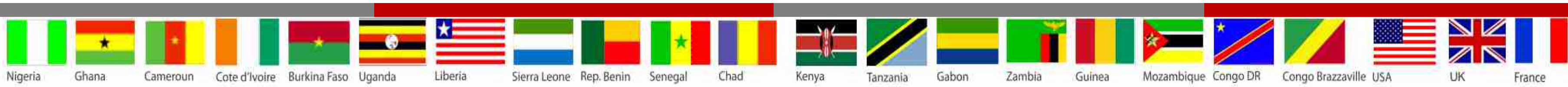
UBA

Audited 2015 Full Year Results Presentation



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Presentation Outline

- Evolution of UBA
- Macroeconomic Update
- Regulatory environment
- 2015 Nine Months Performance Review
- Review of 2015FY Performance Guidance
- 2016 Earnings Guidance
- Questions

Evolution of UBA Plc

- **1949** – French & British Bank Limited ("FBB") commenced business
- **1961** – UBA incorporated to take over the banking business of the FBB
- **1970** – IPO on the NSE
- **1984** – Established New York branch
- **1997** – Standard Trust Bank commenced operations
- **1998** – GDR programme established
- **2004** – STB Ghana established
- **2005** – UBA merged with Standard Trust Bank; Continental Trust Bank acquired; New management team constituted
- **2007** – Fresh equity capital raised successfully; UBA Capital (Europe) London opened
- **2008-10** – Acquired majority interest in two banks based in B/Faso and Benin; Successfully raised N20bn debt capital; Commenced operations in some African countries including Kenya, Uganda, Cameroon, Cote d' Ivoire, S/Leone and Mozambique
- **2011** – Commenced operations in Congo DR and Brazzaville.; Successfully raised N35bn debt capital
- **2012** – Won Financial Times' Bankers' Awards for Best Overall Bank in Africa;, Best Bank in Cameroun and Best Bank in Senegal
- **2013** – Successfully divested from its non-bank subsidiaries and property mgt business

Pre-Merger | Post-Merger

UBA Profile at a Glance

UBA

A truly Pan-African Bank, with operations across 19 key un(der)banked African markets

A unique and scalable platform to take full advantage of growth opportunities in all sectors of the African economy

- Third largest bank in Nigeria (the biggest economy), with an estimated c.10% market share
- The Nigerian bank with the largest earnings diversification and footprints across the African continent
- Full scale exposure to key growth poles of the African economy; consumer, commodities and infrastructure
- Meeting customers' global transaction need through its presence in London, New York and Paris
- Serving over 8million customers, through one of the most revered diverse channels in Africa; *614 business offices, 1,738 ATMs, 13,452 PoS, robust online and mobile banking platforms and social media.*

Moderate risk appetite, with a good balance between profitability and sustainability

- Enhanced risk management and control framework, with clear definition of risk appetite
- Well diversified loan book with compelling quality ratios: 1.7% NPL with 143% coverage & 0.5% cost of risk.
- Minimal exposure to volatile sectors and segments of the market
- Strong governance structure and oversight, with zero tolerance for regulatory and internal policy infractions

Funding, Liquidity and Capital

- Strong 74% stable CASA funding
- Relatively low 4.0% cost of funds
- Headroom for lower CoF, on growing African retail penetration
- Liquid balance sheet to take advantage of emerging opportunities
- Adequate BASEL II CAR of 20%

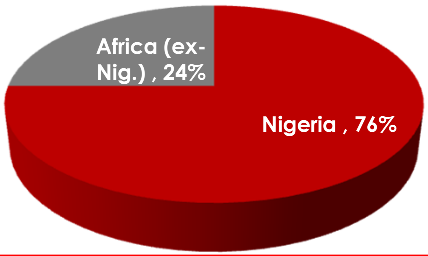
Asset Creation and Quality

- ≈ USD14bn balance sheet size
- Biased loan exposure to lower risk corporate and commercial markets
- Bouquet of holistic financial solutions to regional businesses
- Target to formalize the unbanked USD30bn intra-Africa trade

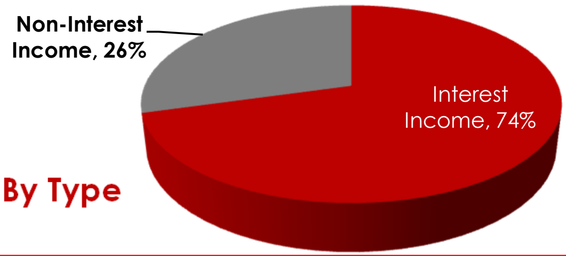
Profitability

- RoAE of 20% in 2015
- NIM of 6.3%, with notable upside in 2016, as asset yield improves and CoF moderates
- Moderating CIR of 67%, with a more benign outlook
- Profitability target built on sustainability and long term value creation

Profit By Geography



Gross Earnings By Type



Operating Environment…a mix of global and domestic challenges

❖ **Economic Growth: Low commodity prices weigh down growth prospects**

- The International Monetary Fund (IMF) estimated global economy to have grown 3.1% in 2015 (30bps behind 2014 growth feat) but expects recovery to 3.6% in 2016.
- Africa's GDP was estimated to have grown 3.8% in 2015, the lowest in the last half decade (Vs. 5.0% in 2014); the lowest feat in the last decade.
- Africa's economic growth is particularly weighed down by protractedly low commodity prices, reduced foreign capital inflows and attendant pressure on local currencies.
- The price of crude oil, copper, gold and most other commodities exported out of Africa has remained at historic-low levels; thus weakening fiscal and FX revenue of African economies
- On the back of macroeconomic pressures (domestic and external), GDP growth rates have fallen; Nig. (2.8%); Ghana (4%); Kenya (5%)

❖ **Exchange Rate: Volatile local currencies, with calls for further devaluation**

- Africa's local currencies have been under pressure due to weak FDI/FPI, reduced FX receipts from commodity exports, fragile external reserves and weak tourist flows. However, NGN remained relatively stable, losing barely 9% against the USD at the interbank market, given CBN support. However, external reserve has weakened to USD28bn.
- Negative commodity price trend, slowing China and concerns on rate hike in the U.S are increasing the risk of further currency devaluation in African countries like Nigeria, Ghana and Kenya, where local currencies have weakened 9%, 18% and 13% respectively in 2015.

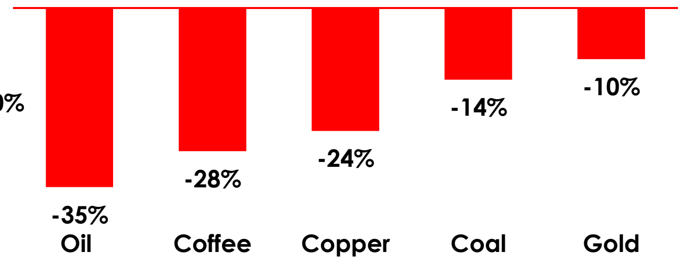
❖ **Interest Rate: Tight monetary policies to stem FX and inflation pressures**

- Monetary policy authorities maintained tight measures – MPR at 26% in Ghana, Kenya – 11.5%; Nigeria - 11%,, following 200bps reduction in Q4'2015.
- High yields on Sovereign treasuries (treasuries trading at; Nigeria – 10%; Ghana – 24%; Kenya -9%) continue to sustain market attraction to public sector debt, thus crowding out private sector borrowing and elevating the cost of borrowing for African businesses.

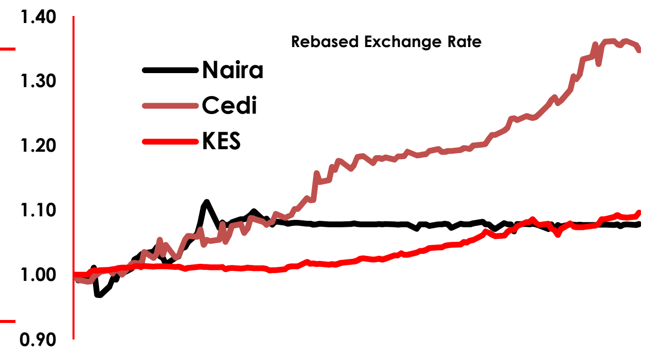
❖ **Inflation and Politics: Currency weakness feeding into inflation**

- Consumer goods prices are seeing steady rises, in the form of cost-push inflation, given currency weaknesses in import dependent African economies. Ghana – 19%; Nigeria – 11% (from 9.6% in Jan 2016 – now out of CBN target); Kenya – 7%. Consumer prices are however stable in the CFA countries.
- Successful political transition in Nigeria - with all eyes on passage of 2016 expansionary budget; Military gaining grounds against insurgency and expectations are high on anti-corruption reforms.

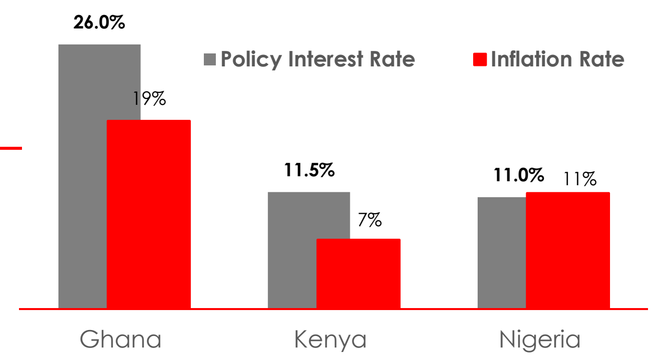
YoY Change in Price (USD)



Bloomberg



Policy Interest rate and Inflation



Policy and regulatory environment

UBA

Nigeria	Implications
Implementation of Treasury Single Accounts, with MDAs funds moved to Consolidated Revenue Fund with the CBN.	Sterilized liquidity from the system, thus leading to reduced deposit and overall banking sector balance sheet. This policy has intensified competition for stable private sector deposits
Restructuring of State Government loans	Improved liquidity and capital adequacy ratio; higher 21.2% tax equivalent yield, lower asset yields/NIM and longer asset duration. This has also resulted in lower loan book size/growth and it distorts NPL ratio
Reduction in cash reserve ratio (CRR) to 20%	Aimed at stimulating credit to the real sector and supporting overall economic growth recovery
Increase in general provisions on performing loans to 2% (from 1%)	The impact is on regulatory reserves, distributable earnings and capital ratios, and it has no effect on income statement
Extension of cashless policy to other States in the country and completion of Bank Verification Number exercise	Expected to reduce cash management cost, reduce currency outside the banking system and improve monetary policy transmission. The BVN is expected to aid retail lending in the near future and also helps in minimizing money laundering tendencies

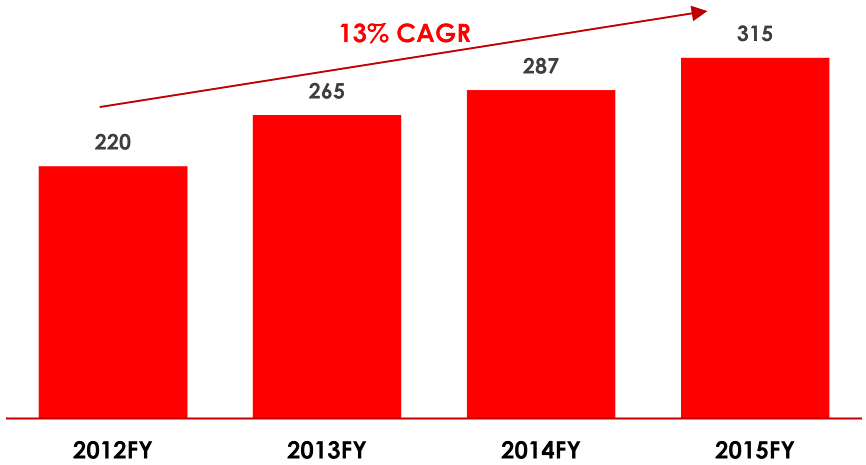
Other African Markets	Implications
Ghana: Increased MPR to 26%, to stem Cedi depreciation Introduction of a 7-day reverse repo window IMF facility provided support to Cedi stability	Notable impact on cost of funds and moderated appetite for credit Enhanced liquidity management Eurobond to provide FCY liquidity to the system but raises debt ratio
Kenya: 300bps increase in policy rate to 11.5% within 3 months Increased Repo rate to 9.87%, and introduced a 3-day contract Consistent Open Market Operation to sterilize system liquidity S&P revised downward credit rating outlook to negative	Fast loan re-pricing by banks, leading to higher lending rates Yields on treasuries have risen to 21% level Increases the fiscal cost of borrowing, as the govt plans Eurobond
Francophone West African markets: Relatively stable economies	Stable operating margins

2015 Full Year Results Snapshot ::: Consolidating Gains

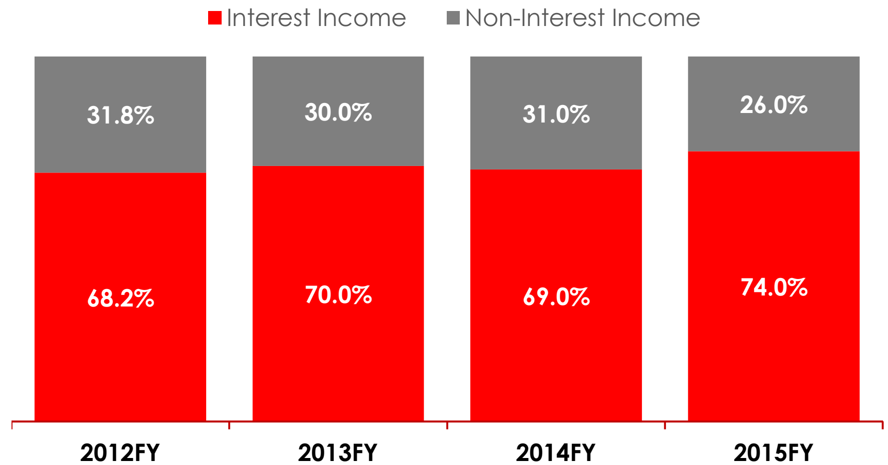
		31-Dec-15	31-Dec-14	% Change
COMPREHENSIVE INCOME & PROFIT TREND (N'million)	Gross Earnings	**314,830**	286,624	+9.8%
	Net Interest Income	**137,939**	106,133	+30.0%
	Net Operating Income	**205,190**	185,877	+10.4%
	Operating Expenses	**(136,626)**	(129,686)	+5.4%
	Profit Before Tax	**68,454**	56,200	+21.8%
	Profit After Tax	**59,654**	47,907	+24.5%
EFFICIENCY AND RETURN	Cost-to-Income Ratio	**66.6%**	69.8%	
	Post-Tax Return on Average Equity	**20.0%**	19.2%	
	Post-Tax Return on Average Assets	**2.2%**	1.8%	
		30-Dec-15	**31-Dec-14**	**% Change**
FINANCIAL POSITION TREND (N'million)	Total Assets	**2,752,622**	2,762,573	-0.4%
	Customer Deposits	**2,081,704**	2,169,663	-4.1%
	Net Loans to Customers	**1,036,637**	1,071,859	-3.3%
	Shareholders' Fund (Equity)	**332,621**	265,406	+25.3%
BUSINESS CAPACITY AND ASSET QUALITY RATIOS	Total Loan-to-Deposit Ratio	**49.1%**	50.2%	
	Capital Adequacy Ratio (BASEL II)	**20.0%**	17.0%	
	Non-Performing Loan Ratio	**1.7%**	1.6%	

2015 Full Year Results Snapshot ::: Consolidating Gains

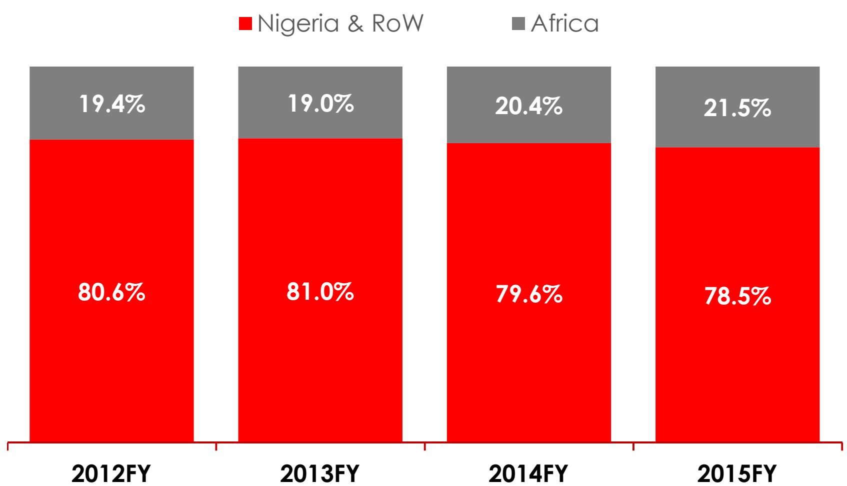
Gross earnings Trend (N'billion)



Gross earnings by source



Gross earnings split by geography

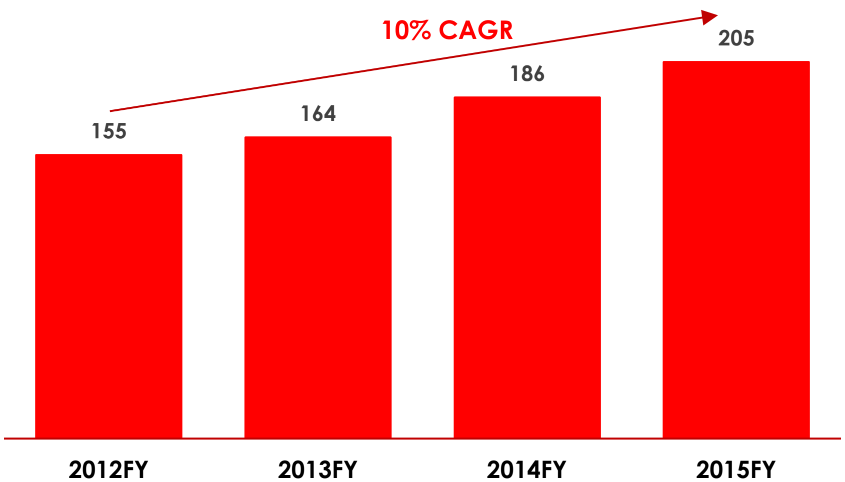


- Consistently strong growth in gross earnings over the past four years (13% CAGR, which is above Nigeria's average inflation rate), despite competition and macro pressures in our core markets.
- The sustained earnings growth reflects enhanced yield on assets, improving extraction of latent opportunities across our channels, growing share of our customers' wallet and improving performance of African subsidiaries.
- Whilst FX related income lines were relatively weak due to prevailing FX regime, growing fees from e-banking fees provided support for non-interest income.
- Africa contributed 22% of the Group's gross earnings, with an even stronger outlook, as the subsidiaries consolidate positions and gain increased share of their respective markets

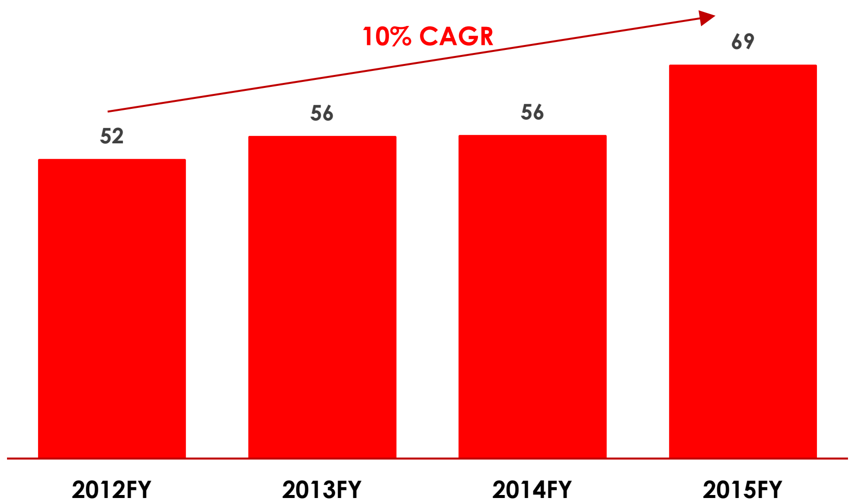
2015 Full Year Results Snapshot ::: Consolidating Gains

UBA

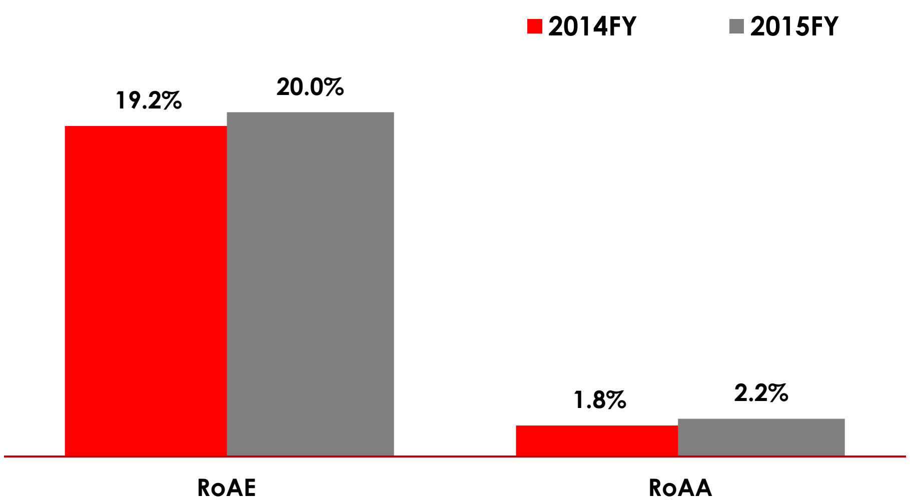
Operating Income (N'billion)



Profit Before Tax (N'billion)



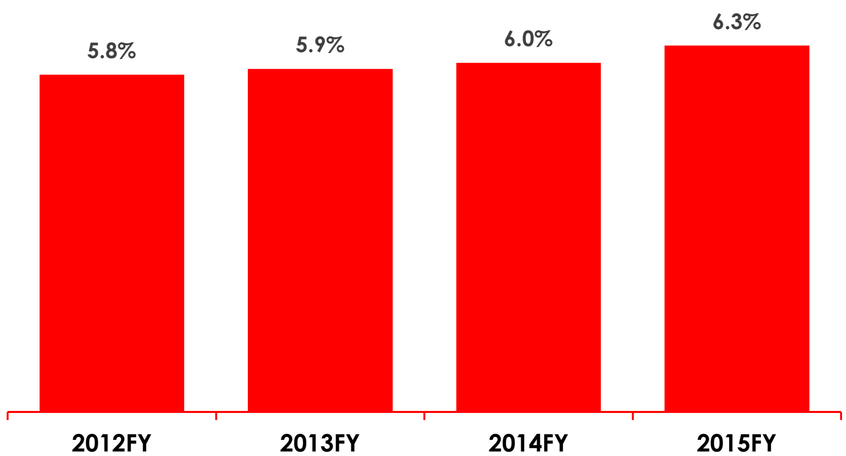
Return on Average Equity/Assets (%)



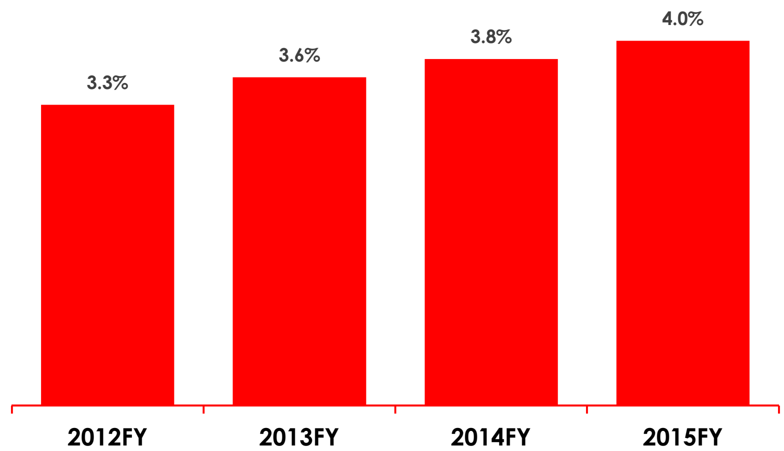
- Steady 10% CAGR in operating income, as we leverage on improving asset yield and enhanced service channels in growing income lines.
- A strong 22% YoY growth in Profit Before Tax and an impressive 25% YoY growth in Profit After Tax, reflecting enhanced earnings generation and improving cost efficiency.
- Annualized return on average equity (RoAE) of 20%.

2015 Full Year Results Snapshot ::: Consolidating Gains

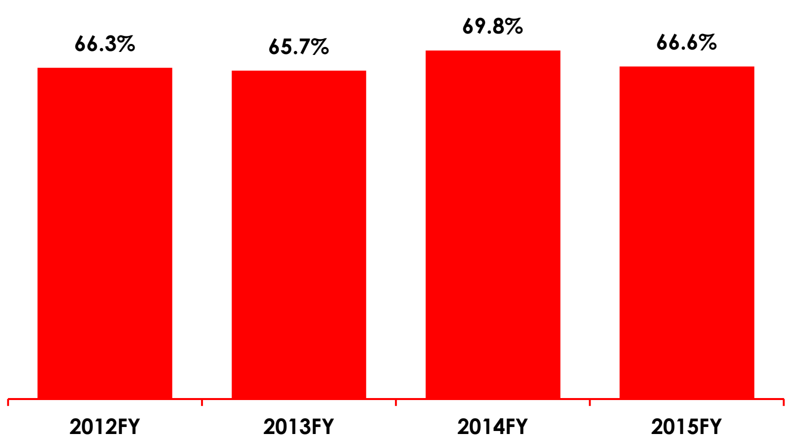
Net Interest Margin (%)



Cost of Funds (%)



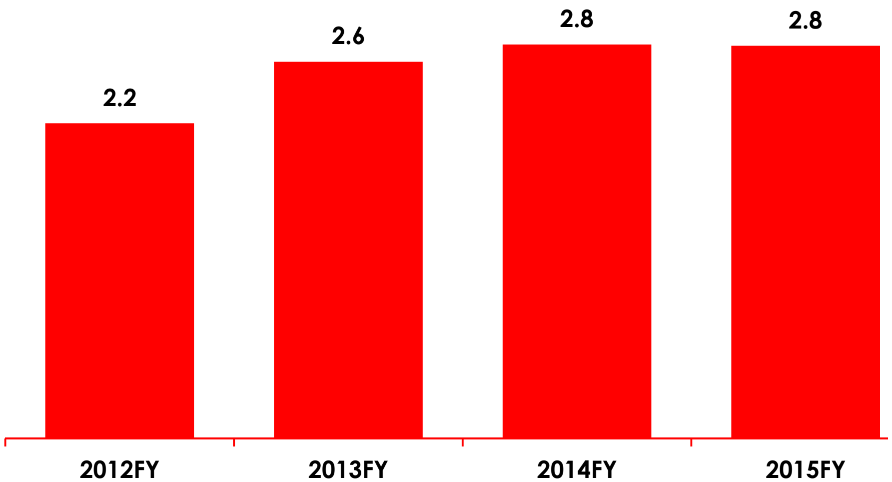
Cost-to-Income Ratio (%)



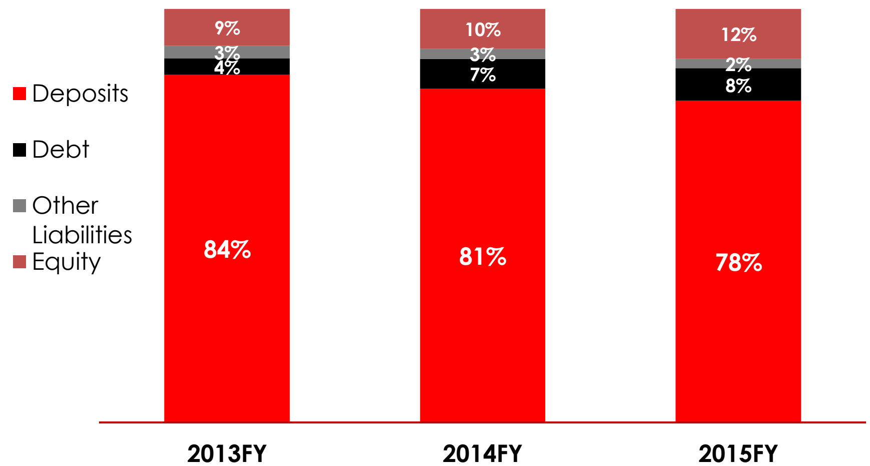
- Tight monetary policies in a number of African economies resulted into higher funding cost (particularly in H1), albeit; net interest margin improved 30bps YoY to 6.3%; on the back of asset re-pricing and strategic reallocation of assets.
- Disciplined execution of recent initiatives on deposit mix and pricing should help moderate the cost of funds, going forward. Notably CoF improved 20bps QoQ in the last quarter of 2015.
- Despite external cost pressures, we maintained a tight hold on cost, as reflected in the modest 5% YoY growth in operating expenses (below average inflation rate of 9% in Nigeria) and 320bps moderation in CIR.

2015 Full Year Results Snapshot ::: Consolidating Gains

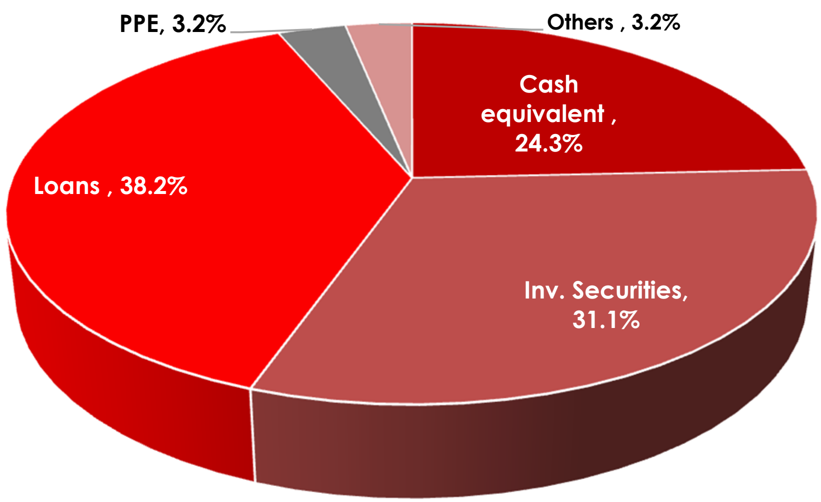
Total Assets (N'trillion)



Funding Structure

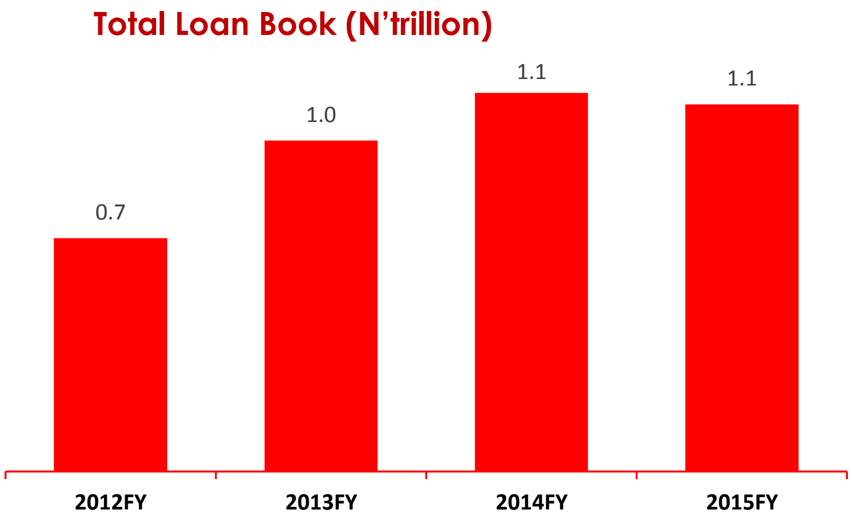


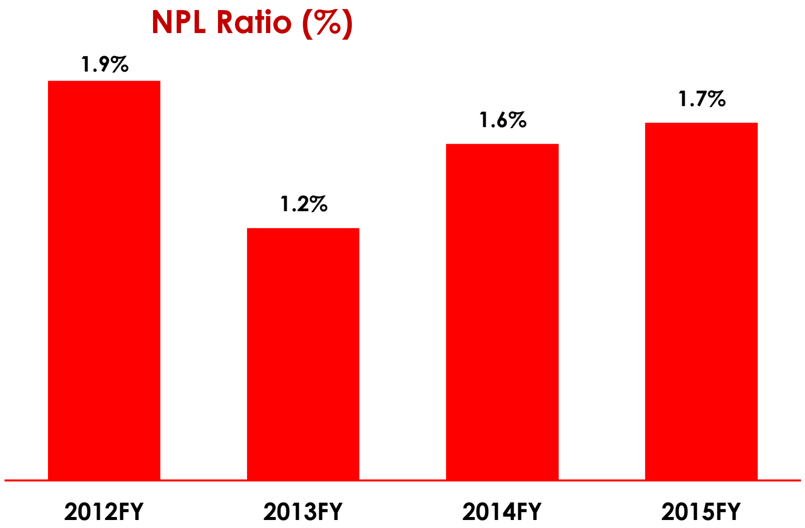
Composition of Total Asset Portfolio

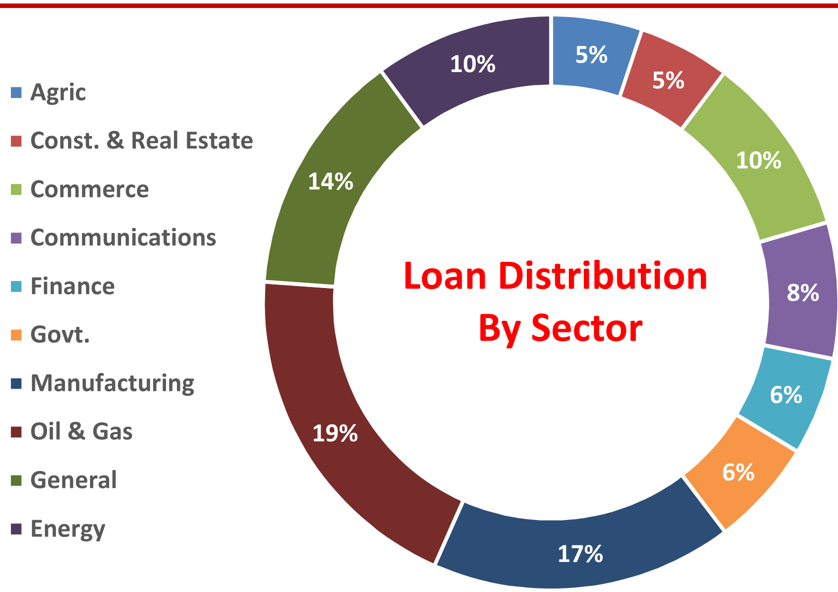


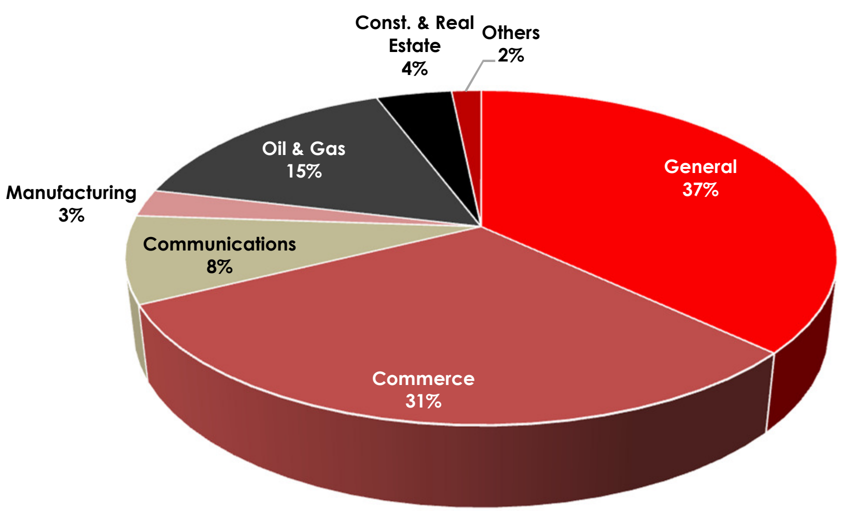
- The group maintains its focus on balance sheet efficiency and asset quality, as the blurred macro outlook moderates near term growth appetite.
- The rich pool of stable deposits remains a veritable funding source for the Group.
- The balance sheet remains well diversified, with quality assets. More so, the Bank remains adequately liquid – 52.6% liquidity ratio as at 2015 year-end.

2015 Full Year Results Snapshot ::: Consolidating Gains



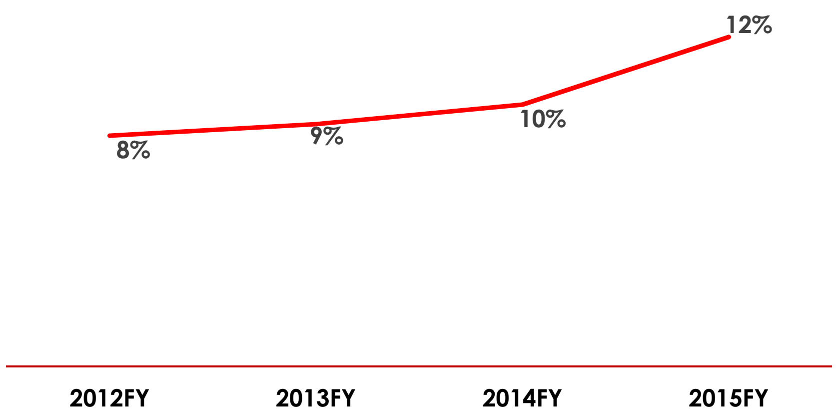




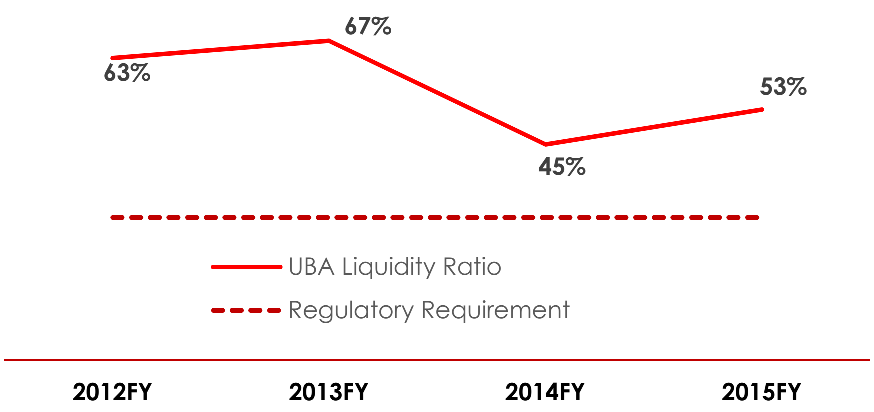


2015 Full Year Results Snapshot ::: Consolidating Gains

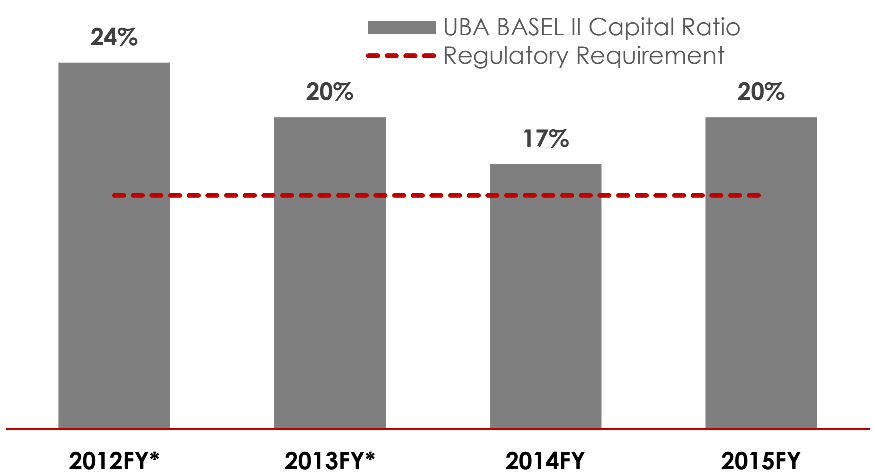
Equity-to-Total Assets Ratio



Liquidity Ratio (%)



Capital Adequacy Ratio (%)

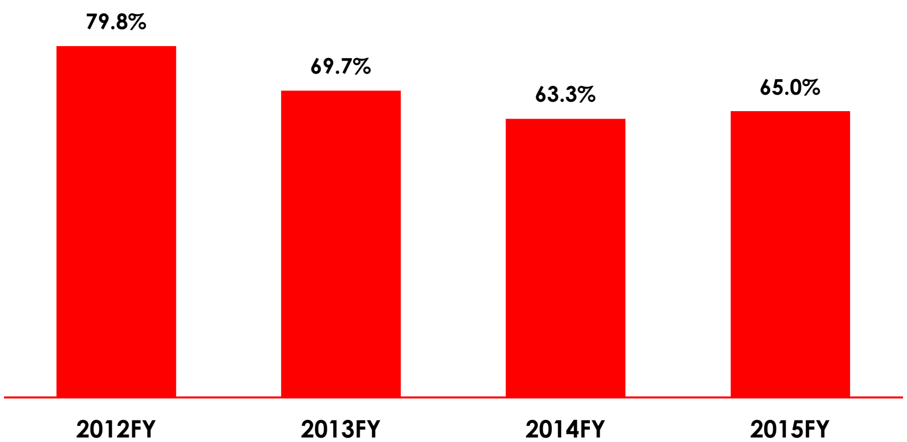


**2012 and 2013 Capital Ratios are based on BASEL I whilst 2014 and 2015 are based on BASEL II*

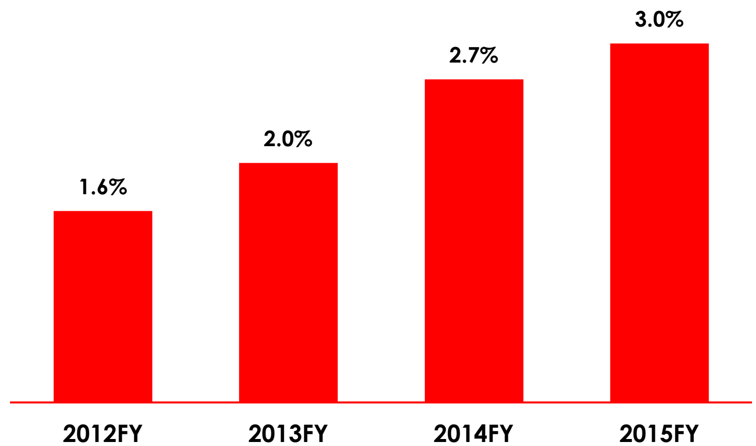
- **Strategic balance sheet deleveraging, through strong profitability, prudent dividend policy and moderate capital raising – equity capital represents 12% of the balance sheet funding; a reflection of balance sheet resilience**
- **The Bank remains adequately liquid, with53% liquidity ratio; well above regulatory requirement and reflecting the Bank's moderate risk appetite, given macro uncertainties**
- **Following tier-1 capital raising in 2015 and prudent earnings retention (93% in 2014 and 66% in 2015), the Bank's BASEL II capital adequacy ratio stands at 20%, well above 15% minimum regulatory requirement and internal threshold.**

2015 Full Year Results Snapshot ::: UBA Africa (ex-Nigeria)

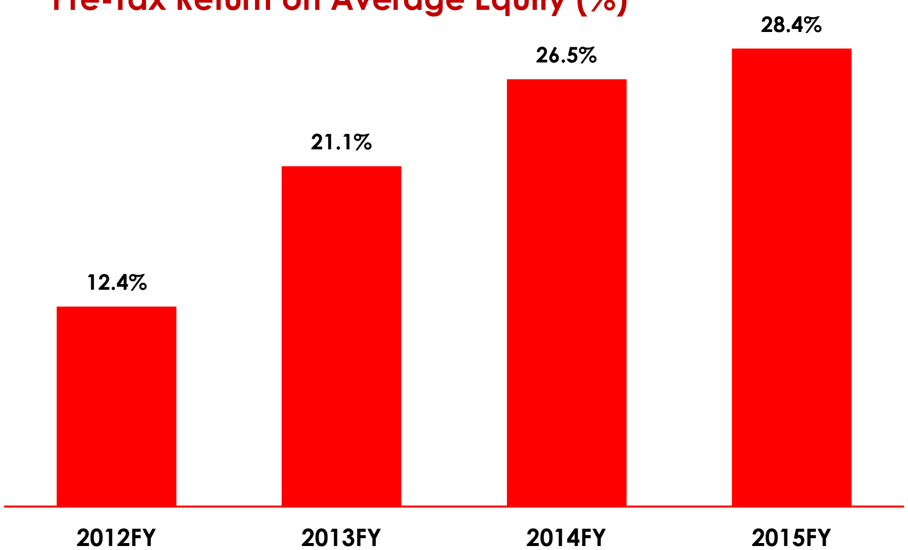
Cost-to-Income Ratio (%)



Pre-Tax Return on Average Assets (%)



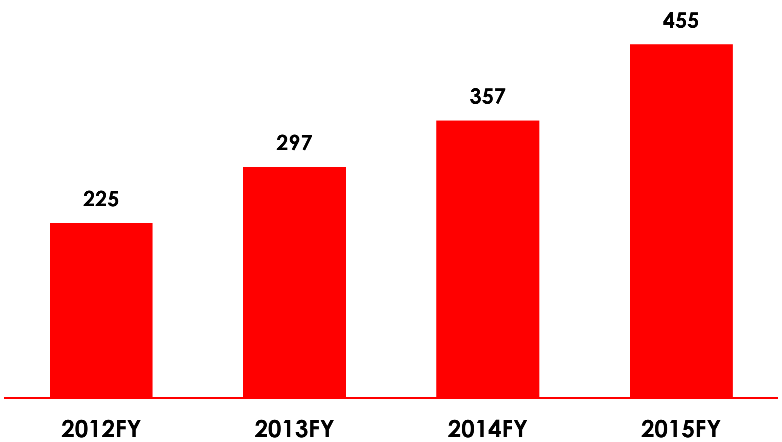
Pre-Tax Return on Average Equity (%)



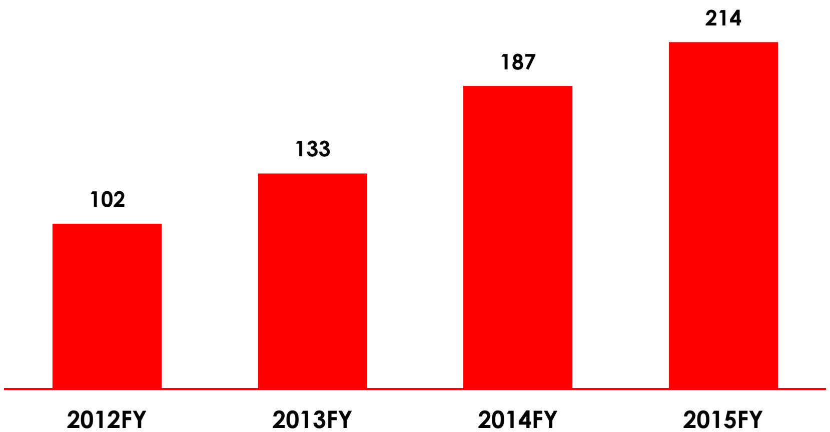
- African subsidiaries have put teething cost behind, with expectation of further cost efficiency as the subsidiaries grow scale
- Steady improvement in profitability ratio; impressive 3% return on average assets and 28% return on average equity
- Subsidiaries like Senegal, Guinea and Congo Brazaville recorded very strong double digit growth in profits and above peer return on equity.

2015 Full Year Results Snapshot ::: UBA Africa (ex-Nigeria)

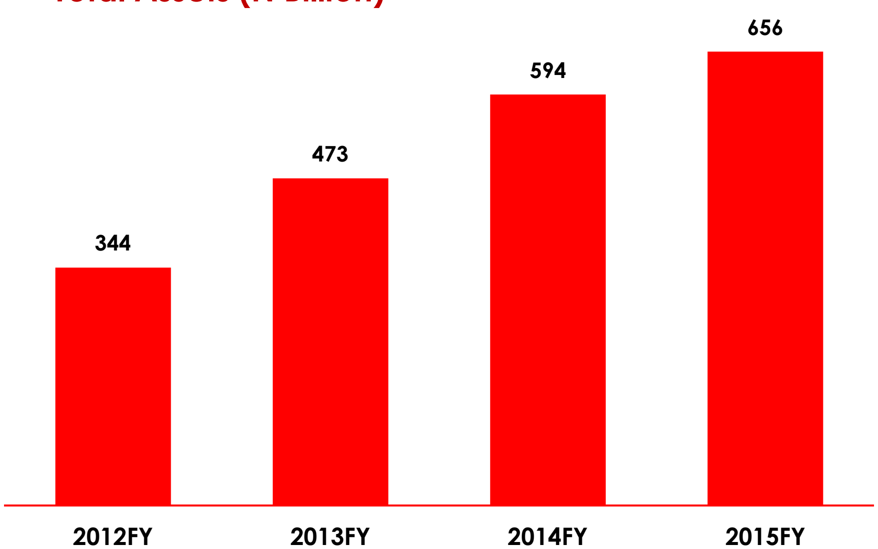
Deposit Base (N'Billion)



Loan Book (N'Billion)



Total Assets (N'Billion)



- We continue to grow deposits in double digits, leveraging on technology and innovative offerings to increase our share of existing customer wallet whilst also acquiring new customers and expanding coverage.
- We took advantage of opportunities in selected African countries to grow loan book by 14% in 2015, resulting to a 28% CAGR in loan book over the last 4 years. This is a reflection of our increasing risk appetite, as we identify quality assets and credible customers
- Africa (ex-Nigeria) has grown asset base by 24% CAGR over the past four years, reflecting increasing market share and penetration across our target markets

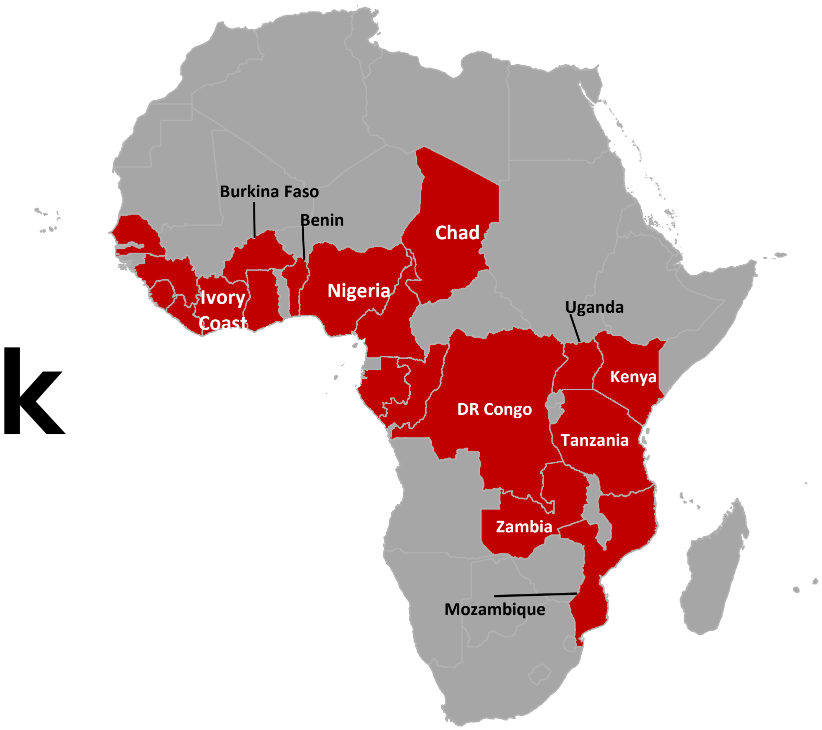
Review of 2015 Guidance

Review of 2015 Guidance Vs. Actual Performance

Headlines	2014FY	2015FY Guidance	2015FY Actual	Review
Net Interest Margin	5.9%	≈6.0%	6.3%	Outperform
Cost-to-Income Ratio	69.8%	<65.0%	66.7%	Underperform
Cost of Risk	0.7%	≈1%	0.5%	In-line
Non-Performing Loan Ratio	1.6%	≈2%	1.7%	In-line
Net Customer Loan Growth	14.0%	5% - 8%	-3.3%	Underperform
Customer Deposit Growth	0.4%	5% - 10%	-4.1%	Underperform
Return on Average Asset	1.8%	≈2.0%	2.2%	Outperform
Return on Average Equity (RoAE)	19.2%	≈20.0%	20.0%	In-line

2016FY Guidance

Year-end Outlook



The Four Tactical Strategic Thrusts

UBA

1 Earnings Optimization

- Achieve higher yields on assets, through (right) pricing; new mix of LCY/FCY assets, and asset allocation
- Increase transaction banking income through captive volume, increased share of customer wallet and enhanced service offerings
- Grow market share in e-banking and trade services and reinvigorate the drive for remittance offerings
- Leverage e-banking (U-Direct, U-Mobile, U-Social, ATMs, Cards products etc) and new corporate solutions to grow non-funded income lines.
- Take advantage of improved service quality to increase collection accounts and pricing power

2 Cost Efficiency

- Improve efficiency of centralized operations
- Continuous migration of customers to low cost alternative channels to achieve lower cost/customer
- Improved knowledge sharing and performance management to drive staff productivity
- Leverage technology to service a wider customer base at lower cost and achieve better vendor management
- Re-engineer the drive for low cost deposits using service quality and value adding services to moderate cost of funds

3 Asset Quality and Capital Management

- Sustain focus on quality obligors with strong and sustainable fundamentals in stable growth sectors
- Enhanced portfolio monitoring and consistent sensitivity to macro/industry variables to pick up early warning signals and take proactive measures for safety
- Continuous investment in human capital, risk management framework and tools and governance structure
- Increase internally generated capital to fund growth outlook
- Optimize RWA mix to further sweat capital

4 Leveraging Africa Platform

- Achieve scale and scope in Africa, with a target to replicate the success story we achieved in Ghana, Senegal and Cameroon across all our African subsidiaries
- Deepen share of trade flows in Africa, and achieve 5% additional trade formalization using technology
- Turnaround East Africa businesses, with focus of breaking even by year-end, through increased penetration
- Leverage e-banking success in Nigeria to deepen brand penetration and customer acquisition

2016 Earnings Guidance

Headlines	2015FY Actual	2016FY Guidance
Net Interest Margin	6.3%	>6.3%
Cost-to-Income Ratio	66.7%	≈65.0%
Cost of Risk	0.5%	≈1%
Non-Performing Loan Ratio	1.7%	<2.5%
Net Customer Loan Growth	-3.3%	10% - 15%
Customer Deposit Growth	-4.1%	10% - 15%
Return on Average Asset	2.2%	≈2.2%
Return on Average Equity (RoAE)	20.0%	≈20.0%

Key Takeaways

- 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 positioning our business to take full advantage of emerging opportunities.

- Our customer-centric approach to competition will deepen our share of customers' wallet across all business lines and strengthen our earnings generation.

- 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.

Questions & Answers