

United Bank for Africa Plc
Unaudited Results for the First Quarter Ended March 31, 2022

A SOLID START: UBA POSTS 18% GROWTH IN EARNINGS AS PBT HIT N44.5BN

This Earnings Press Release should be read in conjunction with the Unaudited Q1 2022 Consolidated Financial Statements. The Earnings Press Release is also available on our website at <https://www.ubagroup.com/investor-relations/>. This analysis is dated April 27, 2022. Unless otherwise indicated, all amounts are expressed in Nigerian Naira, and have been primarily derived from the Bank's Consolidated Financial Statements, prepared in accordance with the International Financial Reporting Standards ("IFRS"). The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the Bank's Audited 2022 Financial Statements. Additional information relating to the Bank is available on the Bank's website <http://www.ubagroup.com>.

LAGOS, NIGERIA – April 27, 2022 – United Bank for Africa Plc ("UBA", the "Bank" or the "Group"), (Bloomberg: UBA: NL; Reuters: UBA.LG) has announced its Unaudited 2022 First Quarter Financial Results, with gross earnings jumping 18.3% year-on-year (YoY) to ₦183.9 billion, whilst profit before tax rose to an all-time high of N44.5 billion

Highlights:

Income Statement

- Gross Earnings: N183.9 billion, compared to N155.4 billion in 2021Q1 (18.3% YoY growth).
- Operating Income: N125.9 billion, a 18.0% YoY increase compared to N106.6 billion in 2021Q1.
- Operating Expenses of N77.6 billion, compared to N64.5 billion in 2021Q1 (20.5% YoY growth).
- Profit Before Tax: N44.5 billion, compared to N40.6 billion in 2021Q1 (9.6% YoY growth).
- Profit After Tax: N41.5 billion, a 8.8% YoY growth, compared to N38.2 billion in 2021Q1.
- Cost-to-Income Ratio: 61.7%; compared to 60.4% in 2021Q1.
- Return on Average Equity (RoAE): 20.4%; compared to 20.5% in 2021Q1.

Balance Sheet

- Total Assets: N8.9 trillion, compared to N8.5 trillion, as at FY2021 (4.1% YTD growth).
- Net Loans: N3.0 trillion; a 4.8% YTD compared to N2.8 trillion as at FY2021.
- Customer Deposits: N6.7 trillion, compared to N6.4 trillion as at FY2021; representing 4.5% growth.
- Shareholders' Funds: N825.8 billion, up 2.6% compared to N804.8 billion as at FY2021.

Commenting on the result, Kennedy Uzoka, the GMD/CEO, said;

We have commenced the 2022 financial year on a sure footing, with our business model showing resilience in the face of a myriad of economic challenges, particularly on the global front, that shaped the first three months of the year.

The ongoing crisis between Russia and Ukraine has resulted in a huge supply shock, pushing up commodity prices; whilst the hike in the interest rates in most advanced countries aimed at tackling spiralling inflation has sparked capital flow reversal from emerging and frontier markets. Notwithstanding these developments, UBA leveraged its large customer base and vast geographical spread to bolster earnings.

We recorded double-digit growth of 18.3 percent in gross earnings to N184 billion, with our Nigerian operation raking in 65 percent of the revenue while our operations in other countries accounted for the remainder, showing the diversity in our operations.

Deploying our strategy of digitizing our operations and offerings, we have continued to record significant gains from our investments in technology, evident in the 21 percent growth in income from our electronic banking, boosting our fees and commission to N42.1 billion. Notably, the improved contribution from savings and current account deposits (CASA), which now represents around 86% of customer deposits, should support NIM and ROAE upsides over the short to medium term.

Amid the "Great Resignation" wave that has seen a record number of employees across the globe quit their jobs, disrupting the performance of many businesses, we reviewed upwards, in the last quarter of 2021, the salaries of our staff as part of broad measures to retain our talents. That, together with hike in commodity prices, rising cost of power generation due to global rise in crude oil cost, and the resulting rise in inflation in several markets are putting pressure on operating costs, further impacting profitability. Nonetheless, with strategies in place to further increase revenue and drive cost lower, we remain committed to achieve our Cost-to-Income ratio target of below 60.0% by year-end

For 2022, we are committed to consolidating on the strong start, surpassing our goals and targets, as we look forward to delivering stronger returns to our esteemed shareholders.

Also speaking on the performance, the Group CFO, Ugo Nwaghodoh said;

Our Q1 '22 financial numbers show we are off with a good start.

Particularly, I am pleased with how we deployed our balance sheet in the period to grow revenues and increase our market share in a number of West African markets. Driven majorly by interest from customer loans and our investments in fixed income securities, we grew interest income by an unprecedented quarterly rate of 15 percent to N125 billion. We recorded modest and sustainable efficiency gain, with a 20bps improvement in net interest margin (NIM) to 5.3% from 5.1% in Q1 2021, which reflects the simultaneous impact of higher asset yield and lower funding cost.

We drove down our annualized cost of funds by 11 basis points to 2.1%. This was achieved despite the uptick in the interest rate environment in the period. We also achieved further moderation of Cost of Risk, which remains below 1%, a show of our prudent credit framework. We remain well capitalized and liquid to fulfil our growth strategy, take up opportunities in key sectors, whilst navigating impending macroeconomic headwinds.

Condensed Consolidated Statements of Comprehensive Income
For the three months ended 31 March

In millions of Nigerian Naira	Group	
	2022	2021
Interest income	125,076	108,590
Interest income on amortised cost and FVOCI securities	124,861	108,482
Interest income on FVTPL securities	215	108
Interest expense	(40,207)	(34,209)
Net interest income	84,869	74,381
Fees and commission income	42,103	34,955
Fees and commission expense	(17,806)	(14,589)
Net fee and commission income	24,297	20,366
Net trading and foreign exchange income	14,959	10,469
Other operating income	1,764	1,432
Total non-interest income	41,020	32,267
Operating income	125,889	106,648
Impairment charge for credit losses on Loans	(3,813)	(1,182)
Net impairment charge on other financial assets	(371)	(846)
Net operating income after impairment loss on loans and receivables	121,705	104,620
Employee benefit expenses	(25,579)	(21,311)
Depreciation and amortisation	(5,739)	(4,848)
Other operating expenses	(46,324)	(38,295)
Total operating expenses	(77,642)	(64,454)
Share of profit of equity-accounted investee	421	415
Profit before income tax	44,484	40,581
Taxation charge	(2,988)	(2,426)
Profit for the period	41,496	38,155
Other comprehensive income		
Items that will be reclassified to income statement:		
Exchange differences on translation of foreign operations	(22,776)	11,212
Fair value changes on investments at fair value through other comprehensive income(FVOCI):		
Net fair value (loss)/ gain during the period	2,226	(11,142)
Tax relating to net change in fair value during the period	-	-
	(20,550)	70
Items that will not be reclassified to the income statement:		
Fair value changes on equity investments at FVOCI	-	-
Other comprehensive (loss) / income, net of tax	(20,550)	70
Total comprehensive income for the period	20,946	38,225
Profit attributable to:		
Owners of Parent	38,933	35,567
Non-controlling interest	2,563	2,588
Profit for the period	41,496	38,155
Total comprehensive income attributable to:		
Owners of Parent	21,135	36,378
Non-controlling interest	(189)	1,847
Total comprehensive income for the period	20,946	38,225
Basic and diluted earnings per share expressed in Naira	1.14	1.04

As at	Group	
	Mar. 2022	Dec. 2021
<i>In millions of Nigerian Naira</i>		
ASSETS		
Cash and bank balances	1,982,497	1,818,784
Financial assets at fair value through profit or loss	86,310	13,096
Derivative assets	33,321	33,340
Loans and advances to banks	101,310	153,897
Loans and advances to customers	2,869,670	2,680,667
Investment securities:		
- At fair value through other comprehensive income	1,481,256	993,791
- At amortised cost	1,814,667	2,341,839
Other assets	173,899	149,154
Investment in equity-accounted investee	9,365	8,945
Investments in subsidiaries	-	-
Property and equipment	168,233	178,117
Intangible assets	30,771	30,450
Deferred tax assets	42,766	43,329
	8,794,065	8,445,409
Non-Current Assets Held for Sale	94,319	95,909
TOTAL ASSETS	8,888,384	8,541,318
LIABILITIES		
Deposits from banks	684,368	654,211
Deposits from customers	6,653,742	6,369,189
Derivative liabilities	79	98
Other liabilities	283,750	216,209
Current income tax payable	4,322	21,415
Borrowings	417,536	455,772
Deferred tax liabilities	18,834	19,617
TOTAL LIABILITIES	8,062,631	7,736,511
EQUITY		
Share capital	17,100	17,100
Share premium	98,715	98,715
Retained earnings	374,776	335,843
Other reserves	306,718	324,516
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	797,309	776,174
Non-controlling interests	28,444	28,633
TOTAL EQUITY	825,753	804,807
TOTAL LIABILITIES AND EQUITY	8,888,384	8,541,318

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Editor's comment

United Bank for Africa Plc is a leading Pan-African financial institution, offering banking services to more than twenty-five (25) million customers, across 1,000 business offices and customer touch points in 20 African countries. With presence in New York, London and Paris, UBA is connecting people and businesses across Africa through retail, commercial and corporate banking, innovative cross-border payments and remittances, trade finance and ancillary banking services.

Caution regarding forward-looking statements

From time to time, the Bank makes written and/or oral forward-looking statements in press releases and other communications. In addition, representatives of the Bank may make forward-looking statements to analysts, investors, the media and others. All such statements are intended to be forward looking statements. Forward looking statements include, but are not limited to, statements regarding the Bank's objectives and priorities for 2022 and beyond as well as strategies to achieve them, and 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 press release 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 and 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.

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