

# Audited 2015 Full Year Result Presentation

## Phillips Oduoza, Group Managing Director/CEO

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Good day everyone and thanks for joining this call.

The year 2015 was characterised by macroeconomic uncertainties, with attendant implications for the business environment. It was an eventful year which tested the resilience of economies and businesses. Notwithstanding the challenging business environment, we leveraged on our enhanced service channels, competitive edge, discipline and diversification to deliver an unprecedented result. It is on this note that I will like to start today's presentation with a brief discussion on the operating and regulatory environment.

I will provide some highlights on our Audited 2015 Full Year Results, and request Ugo, our Group CFO to give a more detailed review. Thereafter, I will like to take advantage of this conference call to formally introduce, Kennedy Uzoka, who will take over the leadership of UBA Plc, when I retire on the 31st of July. I will also want him to share our broad outlook and earnings guidance with you.

**Operating and Regulatory Environment:** In 2015, global economic activity was subdued, due largely to falling commodity prices, weak aggregate demand and increased volatility in financial markets. Whilst monetary policy authorities in the Euro area and Asia extended stimulus programmes, concerns over interest rate hike in the United States further weakened investor confidence and overall global output growth.

Notwithstanding the fragile recovery in the developed economies, like the U.S., France and Japan, concerns over the slowdown of Chinese economy dominated the global investor sentiment. More so, major emerging economies like Brazil and Russia fell into recession.

Our Sub-Saharan African economy had its fair share of the weak global output, as Africa grew barely 3.8% in 2015; the lowest GDP growth in the past half-decade. The prices of major commodities were stressed; crude oil, coffee, copper, gold and coal plunged 35%, 28%, 24%, 14% and 10% respectively. Whilst cocoa price firmed, gaining 10% in the year, adverse weather affected harvest, leading to low output. Given the sharp fall in commodity prices, reversal of foreign capital flows, and a host of macroeconomic uncertainties, local currencies of African countries came under pressure.

Notwithstanding the support of the Central Bank, Naira weakened 9% against the U.S. Dollar, The Zambian Kwacha, Mozambique Metical, Ghanaian Cedi and Kenyan Shilling depreciated 72%, 47%, 18% and 13% respectively against the US Dollar. The scarce foreign currency in most African markets weakened trade flows and triggered inflationary pressures.

Given weak economic activities and rising unemployment, monetary policy authorities had sentiment for lower interest rate to stimulate output growth. However, local currency volatilities and inflationary pressures were major concerns reinforcing the need to maintain tight monetary policy measures. The Monetary Policy Committees in Uganda, Ghana, Kenya, and Mozambique hiked policy interest rates by 600bps, 500bps, 300bps and 225bps respectively in 2015, as measures to tame inflation and stem exchange rate pressures. Contrarily, the monetary policy authority in Nigeria prioritised growth and reduced the policy

rate by 200bps to 11% in November 2015. In addition, the cash reserve requirement of banks was reduced from 30% to 20%; first from 30% to 25% in September 2015 and later to 20% in November 2015. These measures were aimed at providing liquidity to banks, with expectation of stimulating credit to the real sector of the Nigerian economy.

Given the macroeconomic developments, Central Banks increased oversight on commercial banks with strict regulatory measures. In Nigeria, the weak liquidity in the foreign currency market and regulations on trading activities have restrained potential fees and trading income opportunities. The implementation of the treasury single account reduced the deposit base of the banking industry and the conversion of State Government loans into long term FGN bonds also increased the duration of banks' portfolio of asset.

However, the recent introduction of an account maintenance charge of 0.1% compensated banks for loss of commission on turnover (COT), which is no longer chargeable on current accounts with effect from January 1, 2016. In addition, the 200bps reduction in the Monetary Policy Rate has moderated deposit rate on savings account by 60bps to 3.3%, being 30% of MPR, in line with extant regulation.

It is important to mention that Africa's democracy has come of age. There were peaceful elections in a number of African countries, particularly countries where UBA has footprints. The general elections were affirmed free and fair in Tanzania, Cote D'Ivoire and particularly Nigeria, where there was a seamless transition of power. Across Africa, there is a consensus on increasing democratization, and the rising demand of electorates for good governance and infrastructural development. We believe this is positive for the business

environment and will help to ease the cost of doing business in Africa over the medium term.

**Let me quickly give highlights on the 2015FY Audited results.**

Notwithstanding the challenging business environment, we delivered unprecedented results and our performance is beginning to reflect the hard work and discipline of our Board, Management and Staff in creating superior value for all stakeholders.

We recorded an impressive 10% growth in gross earnings, as the strong growth in interest income fully compensated for the relatively weak fees and trading income streams. We improved the yield on our assets through a number of balance sheet optimization initiatives; an effort which enhanced our net interest margin. Our focus on customer service proved efficient. We achieved significant growth in transaction banking volumes, as we leveraged on enhanced service channels to deepen our share of customers' wallet.

I am pleased with our cost profile in the year, with operating expenses growing below inflation rate in our target markets. We rigorously identified and eliminated fat in our system, with the commitment to preserve earnings growth for our shareholders. Overall, we delivered a 22% YoY growth in profit before tax to N68.5 billion and a 25% YoY growth in profit after tax to N60 billion. This performance translates to a 20% return on average equity, which is broadly in line with our base case guidance to the market. We maintained our prudence in risk asset creation and sustained our asset quality metrics, with NPL ratio stabilizing at 1.7% despite macroeconomic pressures.

We gained further traction across our business in Africa (ex-Nigeria), with both operational and structural efficiency gains. It is noteworthy that we grew both deposits and loans in double digits across most of our subsidiaries in Africa, as we expand the scale and scope of our operations and gained market share. I am particularly impressed with the profitability of some African countries like Congo Brazzaville, Guinea and Senegal, where we recorded strong double digit growth in profits.

Overall, the African business contributed 24% of our profit for the year, with an even stronger outlook. For us, this is the time to harvest our painstaking investment across our African network, as we extract further synergy and diversification benefits from our Pan-African platform.

**At this time, I will like to call on our Group CFO, Ugo to review the results in more details.**

**Thank you very much Ugo for the review.** As I noted earlier, please permit me to formally introduce Kennedy Uzoka, our Group CEO-designate, who will lead UBA Plc through the next phase of its growth, with effect from August 1, 2016 after I retire on 31st of July. I believe a number of you will be familiar with Kennedy, who has overseen a number of transformational programmes in UBA Plc in the last decade.

He is currently the DMD of the Group and also the CEO of our Africa business. Kennedy's appointment is an attestation of the efficacy of our succession planning and I am confident on his ability to consolidate on the strong foundations we have jointly built over the past six years of my leadership. Kennedy, please share with investors and analysts our outlook for the 2016

financial year and kindly provide earnings guidance along key metrics.

## **Questions and Answer session**

Kennedy, thanks for the concise guidance. At this time, we will like to take questions and feedback. Rasaq, please coordinate the Q&A session.

## **Closing Remarks**

Once again, thank you everyone for your participation on this conference call. We duly appreciate your time and interest in our Bank. More importantly, we appreciate the questions and feedback, which are always very useful input into our strategic planning and execution.

Let me leave you with some take aways:

- We duly acknowledge the challenging operating environment but we are cautiously optimistic that the current challenges will open up new opportunities in the near and medium term, and we are appropriately positioned to take full advantage of emerging opportunities.
- Our customer-centric approach will deepen our share of customers' wallet across all business lines and strengthen our earnings capabilities.
- We will remain prudent and responsible in growing our risk assets, as we remain committed to the quality of our balance sheet and overall health of the Bank. We will continue to balance our growth appetite with the need to maintain a quality portfolio of assets.

- The hard work and concerted commitment of our staff, Management and Board will once again be justified in sustaining our strong performance, as we look forward to delivering our strategic and financial targets.

Once again, thank you very much for your being part of this conference call.

Should you have further enquiries, please do not hesitate to contact us through our investor relations unit.

Thank you.