United Bank for Africa Plc.

Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

UNITED BANK FOR AFRICA PLC

Rating Assigned:

Aa-

This is financial institution with good financial condition and strong capacity to meet its obligations as and when they fall due

Outlook: Stable
Issue Date: 15 August 2017
Expiry Date: 30 June 2018
Previous Rating: Aa-

Industry: Banking

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RATING RATIONALE

United Bank for Africa Plc's ("UBA" or "the Bank") rating is underpinned by a good liquidity profile, strong market share, acceptable capitalisation and satisfactory profitability driven by an experienced management team. UBA leverages on its large pool of deposit liabilities generated through 532 branches in Nigeria which was sufficient to fund 60.8% of the Bank's ₦2.8 trillion total assets and contingents. UBA stood as the fifth largest bank by total assets and contingents as at 31 December 2016.

The rating assigned to UBA is constrained by the challenging operating environment which continues to elevate credit risks of loans and advances industry-wide. With a loan portfolio of ₦1.1 trillion as at 31 December 2016, impacted year-on-year by devaluation of the naira, UBA's non-performing loan ratio jumped year-on-year to 4.8% (FY2015: 0.8%). The Bank's NPL ratio thus hovered below the regulatory maximum of 5%, reflective of the macroeconomy triggered deterioration in asset quality of key sectors such as General Commerce, Oil & Gas and Manufacturing. This was exacerbated by the level of foreign currency exposures to obligors who suffered constrained foreign currency receivables. Agusto & Co. considers UBA's asset quality to still be satisfactory, but note that risk management process must mitigate further spikes in non-performance, alongside concerted recovery efforts.

The Bank's profitability, though subdued on account of higher loan loss expenses and continued elevated operating expenses, still stood better year-on-year. Profitability indicators pre-tax return on average assets and average equity recorded upticks to 2.2% and 18.1% respectively (FY2015 - ROA: 1.8%, ROE: 18.0%). For the three months to 31 March 2017 profitability was also upheld by interest income on loans to customers, as well as favourable yields on government securities. Thus, UBA Group's annualised

pre-tax return on average assets and average equity stood at 2.6% and 24.5% respectively.

We consider UBA's liquidity profile as well as its ability to refinance should the need arise, to be good. The Bank's liquidity profile is upheld by a large pool of government securities. Positively, UBA's ability to refinance was tested by its recent $500 million Eurobond debut, which was oversubscribed. We believe UBA's presence in 19 countries in Africa provides the Bank with a strong ability to refinance and reduce its geographical vulnerabilities.

Finally, growth of the Bank's shareholders' funds has been supported by increased accretion to retained earnings. Core capital (Tier 1) stood at ₦332.0 billion as at 31 December 2016, higher than the minimum requirement of ₦50 billion for Nigerian banks operating with international banking licenses. In addition, the Bank's capital adequacy ratio computed in line with Basel II accords remained acceptable at 20%, above the regulatory minimum of 15% for international banks. We expect UBA's capitalisation to remain adequate in view of the Bank's current business risks.

We hereby maintain the "**Aa-**" rating assigned to United Bank for Africa Plc.

Strengths

- Presence in 19 countries in Africa
- Good market share
- Good liquidity profile
- Good profitability
- Experienced management team

Weaknesses

- High cost-to-income ratio
- Elevated 'past due but not impaired' classifications
- Concentration by obligor in loan portfolio

Challenges

- Maintaining good asset quality in view of a challenging macroeconomy
- Cost management in the face of high inflation

Table 1: Background Information

Financial Data	FY 2016	FY2015
Total assets & contingents	₦2.8 trillion	₦2.4 trillion
Net earnings	₦164.7 billion	₦154.0 billion
Pre-tax return on average assets & contingents (ROA)	2.2%	1.9%
Pre-tax return on average equity (ROE)	18.1%	18.0%

PROFILE

United Bank for Africa Plc. ("UBA" or "the Bank") was incorporated as a private limited liability company in Nigeria in February 1961, absorbing the assets of British and French Bank Limited. In August 2005, UBA merged with Standard Trust Bank Plc and acquired Continental Trust Bank Limited in December of the same year. UBA listed its shares on the Nigerian Stock Exchange in 1970. Over the years UBA has evolved as a pan-African bank, and currently holds an international banking licence issued by the Central Bank of Nigeria (CBN). As at 31 December 2016, the Bank's operations spanned 19 key African markets as well as offices in the United Kingdom, the United States of America and France.

UBA operating strategy involves providing a variety of corporate, commercial and retail banking services to its customers as well as trade services, cash management, treasury and advisory services with a view to creating value for its shareholders. UBA is considered a Tier 1 Bank and it operates with an international banking licence.

UBA operates via 532 business offices in Nigeria with its head office located at 57 Marina, Lagos. The Bank has presence in 18 other African countries - UBA Ghana Limited, UBA Cameroun (SA), UBA Cote d'Ivoire, UBA Liberia Limited, UBA (SL) Limited, UBA Uganda Limited, UBA Burkina Faso, UBA Benin, UBA Kenya Bank Limited, UBA Chad (SA), UBA Senegal (SA), UBA Tanzania Limited, UBA Gabon, UBA Guinea (SA), UBA Congo DRC (SA), UBA Congo Brazzaville (SA) and UBA Mozambique (SA). The Bank also has one associate company – UBA Zambia Bank Limited. Under the group structure sit four non-bank subsidiaries namely UBA Pensions Custodians Limited –providing custody services of pensions assets, UBA FX Mart Limited – a licensed Bureau de Change, UBA Capital Europe Limited –a London based investment banking company and UBA Retail Financial Services Limited.

UBA's governance structure is headed by a 19-member Board of Directors while the Bank's approved operating structure is headed by a Group Managing Director who oversees the Bank's day-to-day activities across several business units – Wholesale Bank, Lagos/West Directorate, East Directorate, North Directorate, Anglophone, Francophone, Consumer Banking, Operations & Technology, Risk & Compliance, Resources and Finance.

Track Record of Financial Performance

United Bank for Africa Plc's total assets & contingents grew by 19% year-on-year to stand at ₦2.8 trillion as at 31 December 2016. The Bank's gross loans and advances also grew by 35% to ₦1.1 trillion representing 40% of the Bank's total assets and contingents.

As an internationally licensed bank, core capital (less revaluation reserve) stood at ₦332 billion as at 31 December 2016, above the minimum ₦50 billion regulatory requirement for such banks. The Bank's Basel II computed capital adequacy ratio stood at 20%, also above the regulatory minimum of 15% for internationally licensed commercial banks.

UBA's profitability ratios pre-tax return on average assets and average equity for the review period stood marginally better year-on-year at 2.2% and 18.1% respectively (FY2015 - ROA: 1.9%, ROE: 18.0%). In the three months to 31 March 2017, annualised ROA and ROE for the UBA Group stood at 2.6% and 24.5% respectively.

Correspondent Banks

The Bank maintains correspondent banking relationships with the following 31 banks globally:

1.	ABSA	17.	Mashreq
2.	Bank of Beirut UK	18.	National Bank of Abu Dhabi
3.	Bank of China	19.	Natixis Bank
4.	Bank of Tokyo	20.	NedBank
5.	BCGE Bank	21.	Nordea
6.	BCP Bank	22.	Societe Generale Bank
7.	BNP Paribas	23.	Standard Bank SA
8.	Byblos Bank	24.	Standared Chartered Bank
9.	CitiBank	25.	Sumitomo Mitsui Banking Corporation
10.	CommerzBank	26.	Svenska Handelsbanken
11.	Credit Suisse	27.	Swedbank
12.	FBN UK	28.	UBA Cape
13.	First Gulf Bank	29.	UBA New York
14.	First Rand Merchant Bank	30.	UBS
15.	HSBC	31.	UniCredit
16.	ING		

Technology

UBA Plc's core banking application is Finacle 10x, a universal banking software developed by Infosys (India). The Finacle 10x software is also adopted to address the treasury, consumer and corporate banking requirements of the Bank's operations. UBA also has a strategic agreement with Original Equipment Manufacturers (OEM) for its hardware resources. The partnership allows for special pricing and support on all products purchased as well as direct knowledge expertise and transfer.

UBA combines a number of technological systems in its network connectivity. These include, but are not limited to VSAT, Radio, DSL and fibres with MPLS and IPSEC tunnels. The risk of a system downtime is mitigated by maintaining dual network links with both the primary and redundant links provided by different service providers. The Bank's network is also protected by a De-militarized Zone (DMZ) infrastructure which secures the network from third party interference and from the internet.

Current Directors

		Direct & Indirect Shareholding
Mr. Tony Elumelu, CON	*Chairman*	5.7%
Mr. Kennedy Uzoka*	*Group Managing Director/CEO*	0.1%
Mr. Victor Osadolor**	*Deputy Managing Director*	0.05%
Amb. Joe Keshi, OON	*Non-Executive Director/Vice Chairman*	<0.01%
Chief Kolawole B. Jamodu, CFR	*Non-Executive Director*	<0.01%
Alhaji Ja'Afaru Aliyu Paki	*Non-Executive Director*	0.07%
Mrs. Foluke K. Abdulrazaq	*Non-Executive Director*	0.06%
Mr. Yahaya Zekeri	*Non-Executive Director*	<0.01%
Mrs. Rose Okwechime	*Non-Executive Director*	0.08%
Mr. Adekunle A. Olumide, OON	*Non-Executive Director– Independent*	<0.01%
Mr. Owanari Duke	*Non-Executive Director – Independent*	<0.01%
High Chief Samuel Oni, FCA	*Non-Executive Director– Independent*	<0.01%
Mr. Dan Okeke	*Executive Director*	0.08%
Mr. Emeke Iweriebor	*Executive Director*	0.01%
Mr. Oliver Alawuba*	*Executive Director*	<0.01%
Mr. Uche Ike*	*Executive Director*	0.03%
Mr. Puri Ibrahim*	*Executive Director*	Nil
Mr. Chukwuma Nweke*	*Executive Director*	<0.01%
Mr. Ayoku Liadi*	*Executive Director*	<0.01%

**Appointed effective August 2016* ***Appointed effective June 2016*

Management Team

Mr. Kennedy Uzoka was appointed as Group Managing Director/Chief Executive Officer effective August 2016. Mr. Uzoka is the immediate past Group Deputy Managing Director and Chief Executive Officer of UBA Africa managing the Group's operations across its African markets and also supervises two key strategic support areas in e-Banking and Information Technology. Prior to his appointment as CEO UBA Africa, Mr. Uzoka supervised the Bank's businesses in New York and London. He is a graduate of Mechanical Engineering from University of Benin and holds a Master's Degree in Business Administration from University of Lagos. Mr. Uzoka is an alumnus of Harvard Business School in Boston USA, the International Institute of Management Development (IMD) in Lausanne, Switzerland and the London Business School, United Kingdom. Mr. Uzoka has over two decades of experience in commercial banking, strategy and business transformation.

Mr. Victor Osadolor was appointed the Group's Deputy Managing Director effective June 2016. Mr. Osadolor has cognate banking experience and was formerly the Managing Director of UBA Capital Holdings Limited, Deputy Managing Director of UBA Nigeria East and Executive Director of Risk and Finance in UBA. He left UBA in 2012 and became the Chief Strategy Officer at Ecobank Transnational Incorporation. He holds a Bachelor of Science degree in Accounting and is a Fellow of the Institute of Chartered Accountants of Nigeria. He also holds the Advanced Management Programme Certificate from Harvard Business School.

Other members of UBA's senior management team include:

Mr. Ugo Nwaghodoh	*Group Chief Finance Officer*
Mr. Gboyega Sadiq	*Group Chief Internal Auditor*
Mr. Franklyn Bennie	*Group Chief Compliance Officer*
Mr. Bili Odum	*Group Company Secretary*

ANALYSTS' COMMENTS

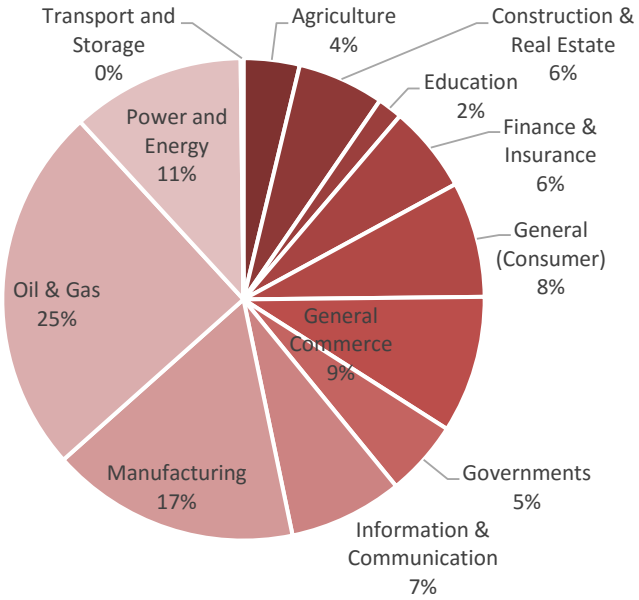
ASSET QUALITY

United Bank for Africa Plc currently ranks as the fifth largest bank in Nigeria by total assets and contingents. The Bank's statement of financial position as at 31 December 2016 was largely characterized by expansion of foreign currency denominated assets and liabilities in naira (NGN) terms, following the June 2016 liberalisation of the foreign exchange market which resulted in a 35% devaluation of the local currency against the United States Dollar (USD). As at 31 December 2016, approximately 31.7% of the Bank's total assets in naira terms, were susceptible to currency movements as they were denominated in foreign currencies (2015: 25.0%). Total assets and contingents grew by 18.7% year-on-year to ₦2.8 trillion, largely reflected in the Bank's loan portfolio. Total assets comprised liquid assets (24.8%), placements with banks outside Nigeria (5.3%), loans and advances (39.2%), restricted funds with the CBN, other assets and receivables (17.0%), fixed assets and intangibles (3.0%) and contingent assets – performance bonds, guarantees and letters of credits (10.7%).

UBA's largest earning asset class– loans and advances, which accounted for 39.2% of total assets and contingents expanded by a marked 33.1% year-on-year, a resultant effect of the naira devaluation of June 2016. Gross loans and advances totaled ₦1.1 trillion as at 31 December 2016 (2015: ₦850.4 billion). Examining the Bank's loan portfolio by currency we note that 46.1% of gross loans or ₦513.5 billion were foreign currency (FCY) denominated, up from the 33.1% weighting as at 31 December 2015. In the same vein, we note that the Bank's top ten FCY exposures were loans to obligors in sectors such as Oil & Gas, Power, Telecommunications and Manufacturing, typical foreign currency requiring sectors. These top ten exposures accounted for 51.6% of total FCY loans as at 31 December 2016 presenting some degree of concentration risk particularly given the inherent vulnerabilities to adverse macroeconomic headwinds demonstrated post Q3 2014.

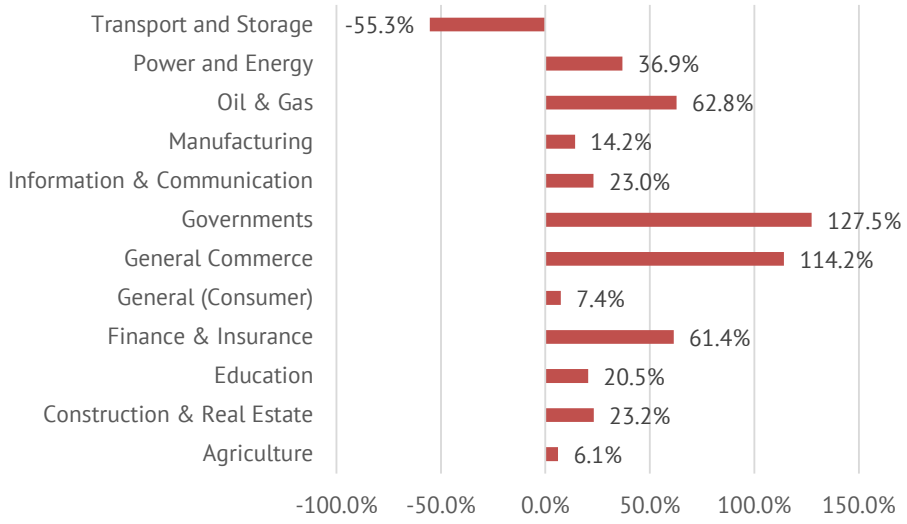
As at 31 December 2016, Oil and Gas lending was the largest sectorial component of the Bank's loan portfolio accounting for 24.9% (2015: 20.4%), a combination of upstream, oil services and downstream obligors with an approximate 75:20:5 distribution. The second largest lending sector was Manufacturing accounting for 16.8% of gross loans (2015: 19.6%) followed by Power & Energy and General Commerce lending accounting for 10.2% and 11.7% of loans and advances respectively. UBA's top 5 lending sectors Oil & Gas, Manufacturing, Power & Energy, General Commerce and General (Consumer) collectively accounted for 72.2% of the Bank's loan portfolio as at 31 December 2016. In the same vein, the Bank's top 20 obligors, (spanning oil & gas, manufacturing, telecommunications, public sector, power and financial institution exposures) accounted for 52.0% of its loan portfolio. Given UBA's size, we believe further diversification is required as the loss of one or more of the top 20 exposures would impact the Bank's non-performing loan ratio by 140-430 basis points.

Figure 1: Loan Portfolio by Economic Sector



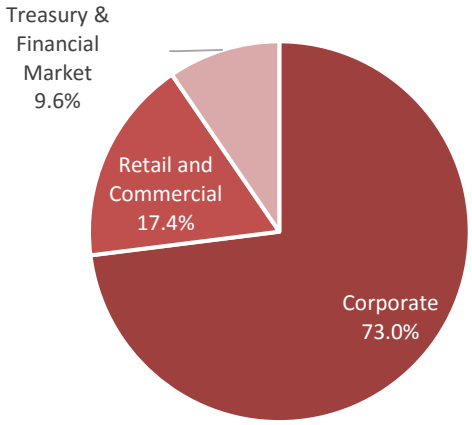
It is worthy of note that the Bank's exposures to obligors in the General Commerce sector recorded marked growth of 114.2% driven by a combination of increased lending and devaluation of the naira for the foreign currency portion of such loans. In addition, loans to the Public Sector grew by 127.5% on account of Federal Government bail-out initiatives for State Governments. Other notable growths per economic sector include Oil & Gas and Construction which jumped by 62.8% and Finance & Insurance 61.4% respectively largely on account of the devaluation effect that impacted these typically FCY denominated exposures. Loans to the Power and Energy sector grew by 36.9% comparatively tempered in view of general concerns about the increasing exposure to the sector which faces risks such as liquidity and tariff debates.

Figure 2: Loan Portfolio Year-on-Year Growth



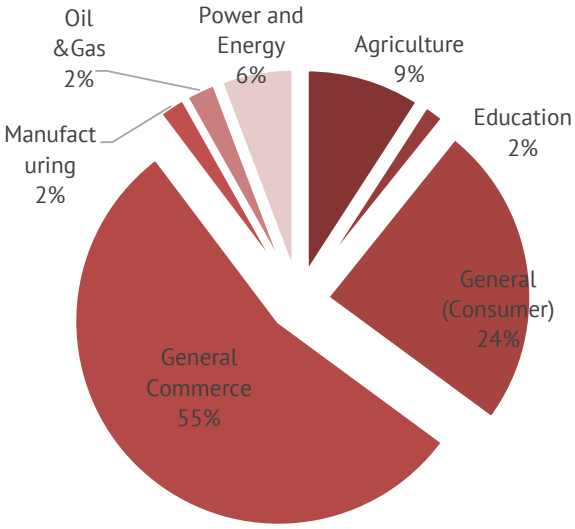
As at 31 December 2016, lending activity within the Bank's corporate banking business accounted for approximately 73.0% of gross loans reflective of UBA's asset creation strategy which focuses on mid – large tier corporates.

Figure 3: Loan Portfolio by Business Segment



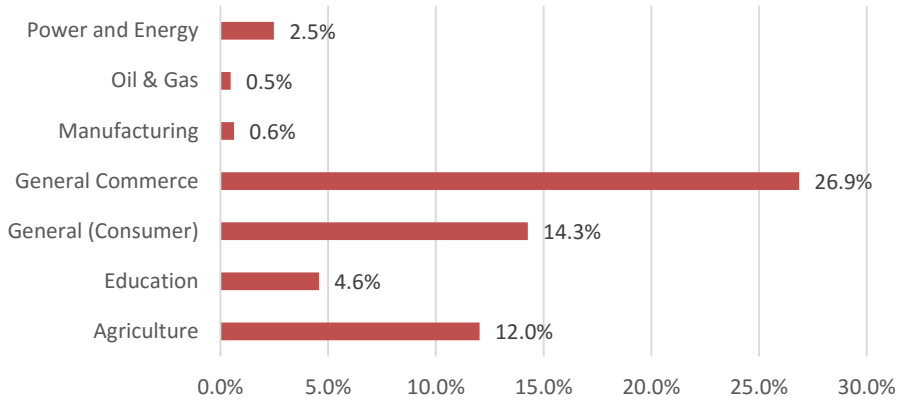
The Bank's asset quality deteriorated in the 2016 financial year, reflecting weak macroeconomic fundamentals which severely impacted various sectors of the economy. UBA's non-performing loans (NPLs) spiked more than seven-fold to ₦54.9 billion largely on account of exponential growths in delinquencies in a number of sectors. Most notably, General Commerce delinquencies accounted for the largest proportion of non-performing loans (54.6%). In addition, new classifications in the Power & Energy sector due to an obligor who suffered weak cash collection impacting repayment ability, accounted for 5.8% of total non-performing loans, while new classifications in the Agriculture and Education sectors accounted for 9.1 and 1.6% respectively.

Figure 4: NPL by Economic Sector



In view of asset quality deterioration, the Bank's NPL to total loans ratio jumped to 4.8%, though remaining below the CBN stipulated 5% ceiling for NPLs (FY2015: 0.8%). At this level, UBA's NPL ratio stands higher than select industry peers Guaranty Trust Bank (GTBank: 3.2%) and Zenith Bank Plc (Zenith: 2.6%), but below the industry average of 9.6% for banks in Agusto & Co.'s coverage. We note particularly high NPL ratios for the General Commerce, General (Consumer) and Agriculture lending sectors which had delinquency rates of 26.9%, 14.3% and 12.0% respectively.

Figure 5: NPL by Sector



UBA's top twenty NPLs, accounting for 66.1% of total non-performing loans, were a variety of exposures to key lending sectors particularly general commerce. We note a significant ₦19.5 billion delinquent exposure to a general commerce obligor which the Bank was compelled to reinstate to its books following a prior sale to the Asset Management Corporation of Nigeria (AMCON). When we back out this loan, the Bank's NPL ratio stands at 3.1%. We recognize that until full resolution of this impaired asset is achieved, UBA's NPL ratio will remain somewhat elevated, given that the exposure accounts for 35.5% of total non-performing loans.

UBA has disclosed a telecommunications industry exposure, a combination of foreign and local currency loans. The Bank's total exposure to the obligor who has recently faced constrained ability to fulfil foreign currency financial obligations, stands at 3.7% of gross loans and 12.1% of UBA's shareholders' funds. Whilst this obligor remains a going concern on the back of encouraging operating fundamentals, we note that further provisioning may be taken against this in view of recent discussions with the obligor and its shareholders/other stakeholders. Should this exposure become lost, it will impact the Bank's asset quality, raising the Bank's non-performing loan ratio by 300-400 bps. We believe restructuring or sale of the pledged assets remain as options.

Further reviewing UBA's loan book, we note that loans classified as *past due but not impaired* amounted to ₦59.9 billion. Should these loans become lost, the Bank's NPL ratio could rise further, to as high as 10% thus highlighting key vulnerabilities. Risk assets in the *past due but not impaired* classification remain proportionately high (FY2015: ₦60.6 billion), a reflection of recurrent weaknesses in asset quality. When compared with peers UBA's *past due but not impaired loans* stood at 5.2% of total loans, in comparison with GTBank (0.1%) and Zenith (<0.1%) as at 31 December 2016.

In the period under review, UBA restructured approximately ₦23 billion worth of loans and advances particularly to obligors in the General Commerce and Oil & Gas lending sectors to better reflect changes to their cash flows given the macroeconomic environment. The restructured loans account for a low 2.0% of gross loans in line with the Bank's policies on restructuring. Also, in the review period, the Bank wrote off ₦2.3 billion worth of loans (FY2015: ₦1.3 billion) in view of the CBN's one off forbearance which allowed for write-offs of impaired loans that had been fully provided for that banks were availed. In accordance with IFRS, the Bank's coverage ratio stood at 54.8% in comparison with 198.9% for the prior year. When we factor in the provisions made in line with prudential requirements, the Bank's coverage ratio stood good at 163.6%.

We consider UBA's current asset quality to be satisfactory, upheld by good level of provisions. The high level of its past due loans, the weak operating climate, as well as obligor concentration however remain negative factors impacting the Bank's asset quality.

RISK MANAGEMENT

United Bank for Africa maintains a robust risk management framework in view of its moderate risk appetite. Oversight functions are domiciled with the Bank's Board of Directors particularly through the Board Credit Committee and the Board Risk Management Committee. These committees are supported by the Executive Credit Committee. Day-to-day risk management functions spanning information security control, risk measurement, credit risk management, credit monitoring, market risk management and operational risk management are managed by dedicated teams who form the Bank's risk management division alongside a credit support office and a credit recovery office. Unit Heads report to the Group Chief Risk Officer who in turn reports to the Group Managing Director and Executive & Board Committees. In addition, all of the bank's operational units serve as risk managers for mitigating inherent day-to-day threats. The Group Chief Risk Officer is responsible for the development and implementation of the risk management framework as well as the policies and processes that guide this.

UBA adopts an enterprise risk management (ERM) framework which integrates the Bank and its subsidiaries, strategically seeking to manage the Bank's affairs with a view to balancing profitability and sustainability. The risk management framework defines the Bank's strategy, risk appetite and resultant business processes adhering to the principles of Basel II and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework. The ERM framework encompasses Credit, Market, Operational and IT risks structured under the following units: Risk Measurement, Credit Risk Management, Credit Monitoring, Credit Support, Credit Recoveries and Market Risk units.

In 2016, UBA set up a multidisciplinary implementation team in preparation for IFRS 9 implementation. This team includes members of the Bank's Risk Management, Finance and Operations units tasked with determining the impact of the new standard, the peculiarities of classification and measurement of risks in this regard.

Credit Risk: UBA's credit risk management seeks to mitigate financial losses. Thus credit quality determinations, credit portfolio performance management and credit concentration trigger measures employed. These include an internal rating model which takes into account financial and non-financial parameters, as well as setting limits on lending to obligors and to economic sectors. In addition, the Bank considers factors such as probability of default, loss given default and exposure at default. We believe the Bank's internal rating model needs to be more conservative, better reflecting current macroeconomic and industry specific headwinds, in order that asset quality may be continually preserved.

Market Risk: UBA utilizes a variety of methods to measure and mitigate market risk inherent to its trading and non-trading portfolios. These include mark to market valuation, value at risk (VAR), earnings at risk (EAR), sensitivity/scenario analysis, gap analysis and risk ratios. In addition, the Bank performs stress tests and back tests at least quarterly and when significant market events occur. In mitigating foreign exchange risks, the Bank focusses on trading limits, open positions, overnight limits and gap limits guided by regulatory provisions as well as counterparty and cross border limits, all monitored daily.

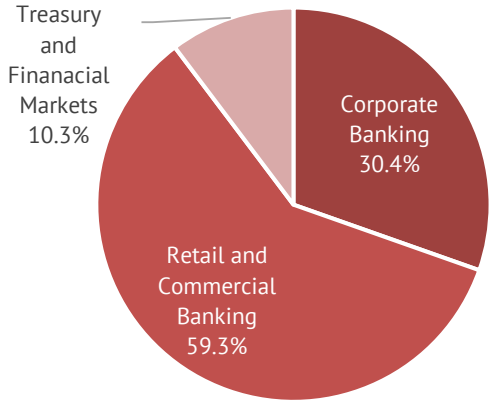
Operational Risk: UBA uses the Standardized Approach (TSA) to measure operational risk under Basel II accords. Operational risk is managed through a dedicated policy that is reviewed once every 3 years. In addition, the Bank's operations manuals are reviewed annually or as determined by material events. In the year under review, UBA was fined a total of ₦87.6 million for a number of contraventions, the bulk of which were in respect of a customer using ATM cards issued to other customers related to them and failing to file timely reports on suspicious transactions of some customers. In addition, the Bank lost ₦156.9 million in the review period on account of 2,546 internal and external fraud attempts (FY2015: ₦144.4 million).

We consider United Bank for Africa Plc.'s risk management practices to be acceptable but note that in view of the steep deterioration in asset quality, concerted efforts must be made to mitigate further deterioration, whilst recovery efforts through its dedicated Group Remedial & Recovery Division (GRRD) must be ramped up.

EARNINGS

United Bank for Africa Plc's earnings profile for the 2016 financial year was upheld by income from lending to corporates, income on government securities given favourable interest rates in the period, and supported by other non-interest income sources. Net earnings amounted to ₦164.7 billion, growing by 7.0% year-on-year despite a considerably subdued macroeconomic environment. The Bank's retail and commercial banking business providing products and services to the mid-tier corporate and retail segments of the market accounted for approximately 59.3% of earnings while the Bank's corporate banking business catering to multinationals, regional corporates, state owned companies, non-governmental organisations, international and multinational organisations and financial institutions accounted for 30.4% of earnings in the review period.

Figure 6: Revenue by Business Line

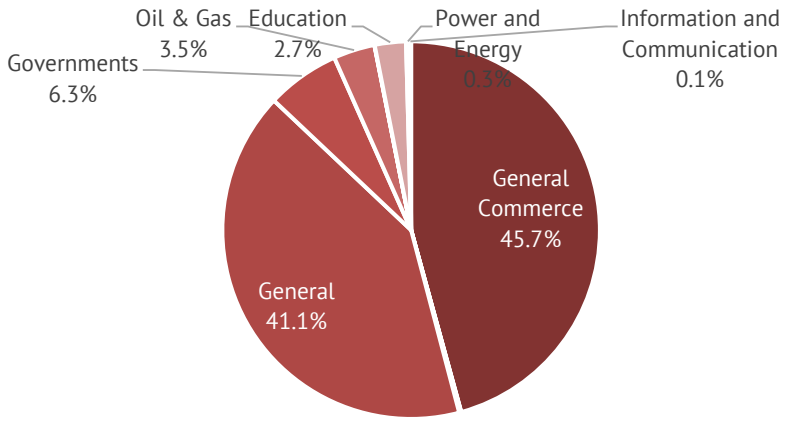


Despite a larger loan portfolio on the back of marked devaluation of the naira, interest income largely comprising interest from loans and advances (67.6%) and interest income from investment securities (27.4%), declined by 6.8% over the 2015 financial year to ₦177.3 billion as UBA focuses on lower risks, lower yield customers. Of total interest income, the Bank expended 38.7% or ₦68.5 billion on interest expense lower than ₦83.2 billion in the prior year, an industry-wide trend as Bank's sought to temper erosion of their topline. UBA's net interest margin thus improved marginally to 61.4% (2015: 56.3%), lower than peer GTBank (75.5%) but at par with Zenith (61.6%). The Bank's weighted average cost of funds declined to 3.2% (FY2015: 4.2%). We note the issuance of a debut Eurobond in June 2017 and expect this to impact the UBA's weighted average cost of funds in the near term, even as it provides opportunities to grow revenue and profit.

During the 2016 financial year, 14.4% or ₦25.5 billion of interest income was charged from the Bank's statement of comprehensive income to its loan loss provision account. This charge grew more than six-fold over the prior year, reflective of deteriorating asset quality and increases to the size of risk weighted assets, which called for additional general provisioning. In view of the Bank's lending profile, 45.7% of loan loss expense was on account of its General Commerce lending segment while 41.1% was on account of the General (Consumer) segment including retail exposures. Nonetheless, as the Nigerian economy enters an arguably

fragile recovery-mode, we believe this will be tempered in H2 2017 going into 2018. UBA's cost of risk stood at approximately 2.6%, lower than peer GTBank (4.5%) but higher than Zenith (1.3%).

Figure 7: Loan Loss Expense by Economic Sector



UBA's non-interest income particularly upheld profitability in the period under review. Non-interest income grew by a marked 61.7% on the back of trading and foreign exchange gains amounting to ₦27.3 billion and a surge in electronic banking income. E-banking income has emerged as a bright spot for the banking industry, though not without associated expenses for related infrastructure. UBA generated 51.3% of its fees and other income amounting to ₦25.6 billion (FY2015: ₦14.1 billion) from e-banking, reflective of its further investments in digital platforms. The Bank has invested in Unstructured Supplementary Service Data (USSD) Banking and strengthened its internet and mobile banking services. We expect e-banking income to continue to be a strong contributor to non-interest income as more of UBA's customers embrace digital banking.

Figure 8: Breakdown of Non-Interest Income

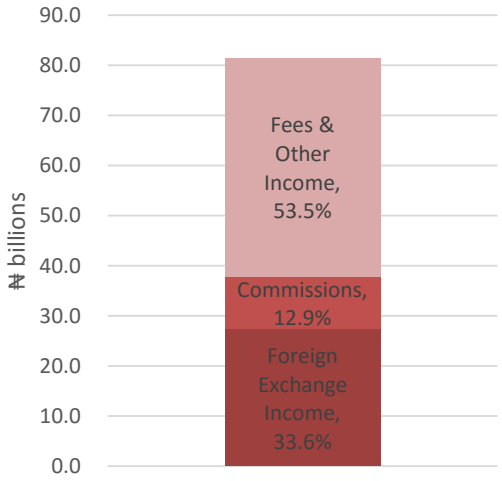
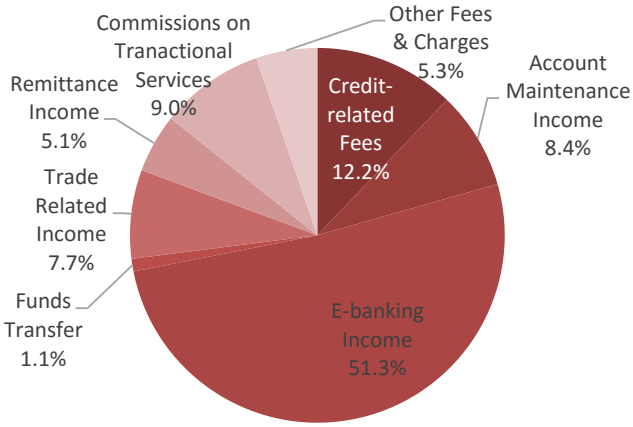


Figure 9: Breakdown of Fee & Commissions Income



Despite effects of the naira devaluation on foreign currency denominated expenses, such as business travel

and information technology, as well as prevailing inflationary pressures in H2 2016 which exacerbated the cost of doing business in Nigeria, UBA's operating expenses grew by a marginal 3.7% to ₦107.1 billion. Operating expenses largely comprised staff costs (40.6%) and other administrative expenses (53.5%). Staff costs grew by 3.5% despite an average 5.2% decline in the Bank's staff strength in the period augmented by promotions and changes to the Bank's remuneration scale. Other administrative expenses grew by a similar 3.8%. Though UBA's cost-to-income ratio (CIR) improved to 65.0% (FY2015: 67.0%), its cost profile vis a vis earnings still remains higher than peers GTBank and Zenith who recorded CIRs of 36.9% and 52.8% respectively. In our opinion, the Bank needs to further improve its cost management strategy to preserve profitability.

With strong non-interest income levels, UBA's profit before tax was boosted, improving by 13.6% to ₦57.6 billion. Profitability indicators pre-tax return on average assets and average equity nudged up to 2.2% and 18.1% respectively (FY2015 – ROA: 1.9%, ROE: 18.0%). The Bank's corporate banking business stood most profitable with a pre-tax return on segment assets of 4.0%, while retail/commercial and treasury/financial markets recorded return on segment assets of 1.7% and 2.6% respectively. Overall, the Bank's profitability indicators lagged in view of peer performance, as highlighted in Figure 11. When we back out ₦70.7 billion from UBA's capital attributable to investment in subsidiaries, the Bank's return on equity stands at 23.0%. This is in comparison with GTBank (38.7%) and Zenith (25.5%) when treated the same way.

Figure 10: Return on Segment Assets (FY2016)

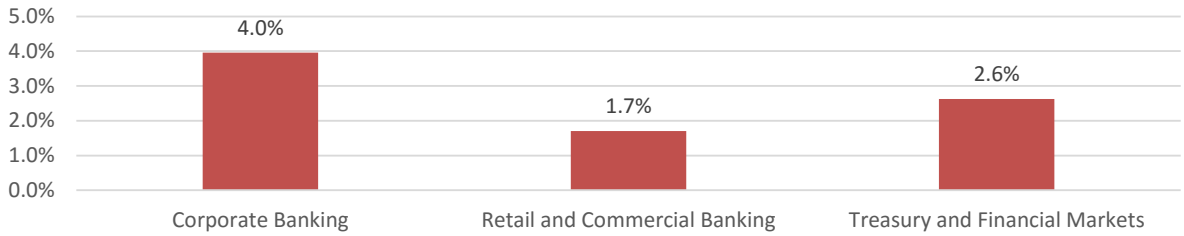
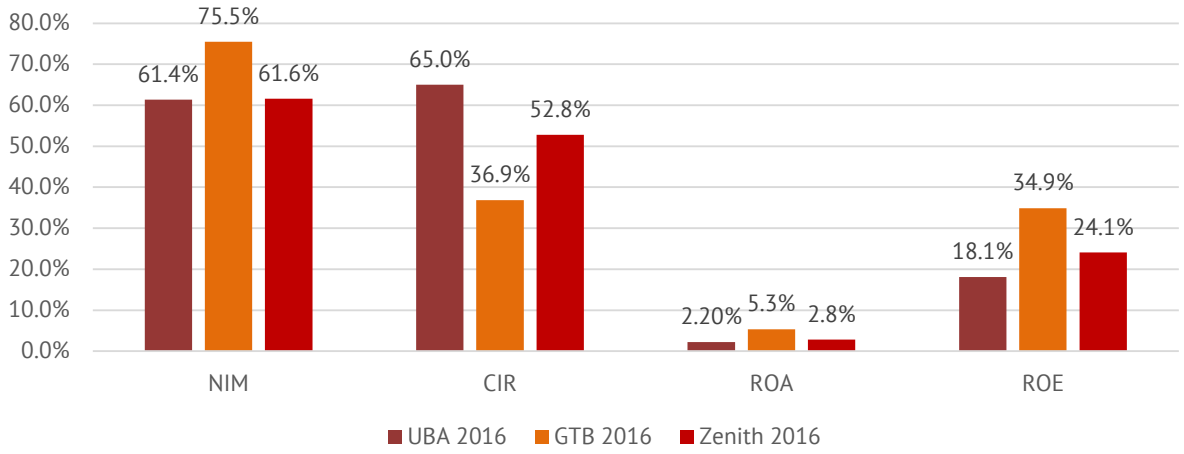


Figure 11: Comparative Profitability Indicators



Subsequent to year-end, the Bank's profitability profile remained firm in Q1 2017. UBA Group's net-interest margin stood at 67.2% for the three months to 31 March 2017 upheld by interest income on loans to customers, as well as favourable yields on government securities. Annualised returns on average asset and average equity stood at 2.6% and 24.5% respectively. Peer Guaranty Trust Bank Plc (Group) recorded a Q1 2017 ROA of 6.4% and ROE of 37.1% at the group level while Zenith Bank Plc (Group) recorded a Q1 2017 ROA of 2.8% and ROE of 24.1%.

We consider United Bank for Africa Plc's profitability to be satisfactory though we recognise that the weak operating terrain in Nigeria continues to hamper most banks' profitability. We expect the Bank's profitability to continue to improve in the short term though this is contingent on tight cost control and lower provisioning charges.

CAPITAL ADEQUACY

As at 31 December 2016, UBA's Tier 1 (Core) Capital totaled ₦332 billion which represented a 8.4% year-on-year growth on account of accretion to the Bank's retained earnings as well as increase in statutory reserves. Tier 1 capital remained well above the regulatory minimum of ₦50 billion for Nigerian commercial banks licensed to operate internationally. Core capital was also sufficient to fund 11.7% of the Bank's total assets and contingents. Tier I capital to adjusted capital ratio stood at 80.4%, also well above the regulatory minimum requirement of 75%.

UBA's Tier II capital dipped by 8.9% in the review period, amounting to ₦88.5 billion, in view of maturing medium term notes. Tier II capital comprised fair value gains on available for sale investments totaling ₦58.9 billion as well as the amortised value of a medium term note maturing 2021 (₦29.6 billion, Coupon: 16.45%).

UBA's capital adequacy ratio (CAR) computed under the Basel II accords remained at 20% for the year under review, above the regulatory minimum of 15% for Nigerian banks with international banking licenses, and the proposed 16% for systematically important banks (SIBs). UBA's capital adequacy ratio stood at par with peer GTBank (19.8%) but lower than Zenith (22%).

Table 2: Capital Adequacy Indicators

	UBA FY 2015	UBA FY 2016	GTBank FY 2016	Zenith FY 2016
Tier 1 (Core) Capital	₦306.2 billion	₦332.0 billion	₦476.2 billion	₦605.4 billion
Tier 1 Capital / Adjusted Capital	84.3%	80.4%	100.0%	105.9%
Basel II CAR	20.0%	20.0%	19.8%	22.0%

In our opinion, UBA's capital is acceptable for the Bank's current business risks.

LIQUIDITY AND LIABILITY GENERATION

United Bank for Africa Plc, manages a large pool of deposits from both retail and corporate customers. Total deposit liabilities (less interbank takings) grew by 4.4% year-on-year to ₦1.7 trillion as at 31 December 2016. At this level, the Bank's deposits accounted for approximately 8.7% of the Nigerian Banking Industry's total deposit liabilities leveraging on 532 branches and service points nationwide with over 11 million customers. Retail deposits, a combination of current, savings, term and domiciliary deposit accounted for 44.3% of deposits from customers, while corporate customers contributed 55.7% to this total, largely current account deposits.

Examining the Bank's deposit pool by currency, we note that 85.1% were local currency (LCY) denominated while 14.9% were deposits in other foreign currencies (FCY) largely US Dollar denominated. Local currency deposits grew by 9.8% to ₦1.5 trillion while foreign currency deposits shrunk in naira terms by 10.0% despite devaluation of the naira in the period, indicative of a depletion of foreign currency balances by customers and a scarcity of FX to replenish during the period. Further reviewing the Bank's LCY deposit bucket, cheap demand and savings deposits collectively accounted for 75.2% of LCY deposits while tenored deposits accounted for 24.8%. Despite the macroeconomic environment which constrained available cash flow for businesses and individuals impacting the saving culture adversely, the Bank was nonetheless able to grow low cost funding by 16.7% with demand deposits increasing by 12.3% and savings deposits by 23.6%. More expensive tenured deposits, dipped by an overall 10.9% year-on-year, as the Bank deployed initiatives to deepen low cost deposit mobilization.

UBA's weighted average cost of funds (WACF) thus declined to 3.7% (FY2015: 4.3%) while LCY deposit generation per branch stood at ₦2.7 billion. In view of LCY deposit generation per branch for the Bank's peers GTBank (₦6.1 billion) and Zenith (₦4.4 billion), we believe UBA's expansive branch network is underperforming.

UBA's liquid assets comprising government securities (71.7%), cash & equivalents (9.7%), quoted investments (11.4%) and money market placements (7.2%), declined by 10.0% to ₦704.4 billion. The Bank continued to take advantage of favourable interest rates on government securities and money market offerings in the review period. Liquid assets to total LCY deposits dipped to 46.8%, lower than 58.4% of the prior year, though remaining above the regulatory minimum of 30%.

FCY deposits from customers stood at approximately 50.3% of FCY denominated loans to customers. Any funding gaps in the Bank's asset and liability management were plugged by medium to long term borrowings which doubled year-on-year to ₦260 billion as at 31 December 2016. These borrowings comprised local and foreign currency facilities availed by a variety of financial institutions and schemes as highlighted in the table below.

Table 3: Borrowings as at 31 December 2016

Institution	Amortised Value	Maturing	Currency
Central Bank of Nigeria – Commercial Agriculture Scheme	₦17.0 billion	2025	NGN
Central Bank of Nigeria- State Government Bail-out	₦26.2 billion	2035	NGN
Bank of Industry	₦11.0 billion	ND	NGN
European Investment Bank	₦1.9 billion	2020	USD
Syndication	₦27.5 billion	2017	USD
Africa Trade Finance Limited	₦15.1 billion	2017	USD
Afrexim	₦30.4 billion	2017	USD
African Development Bank	₦36.2 billion	2024	USD
Credit Suisse	₦94.5 billion	2017	USD

ND-Not Disclosed

UBA was also availed standby lines of credit amounting to $1.3 billion from various correspondent banks as at 31 December 2016. In addition, the funding of the Bank was upheld by the naira bonds issued amounting to ₦86.0 billion which the Bank partly used to fund medium term loans. These bonds mature in 2017, 2018 and 2021. Subsequent to year-end, UBA successfully issued a debut $500 million Eurobond in June 2017 with a coupon rate of 7.75% and a tenor of 5 years for cautious asset creation in foreign currency, across the UBA Group.

In our opinion, UBA's liquidity profile is good. We consider the Bank's ability to refinance to also be good particularly given the oversubscription level and coupon rate of its recent Eurobond debut as a key indicator of investor confidence in the Bank.

Ownership, Management & Staff

United Bank for Africa Plc. is a public limited liability company quoted on the Nigerian Stock Exchange, with over 275,000 shareholders. Key shareholders include Stanbic Nominees (11.3%) holding shares in trust for several shareholders, UBA Staff Investment Trust (6.2%) and Mr. Tony Elumelu (5.7% direct and indirect).

The Bank's operations in the review period were overseen by a 19-member Board of Directors, headed by Mr. Tony Elumelu as Chairman. The Board comprised nine other Non-Executive Directors and nine Executive Directors- including three independent Non-Executive Directors. In the year under review, **Mr. Phillips Oduoza** retired as the Group Managing Director and Chief Executive Officer of United Bank for Africa Plc effective 31 July 2016 following the expiration of his second term tenure. **Mr. Kennedy Uzoka** was appointed in his stead effective August 2016. In addition, Executive Directors - Mr. Femi Olaloku and Ms. Obi Ibekwe both retired while Mr. Victor Osadolor was appointed the Group's Deputy Managing Director as well as five Executive Directors:

- Mr. Oliver Alawuba, ED/Regional CEO UBA Africa Anglophone
- Mr. Uche Ike, ED Risk Management, Compliance and Corporate Governance
- Mr. Puri Ibrahim, ED North Bank
- Mr. Chukwuma Nweke, ED, Group Chief Operating Officer (effective July 2017)
- Mr. Ayoku Liadi, ED Lagos and West Bank

Mr. Uzoka is the immediate past Group Deputy Managing Director and Chief Executive Officer of UBA Africa managing the Group's operations across its African markets and also supervises two key strategic support areas in e-Banking and Information Technology. Prior to his appointment as CEO UBA Africa, Mr. Uzoka supervised the Bank's businesses in New York and London.

In the year under review, UBA employed an average of 9,383 persons, down 4.3% from the prior year. Management and Directors accounted for just under 1% of total staff while non-management staff accounted for 99%. Despite the decline in staff numbers, total staff costs grew by 3.5% to ₦43.5 billion accounting for 40.6% of the Bank's operating expenses. Growth in staff costs was impacted by promotions and other staff benefits. Staff productivity measured in net earnings per staff improved to ₦17.6 million (FY2015: ₦15.7 million) while staff costs per employee inched up to ₦4.6 million (FY2015: ₦4.3 million), though both lower than peers GTBank and Zenith. Net earnings per staff remained sufficient to cover staff costs per staff approximately 3.8 times.

Table 4: Staff Productivity Indicators

Indicators	UBA FY 2015	UBA FY 2016	GTBank FY 2016	Zenith FY 2016	Industry Avg. FY2016
Average number of employees	9,801	9,383	3,349	5,970	56,395
Staff cost per employee	₦4.3 million	₦4.6 million	₦6.2 million	₦10.4 million	₦8.2 million
Net earnings per staff	₦15.7 million	₦17.6 million	₦72.8 million	₦49.7 million	₦33.4 million
Staff costs/Operating expenses	40.7%	40.6%	23.0%	39.7%	37.1%
Net earnings to Staff cost	3.7 times	3.8 times	11.8 times	4.8 times	4.1 times

In our opinion UBA's management is experienced. We also consider the Bank's staff performance to be satisfactory though lagging its peers.

Market Share

United Bank for Africa Plc maintains its position as one of the top 5 commercial banks operating in Nigeria by market share of total assets & contingents. In the year under review, the Bank ranked fifth largest by total assets and contingents impacted by the devaluation effect on foreign currency assets. In addition, the Bank maintained the fifth largest pool of local currency deposits and was the third largest lender by loans and advances-net. UBA continues to leverage on its expansive branch network nationwide as well as its franchise outside Nigeria.

Whilst market share grew across some indicators examined, UBA lagged behind select peers GTBank and Zenith, particularly on indicators such as the size of its loan portfolio and net earnings. The Bank's industry share of net earnings and share of profit before tax both stood at fourth largest after Zenith Bank Plc, Guaranty Trust Bank Plc and Access Bank Plc.

Table 5: Market Share Indicators

Indicators	UBA FY 2015	UBA FY 2016	GTBank FY 2016	Zenith FY 2016
LCY Deposits (excluding interbank takings)	9.3%	10.0%	10.8%	12.8%
Total Assets & Contingents	7.8%	8.9%	8.9%	15.1%
Total Loans & Leases (net)	6.7%	8.3%	9.9%	14.9%
Net Earnings	8.7%	8.7%	12.4%	15.1%
Profit before Tax	11.8%	9.1%	23.8%	21.7%

We consider the Bank's market share to be good and view positively efforts to deepen its banking channels particularly leveraging on digital banking platforms, though this remains to be seen in its market share of liability generation.

OUTLOOK

United Bank for Africa continues to maintain its status as a Tier 1 institution. An expansive footprint has served to bolster the Bank's profile both within Africa and in the wider global financial market leveraging on a strong corporate banking business, a large pool of deposit liabilities generated from an expansive branch network and guided by an experienced management team. In view of severe foreign exchange shortages and prevailing suppressed business activity in Nigeria in 2016 which led to a recession, UBA's focus was centred on maintaining asset quality and preserving profitability, thus lending was cautious. In particular, following the June 2016 liberalisation of the Nigerian foreign exchange market, which caused undue bloating on the Bank's loan portfolio as the naira depreciated by 54%, the effects reverberated through the Bank's performance and indeed the entire Banking industry. Nonetheless, UBA's performance was demonstrative of adequate capitalisation for business risks, a good liquidity profile, and satisfactory profitability despite the inevitable asset quality deterioration.

For the 2017 financial year and looking to the near-term, UBA's operating strategy borders on asset quality preservation through cautious lending and profitable asset allocation such as investment in government securities and other financial assets. In June 2017, UBA successfully issued a debut $500 million Eurobond which was significantly oversubscribed. This attests to continued global investor confidence in the Bank, a particularly essential factor for its trade finance business. UBA expects to grow its lending portfolio modestly seeking some safety in low risk assets with attractive yields such as government securities, with an expectation that its non-performing loan ratio will remain below the 5% prudential maximum prescribed by the Central Bank.

We note that as repayment ability of obligors that have been most impacted by the adverse macroeconomic headwinds industrywide is slowly restored, and in view of further cautious lending, the Bank's earning's profile will remain moderate. Agusto & Co. expects the Bank to leverage on fee and commissions income to buoy interest earnings. UBA has historically recorded elevated operating expenses based on the Bank's expansive footprint, further bloated by devaluation of the naira for typical FCY denominated expenses. We expect that operating expenses will continue to subdue growth in profitability in the near-term.

Nonetheless, we expect UBA's profitability to remain satisfactory, while capitalisation is expected to remain adequate in view of the Bank's current business risks. We also expect that UBA's risk management processes will continue to keep asset quality within an acceptable threshold.

We hereby attach a ***stable*** outlook to United Bank for Africa Plc.

FINANCIAL SUMMARY

UNITED BANK FOR AFRICA PLC

	STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-2016 ₦'000		31-Dec-2015 ₦'000		31-Dec-2014 ₦'000	
	ASSETS						
1	Cash & equivalents	68,013,000	2.4%	50,365,000	2.1%	232,821,000	8.1%
2	Government securities	505,273,000	17.8%	530,940,000	22.2%	325,078,000	11.4%
3	Money Market Placements	51,101,000	1.8%	153,186,000	6.4%	-	0.0%
4	Quoted investments	80,038,000	2.8%	48,512,000	2.0%	44,212,000	1.5%
5	Placements with discount houses	-	0.0%	-	0.0%	6,000,000	0.2%
6	LIQUID ASSETS	704,425,000	24.8%	783,003,000	32.7%	608,111,000	21.3%
7	BALANCES WITH NIGERIAN BANKS	-	0.0%	-	0.0%	53,500,000	1.9%
8	BALANCES WITH BANKS OUTSIDE NIGERIA	150,140,000	5.3%	113,634,000	4.7%	149,924,000	5.2%
9	Direct loans and advances - Gross	1,144,241,000	40.2%	850,369,000	35.5%	944,231,000	33.0%
10	Less: Cumulative loan loss provision	(30,036,000)	-1.1%	(13,084,000)	-0.5%	(10,653,000)	-0.4%
11	Direct loans & advances - net	1,114,205,000	39.2%	837,285,000	35.0%	933,578,000	32.6%
12	Advances under finance leases - net	-	0.0%	-	0.0%	-	0.0%
13	TOTAL LOANS & LEASES - NET	1,114,205,000	39.2%	837,285,000	35.0%	933,578,000	32.6%
14	INTEREST RECEIVABLE	-	0.0%	-	0.0%	-	0.0%
15	OTHER ASSETS	31,192,000	1.1%	22,528,000	0.9%	21,136,000	0.7%
16	DEFERRED LOSSES	29,696,000	1.0%	31,853,000	1.3%	31,853,000	1.1%
17	RESTRICTED FUNDS	341,656,000	12.0%	273,589,000	11.4%	307,471,000	10.8%
18	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES	72,472,000	2.5%	67,537,000	2.8%	67,537,000	2.4%
19	OTHER LONG-TERM INVESTMENTS	10,642,000	0.4%	1,809,000	0.1%	81,252,000	2.8%
20	FIXED ASSETS & INTANGIBLES	85,157,000	3.0%	85,099,000	3.6%	84,496,000	3.0%
21	**TOTAL ASSETS**	**2,539,585,000**	**89.3%**	**2,216,337,000**	**92.5%**	**2,338,858,000**	**81.8%**
22	TOTAL CONTINGENT ASSETS	303,727,000	10.7%	178,581,000	7.5%	520,517,000	18.2%
23	**TOTAL ASSETS & CONTINGENTS**	**2,843,312,000**	**100%**	**2,394,918,000**	**100%**	**2,859,375,000**	**100%**
	CAPITAL & LIABILITIES						
24	TIER 1 CAPITAL (CORE CAPITAL)	332,019,000	11.7%	306,246,000	12.8%	258,067,000	9.0%
25	TIER 2 CAPITAL	88,479,000	3.1%	97,102,000	4.1%	109,181,000	3.8%
26	Medium to Long-term Borrowings	316,307,000	11.1%	150,399,000	6.3%	113,797,000	4.0%
27	Demand deposits	608,206,000	21.4%	541,700,000	22.6%	603,847,000	21.1%
28	Savings deposits	434,883,000	15.3%	351,982,000	14.7%	308,824,000	10.8%
29	Time deposits	397,584,000	14.0%	446,408,000	18.6%	500,815,000	17.5%
30	Inter-bank takings	30,484,000	1.1%	350,000	0.0%	1,526,000	0.1%
31	TOTAL DEPOSIT LIABILITIES - LCY	1,471,157,000	51.7%	1,340,440,000	56.0%	1,415,012,000	49.5%
32	Customers' foreign currency balances	258,186,000	9.1%	286,970,000	12.0%	398,791,000	13.9%
33	TOTAL DEPOSIT LIABILITIES	1,729,343,000	60.8%	1,627,410,000	68.0%	1,813,803,000	63.4%
34	INTEREST PAYABLE	-	0.0%	-	0.0%	-	0.0%
35	OTHER LIABILITIES	73,437,000	2.6%	35,180,000	1.5%	44,010,000	1.5%
36	**TOTAL CAPITAL & LIABILITIES**	**2,539,585,000**	**89.3%**	**2,216,337,000**	**92.5%**	**2,338,858,000**	**81.8%**
37	TOTAL CONTINGENT LIABILITIES	303,727,000	10.7%	178,581,000	7.5%	520,517,000	18.2%
38	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**2,843,312,000**	**100%**	**2,394,918,000**	**100%**	**2,859,375,000**	**100%**
	Proof						
	BREAKDOWN OF CONTINGENTS						
39	Acceptances & direct credit substitutes	168,600,000	5.9%	107,262,000	4.5%	360,752,000	12.6%
40	Guarantees, bonds etc.	135,127,000	4.8%	71,319,000	3.0%	159,765,000	5.6%
41	Short-term self liquidating contingencies	-	0.0%	-	0.0%	-	0.0%

UNITED BANK FOR AFRICA PLC

	STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED	31-Dec-2016 ₦'000		31-Dec-2015 ₦'000		31-Dec-2014 ₦'000	
42	Interest income	177,313,000	68.5%	190,259,000	79.1%	160,158,000	71.9%
43	Interest expense	(68,525,000)	-26.5%	(83,161,000)	-34.6%	(78,033,000)	-35.0%
44	Loan loss expense	(25,521,000)	-9.9%	(3,491,000)	-1.5%	(3,073,000)	-1.4%
45	NET REVENUE FROM FUNDS	83,267,000	32.2%	103,607,000	43.1%	79,052,000	35.5%
46	ALL OTHER INCOME	81,443,000	31.5%	50,365,000	20.9%	62,552,000	28.1%
47	**NET EARNINGS**	**164,710,000**	**63.7%**	**153,972,000**	**64.0%**	**141,604,000**	**63.6%**
48	Staff costs	(43,501,000)	-16.8%	(42,033,000)	-17.5%	(42,082,000)	-18.9%
49	Depreciation expense	(6,281,000)	-2.4%	(6,281,000)	-2.6%	(4,051,000)	-1.8%
50	Other operating expenses	(57,279,000)	-22.1%	(54,923,000)	-22.8%	(53,093,000)	-23.8%
51	TOTAL OPERATING EXPENSES	(107,061,000)	-41.4%	(103,237,000)	-42.9%	(99,226,000)	-44.6%
52	PROFIT (LOSS) BEFORE TAXATION	57,649,000	22.3%	50,735,000	21.1%	42,378,000	19.0%
53	TAX (EXPENSE) BENEFIT	(10,108,000)	-3.9%	(3,093,000)	-1.3%	(2,295,000)	-1.0%
54	**PROFIT (LOSS) AFTER TAXATION**	**47,541,000**	**18.4%**	**47,642,000**	**19.8%**	**40,083,000**	**18.0%**
55	NON-OPERATING INCOME (EXPENSE) - NET	-	0.0%	-	0.0%	-	0.0%
56	DIVIDEND	(21,768,000)	-8.4%	(10,554,000)	-4.4%	(16,491,000)	-7.4%
57	**GROSS EARNINGS**	**258,756,000**	**100%**	**240,624,000**	**100%**	**222,710,000**	**100%**
58	AUDITORS	PWC		PWC		PWC	
59	OPINION	CLEAN		CLEAN		CLEAN	

	KEY RATIOS	31-Dec-2016	31-Dec-2015	31-Dec-2014
	EARNINGS			
60	Net interest margin	61.4%	56.3%	51.3%
61	Loan loss expense/Interest income	14.4%	1.8%	1.9%
62	Return on average assets & contingents (Pre - tax)	2.2%	1.8%	1.6%
63	Return on average equity (Pre - tax)	18.1%	18.0%	17.2%
64	Operating Expenses/Net earnings	65.0%	67.0%	70.1%
65	Gross earnings/Average total assets & contingents	9.9%	9.2%	8.2%
	EARNINGS MIX			
66	Net revenue from funds	50.6%	67.3%	55.8%
67	All other income	49.4%	32.7%	44.2%
	LIQUIDITY			
68	Total loans & leases - net/Total lcy deposits	58.6%	43.9%	56.5%
69	Liquid assets/Total lcy deposits	46.8%	58.4%	46.7%
70	Demand deposits/Total lcy deposits	41.3%	40.4%	42.7%
71	Savings deposits/Total lcy deposits	29.6%	26.3%	21.8%
72	Time deposits/Total lcy deposits	27.0%	33.3%	35.4%
73	Inter-bank borrowings/Total lcy deposits	2.1%	0.0%	0.1%
74	Interest expense - banks/Interest expense	9.2%	3.0%	0.4%
75	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**	(108,046,000)	(173,336,000)	(248,867,000)

UNITED BANK FOR AFRICA PLC

	KEY RATIOS CONT'D	31-Dec-2016	31-Dec-2015	31-Dec-2014
	ASSET QUALITY			
76	Performing loans (₦'000)	1,089,381,000	843,790,000	939,024,000
77	Non-performing loans (₦'000)	54,860,000	6,579,000	5,207,000
78	Non-performing loans/Total loans - Gross	4.8%	0.8%	0.6%
79	Loan loss provision/Total loans - Gross	2.6%	1.5%	1.1%
80	Loan loss provision/Non-performing loans	54.8%	198.9%	204.6%
81	Risk-weighted assets/Total assets & contingents	52.2%	51.8%	56.5%
	CAPITAL ADEQUACY			
82	Adjusted capital/risk weighted assets	21%	24%	16%
83	Tier 1 capital/Adjusted capital	95%	90%	84%
84	Total loans (net)/Adjusted capital	3.55	2.80	3.53
85	Capital unimpaired by losses (₦'000)	302,323,000	274,393,000	226,214,000
	STAFF INFORMATION			
86	Net earnings per staff (₦'000)	17,554	15,710	14,247
87	Staff cost per employee (₦'000)	4,636	4,289	4,234
88	Staff costs/Operating expenses	40.6%	40.7%	42.4%
89	Average number of employees	9,383	9,801	9,939
90	Average staff per office	18	16	18
	OTHER KEY INFORMATION			
91	Legal lending limit(₦'000)	60,464,600	54,878,600	45,242,800
92	Other unamortised losses(₦'000)	NONE	NONE	NONE
93	Unreconciled inter-branch items (₦'000) DR/(CR)	NIL	NIL	NIL
94	Number of offices	532	614	546
95	Age (in years)	67	66	65
96	Government stake in equity (Indirect)	Nil	Nil	Nil
	MARKET SHARE OF INDUSTRY TOTAL	**Actual** 2016	**Actual** 2015	**Actual** 2014
97	Lcy deposits (excluding interbank takings)	10.0%	9.3%	10.2%
98	Total assets & contingents	8.9%	7.8%	9.4%
99	Total loans & leases - net	8.3%	6.7%	7.9%
100	Non interest income	8.9%	7.3%	8.9%
101	Net interest income	7.1%	7.3%	6.1%

RATING DEFINITIONS

Aaa	A financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) are unlikely to lead to deterioration in financial condition or an impairment of the ability to meet its obligations as and when they fall due. In our opinion, regulatory and/or shareholder support will be obtained, if required.
Aa	A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a slight increase the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when they fall due should remain strong. Although regulatory support is not assured, shareholder support will be obtained, if required.
A	A financial institution of good financial condition and strong capacity to meet its obligations. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when they fall due should remain largely unchanged. In our opinion, shareholder support should be obtainable, if required.
Bbb	A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due. It may have one major weakness which, if addressed, should not impair its ability to meet obligations as and when due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution.
Bb	Financial condition is satisfactory and ability to meet obligations as and when they fall due exists. May have one or more major weaknesses. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly.
B	Financial condition is weak but obligations are still being met as and when they fall due. Has more than one major weakness and may require external support, which, in our opinion, is not assured. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly.
C	Financial condition is very weak. Net worth is likely to be negative and obligations may already be in default.
D	In default.

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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