



FY 2013

Strategic Overview

Phillips Oduoza, Group Managing Director/CEO

Thank you Kayode, and thanks everyone for joining us this afternoon

Ugo will be up shortly to discuss our FY2013 results in detail, but let me start by sharing a few thoughts on the result and what we expect for the rest of the year.

2013 was the first year of implementation of our three-year (2013 – 2015) “PROJECT ALPHA” plan to regain industry leadership; as such, we succeeded in reinforcing our profitability momentum, even in the face of a difficult operating and regulatory environment within the year.

With painstaking implementation of our strategic initiatives, which reflected in an improved balance sheet and diversified earnings stream, our Bank ended the financial year with a PBT of N56.06 (an increase of 7.8% over FY2012 PBT).

We started the year with the implementation of the strategic imperatives arising from “PROJECT ALPHA”. These imperatives, now driving our growth, include:

- Strong focus on deposit mobilization;
- Aggressive account acquisition and dormant account re-activation;
- Effective leverage of our balance sheet to participate in emerging growth sectors including



Agric, Power and Infrastructure;

- Driving value chain banking;
- Consolidating our African business for market share growth;
- Increasing our focus on African trade;

However, two key regulatory pronouncements in the course of the year had and will continue to have an impact on the Nigerian Banking industry. The Revised Guide to Bank Charges released in April 2013 and the increase in the Cash Reserve Ratio (“CRR”) on Public Sector Deposits from 12% to 50% in August 2013 affected the earning capacity of Nigerian banks thereby limiting earnings growth.

Notwithstanding these challenges, UBA, through the disciplined execution of our Project Alpha initiatives, recorded significant improvements in its operations and key market parameters. The Bank recorded a 25.0% growth in its deposit base and 40.0% growth in its loan book. Cost-to-income ratio significantly improved to 60.9% from 64.8% in 2012.

Revenue contributions from our African subsidiaries to the group performance grew 20% in absolute terms, diversifying the Bank's earnings base and justifying our African focus. Revenue contribution from Africa as a percentage of group revenue stands at 20%.

During the year, we also embarked on a deliberate enhancement of our leadership cadre and organizational arrangements with strategic hires. A new Deputy Managing Director was appointed to provide strategic oversight for our domestic businesses in Nigeria. In addition, an Executive Director was also appointed to



head the Human Resources and Customer Service function. The leadership structures in some of our African countries were enhanced to drive our market penetration strategies and position the Bank to optimize emerging opportunities in the coming years.

Overall, these initiatives, coupled with the admirable dedication and resilience of our employees, resulted in the Bank's improved performance within the financial year.

Review of Operating Environment

The Central Bank of Nigeria in its first Monetary Policy Committee ("MPC") meeting in January 2014 announced a further increase in the CRR for Local Currency ("LCY") public sector deposits from 50% to 75%. The announcement was made to maintain monetary stability which became imperative following consistent depletion of the nation's foreign reserve which currently stands at \$37.8 billion, a significant decline from Jan 2013. Furthermore, following the slight uptick in core inflation in February 2014 as well as further pressure on the LCY, the MPC took a more prudent monetary stance with an increase of 300basis points on private sector CRR deposits. UBA has the advantage of coverage and scale to increase deposit book such that, the net effect of the CRR increase will not affect us negatively.

Also in Nigeria, the pace of reforms in the power, agriculture, infrastructure and telecom sector is expected to intensify in 2014. Specifically, the formal handing over of the power infrastructures to private operators is



expected to start yielding significant benefits this year and beyond, with multiplier effects on the real sector. As a proactive Bank, we have adequately resourced and re-aligned our structures to optimise emerging opportunities from all the regional blocs, while also adopting appropriate risk management framework to mitigate likely exposures in our operations both within the local and global environment.

Outlook for 2014

While the key strategic imperatives as defined in 2013 remain the major thrust for the actualization of our “PROJECT ALPHA” corporate goals, we will leverage on the viable platform established in 2013 to further consolidate on the current growth momentum. We will adopt a very aggressive approach to market and ensure focused implementation of our strategic priorities, to drive achievement of our corporate targets.

Guidance for 2014

I believe our investors and other stakeholders would be interested in knowing the guidance for our business for 2014. The following are therefore our guidance in view of what we expect in 2014 and having factored in all the policy initiatives and possible regulatory changes:



| Ratio/Item | Guidance for 2014 |
|------------------------|--------------------------|
| Net interest margin | 6.0% |
| Return on equity | > 20.0% |
| Return on assets | > 1.8% |
| Cost of funds | < 3.7% |
| Cost to income ratio | < 62.0% |
| Liquidity ratio | 45.0% |
| Capital adequacy ratio | >18.0% |
| Loan to deposit ratio | >42.0% |
| NPL ratio | < 3.0% |
| NPL coverage ratio | 100.0% |
| Cost of risk | 1.5% |

| Expected Growth in Key Lines | Guidance for 2013 |
|-------------------------------------|--------------------------|
| Gross earnings growth | 15.0% |
| Operating income growth | 15.0% |
| PBT growth | 10.0% |
| Loan growth | 20.0% |
| Total asset growth | 15.0% |
| Deposit growth | 15.0% |
| Low cost deposit ratio | 75.0% |
| Equity growth | 15.0% |

With that let me wrap up.

We expect an all round excellent year in 2014, with our Nigerian and African operations generating improved



Revenue. We believe we have got the right people and strategy to drive key deliverables as stated in our guidance for the year.

Now, let me turn the call over to Ugo.

Call Closing

Let me close by leaving you with a few key points.

We are now in the second year of “PROJECT ALPHA” and we are confident that as our strategies and plan continue to lead us to our industry leadership destination. Our key priorities for 2014 therefore include:

- Growing low cost non public sector deposits;
- Consolidating the competitiveness of our African subsidiaries;
- Becoming the leading bank in trade in Africa;
- Increasing our market share through increased participation in emerging growth sectors;
- Profitably leading in the e-banking space;
- Enhancing customer service orientation and practice; and
- Enhancing our cultural values.

We strongly believe that as we pursue these initiatives the benefits of our unique structure will help us deliver an excellent performance this year.

Thank you.