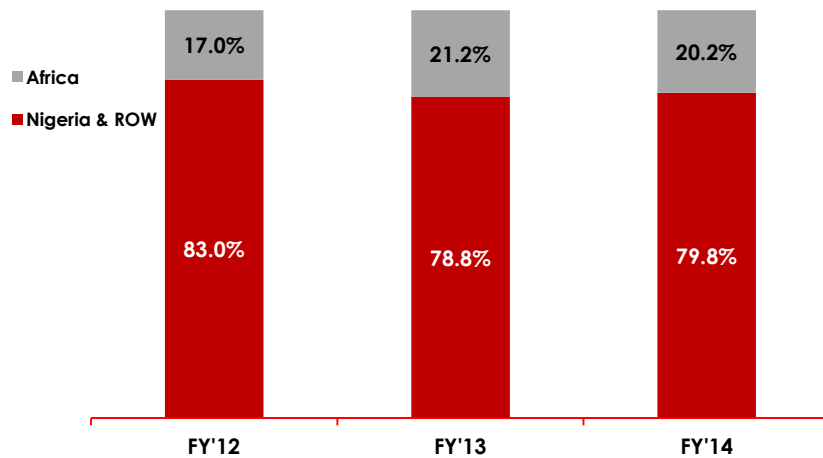
Total Deposits (N'billion)



Deposit Mix, by Cost



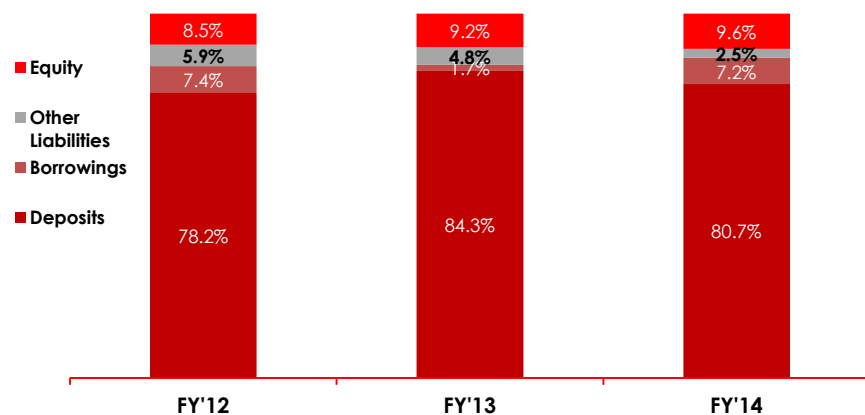
Deposit Split by Geography



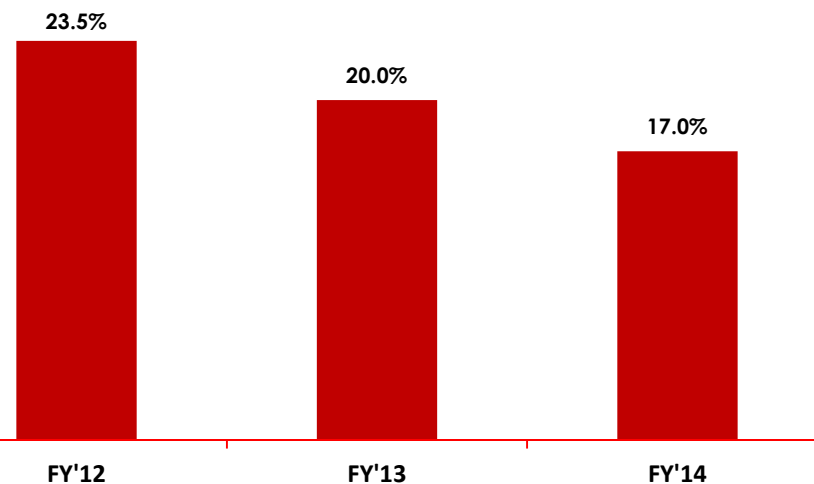
- Strategic mobilization of the stable low cost deposits should improve deposit mix and support growth target in 2015.
- Deposits from African subsidiaries remain strong, as the subsidiaries gain critical mass and deepen penetration of their respective niche markets.

Funding, Liquidity and Capital Adequacy

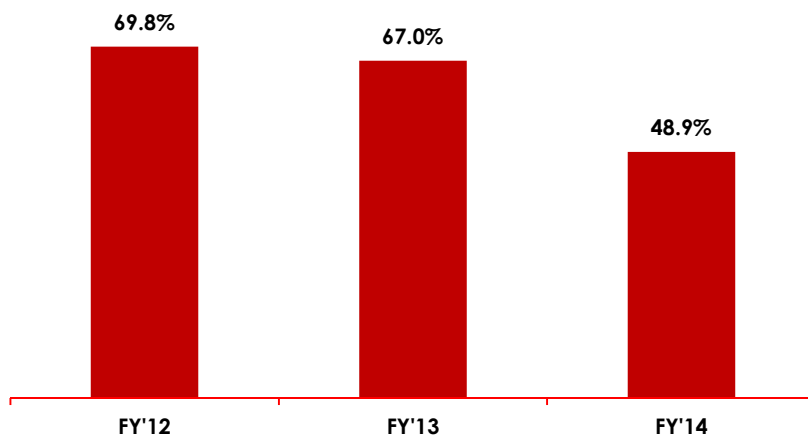
Funding Mix



Capital Adequacy Ratio



Liquidity Ratio



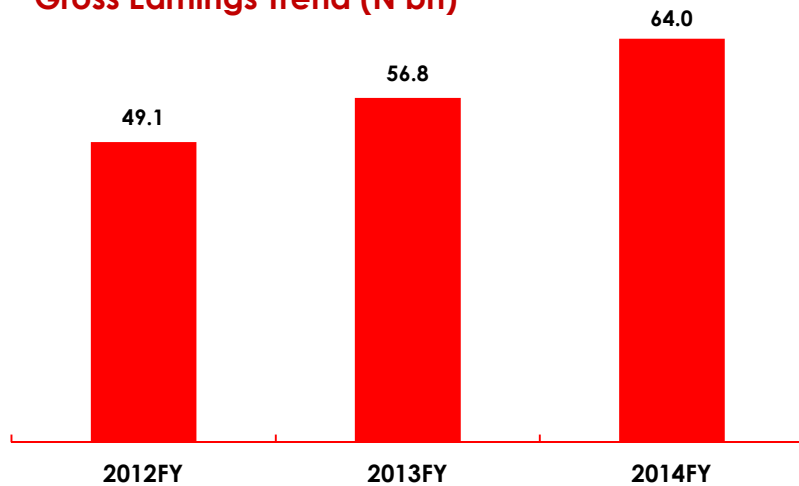
- Funding continues to be predominantly deposit-based, representing 81% of total funding.
- Capital adequacy and liquidity ratios remain well above regulatory minimum at 17% and 49% respectively.
- Completion of Tier-II Capital raising in December 2014 (₹30.5 Billion 7-Year Bond) and recent Tier-I capital (₹11.5 Billion Rights Issue) will further enhance capital adequacy ratio

Presentation Outline

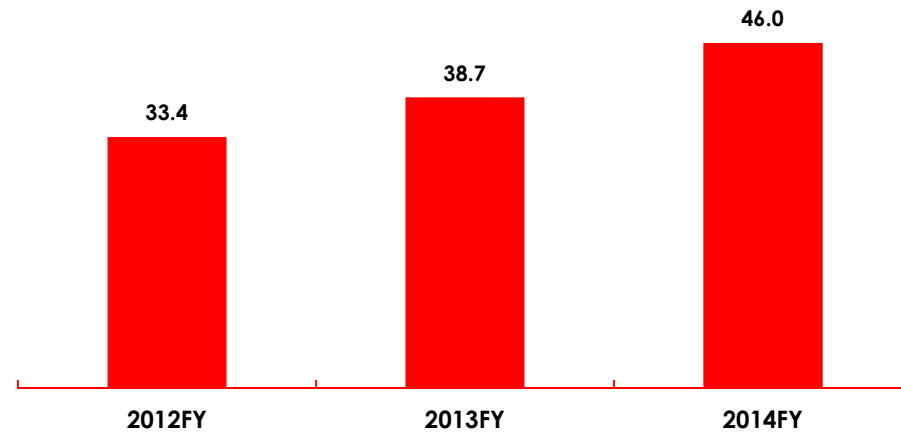
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UBA Africa ::: Earnings profile (figures and ratios are prior intra-group eliminations)

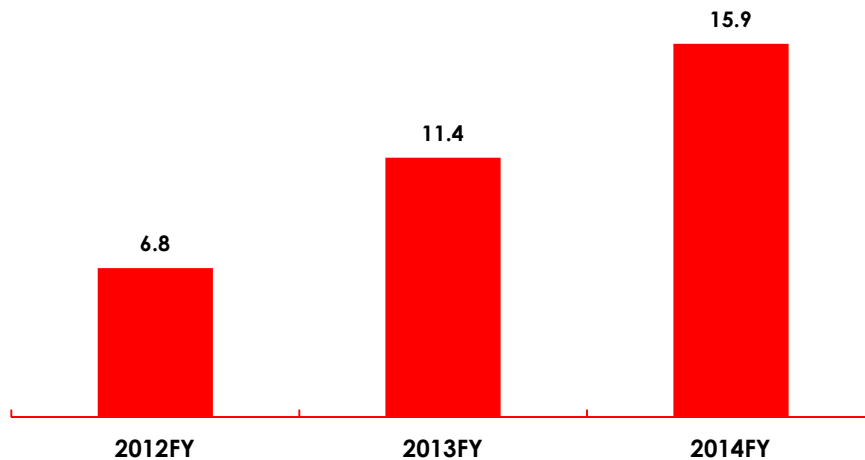
Gross Earnings Trend (N'bn)



Operating Income (N'bn)



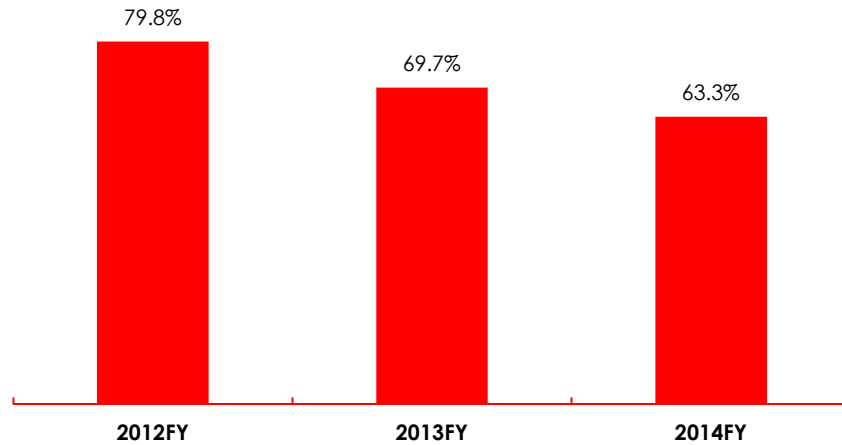
Profit Before Tax (N'bn)



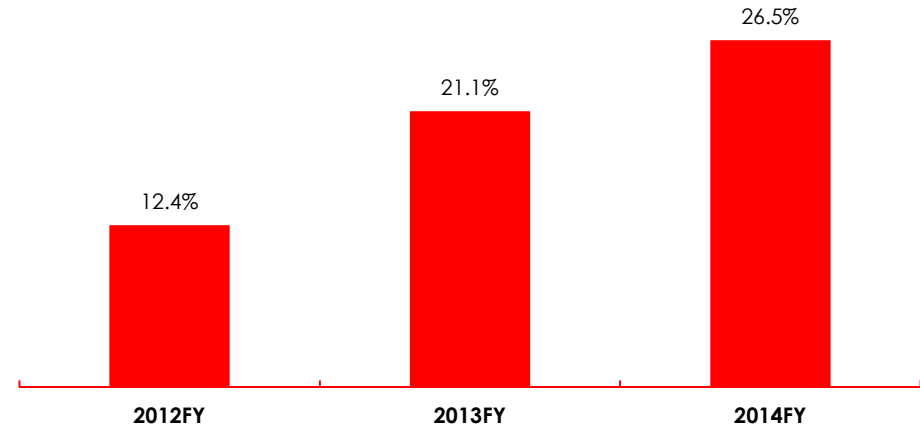
- UBA Africa (Ex-Nigeria) recorded 14% CAGR in earnings over the last 3 years, with a stronger outlook as reflected in 2015YTD performance.
- African subsidiaries have stabilized, leading to improved cost efficiency and overall profitability.
- Strong growth in profit; we have more than doubled our profit in Africa over the last three 3 years; thanks to strong earnings accretion and moderated cost profile.

UBA Africa ::: Operating efficiency (figures and ratios are prior intra-group eliminations)

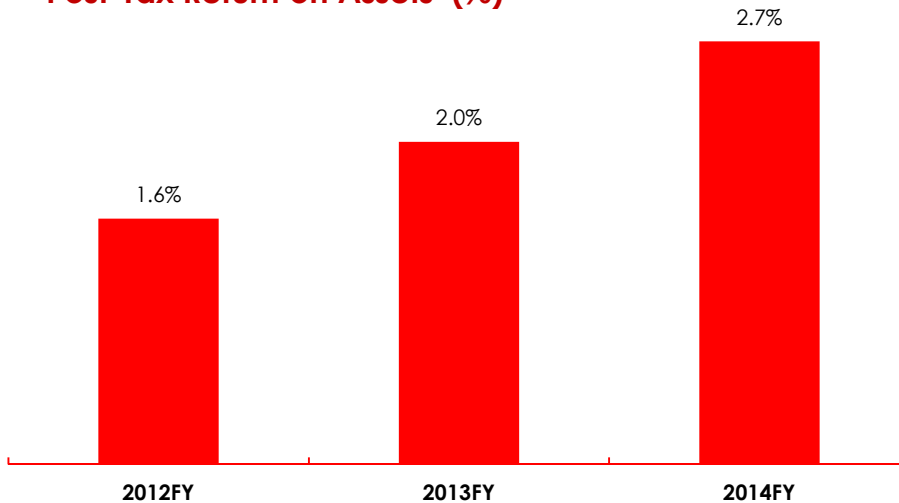
Cost-to-Income Ratio (%)



Pre-Tax Return on Equity (%)



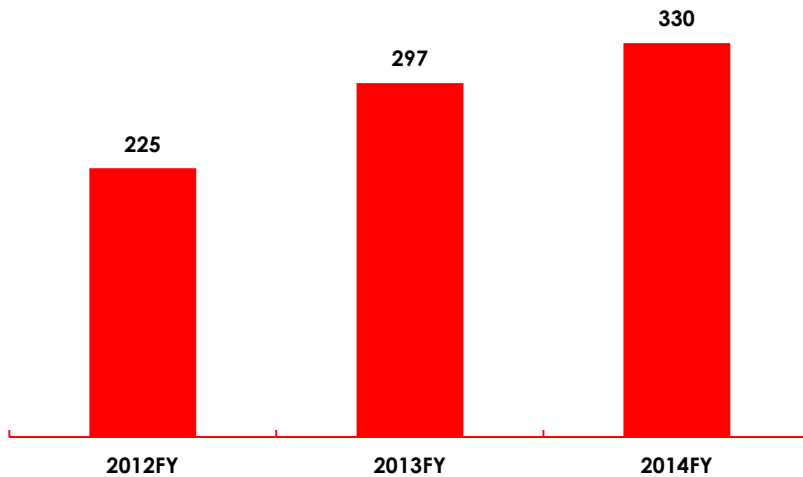
Post-Tax Return on Assets (%)



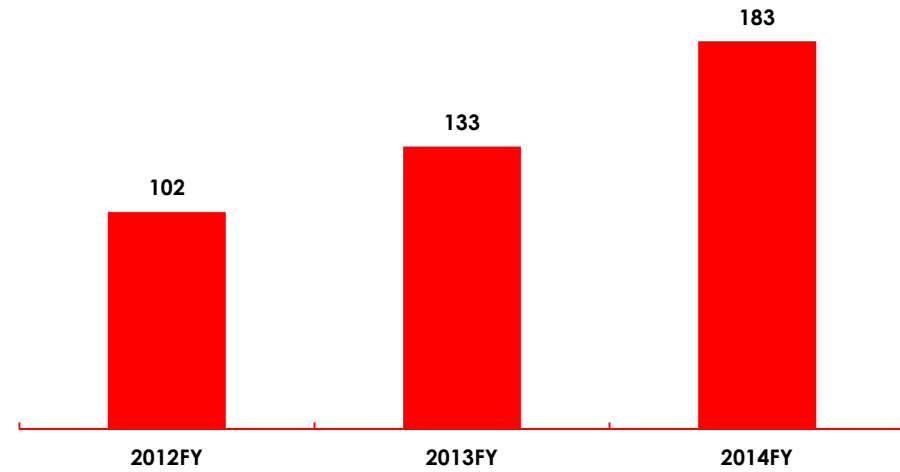
- Consistent moderation in cost-to-income ratio reflects our cost efficiency initiatives, as growing critical mass, which supports earnings accretion
- As erstwhile loss-making subsidiaries turned green, we look forward to stronger ROE for our African subsidiaries, especially as we consolidate our positions in markets like Ghana, Cameroon and Senegal, where we have delivered average RoE of 30%.
- Moderating cost-to-income ratio and funding cost present upside for our Return on Assets, especially as all African subsidiaries are expected to have positive earnings contribution by 2016FY

UBA Africa ::: Balance Sheet Growth (figures and ratios are prior intra-group eliminations)

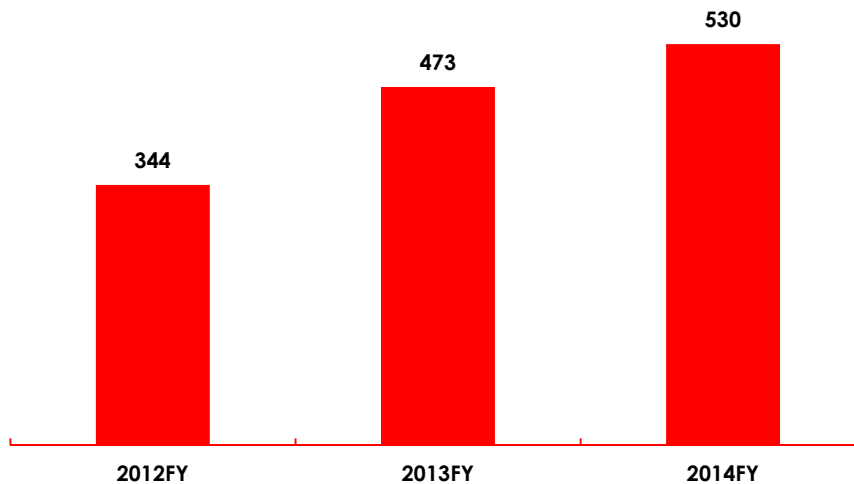
Customer Deposits (N'bn)



Loan Books (N'bn)



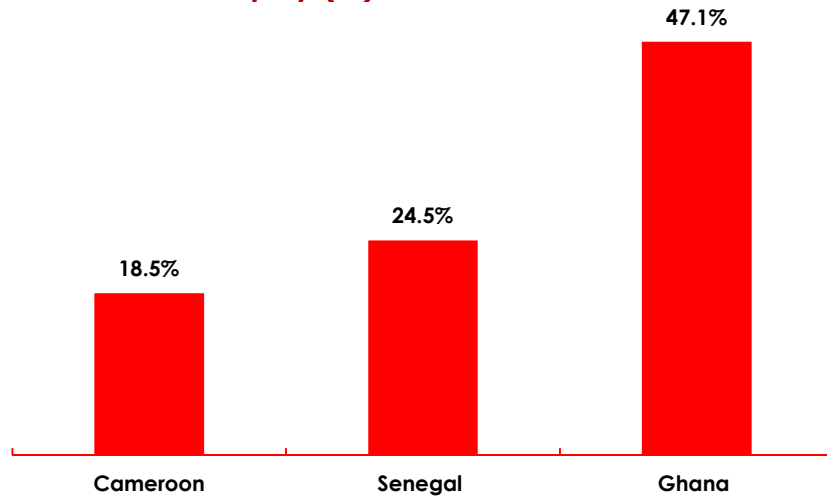
Total Assets (N'bn)



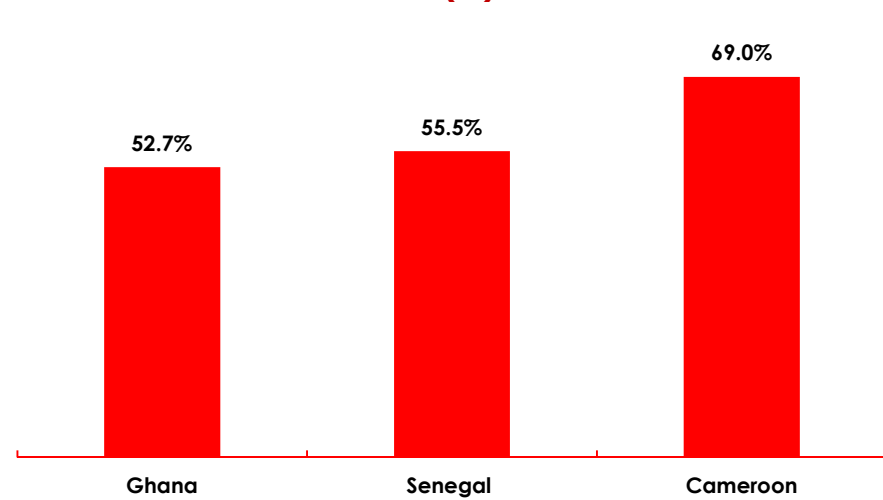
- Steady growth in customer deposits (21% CAGR), with improving mix of stable low cost funds, on the back of growing savings and current accounts
- Prudent and profitable growth in risk assets, with sustained focus on niche markets, where we see a good balance of risk and reward opportunities
- As we consolidate our positions across all the 18 African countries (ex-Nigeria) where we operate, we foresee stronger growth in our balance sheet.

UBA Africa ::: Our Benchmark Subsidiaries (figures and ratios are prior intra-group eliminations)

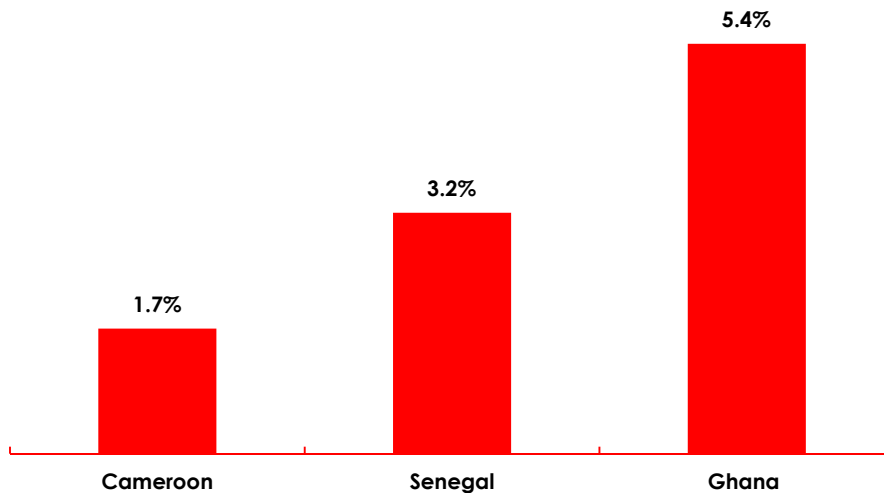
Return on Equity (%)



Cost-to-Income Ratio (%)



Return on Assets (%)



- Our benchmark subsidiaries are frontrunners in their respective countries, with 30% average return on equity.
- We are focused on replicating our performance in these countries in all the African subsidiaries, as we continue to see positive results from our renewed strategic play in Africa.
- Increased focus on business development and efficiency in our Africa business will deliver sustainable and superior returns to the Group, over the medium to long term.

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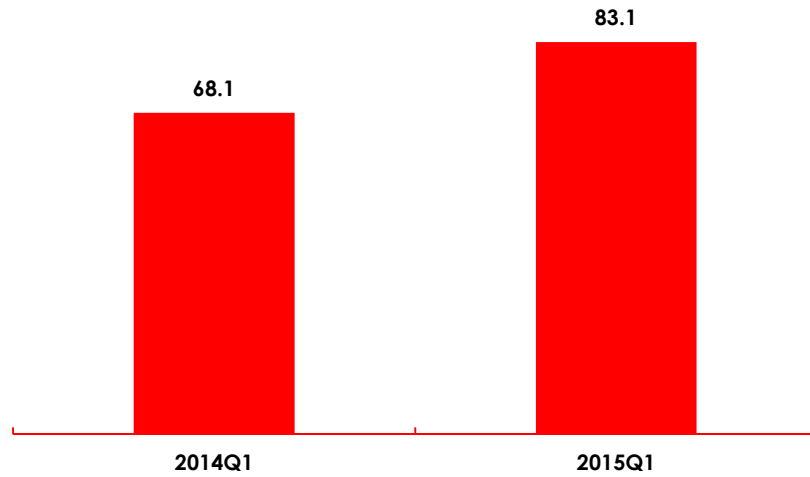
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2015Q1 Group Results Snapshot ::: Consolidating Gains

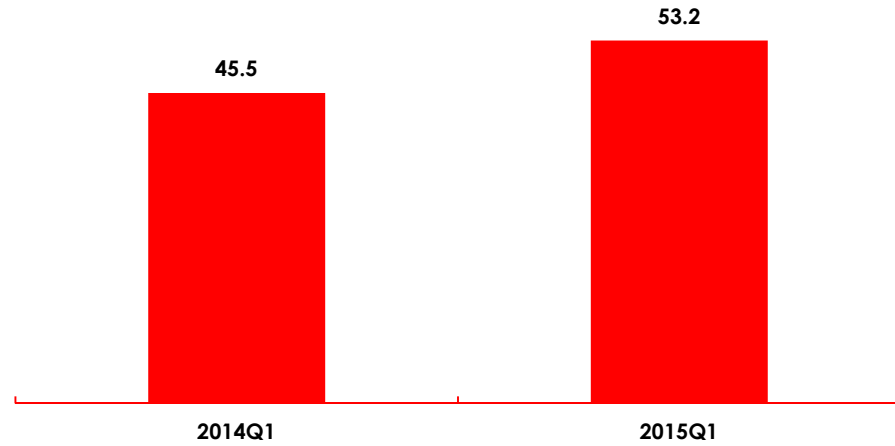
		31-Mar-15	31-Mar-14	% Change
COMPREHENSIVE INCOME & PROFIT TREND (N'million)	Gross Earnings	83,098	68,079	+22.06%
	Net Interest Income	30,783	29,272	+5.16%
	Operating Income	53,247	45,512	+17.00%
	Operating Expenses	(32,530)	(31,427)	+3.51%
	Profit Before Tax	18,389	13,544	+35.77%
	Profit After Tax	16,956	12,587	+34.71%
EFFICIENCY AND RETURN	Cost-to-Income Ratio	63.9%	69.1%	
	Post-Tax Return on Average Equity	24.8%	22.1%	
	Post-Tax Return on Average Assets	2.4%	1.9%	
		31-Mar-15	31-Dec-14	% Change
FINANCIAL POSITION TREND (N'million)	Total Assets	2,964,094	2,762,573	+7.29%
	Total Deposits	2,397,215	2,228,891	+6.58%
	Net Loans to Customers	1,142,416	1,071,859	+4.20%
	Net Assets	280,846	265,406	+5.82%
BUSINESS CAPACITY RATIOS	Total Loan-to-Deposit Ratio	48.7%	50.2%	
	Capital Adequacy Ratio	17.0%	17.0%	
	Liquidity Ratio	50.0%	48.9%	

2015Q1 Group Results Snapshot ::: Consolidating Gains

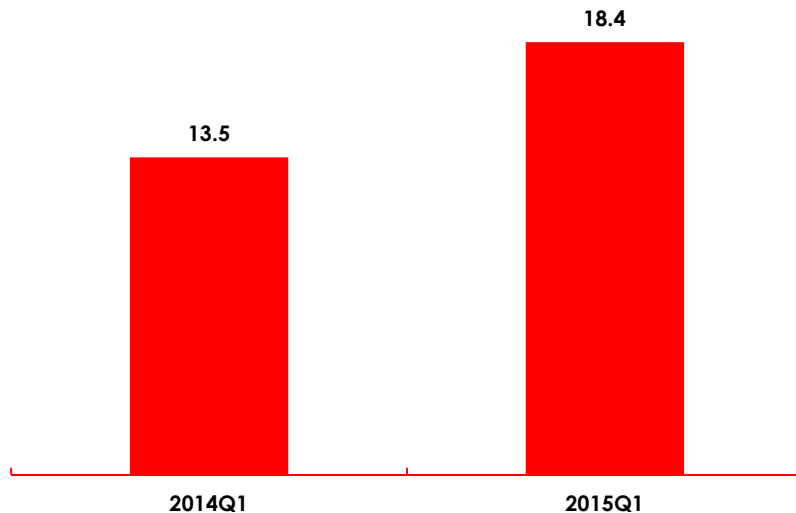
Gross earnings (N'billion)



Operating Income (N'billion)



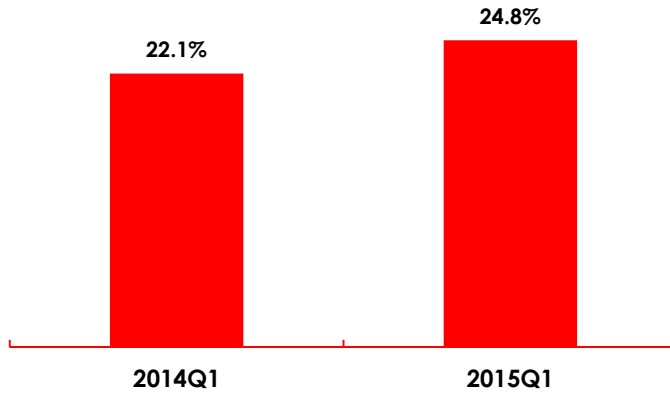
Profit Before Tax (N'billion)



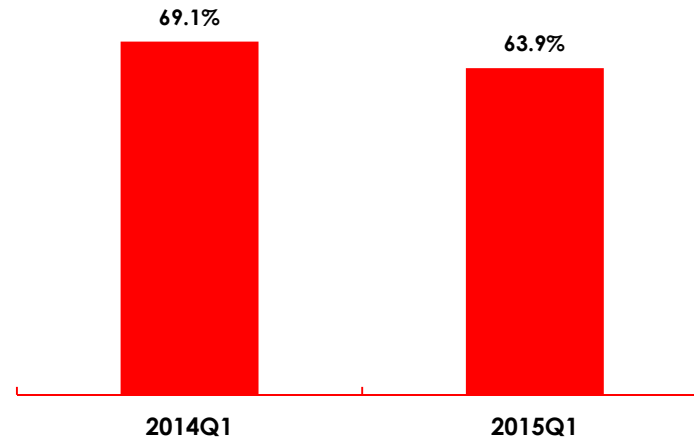
- Strong 22% YoY growth in gross earnings reflect the benefit of higher yield on assets, stable accretion of fee and trading income and increasing transaction volume.
- Appreciable 17% YoY growth in operating income; reflecting the impact of higher net interest margin on interest earnings assets and moderate funding cost.
- The simultaneous impact of our strong earnings accretion and cost efficiency delivered an impressive 36% YoY growth in profit before tax to ₺18.4 billion.

2015Q1 Group Results Snapshot ::: Consolidating Gains

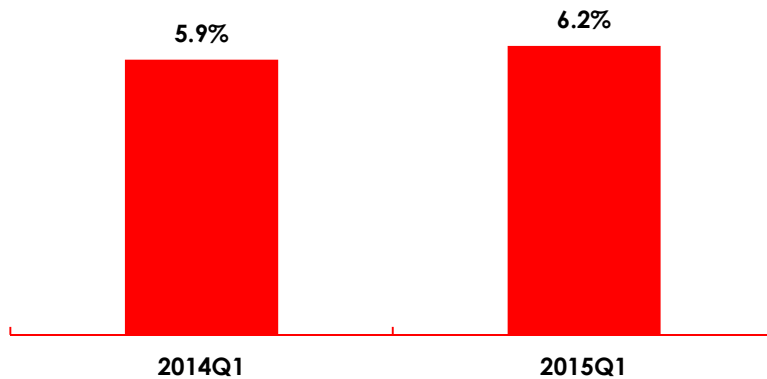
Return on Average Equity (%)



Cost-to-Income Ratio (%)



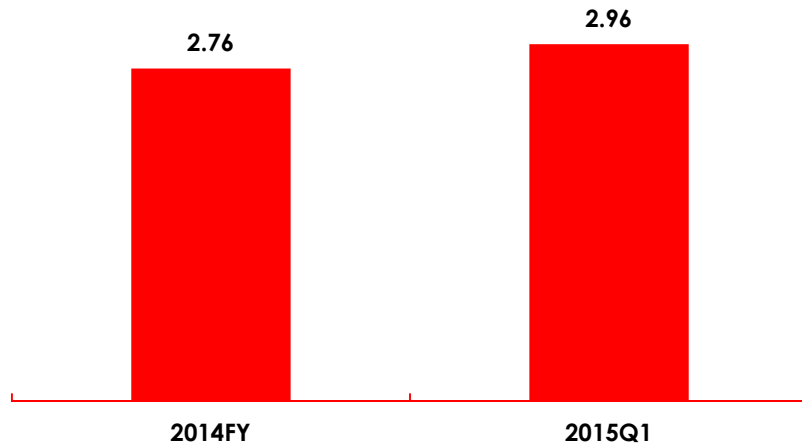
Net Interest Margin (%)



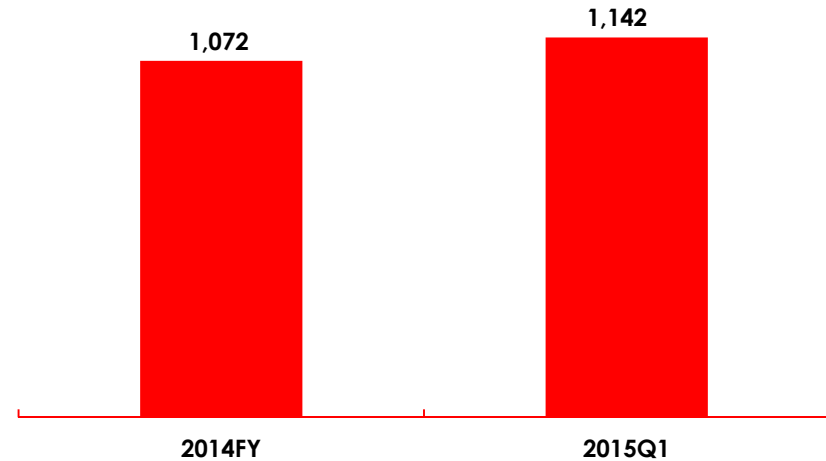
- Better yield on assets and expected moderation in funding cost will help sustain the modest improvement in net interest margin through the year.
- Return on equity of 25% reinforces our commitment to delivering superior returns to shareholders
- Notable moderation in cost to income ratio reflects the impact of our cost efficiency initiatives and strong growth in earnings

2015Q1 Group Results Snapshot ::: Consolidating Gains

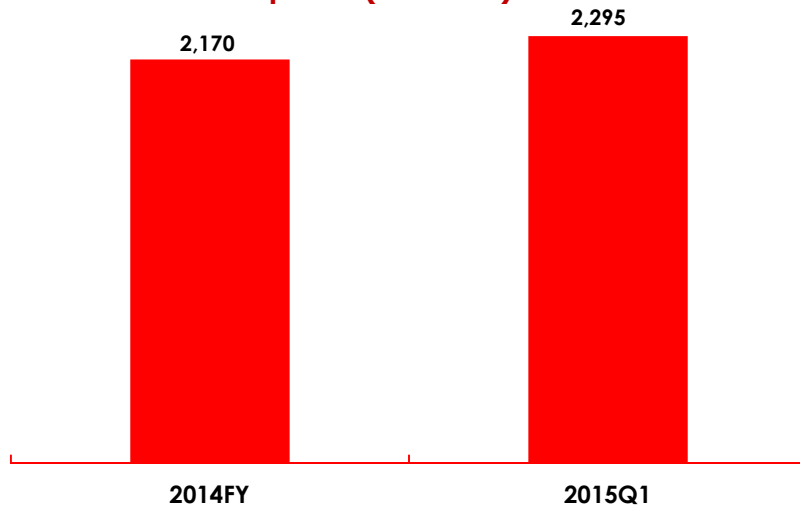
Total Assets (N'trillion)



Loan book (N'billion)



Customer Deposits (N'billion)



- Increasing deposit and new capital will support our responsible drive for balance sheet growth in 2015; QTD, the total asset grew by 7%.
- Partly driven by foreign currency translation on our FCY loans, we have grown the loan book by 7% QTD.
- Our tailored offerings delivered 6% growth in deposits within the first three months of the year; we will increase our strategic drive for low cost stable funds to further improve our funding mix in the quarters ahead.

2015FY Guidance ::: Broad Expectations for the Year

Headlines	2014FY Actual	2015Q1	2015FY Target
Net Interest Margin (NIM)	5.9%	6.2%	>6%
Cost-to-Income Ratio	69.8%	63.9%	<65%
Cost of Risk	0.7%	0.8%	≈1%
NPL Ratio	1.6%	1.6%	≈2%
Loan Growth	14%	7%	15% - 20%
Deposit Growth	0.4%	6%	15% - 20%
Return on Average Asset	1.8%	2%	>2%
Return on Average Equity	19.2%	25%	>20%

Conclusion

Questions & Answers