

2015 Audited Half Year Results Management Presentation



Disclaimer and Note of Caution

From time to time, the Bank makes written and/or oral forward-looking statements. These are included in this presentation and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. Forward looking statements include, but are not limited to, statements regarding the Bank's objectives and priorities for 2015 and beyond, strategies to achieve them, as well as the Bank's anticipated financial performance. Forward looking statements are typically identified by words such as "will", "should", "believe", "expect", "anticipate", "intend", "estimate", "may" and "could".

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

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

Other than the financials of the Bank, the information used in the presentation is obtained from several sources the Bank believes are reliable. Whilst UBA has taken all reasonable care to ensure the accuracy of the information herein, neither UBA Plc nor its subsidiaries/affiliates makes representation or warranty, express or implied, as to the accuracy and correctness of the information. Thus, users are hereby advised to exercise caution in attempting to rely on these information and carry out further research before reaching conclusions regarding their investment decisions.

Presentation Outline

- ⊙ **Macroeconomic Update**

- ⊙ **Regulatory environment**

- ⊙ **2015 Half Year Performance Review**

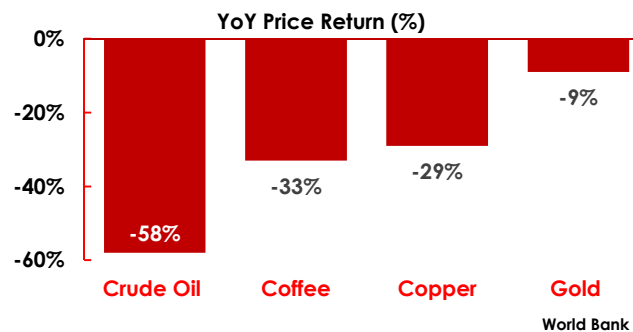
- ⊙ **Review and revision of 2015FY Performance Guidance**

- ⊙ **Questions and Answers**

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

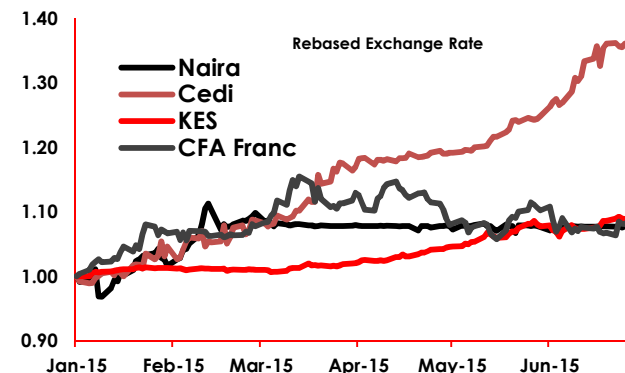
❖ Economic Growth and commodity prices: Protractedly Weak

- Crude Oil price weakened further to new lows of USD40-50/barrel, with no sign of near term recovery, especially as China's output growth slows to the lowest in 24 years
- The price of cocoa, copper, gold and most other commodities exported out of Africa also nosedived; trading at new lows - weakening fiscal and FX revenue of African economies
- On the back of macroeconomic pressures (domestic and external), GDP growth rates have fallen; Nig. (+2.4%); Ghana (3.9%); Kenya (5%)



❖ Exchange Rate: Local currencies under pressure, with calls for further devaluation

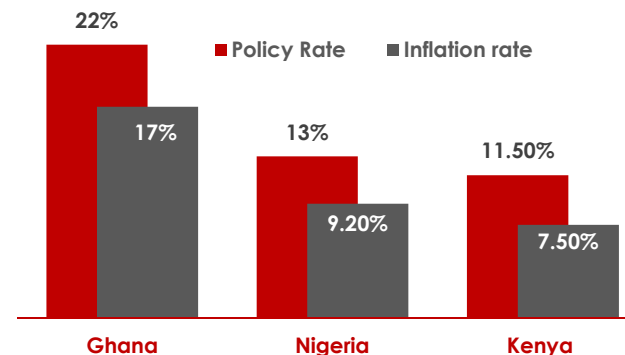
- Except for the CFA which is pegged to the Euro, local African currencies have been under pressure due to weak FDI/FPI, reduced FX receipts from commodity exports, fragile external reserves and weak tourist flows.
- Negative commodity price trend, slowing China and concerns of rate hike in the U.S are increasing the risk of further currency devaluation in African countries like Nigeria, Ghana and Kenya, where local currencies have weakened 8%, 35% and 10% YTD respectively.



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

- Monetary policy authorities adopted tight measures, raising policy rates to historic-high levels – MPR at 24% in Ghana, Kenya – 300bps rise in CBR within 2 months to 11.5% (after 26months of stable CBR at 8.5%), Nigeria - MPR though stable at 13%, CRR is at an all-time high of 31% after the harmonization of CRR on public and private deposits.
- Sovereign yields are high (Nigeria – 16%; Ghana – 24%; Kenya -11.6%) , thus crowding out private sector credit growth; Nigeria - 4.3%; Ghana - 15% (inflation impact) and Kenya – 6%

Policy Interest Rate and Inflation Rate



❖ 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 – 17%; Nigeria – 9.2% (out of CBN target); Kenya – 7.5%. Consumer prices are however stable in the CFA countries.
- Successful political transition in Nigeria but fiscal direction still unclear; delay in cabinet formation; Military gaining grounds against insurgency and expectations are high on anti-corruption reforms. Tanzania and Cote D'Ivoire - Elections in Q4; Energy crisis in Ghana, Constitutional frictions in Kenya

Policy and regulatory environment

❖ Nigeria

- Harmonized cash reserve requirement - 31% of all deposits
- Prohibition of selected 41 imported items from accessing FX at the official market (including BDCs and export proceeds)
- Reduced spending and ATM withdrawal limit on Naira denominated cards abroad and prohibition of foreign currency “cash” deposits
- Regulated trading band for FX at the Interbank market; N2-N2.50/USD
- Implementation of Treasury Single Accounts, with MDAs funds moved to Consolidated Revenue Fund with the CBN.
- Extension of Biometric Verification Number registration to 31 Oct. 2015
- Extension of cashless policy to other States in the country.
- Restructuring of State Government loans

Implications

- Sterilized liquidity from the system, thus leading to higher funding cost, particularly interbank and tenored deposits rates
- Subdued FX demand but increased challenge for importers and led to foreign investors’ concern on trade/capital control measures
- Reduced speculative FX demand FX; narrowed the spread between interbank and parallel market and reduced arbitrage opportunities
- Limited FCY trading income; narrow spread and lower volumes
- Further sterilization of funds; weakened industry liquidity and intensified competition for stable private sector deposits
- BVN exercise should partly stimulate appetite for retail lending, as it is expected to solve the challenge of unique identification in the system
- Expected to reduce cash management cost, reduce currency outside the banking system and improve monetary policy transmission
- Improved liquidity and capital adequacy ratio; higher 21.2% tax equivalent yield, lower asset yields/NIM and longer asset duration

❖ Other African Markets

- Ghana: Increased MPR to 24%, to stem Cedi depreciation
Introduction of a 7-day reverse repo window
Expected issue of USD1.5billion Eurobond
Brewing subsidy removal to push through the IMF deal and reduce bloated budget deficit and debt ratio
- Kenya:
300bps increase in policy rate to 11.5% within 2 months
Increased Repo rate to 9.87%, and introduced a 3-day contract
Whilst inflation remained benign at 7.5%, the risk of higher inflation remains high, as the Shilling weakens further
- Francophone West African markets: Relatively stable economies

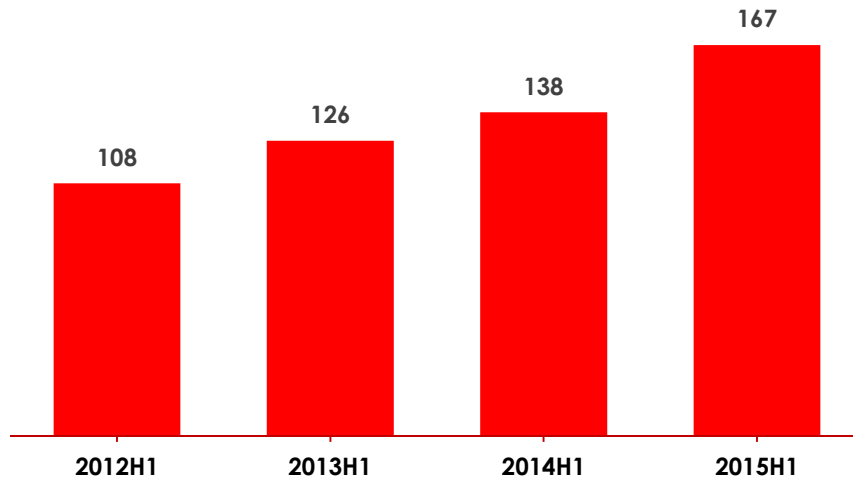
- Notable impact on cost of funds and moderated appetite for credit
- Enhanced liquidity management
- Eurobond to provide FCY liquidity to the system but raises debt ratio
- Further heightens inflation risk and downside risk to GDP growth
- Moderate re-pricing by banks, leading to higher lending rates
- Foundation for credit history, even so it has marginal impact on OPEX
- Stable operating margins

Audited 2015 Half Year Results Snapshot ::: Consolidating Gains

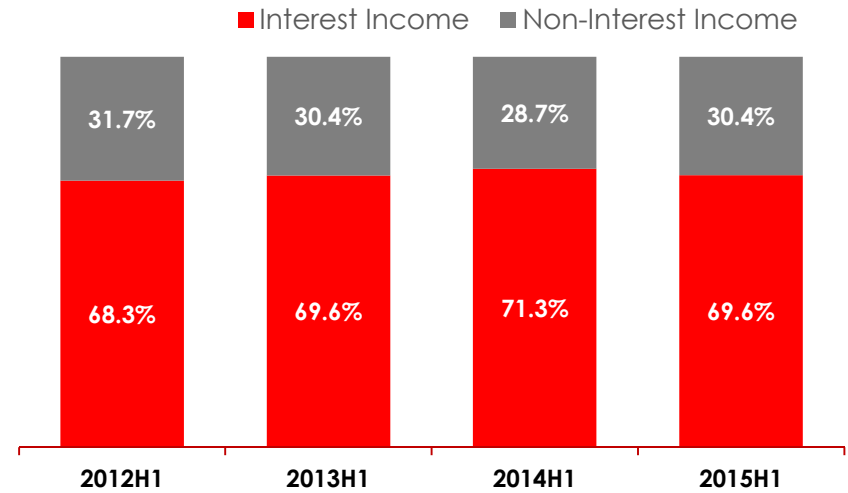
		30-June-15	30-June-14	% Change
COMPREHENSIVE INCOME & PROFIT TREND (N'million)	Gross Earnings	166,943	138,225	+20.8%
	Net Interest Income	65,658	55,211	+18.9%
	Operating Income	108,744	90,049	+20.8%
	Operating Expenses	(69,646)	(61,138)	+13.9%
	Profit Before Tax	39,046	28,893	+35.1%
	Profit After Tax	31,999	22,856	+40.0%
EFFICIENCY AND RETURN	Cost-to-Income Ratio	64.0%	67.9%	
	Post-Tax Return on Average Equity	22.3%	18.3%	
	Post-Tax Return on Average Assets	2.2%	1.7%	
		30-Jun-15	31-Dec-14	% Change
FINANCIAL POSITION TREND (N'million)	Total Assets	2,929,278	2,762,573	+6.0%
	Customer Deposits	2,227,623	2,169,663	+2.7%
	Net Loans to Customers	1,162,749	1,071,859	+8.5%
	Net Assets	307,632	265,406	+15.9%
BUSINESS CAPACITY AND ASSET QUALITY RATIOS	Total Loan-to-Deposit Ratio	52.1%	49.4%	
	Capital Adequacy Ratio (BASEL II)	20.0%	17.0%	
	Non-Performing Loan Ratio	1.8%	1.6%	

Audited 2015H1 Group Results Snapshot ::: Consolidating Gains

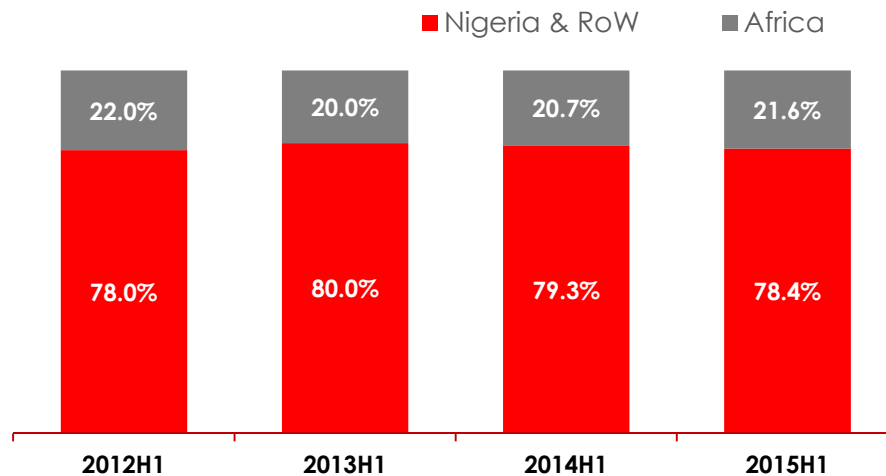
Gross earnings Trend (N'billion)



Gross earnings by source



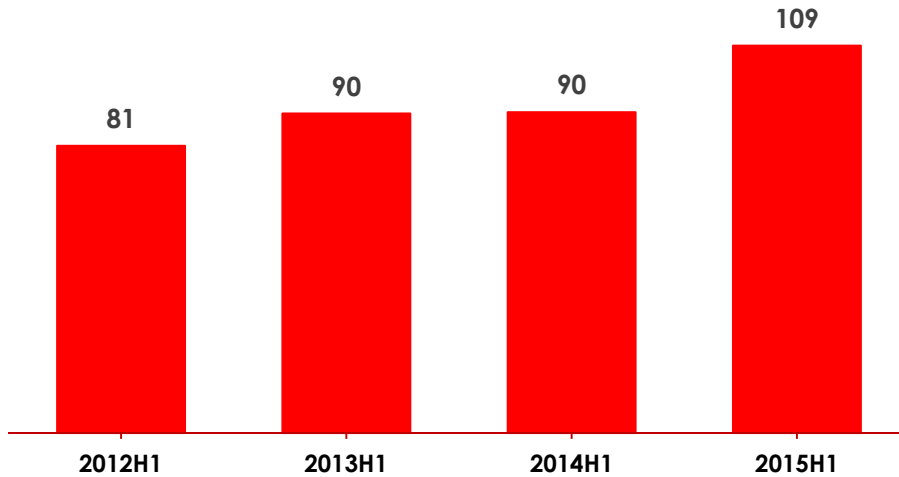
Gross earnings split by geography



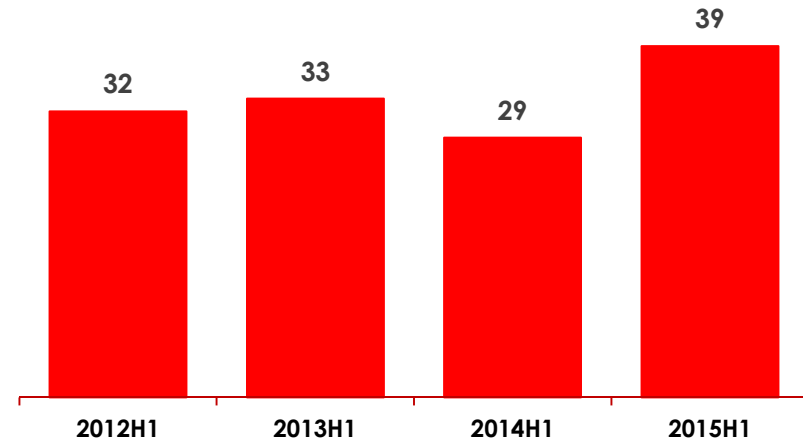
- 16% CAGR in gross earnings over the past four years, despite intensifying competition in our core markets.
- Earnings growth reflects improving performance of African platform, as we grow transaction volumes, increase share of customers' wallet and enhance yields on assets.
- Growing fees from trade and remittance services, e-banking, credit-related fees and improved treasury management compensated for the regulatory-induced weakness in FX trading income.
- Africa contributed 22% of the Group's gross earnings, with an even stronger outlook.

Audited 2015H1 Group Results Snapshot ::: Consolidating Gains

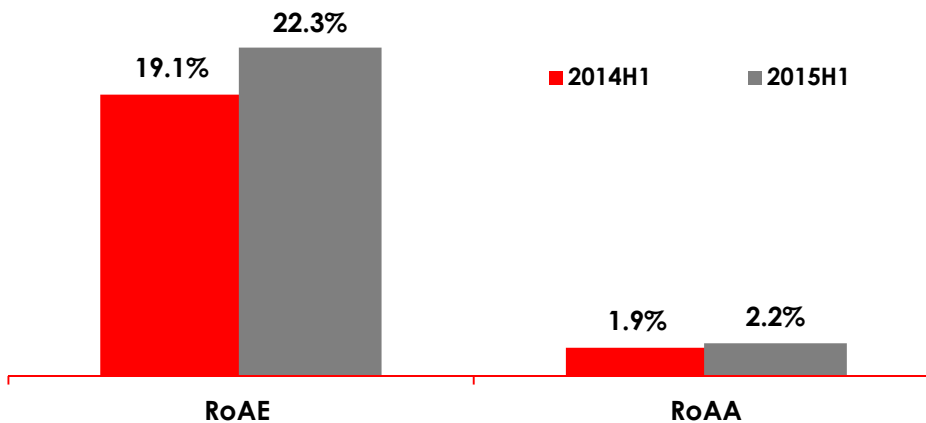
Operating Income (N'billion)



Profit Before Tax (N'billion)



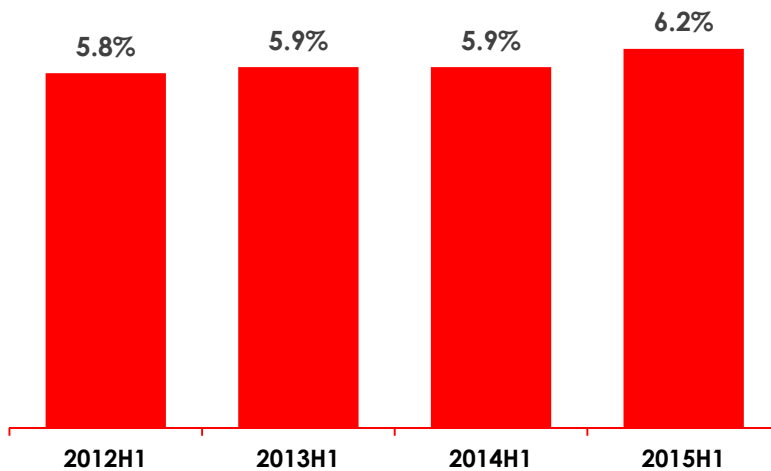
Return on Average Equity and Assets (%)



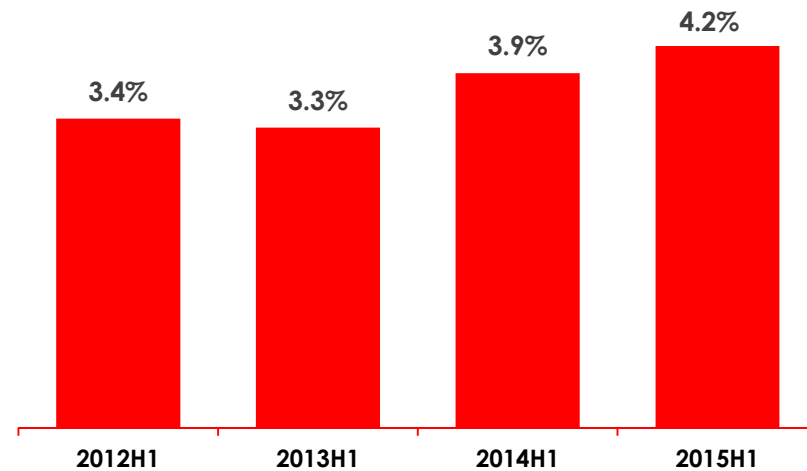
- 35% YoY growth in Profit Before Tax; reflecting the simultaneous benefit of improved earnings generation and consolidation in our markets.
- 22.3% annualized return on average equity (RoAE) is in line with our earlier guidance to the market.
- We see scope for further efficiency gains; hence suggesting the positive upside to our RoAE over the medium term, as we commit to delivering superior and sustainable returns to shareholders.

Audited 2015H1 Group Results Snapshot ::: Consolidating Gains

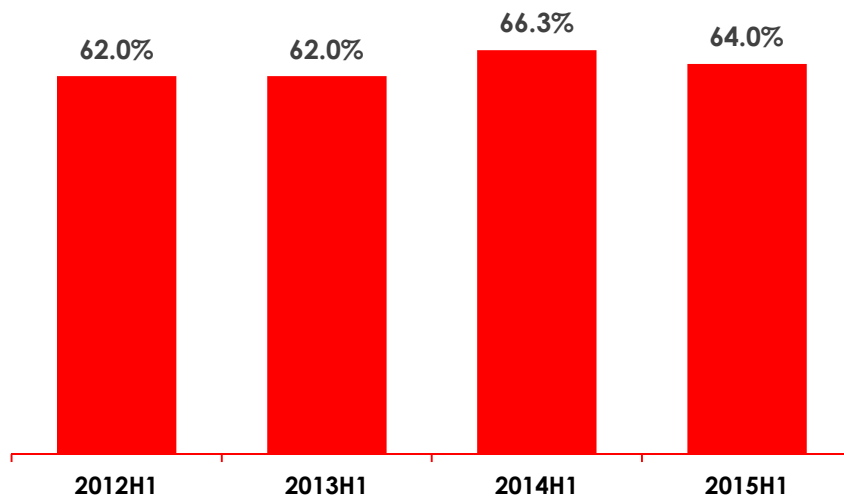
Net Interest Margin (%)



Cost of Funds (%)



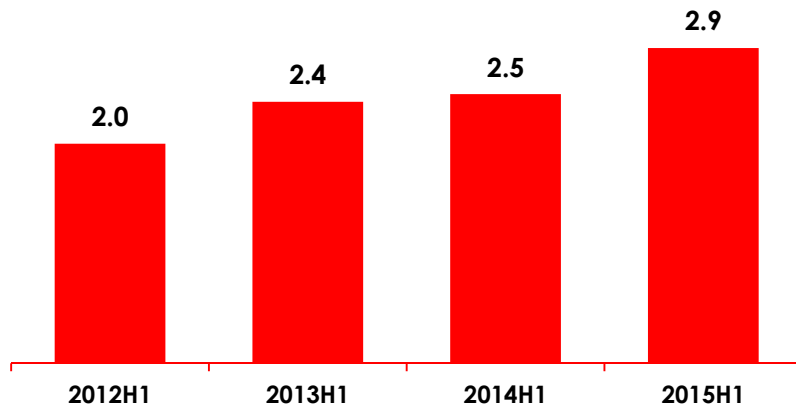
Cost-to-Income Ratio (%)



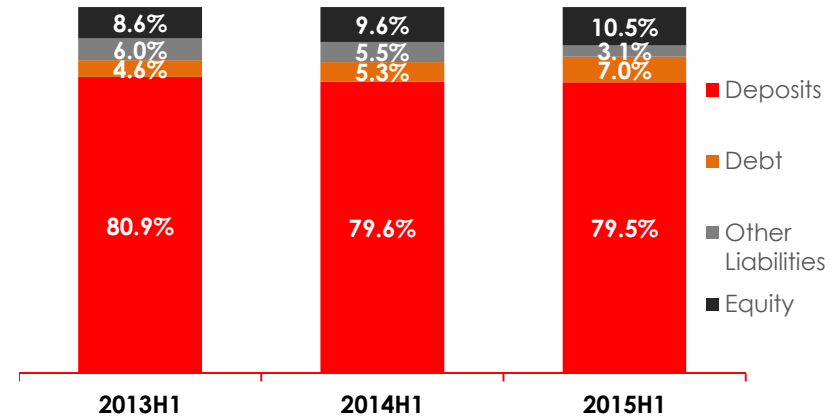
- Improving net interest margin (NIMs), despite the liquidity squeeze and attendant rise in funding cost. Higher NIMs reflect enhanced asset pricing.
- Improving mix of deposit base, with more focus on low cost stable current and savings accounts, should help moderate rising funding cost.
- Whilst noting the headroom for further cost efficiency; we achieved a 230bps improvement in cost-to-income ratio in a period when external cost pressures led to a 14% YoY growth in operating expenses

Audited 2015H1 Group Results Snapshot ::: Consolidating Gains

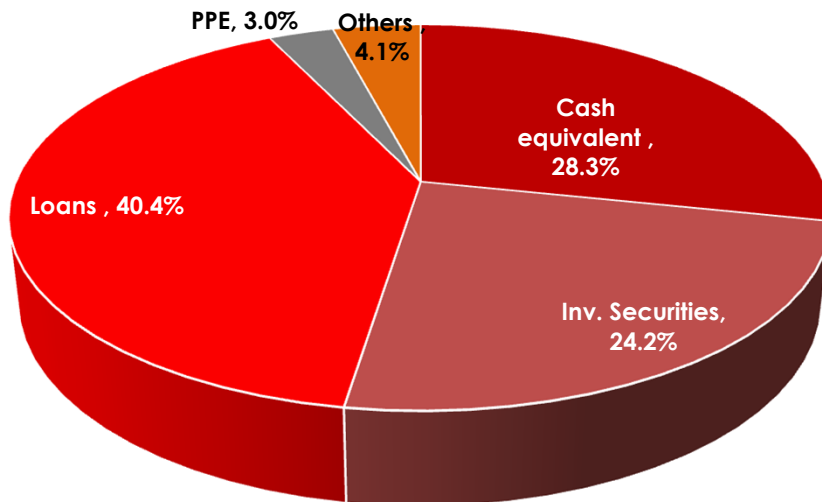
Total Assets (N'trillion)



Funding Structure



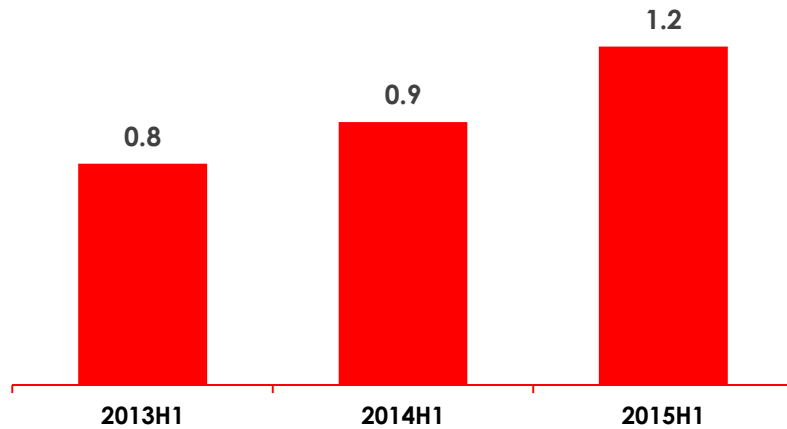
Composition of Total Asset Portfolio



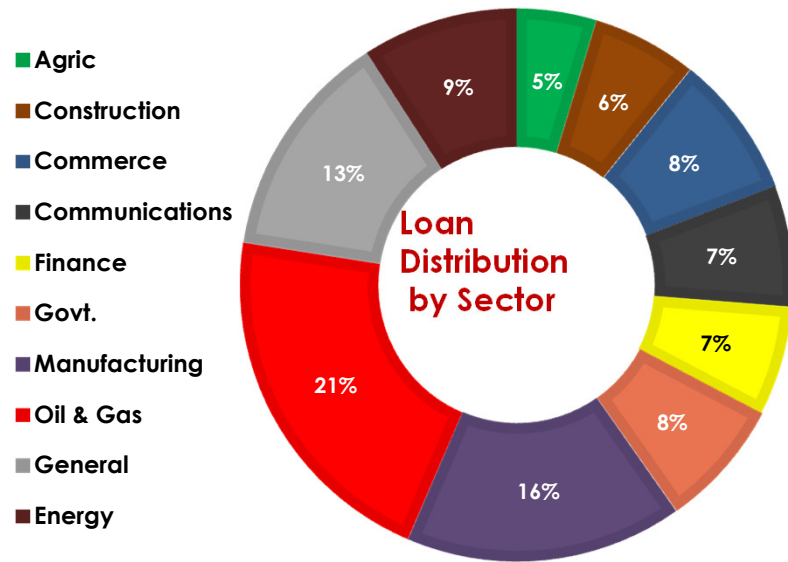
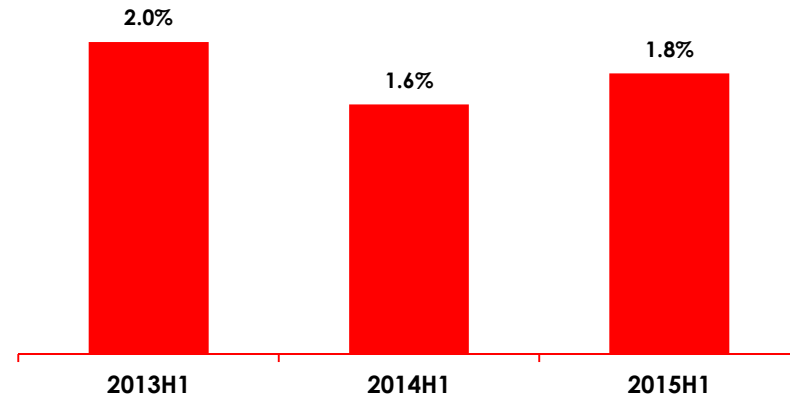
- A 13% CAGR in total assets, with focus on quality assets
- The Group will remain cautious as it continues to leverage its strong funding base to grow the asset base; deposits accounts for about 80% of the balance sheet funding
- Balance sheet grew 6% YTD, partly due to the impact of Naira devaluation.

Audited 2015H1 Group Results Snapshot ::: Consolidating Gains

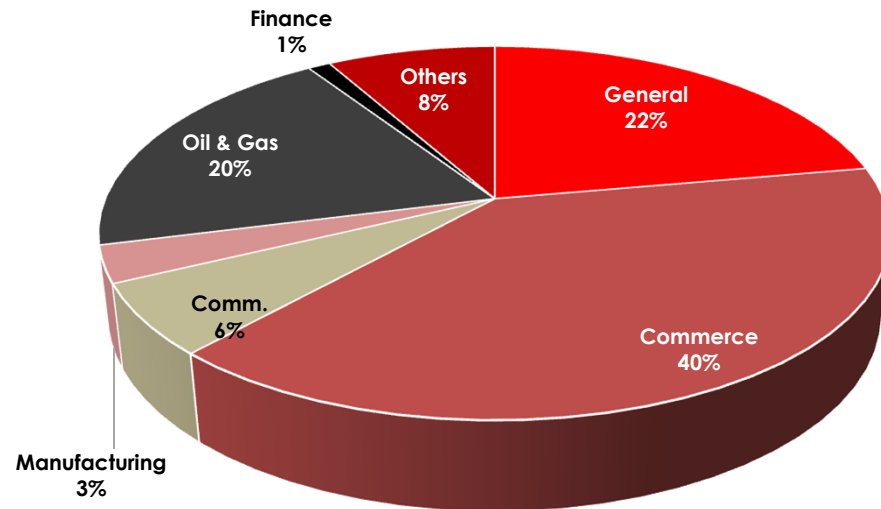
Loan Book (N'trillion)



NPL Ratio (%)

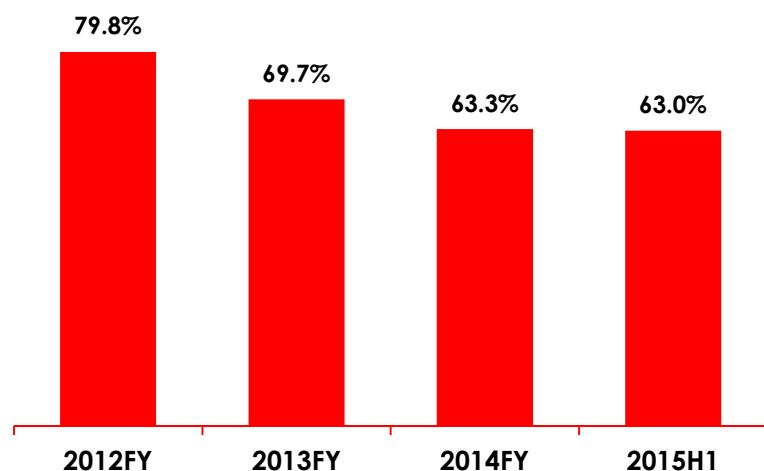


NPL, sector distribution

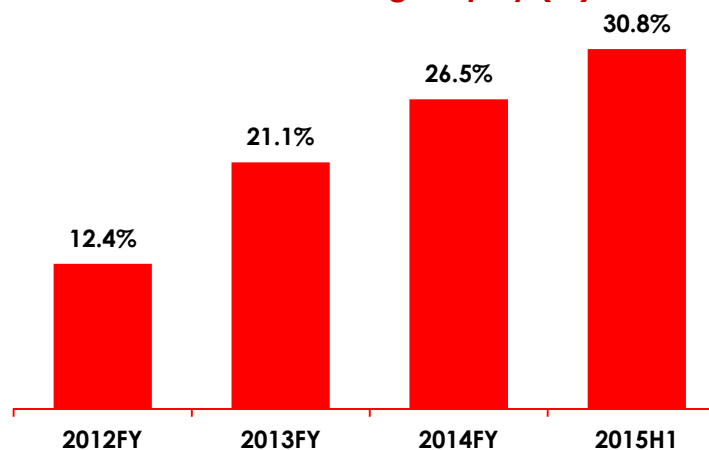


Snapshot on Africa (Ex-Nigeria) :: Consolidating Gains

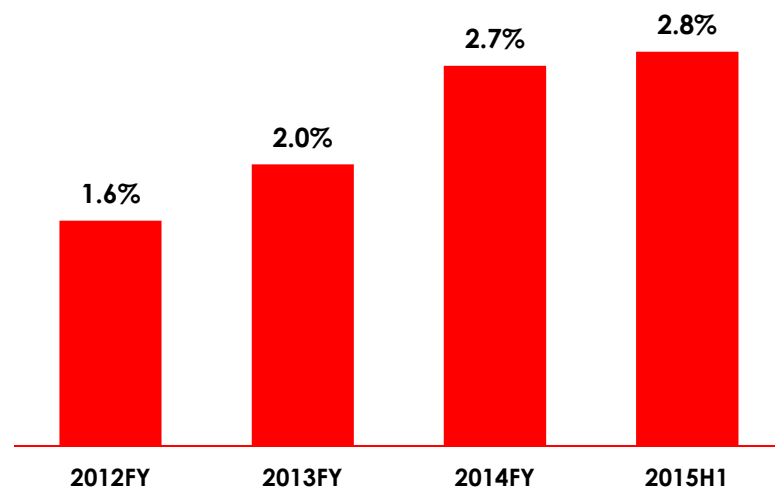
Cost-to-Income Ratio (%)



Pre-Tax Return on Average Equity (%)



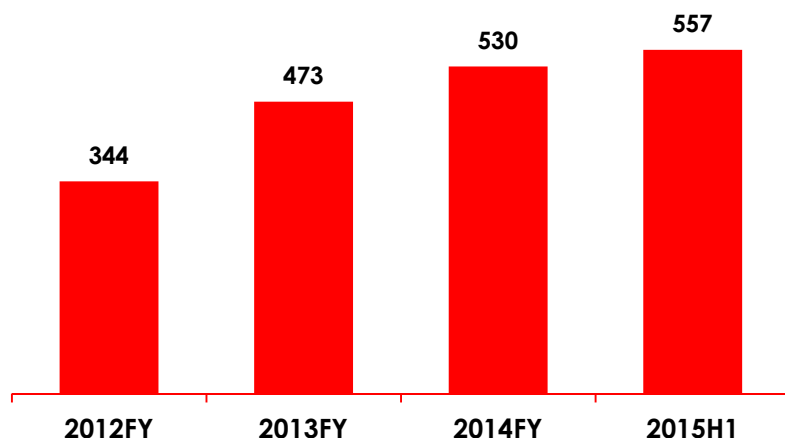
Post-Tax Return on Average Assets (%)



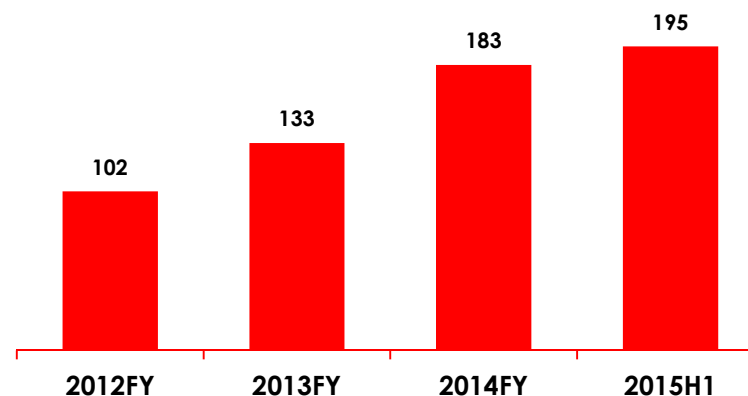
- Continuous improvement in cost efficiency as most African subsidiaries put behind the early growth phase challenges and ramp up income streams
- Stronger profitability on the back of improving operating efficiency
- Consistent improvement in return on assets and equity reinforce our optimism on delivering value to shareholders from the African investments, as we execute our consolidation strategies across various markets

Snapshot on Africa (Ex-Nigeria) ::: Consolidating Gains

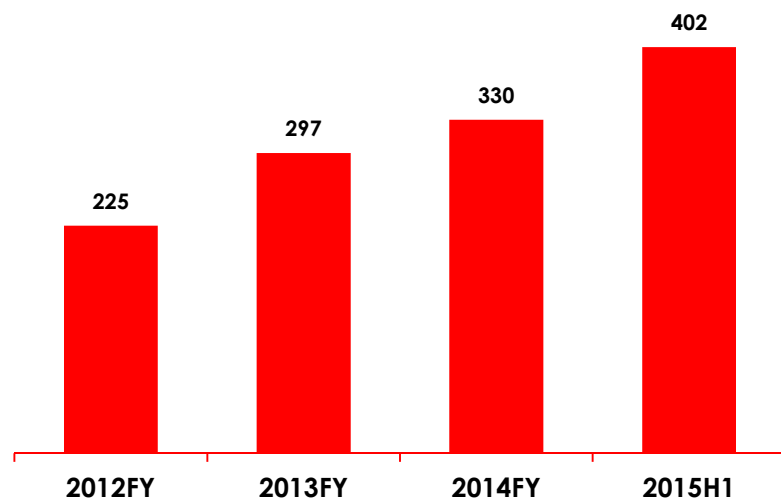
Total Assets (N'billion)



Loan Book (N'billion)



Customer Deposits (N'billion)



- We are increasingly extracting synergy opportunities across our businesses in Africa to grow the balance sheet and gain market share
- Deposit growth of 21% YTD, on the back of increasing penetration.
- Whilst we remain cautious on risk asset creation, selective opportunities in corporate and commercial segments of the market provided modest growth in loan book.

Year-end Outlook



The Four Tactical Strategic Thrusts



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

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

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

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

Review of 2015 Guidance



Headlines	2014FY	2015FY Guidance	2015H1 Actual	Review
Net Interest Margin	5.9%	>6.0%	6.2%	In-line
Cost-to-Income Ratio	69.8%	<65.0%	64.0%	In-line
Cost of Risk	0.7%	≈1%	0.6%	In-line
Non-Performing Loan Ratio	1.6%	≈2%	1.8%	In-line
Loan Growth	14.0%	15% - 20%	8.5%	In-line
Deposit Growth	0.4%	15% - 20%	2.7%	Below-Target
Return on Average Asset	1.8%	>2.0%	2.2%	In-line
Return on Average Equity (RoAE)	19.2%	>20.0%	22.3%	In-line

Note: 2015H1 figures are annualised where applicable

Revised 2015 Guidance



Headlines	2015H1 Actual	Previous 2015FY Guidance	Revised 2015FY Actual
Net Interest Margin	6.2%	>6.0%	≈6.0%
Cost-to-Income Ratio	64.0%	<65.0%	<65.0%
Cost of Risk	0.6%	≈1%	≈1%
Non-Performing Loan Ratio	1.8%	≈2%	≈2%
Loan Growth	8.5%	15% - 20%	5% - 8%
Deposit Growth	2.7%	15% - 20%	5% - 10%
Return on Average Asset	2.2%	>2.0%	≈2.0%
Return on Average Equity (RoAE)	22.3%	>20.0%	≈20.0%

Note: 2015H1 figures are annualised where applicable

Key Takeaways



- **Committed to sustaining our improved profitability; as we explore latent opportunities and adequately position our business to take full advantage of emerging opportunities in Africa.**
- **Our diligent assessment of risk and return of every opportunity should sustain the quality of the balance sheet and thus ensure moderate NPL and cost of risk.**
- **We are committed to clear strategies of achieving further cost efficiency gains from our Pan-African platforms, as we extract scale and scope economies**
- **New initiatives should drive further success for our business in Nigeria and deliver even stronger results in our African subsidiaries**

Conclusion

Questions & Answers