

Audited 2017FY Results Presentation: Transcript of the GMD/CEO's Presentation and Closing Remarks

Good day everyone and thank you for joining us on this call.

Ladies and gentlemen, permit me to start today's presentation with a brief overview of the operating environment in Nigeria and a few other African countries, where we operate, as it provides useful background to the review of our financial performance. Whilst I will invite our Group CFO, Ugo to provide explanations on the drivers of key lines in the financials and give guidance for 2018, I will highlight a few lines in the results.

Operating environment: It was a year of recovery for Africa, as stable commodity prices complemented monetary and fiscal measures in stimulating economic activities. Although the non-oil sector remained relatively weak, Nigeria recorded positive GDP growth of 0.8%. Ghana posted 9.3% GDP growth and the East African economies recovered from the impact of 2016 drought. Except for cocoa and coffee price, which remained weak, most commodity prices rallied through 2017; the price of copper and crude oil surged 31% and 18% respectively just as the price of gold and cotton rallied 14% and 13% respectively in the year.

Stronger foreign currency earnings from commodity exports, coupled with foreign portfolio inflows, improved current account and external reserve positions, enhanced foreign currency liquidity and ultimately stabilized the local currency of most African markets, where we operate. The Cedi, Shilling and Metical were relatively stable, weakening barely 5%, 0.5% and 0.4% respectively through the year. Inflation rate continues to moderate across most of our chosen markets in Africa. Nigeria's headline inflation, which peaked in January 2017 at 18.7%, moderated to 15.4% in December 2017 and has eased further to 14.3% in February 2018. In Ghana, inflation rate dropped from 15.4% in 2016 to 11.8% in December 2017, with a benign outlook of single digit inflation before the end of 2018. In Kenya, where headline inflation rose to 11.7% in May 2017, consumer prices have stabilized, with inflation now hovering 4.5%. Countries in the UEMOA and CEMAC regions maintain low single digit inflation, particularly as the currency peg continues to underpin inflation rate. Hence, we are hopeful that we have put behind, the high cost of doing business that characterized most of 2017 financial year.

Overall, the macroeconomic and business environment is gradually improving across a number of our markets and we look forward to sustaining this positive development in the business environment. Perhaps it is worth mentioning that the World Bank Doing Business 2018 report recognized the improving business environment in SSA, with three of the top-ten countries that improved globally being SSA countries; Malawi, Nigeria and Zambia. We operate in two of these countries; Nigeria of course is our core market and we have operations in Zambia. Precisely, Nigeria moved up 24 notches to rank 145th in the 2018 World Bank Doing Business report. We expect this positive development to improve the fundamentals of our SMEs and corporate customers, going forward, especially as the fiscal efforts, towards making Africa more business friendly, are sustained.

However, credit growth was relatively slow across most countries for different reasons, as banks were cautious on risk asset creation. Whilst the lending rate cap stifled credit growth in Kenya, the need to resolve public sector exposures moderated most banks' appetite for loan book expansion in Ghana. In Nigeria, public sector borrowing partly crowded out private sector growth, especially as banks were cautious of the lagged and tailwind impact of the recession and Naira devaluation on businesses and the broader operating environment. Albeit, the coast is clearer now and the outlook for credit growth is quite benign in a number of our markets. Even as Nigerian banks will be relatively conservative on lending on the run-up to the 2019 elections, we expect credit growth to be stronger this year, compared to 2017, given improved macroeconomic environment and lower public sector borrowing. The imminent removal of rate cap and recent accommodative stance of the Central Bank should stimulate credit in Kenya, just as the burgeoning economy in Ghana should give impetus to banks to lend more this year.

Let me briefly highlight a few points in the Audited 2017 Full Year Results, before I invite Ugo, our Group CFO to review in more details and provide broad guidance for 2018.

Our commitment to customer service excellence is translating to strong operational and financial efficiency gains. We grew top- and bottom-lines by 20% and 16% respectively. The yield on our assets was stronger in the

year, as we improved on our balance sheet management and also benefited from the relatively high yield on sovereign instruments mainly in Nigeria and Ghana. It is inspiring to see double digit income growth from our service offerings, like trade services, transaction services, fund transfer and remittance, which grew by 73%, 54%, 36% and 33% respectively. We recorded strong volume growth in the card business, but the regulated margins masked the performance. With increasing adoption of our prepaid cards, particularly for national social interventions in different countries, I am optimistic on the prospect of this income line. Whilst we will cautiously take advantage of opportunistic transactions that fit into our business strategy, our philosophy is to build a sustainable pipeline of annuity-type income that will ensure our profitability into the foreseeable future.

I believe a number of people on this call will be wondering why our cost of risk surged in the last quarter of 2017, it reflects our decision to conservatively take about N15 billion impairment charges on our exposure to 9mobile. We also prudently classified the exposure, thus leading to a spike to 6.7%, in our Non-Performing Loan ratio even as we believe this incidental rise in our NPL ratio will be corrected as the resolution process of 9mobile should come to closure before the end of Q2. We have documented our lessons from the incidence and taken relevant actions to prevent such black-swan occurrence in the future.

Notwithstanding the impact of Naira devaluation and inflationary environment in the early part of 2017, we are on course to achieve and perhaps outperform our medium term cost-to-income ratio target. Whilst the impairment on 9mobile increased our cost of risk and moderated our return on average equity to 16%, we are optimistic on delivering stronger RoE in the years ahead, given the strong prospect of our business across different market segments and geographies. Our operations outside Nigeria contributed a third of the Group's top-line and 45% of the profit in 2017. Our flagship subsidiaries are increasingly becoming systemically important in their respective markets, and we are leveraging customer-centric strategies, speed to market, innovation and an exceptional culture of enterprise to consolidate our market share.

Our strong balance sheet as at the end of 2017, with a liquidity ratio of 50% and BASEL II capital adequacy ratio of 20%, positions us for stronger growth and market share gain in 2018 and beyond. Notwithstanding the headroom that we have in our relatively low loan-to-deposit ratio, we are not relenting on our low cost, stable deposit mobilization drive, as we seek

to improve our CASA ratio towards 80% to further extract efficiency gains from our funding mix. I like to note on this call that whilst we reckon increasing competition, we are constructive on the capacity and strategy of our business to sustainably deliver superior return over the long term. I therefore enjoin everyone to support us on this course of wealth creation.

Closing Remarks:

Once again, thank you everyone for your participation on this conference call. We duly appreciate your time and interest in UBA Group. More importantly, we appreciate the questions and feedback.

We are determined to change the narrative of banking in Africa with technology and service excellence and we are sure of winning in today and tomorrow's competitive market. Whilst we are conscious of delivering competitive returns to our shareholders in the near term, we are investing in the future of the business, in line with our vision of building an enduring institution. I therefore, implore you to continue to extend your unflinching support to us, as we consolidate our gains for the benefit of all shareholders and other stakeholders.

Once again, thank you so much for joining us on today's call. Should you have any enquiry, please do not hesitate to contact Abiola, our head of investor relations. Thank you everyone for your time.