



# 2010 Third Quarter Results Investor/Analyst Briefing

By

United Bank for Africa (UBA) PLC

29 October 2010

*Africa's global bank*

## FORWARD LOOKING STATEMENTS & RESTATEMENT OF PRIOR YEARS

*Presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.*

*Certain prior year numbers have been restated in order to conform with the classification of the 2010 numbers.*

## IMPORTANT DISCLOSURES

- This presentation is based mainly on the results for Third Qtr ended September 2010
- The comparable period is September 2009 for P&L and December 2009 for Balance Sheet items
- Sept 2009 figures are derived from 9-mths (January – Sept) results for P&L only
- FY means “Full Year”
- 1Q, 2Q, 3Q, 4Q and 5Q are quarterly results within the financial period
- EI means “Exceptional Items”
- ROE means “Return on Equity”
- ROA means “Return on Assets”
- NIM, ROE and ROA were calculated using (Last 12-mths’ Int. Income & profits to Sept)
- CAR means “Capital Adequacy Ratio”
- LR means “Liquidity Ratio”
- Excl-Nigeria – “outside Nigeria” or “group excluding Nigeria”

# OUTLINE

- OVERVIEW OF UBA
- REVIEW OF OPERATING ENVIRONMENT
- ANALYSIS OF THIRD QUARTER FINANCIAL RESULTS
  - FINANCIAL HIGHLIGHTS
  - KEY FACTORS THAT IMPACTED THIRD QUARTER RESULTS
  - REVENUE ANALYSIS
  - PROFITABILITY
  - PERFORMANCE OF UBA AFRICA OPERATIONS
  - BALANCE SHEET ANALYSIS
  - EFFICIENCY
  - LIQUIDITY AND ASSET QUALITY
- RISK MANAGEMENT GOALS
- OUTLOOK
- Q & A

## OVERVIEW OF UBA

### Presence and business model

- Operations in 19 African countries (including Nigeria) and 3 global financial centres. 3 countries have not commenced operations and their financials are not part of this presentation.
- 8 non-bank subsidiaries
- Capability in retail, corporate and institutional banking
- Array of innovative financial products and services
- Largest distribution network in Nigeria : more than 700 branches across Africa and 1687 ATMs
- Strong Electronic and mobile telephone banking

### Ratings and brand recognition

- Fitch rating of B+ with stable outlook
- GCR rating of (AA<sub>ST</sub>) and (A1+<sub>LT</sub>)
- Adjudged the second fastest global brand by the FT/Banker magazine

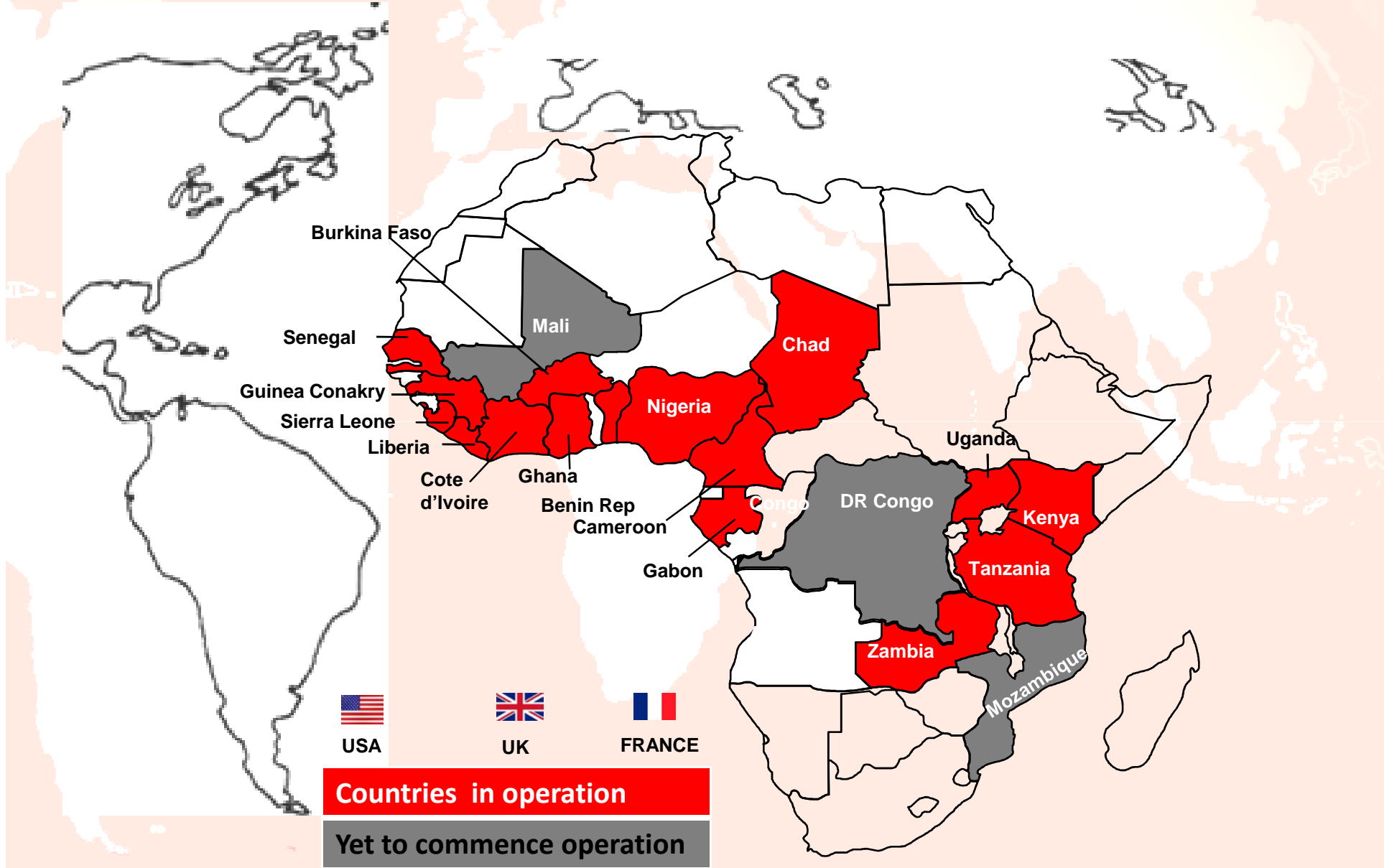
### Strategic Thrust

- Dominance in Nigeria
- Leading bank in Africa (to rank 6<sup>th</sup> in market share)
- Presence in key global financial centres
  - Already present in New York, London, Paris (rep. office)
  - To extend operations to UAE and China
- Low cost retail banking model (target cost/income of 65%, NIM of 6%, funding cost of 3%)
- Sound risk management and strong corporate governance standards
  - Target adoption of Basel II accord, IFRS reporting in progress
  - Regular ICAAP, investment in tools, systems, etc

### Share ownership and listing

- Institutional holding of 20%; over 70% free float
- Equity listed on the Nigerian Stock Exchange (Market Cap of \$1.9bn)
- Unlisted GDR equivalent to 200 local shares

# OUR GLOBAL FOOTPRINT



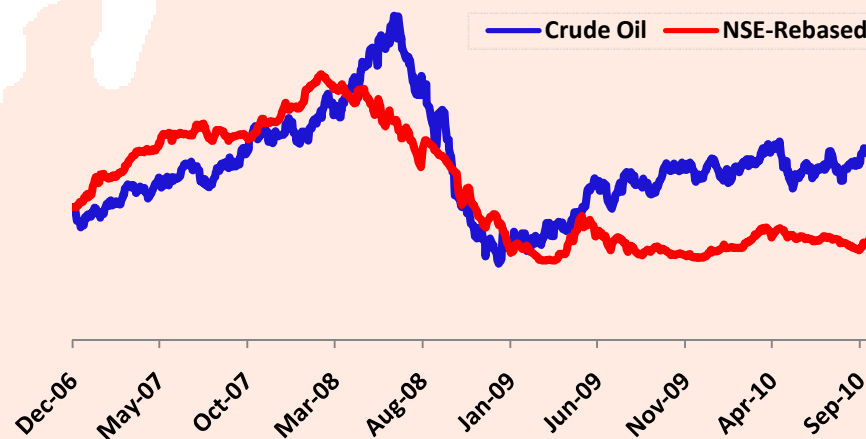
## REVIEW OF OPERATING ENVIRONMENT

- Nigeria's GDP stays above 7% in the last few qtrs
- Inflation for Sept-10 slips to 13.6% (13.7% in Aug)
- Bank of Tanzania gives banks 3yrs to recapitalize
- Ghana's August inflation rate declines to 9.44%
- Nigeria's Benchmark rates increased by 25 bpts to 6.25%; asymmetric corridor adjusted to (-3% and +2%)
- AMCON bill signed into law: to commence operations soon with recent management appointments
- CBN guaranty on interbank lending and foreign credit lines now extended till Jun 2011
- N500bn intervention fund released (N300bn for infrastructure/airlines, N200bn to refinance SME loans. Roadmap for power sector released
- Banks' financial performance continue to improve quarter on quarter
- However, lull continues at the equities market
  - NSE being restructured
  - Interim management appointed
  - New management expected by Dec-10

Key Economic Indicators	Dec-09	Sep-10
GDP growth (%)	7.44%	7.45%
Inflation Rate (%)	12.0%	13.6%
Exchange Rate (US\$/N1)	148.3	148.8
Crude Oil Price (US\$/bl)	77.91	75.51
External Reserves (US\$bn)	42.4	34.6
Market Cap (US\$m)	33,644	37,733
All Share Index	20,827	23,051

Sources: CBN, NBS, NSE, EIA

### NSE underperforming Oil price since January 2009



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## ANALYSIS OF 3Q 2010 RESULTS

# FINANCIAL HIGHLIGHTS

PARAMETERS	9MTHS (SEP-10)	9MTHS (SEP-09)	% Change
	ACTUAL (N'BN)	ACTUAL (N'BN)	
GROSS EARNINGS	136.4	146.6	-7%
PROFITS B/F TAX & EX ITEMS	16.9	(13.5)	226%
EXCEPTIONAL ITEMS	(5.3)	(3.9)	38%
PBT AFTER EX ITEMS	11.6	(17.3)	167%
	30-Sep-10	31-Dec-09	% Change
BALANCE SHEET SIZE	2,481	2,238	11%
TOTAL ASSETS	1,665	1,548	8%
LOANS & ADVANCES	636	607	5%
DEPOSITS	1,338	1,246	7%
SHAREHOLDERS' FUNDS	190	187	1%
NET INTEREST MARGIN	7.5%	7.4%	0.1%
COST OF FUNDS	2.8%	3.8%	-1.0%
NPL RATIO	9.9%	8.3%	1.6%
NPL COVERAGE RATIO	70.7%	68.7%	2.0%
LIQUIDITY RATIO	42.4%	46.6%	-4.2%
CAPITAL ADEQUACY RATIO	17.0%	16.3%	0.7%

Presentation of Group Performance

## KEY FACTORS THAT IMPACTED THIRD QUARTER RESULTS

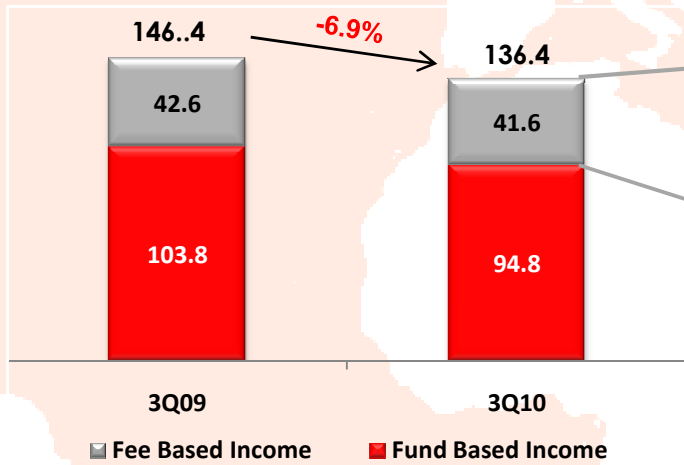
- The economic situation in the industry continues to improve.
- However, some unfavorable factors affected the actual performance for the quarter:
  - Excessive liquidity in the system remained for a significant part of the quarter with O/N investment rate dropping to as low as 1% before the CBN increased the MPR in September.
  - Although there has been some recovery in deposit rates, fixed income rates and interbank rates, the impact will be felt more in Q4
  - Lending rates to high end corporate customers which constituted the majority of our risk assets remain low for the period.
  - Additional provisioning and write off of non-performing loans in line with our policy of ensuring adequate provisioning;
  - Mark-to-market of legacy equity portfolios across the Group, as specific stocks decline further in the capital market.

A world map with a light beige background and dark beige outlines of continents. A dark red horizontal bar is centered over the map, containing the text 'REVENUES ANALYSIS'.

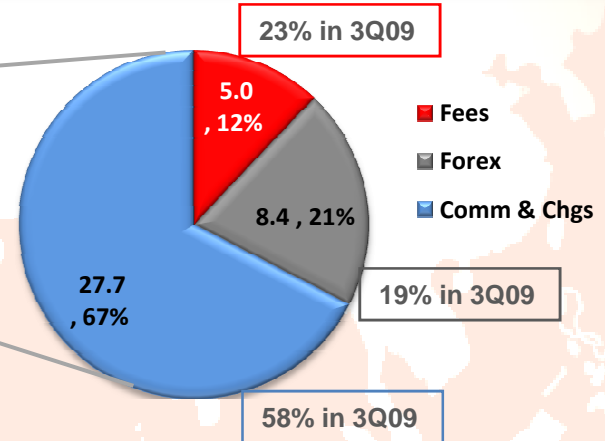
## REVENUES ANALYSIS

# REVENUE ANALYSIS

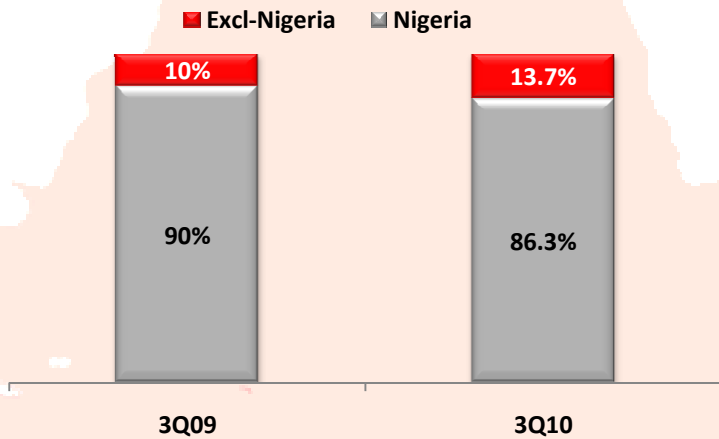
## Revenues (N'bn)



## Composition of Fee Based Income



## Revenue Mix, By Geography



- Gross Earnings strong at N136bn despite the challenging operating environment
- 7% decline compared to 3Q09 resulted from;
  - Low yield on financial securities due to excess liquidity
  - Low lending rates as well as slow growth in loan volumes
- Revenues outside Nigeria now 13.7% (10% in 3Q09)
- Fee based driven mainly by COT, FX, Transaction fees and incomes

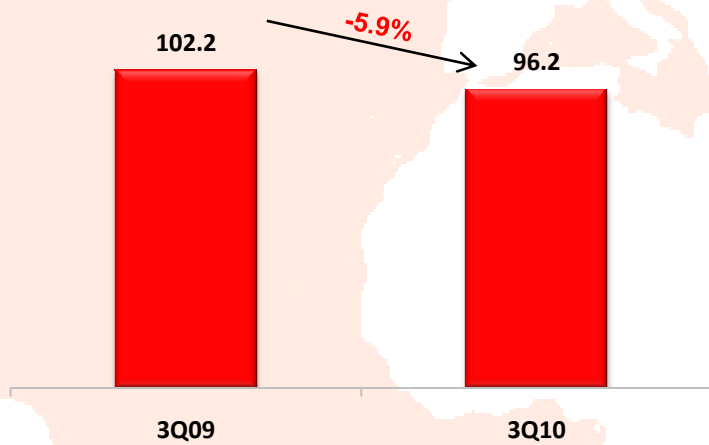
Presentation of Group Performance



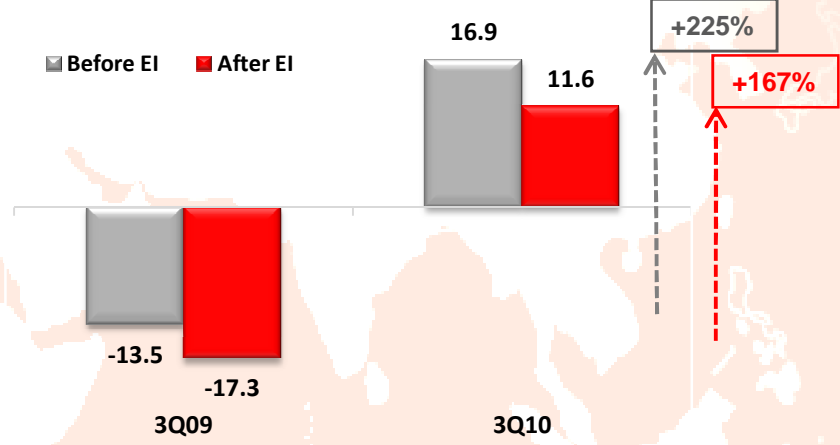
**PROFITABILITY**

# PROFITS ANALYSIS

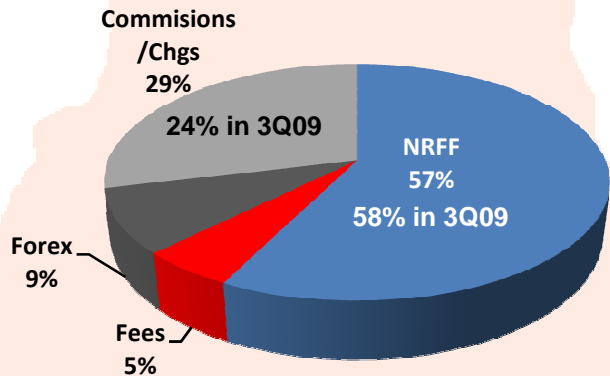
## Operating Income (N'bn)



## Strong Recovery in PBT (N'bn)



## Contributions to Operating Income



- Operating income slightly down but efficiency improved
- Net Revenue From Funds (NRFF) a key driver remains strong and stable– 57% contribution (58% in 3Q09)
- PBT before exceptional items leaped to N16.9bn
  - Negative PBT recorded in 3Q09 due to huge write-offs taken in 2009

Presentation of Group Performance

## PERFORMANCE REVIEW OF UBA AFRICA (for the third quarter ended 30 Sept, 2010)

Country	Start Date	Age (Yrs)	Gross Earnings (N'mn)	PBT (N'mn)
Burkina Faso	Jul-08	2.25	5,032	1,363
Ghana	Jan-05	5.75	4,393	1,156
Benin	Dec-08	1.83	1,859	642
Guinea	Feb-10	0.67	391	98
Cameroon	Dec-07	2.83	1,411	67
Tanzania	Oct-09	1.0	283	8
Liberia	Jul-08	2.25	395	(66)
Sierra Leone	Jul-08	2.25	212	(150)
Kenya	Oct-09	1.0	494	(174)
Gabon	Nov-09	0.9	344	(187)
Chad	Sep-09	1.1	115	(299)
Senegal	May-09	1.42	647	(346)
Cote d'Ivoire	May-08	2.42	810	(509)
Uganda	May-08	2.42	358	(511)
Zambia	Jan-10	0.75	187	(557)
<b>Totals</b>			<b>16,932</b>	<b>532</b>

Presentation of Group Performance

## **UBA AFRICA – Already contributing to profitability**

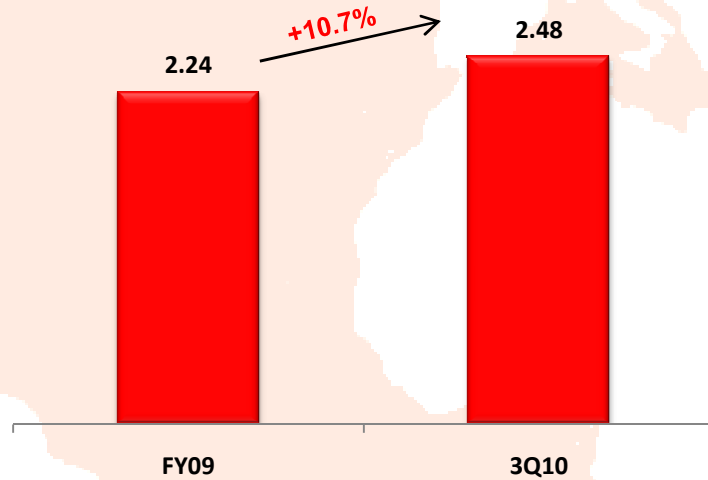
- **Aggregate PBT from Africa countries was positive for the first time in Q3. Better times are ahead!**
  - **6 Countries (excluding Nigeria) already making profits**
  - **Another 6 countries are already making month-on-month profit and expected to accelerate on performance**
  - **We expect 12 countries to have fully achieved break-even level and contributing to profitability by the end of the year**
  - **Other countries are just commencing operations and are expected to break-even within 18/24 months of commencing operation.**
  - **Our four major operations outside Nigeria (Burkina Faso, Ghana, Benin and Cameroon) have started gaining scale. These countries currently represent 75% of income from Africa countries and are adding significant contributions to the group**

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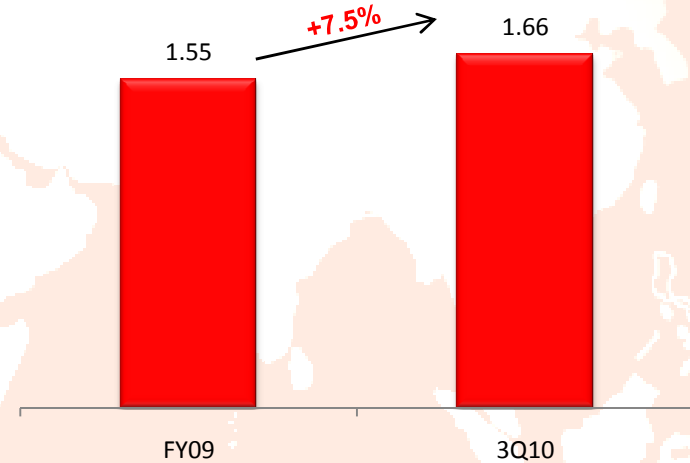
## BALANCE SHEET ANALYSIS

# TOTAL ASSET AND CONTINGENTS

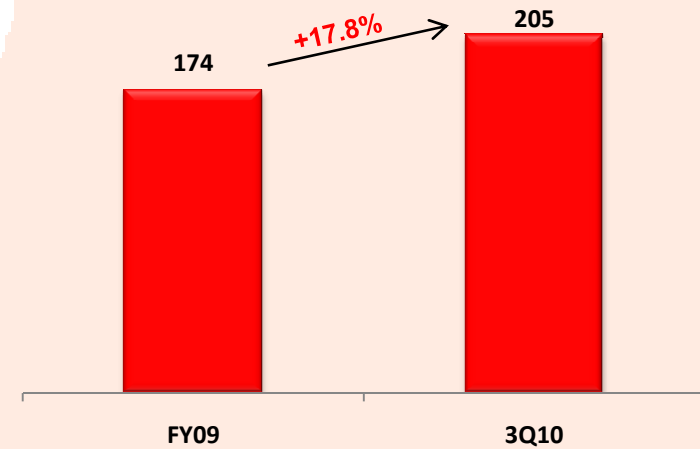
### Growth in Balance Sheet Size (N'trn)



### Growth in Total Assets (N'trn)



### Total Assets Grow in Other African Subs (N'bn)

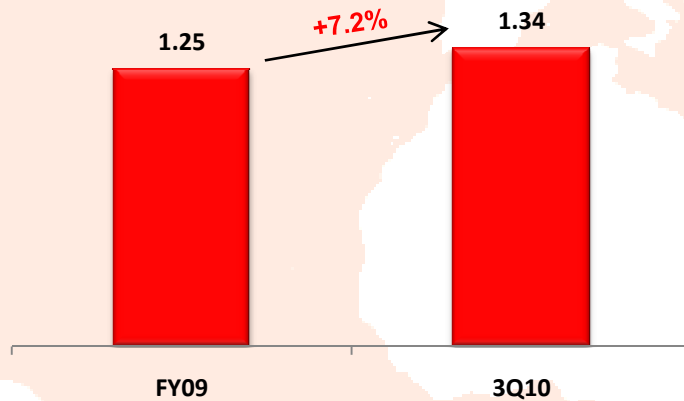


- Significant growth recorded in Balance Sheet size...
  - ... up by almost 11%
  - Growth mainly in contingents
- While growth occurred in Nigeria, the growth in our other African countries is higher and more significant: Our Africa strategy is beginning to yield positive results with better prospects for the future.

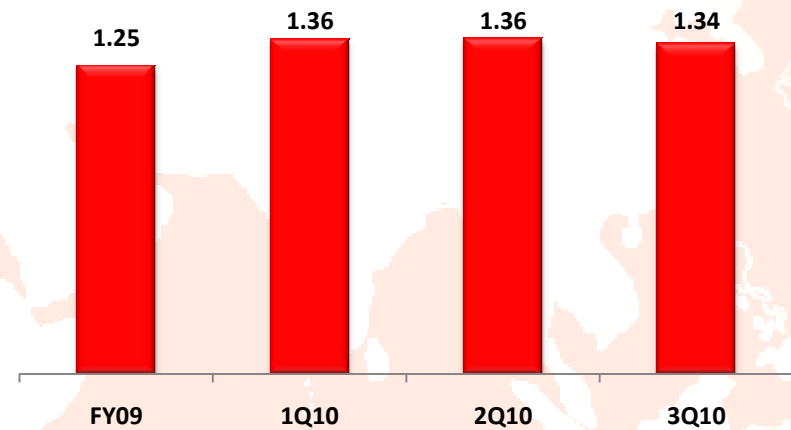
Presentation of Group Performance

# DEPOSIT BASE

## Growing Deposits (N'trn)

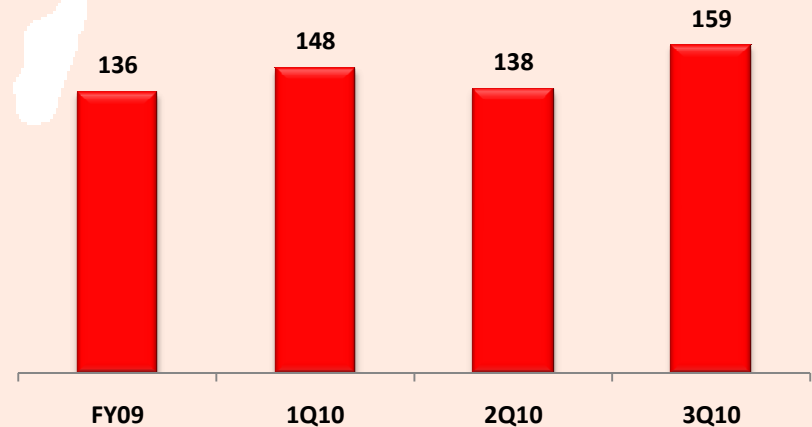


## Qtrly Trend in Group Deposits (N'trn)



- Strong deposit base of N1.34bn, up 7.2% since Dec-09
- Deliberate management decision not to grow the deposit level beyond what we considered optimal in an environment with liquidity
- 15.2% growth in UBA Africa deposits during the quarter as we deepen our access in those markets
- Cross border framework enabled us to target deposit growth in areas that benefit the Group

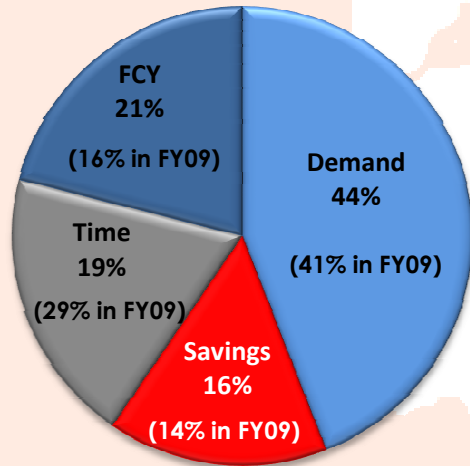
## Qtrly Trend in UBA Africa Deposits (N'bn)



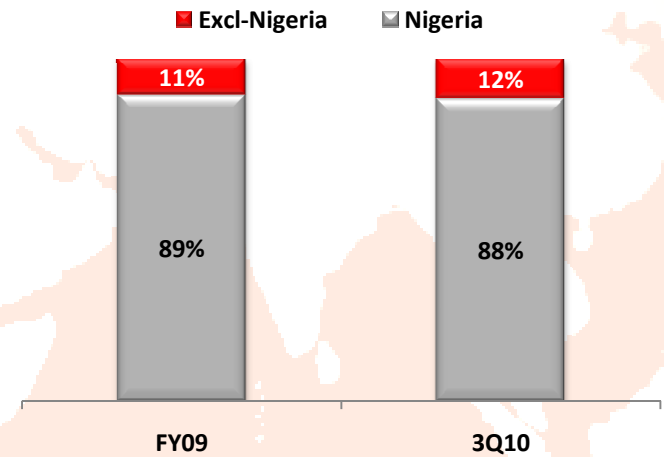
Presentation of Group Performance

# DEPOSIT MIX

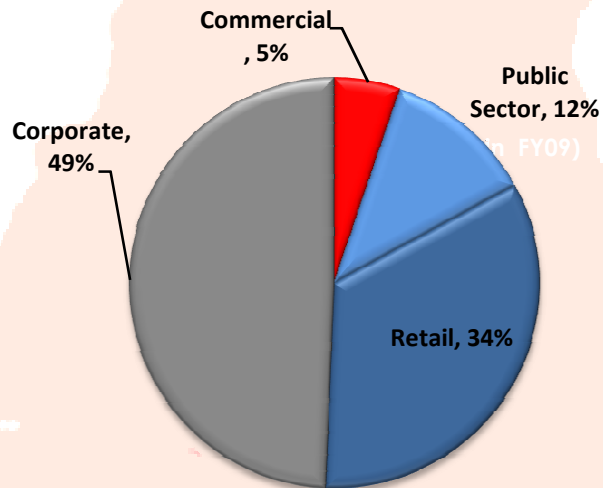
Deposit Mix, By Type



Deposit Mix, By Geography



Deposit Mix, By Class

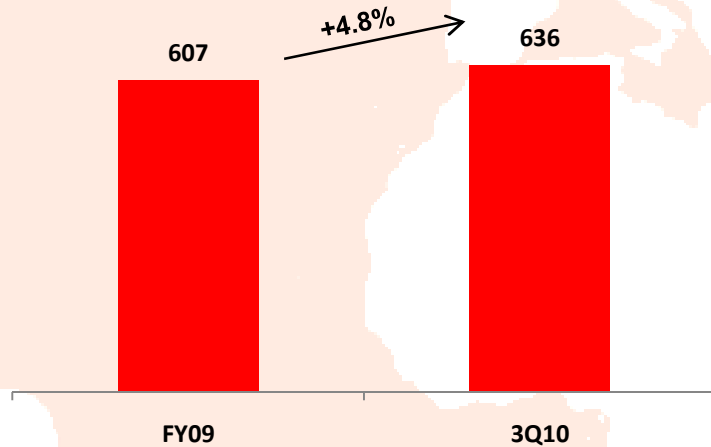


- Low cost deposit account for 81% of total deposit (71% in FY09)
- Contribution from outside Nigeria now account for 12% and still growing
- Retail and corporate customers account for 83% of deposits

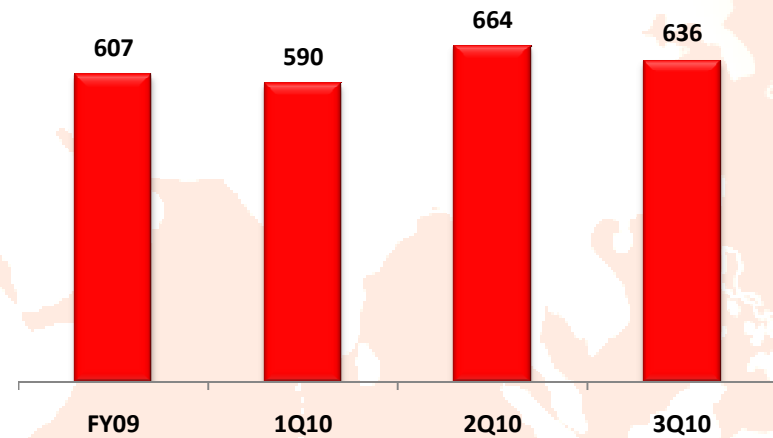
Presentation of Group Performance

# LOANS

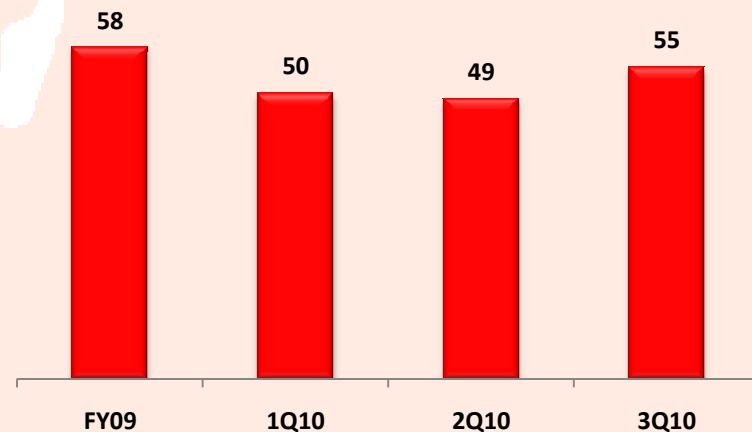
Net Loans (N'bn)



Net Loans, Qtrly Trend (N'bn)



Qtrly Trend in Loans, UBA Africa (N'bn)



- Lending grew by 4.8% since Dec-09 due to strict adherence to lending standards – more lending to high-end corporate names
- Net loan book dropped by N28bn between H1 and Q3 due to some customer pay downs that occurred towards the end of the quarter and were being reviewed for renewal.
- Loans in UBA Africa subsidiaries back to Dec-09 levels.
- Significant transactions have been approved and are in the process of disbursements at the end of Q3. Further loan growth will be achieved by year-end.

Presentation of Group Performance

# ANALYSIS OF LOAN PORTFOLIO

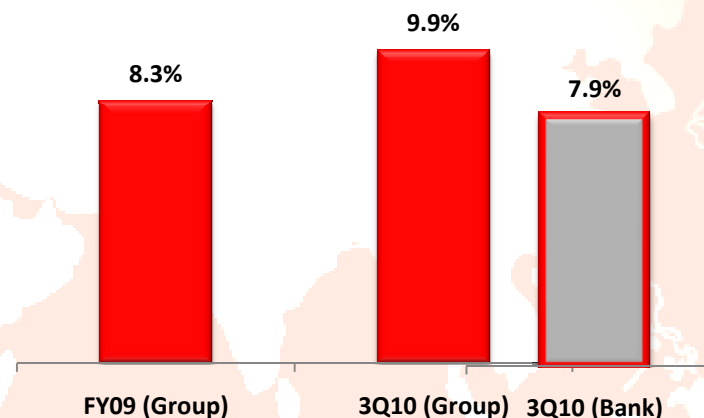
## DISTRIBUTION OF LOANS: By Sector

Sector	Loan (N'bn)	Proportion
Personal & Professional	103.7	15.2%
Financial Institutions	90.6	13.2%
Oil & Gas	90.4	13.2%
Government	66.8	9.8%
Telecommunications	61.5	9.0%
Manufacturing	59.8	8.7%
Real Estate	58.3	8.5%
General Commerce	53.9	7.9%
Transportation	40.2	5.9%
Agriculture	33.8	4.9%
Others	24.9	3.6%
<b>Gross Loans</b>	<b>684.1</b>	<b>100.0%</b>

Presentation of Group Performance

- Wholesale loans are 79% of total in line with our focus on wholesale lending
- Group NPL ratio deteriorates to 9.9% due to drop in loan portfolio towards the end of Q3. Excluding Africa, Bank NPL ratio is 7.9%
- Coverage ratio improves to 70.7% (68.7% in FY09)

## NPL Ratio



## NPL Coverage Ratio

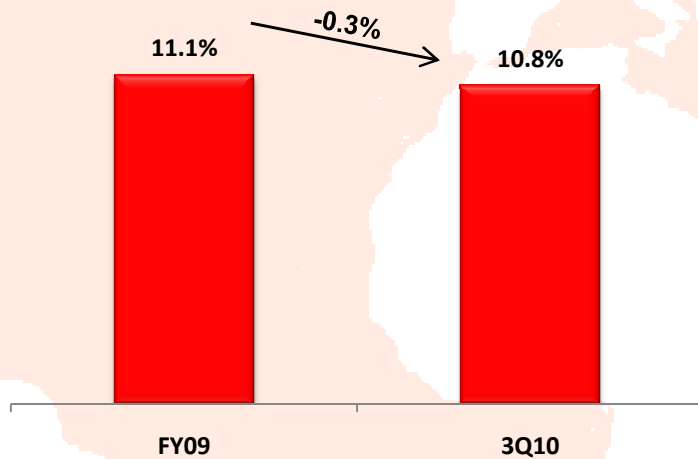




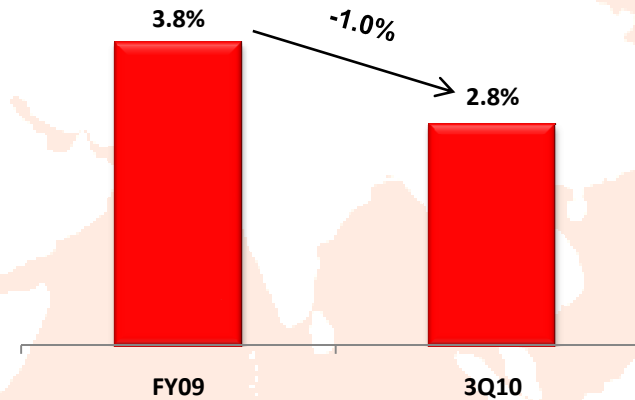
**EFFICIENCY**

## QUALITY OF EARNING ASSETS...

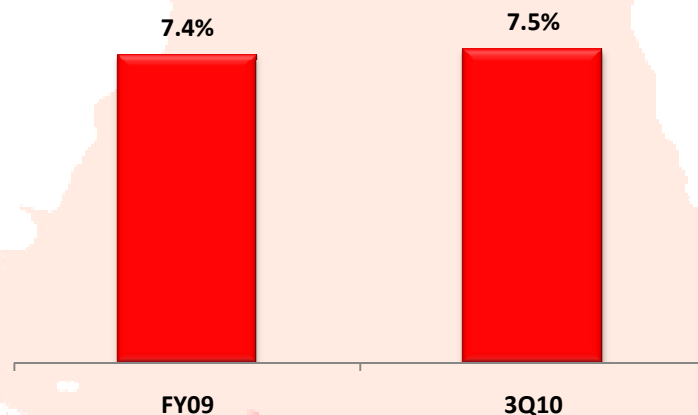
### Yield on Earning Assets



### Cost of Funds



### Net Interest Margins

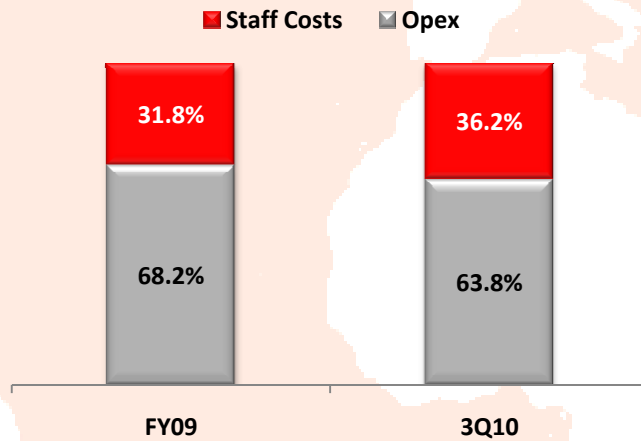


- Drop in yield on earning assets reflects the high level of liquidity in the system that has significantly affected yields across all asset classes.
- Drop in cost of funds (now 2.8%), is steeper than the decline in yields.
- NIM improved to 7.5%; decline in interest yields not as much as decline in costs of fund

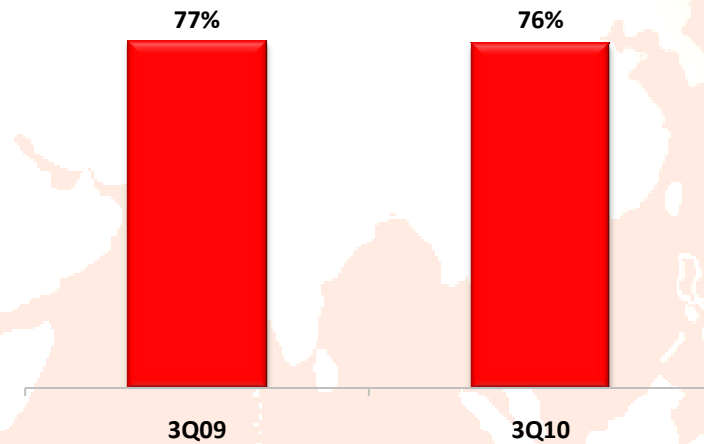
Presentation of Group Performance

# COST ANALYSIS

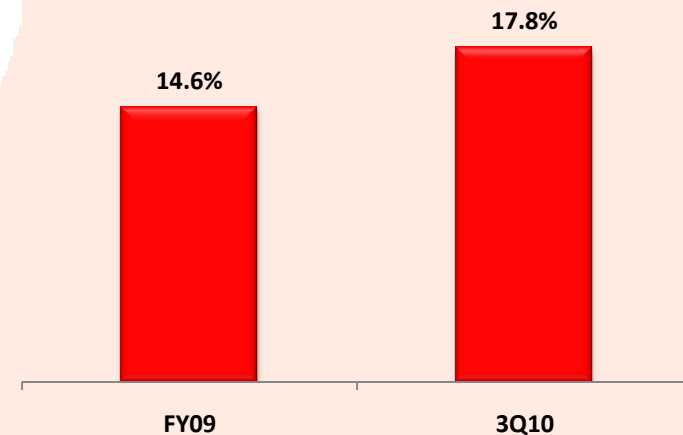
## Staff Cost to Total OPEX



## Cost Income Ratio (Group)



## Ratio of Africa's Cost to Group Cost



- Staff cost to total cost increases slightly as Opex reduced
- Cost-to-Income ratio improves to 76% (77% in 3Q09 and 81% in H110)
- Ratio of Africa cost to group cost higher at 17.8% (14.6% in FY09). This is due to further expansion into Africa
- Implementation of Global Shared Services (GSS) in Nigeria is showing results. The benefits from this initiative will further impact the group when the rollout is fully extended to our operations in Africa. A number of Africa countries are now linked to the GSS. platform

Presentation of Group Performance

**OUR GLOBAL  
SHARED SERVICE  
(GSS) CENTRE!**

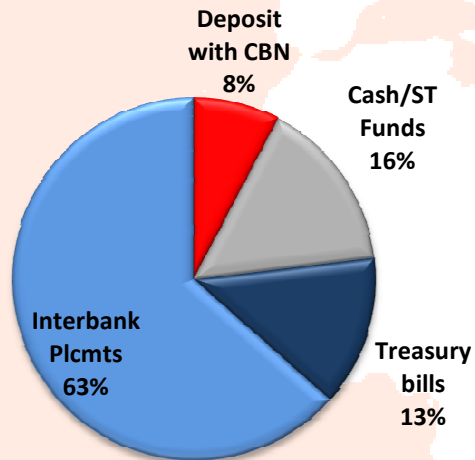


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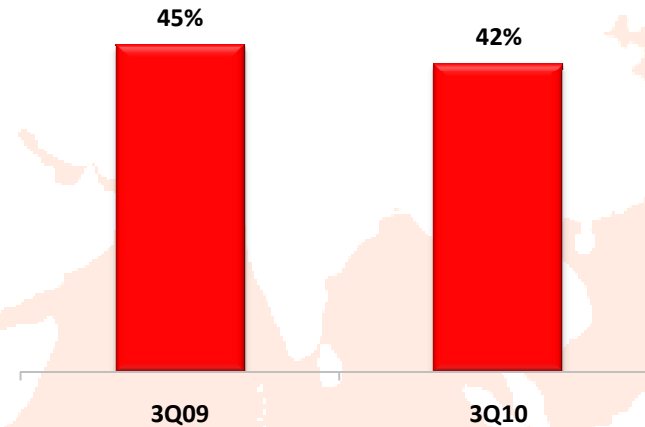
## LIQUIDITY & ASSET QUALITY

# LIQUIDITY

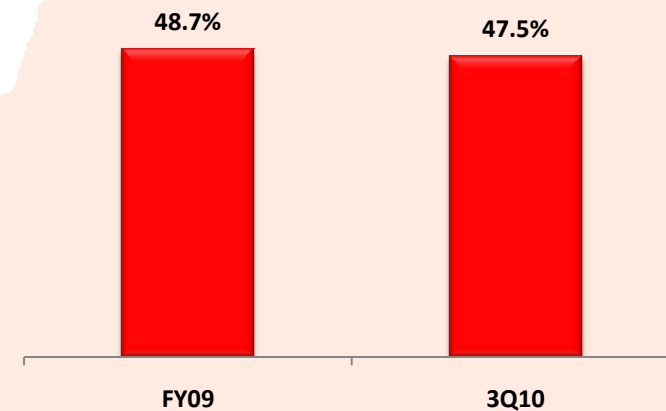
## Liquid Assets



## Liquidity Ratio



## Loan to Deposit Ratio

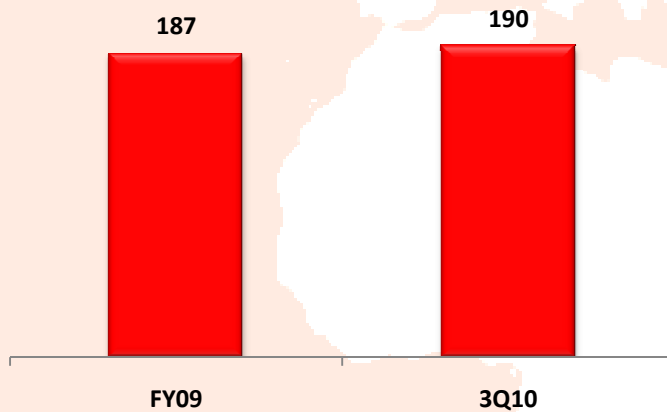


- **Highly liquid balance sheet**
  - Liquidity Ratio stood at 42%
  - 17% above regulatory threshold of 25%
- **Interbank placements are 63% of liquid assets (81% in FY09)**
  - Interbank placements are guaranteed by CBN till June 2011 and are mainly overnight in tenor
- **Loan to deposit stable at 48%. Ample room for further loan growth**

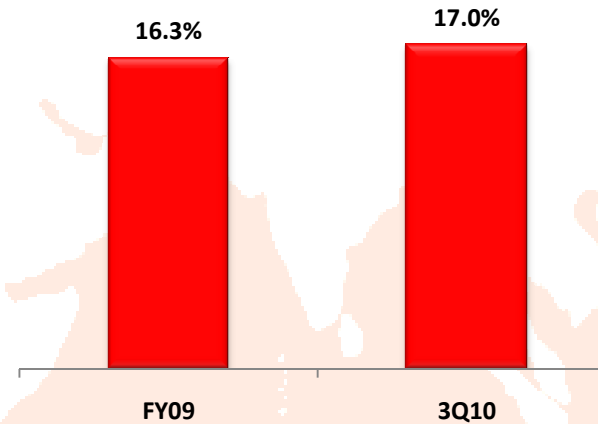
Presentation of Group Performance

# FUNDING AND CAPITAL ADEQUACY

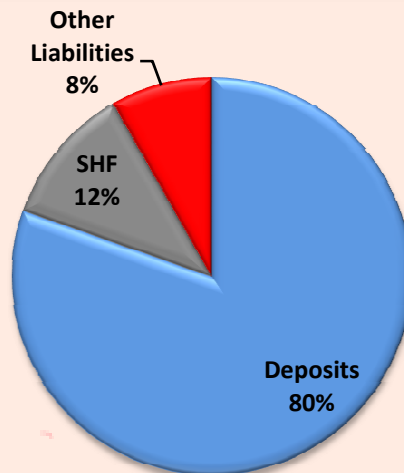
## Shareholders' Funds (N'bn)



## Improved Capital Adequacy Ratio



## Funding Mix



- Owners' equity risen to N190bn
- We concluded a N20 billion 7 yrs subordinated bond issue that further enhance our T2 capital and our capacity to do more business
- Capital Adequacy Ratio (CAR) improved significantly to 17%. This ratio is well above the regulatory minimum of 10% and provide us reasonable room to cushion shocks.
- Our funding is largely driven by customers deposits at 80% of funding sources.

## **RISK MANAGEMENT OVERVIEW**

- Ongoing implementation of Basel II and COSO enterprise risk management framework
- Regular Internal Capital Adequacy Assessment Process (ICAAP) – Commenced in 2H09
- Stress Testing (Internal/CBN) driving risk appetite decisions. We have now commenced self regulated stress testing which will be conducted at regular intervals.
- We have remained committed to our pursue a well diversified risk asset portfolio. The Board of Directors has approved both the concentration and cross border lending framework that guides our risk assets creation and growth.
- Significant investment in international expertise, tools, systems, risk MIS capabilities, training, etc to enabled more pro-active risk mitigation decisions – On-going
- Enhancing our loan collections and recovery capabilities by dedicated significant resources
- Conservative provisioning policy continues in our credit management

A world map with a light beige background and dark beige outlines of continents. A dark red horizontal bar is centered over the map, containing the word "OUTLOOK" in white capital letters.

## OUTLOOK

# OUTLOOK FOR THE OPERATING ENVIRONMENT

- Global GDP growth projected at 4.2%; Sub Saharan Africa to grow by 4.7% and Nigeria to expand by 7.4% - IMF
- Political and economic conditions in Africa to improve
- Lending and capital flows to improve globally: Nigeria is set to issue \$500mn bond at the international market. Barclays capital appointed as adviser.
- Power generation to improve – NNPC/PHCN sign gas supply deal
  - Govt to spend N46bn on electricity subsidy
  - Up to N300bn intervention fund earmarked for power, aviation sectors, etc.
- AMC management appointed. Operations to commence soon and restore capital market confidence.
- System liquidity to strengthen in Nigeria
  - Expansionary budget of N4.43tr approved for 2010 based on
    - Oil output of 2.2mn barrels/day and oil price of \$60/barrel
  - Excess crude savings to come under pressure with CBN's FX management
  - Spending on 2011 elections expected...to exert an upward pressure on inflation
  - Low interest rates to induce borrowing
- 2011 Election process and activities in progress in Nigeria. With revised electoral act and adequate funding for the elections, we do not expect any significant environmental and economic disruptions from the process.

## OUTLOOK FOR UBA

- Consolidate on the strong corporate governance and risk management standards across the group
- The improvement in yields on financial assets in Q4 will significantly benefit our operations being a net surplus bank with active participation in government instruments and interbank market. Recently, both interbank rates and government bond rates have outperformed lending rate to high end corporate customers
- Sustain strong Liquidity and Capital Adequacy Ratio
  - Tier 2 capital raising program in completed
  - Regular ICAAP/Stress tests
- Intensify our initiatives to achieve cost efficiencies
  - Global Shared Services/Low Cost Strategy
  - IT transformation/E-Banking products as platforms
- Drive Profitability and enhance stakeholder value
  - Improved ROaE especially across Africa
  - Projected NPL ratio of 8%
  - Low cost deposit at 75% of total deposit base



**THANK YOU**



Q & A

A world map with a light beige background and dark beige outlines of continents. A dark red rectangular box is centered over the map, containing the word 'APPENDIX' in white capital letters.

## APPENDIX

**UNITED BANK FOR AFRICA Plc**

**Consolidated Profit & Loss Account  
For the Period Ended 30 September 2010**

	9 months to 30-Sep-10 N'million	9 months to 30-Sep-09 N'million
Gross earnings	136,366	146,411
Interest and similar income	94,779	103,776
Interest and similar expense	(40,167)	(44,163)
<b>Net interest income</b>	<b>54,612</b>	<b>59,613</b>
Other income	41,026	42,635
Income from investments	561	-
<b>Operating income</b>	<b>96,199</b>	<b>102,248</b>
Operating expenses	(73,545)	(78,575)
Operating expenses	(52,069)	(48,797)
Appreciation/ (diminution) in asset values	(5,711)	(37,124)
Share of loss in associate	(75)	-
Profit before taxation and exceptional items	16,868	(13,451)
Exceptional items	(5,280)	(3,856)
Profit before tax and after exceptional items	11,588	(17,307)
Taxation	(4,940)	(787)
Profit after taxation and exceptional items	6,648	(18,094)
Non-controlling interest	(828)	55
Profit attributable to the group	<b>5,820</b>	<b>(18,039)</b>

UNITED BANK FOR AFRICA Plc  
Consolidated Balance Sheet  
As at 30 September 2010

	30-Sep-10 N'million	30-Sep-09 N'million
<b>Assets</b>		
Cash and balances with central banks	79,117	68,225
Treasury bills	85,144	42,035
Due from other banks	402,514	470,195
Loans and advances to customers	636,174	606,616
Investment securities	275,870	188,407
Investment in associate	9,186	9,261
Investment in joint venture	245	245
Goodwill	2,983	2,983
Investment property	269	269
Other assets	105,710	87,003
Property and equipment	67,607	73,042
<b>Total Assets</b>	<b>1,664,819</b>	<b>1,548,281</b>
<b>Liabilities</b>		
Customers' deposits	1,338,169	1,245,650
Due to other banks	31,262	15,807
Liability on investment contracts	8,591	22,138
Other borrowings	14,935	14,760
Current income tax	3,400	3,385
Other liabilities	76,863	58,207
Deferred income tax liabilities	-	2
Retirement benefit obligations	1,836	1,503
	<b>1,475,056</b>	<b>1,361,452</b>
<b>Equity</b>		
Ordinary share capital	12,934	10,778
Share premium account	111,489	113,645
Revaluation reserve	11,231	11,231
Retained earnings	21,009	18,317
Other reserves	29,998	27,542
<b>Attributable to equity holders of the parent</b>	<b>186,661</b>	<b>181,513</b>
Non-controlling interest	3,102	5,316
<b>Total Equity</b>	<b>189,763</b>	<b>186,829</b>
<b>Total equity and liabilities</b>	<b>1,664,819</b>	<b>1,548,281</b>
Off-balance sheet engagements and contingencies	816,177	689,479

## Brief History of UBA

- 1949 French & British Bank Limited (“FBB”) commences business
- 1961 Incorporation of UBA to take over the banking business of the FBB
- 1970 IPO on the NSE
- 1984 Establishment of NY branch
- 1998 GDR programme established
- 2004 Establishment of UBA Ghana
- 2005 Merger with Standard Trust Bank  
Acquisition of Continental Trust Bank  
New senior management team in place
- 2006 Purchase & assumption of Trade Bank out of liquidation
- 2007 Successful Public Offer and Rights Offer  
Purchase & assumption of 3 liquidated banks: City Express Bank, Metropolitan Bank & African Express Banks  
Investment in Afrinvest in UK (re-branded UBA Capital)
- 2008 Purchase & assumption of 2 liquidated banks: Gulf Bank & Liberty Bank  
Establishment of UBA Cameroun, UBA Cote d’Ivoire, UBA Uganda, UBA Sierra Leone & UBA Liberia  
Launch of UBA Microfinance Bank  
Launch of UBA FX Mart (Bureau de change)  
Acquisition of 51% of Banque Internationale du Burkina Faso
- 2009 Representative office in Paris, France  
Operations commenced in Senegal  
Subsidiary in Chad commenced operations  
Operations commenced in Kenya  
Tanzania opened its doors to the public  
Gabon was added as one of our operating countries
- 2010 Zambia resumed operations  
Business began in Guinea

## UBA Group Investor Relations' Contacts

**Emmanuel N. Nnorom**

*Executive Director - Group Finance and Risk*

Mobile: +234-8033034944

eMail: [emmanuel.nnorom@ubagroup.com](mailto:emmanuel.nnorom@ubagroup.com)

Website: [www.ubagroup.com](http://www.ubagroup.com)

**Abubakar A. Jimoh, CFA, FRM**

*Divisional Head*

*Balance Sheet Mgt, Market Risk & Investor Relations*

MOBILE: +234 703 413 7690

eMail: [abubakar.jimoh@ubagroup.com](mailto:abubakar.jimoh@ubagroup.com)

Website: [www.ubagroup.com](http://www.ubagroup.com)

**Michael Nwanolue**

*Investor Relations Analyst*

*Balance Sheet Mgt, Market Risk & Investor Relations Division*

Mobile: +234-708-999-7395

Email: [michael.nwanolue@ubagroup.com](mailto:michael.nwanolue@ubagroup.com)

Website: [www.ubagroup.com](http://www.ubagroup.com)