



# Investment Opportunity in UBA Group

Africa's global bank

Nandan Mer

CEO, UBA Investment and  
International Banking

March 2009

## 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 2008 numbers.

- **Financial highlights**
- 2008 operating environment
- Detailed financial analysis
- Outlook for 2009
- Q & A

# 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

# 2008 financials at a glance



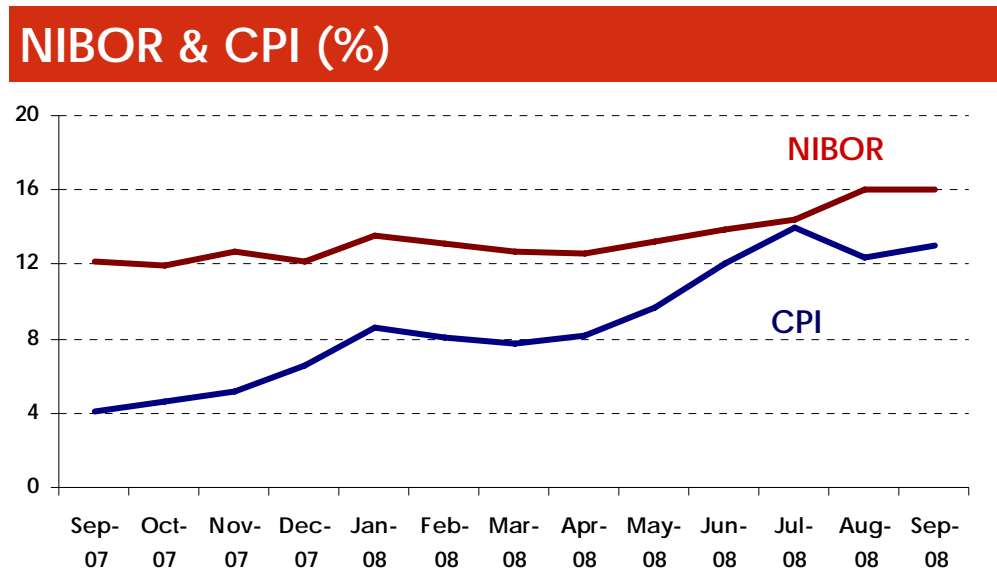
PARAMETERS	2008 ACTUAL	2007 ACTUAL	% GROWTH
GROSS EARNINGS (US\$ 'Million)	1,450	936	55%
PBT & EXCEPTIONAL ITEMS (US\$ 'Million)	485	267	82%
BALANCE SHEET SIZE (US\$ 'Million)	19,573	10,565	85%
ASSETS (US\$ 'Million)	14,299	10,180	40%
DEPOSITS (US\$ 'Million)	11,393	7,742	47%
HEADLINE EPS (cents)	2.66	2.23	19%
DIVIDEND (cents)	1.17	1.03	
SCRIP ISSUE	1/2 & 1/4	1/5	
ROE	22.6%	19.8%	
ROA	2.9%	2.1%	

**Outperformed 2007 in all parameters**

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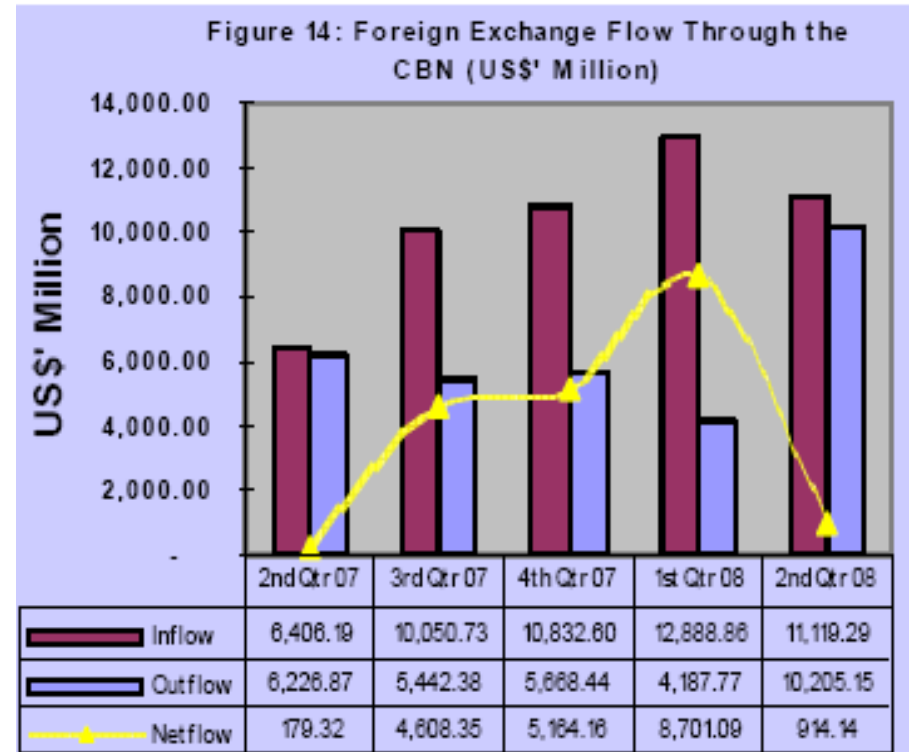
# Nigerian economy in 2008

- Upsurge in inflation rate (food prices, scramble for deposits)
- Escalating interest rates, thinner margins/ income for operators
- Liquidity squeeze on NIBOR (CRR, LR & MPR reduced)
- Stock market melt down
  - Market cap and ASI down by almost 50%
  - Huge margin trading losses
  - Precipitating further liquidity squeeze/insolvency risk in the financial system



# Nigerian economy in 2008

- Strong oil prices in Q1 and Q2; took a dive thereafter
  - FX reserves currently at \$57b under threat
  - FGN revenues already dwindling
  
- Surge in FX Outflow and decrease in inflow giving rise to Naira depreciation
  
- Exposures to downstream oil sector under significant pressures



# Increased Business Capacity

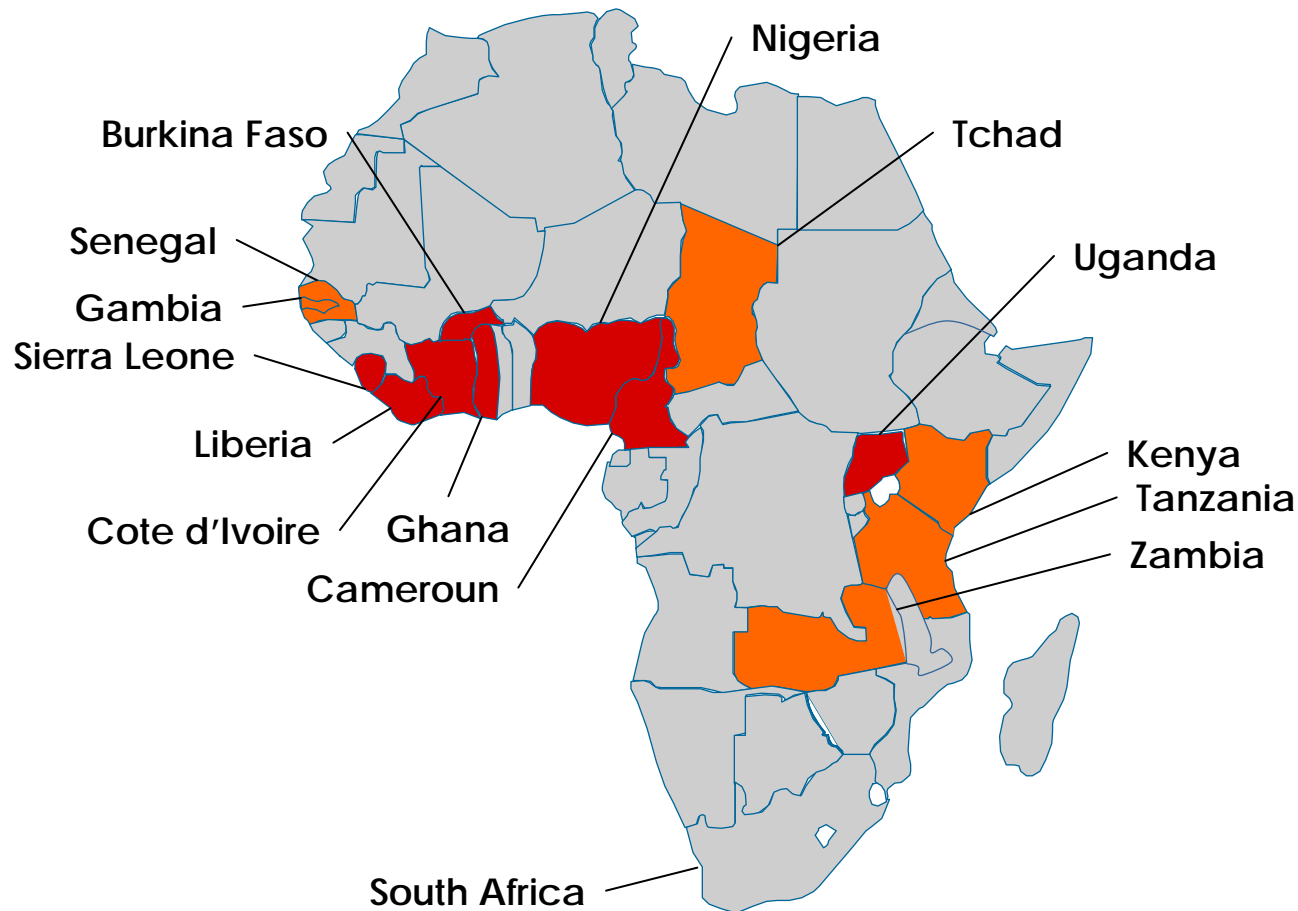


2007 2008

	2007	2008	
Outlets	Retail branches and outlets in Nigeria	583	613
	Presence in Africa	4	8
	Number of branches in the rest of Africa	7	54
	Presence in the rest of the world	3	4
	Microfinance branches	0	8
	Red shops - Dedicated moneygram services	0	1
	FXMart	0	6
Channels	Automated Teller Machines	791	1,256
	Point-of-Sale terminals	1,301	3,296
	Avg monthly transactions processed	8.5m	15.4m
Others	No of Accounts	6m	6.6m
	No of Products	145	196
	No of Employees (FTE and Support)	10,975	13,033
	No of Joint Venture Relationships	0	1
	No of Corr. Banking Relationships	13	13

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# Expanding African operations



- Now operating in 7 other African countries
- Regulatory approvals obtained to operate in 6 other countries
- 54 branches & 76 ATMS
- >200,000 customers
- Acquisition of largest bank in Burkina with 40% market share

■ Operational ■ Regulatory approval

# Growth in Other Africa Operations



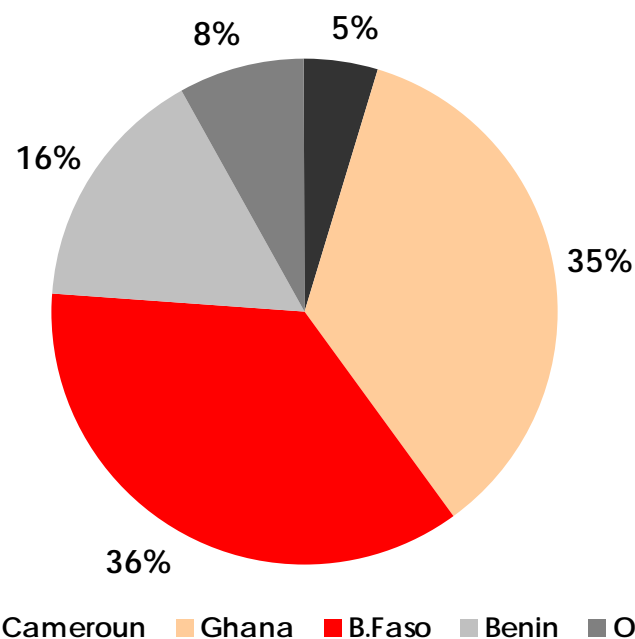
## Branch Expansion

- 79 currently (up from 54 in 2008)
  - 14 new branches in Benin Rep
  - 4 new branches in Uganda
  - 3 new branches in Cameroun
  - 3 new branches in Ghana
  - 1 new branch in Cote d'Ivoire

## ATM Network

- 96 currently (up from 76 in 2008)
  - 17 connected in Burkina Faso
  - 3 connected in Benin Republic

## Market share, Customer Accounts



Note: Customer accounts refer to 220,113 accounts in eight Other African countries

Others include; Liberia, Sierra-Leone, Cote d'Ivoire and Uganda

# Operating highlights



- Acquisition of UBA Capital (Europe)
- Taking advantage of market downturn to selectively hire in UK and other key markets
- Strengthen risk management oversight in NYB



UBA Capital (Europe)



UBA New York branch

# 2008 milestones



- Alliances:
  - UBA GIS sub-custodian for Bank of New York Mellon in Nigeria & WAEMU
  - Shelter Afrique for provision of housing
  - IATA BSP
  - Arsenal FC in cards
- Software implementation/initiatives:
  - Sungard BancWare for integrated treasury management
  - VTN technology
  - Anti-money laundering software
  - MIS
  - GSS pilot
- Product innovation:
  - UBA FX Mart
  - Visa dual currency debit card
  - Registrars 3iOP (online portal)
  - Cheque accepting ATMs

# Retail market leader



	Market share	Market size	Market position
Cards issued	>30%	26.3m	★ 1
Cards transaction volume	>24%	US\$5.63m in 2008	★ 1
ATMs	>20%	6,253	★ 1
Active POS terminals	>33%	2,212	★ 1
Web acquired transactions value	>47%	US\$75.2 million in 2008	★ 1



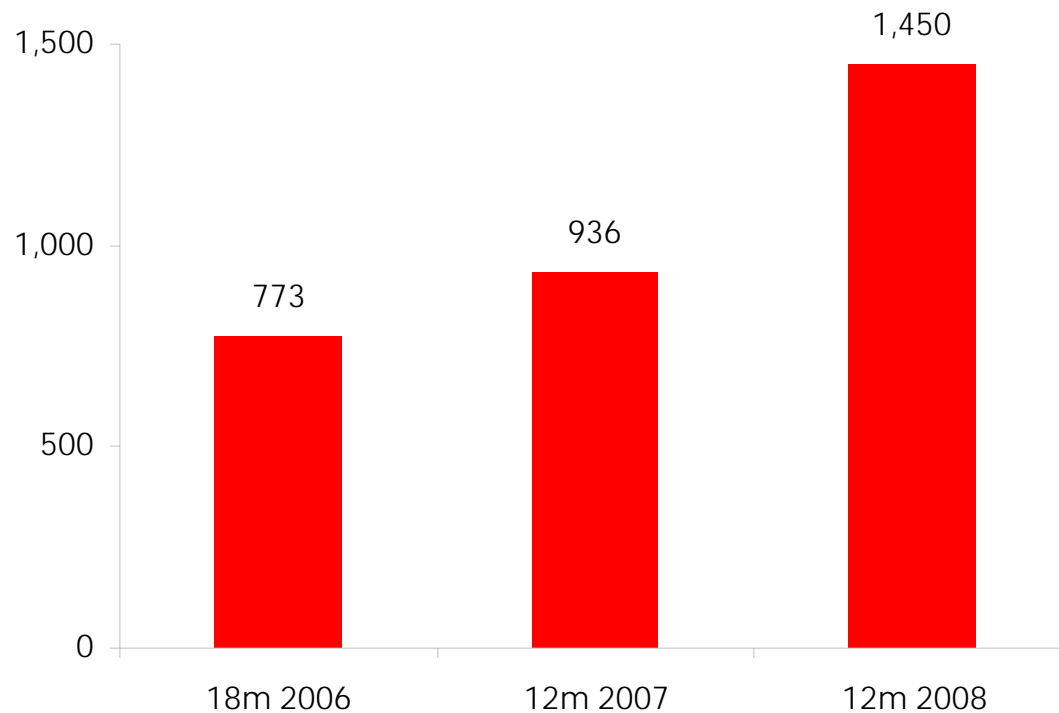
Source: Interswitch at end of September 2008

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# Growing market share



## Gross earnings (US\$ Million)



Note: 2006 FY was 18 months

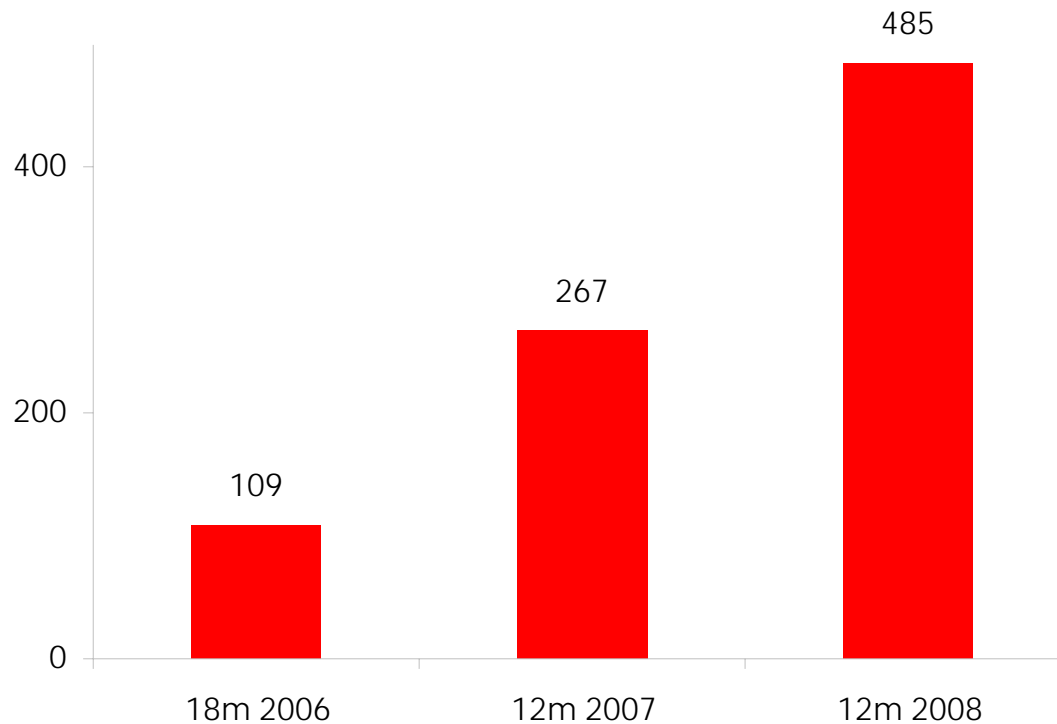
- Gross earnings is a proxy for market share in Nigeria
- 55% increase in 2008
- 68% CAGR since 2006
- Increase far in excess of GDP growth assuring sustainable shareholder value

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# Delivering underlying earnings growth



## Profit before tax & exceptional items (US\$ million)



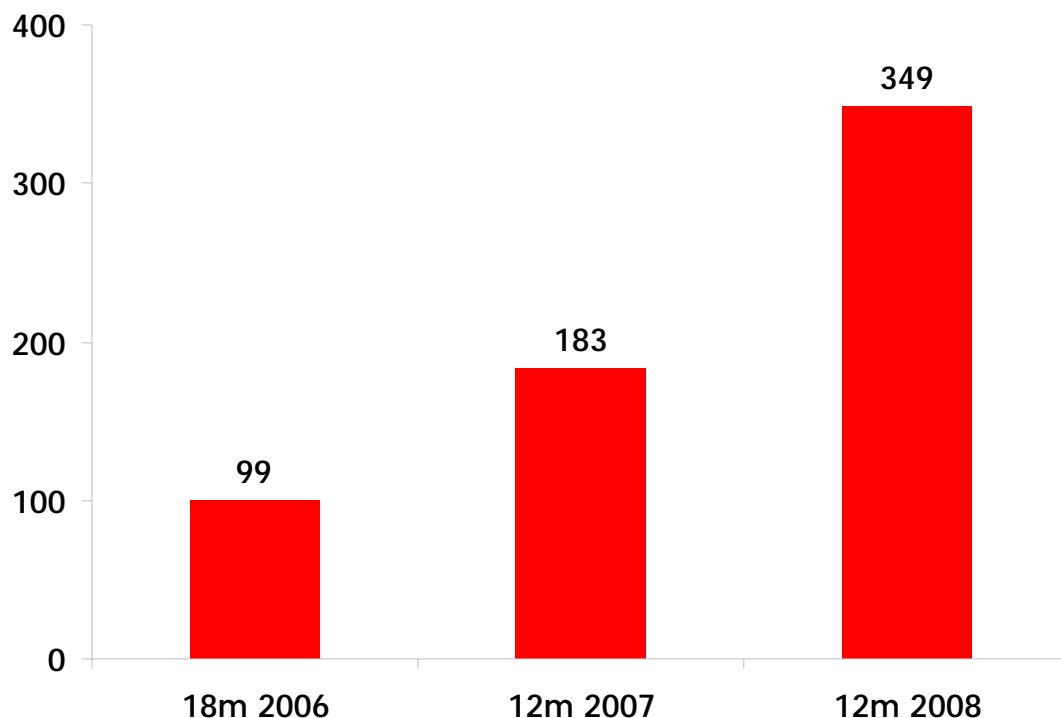
- Profit before tax & exceptional items reflects underlying profitability of ongoing business
- 82% increase in 2008
- 158% CAGR since 2006

Note: 2006 FY was 18 months

# Strong return for shareholders



## Profit after tax (US\$ million)



- 90% increase in 2008
- 130% CAGR since 2006

This is after impact of:

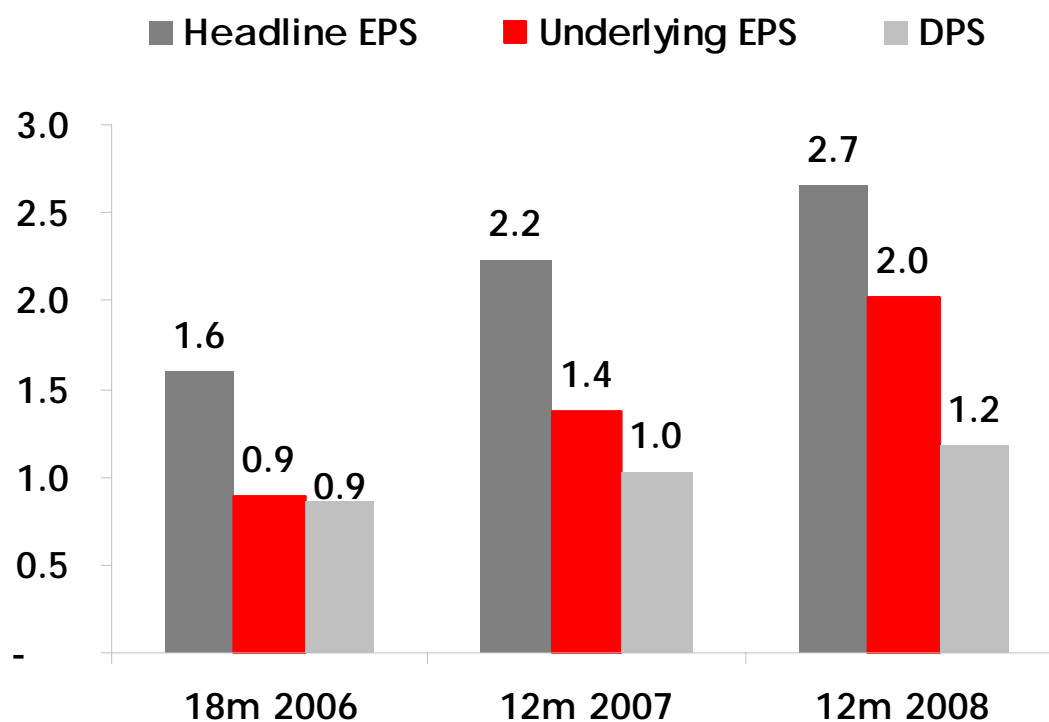
- N1.8b OCC fine
- N7.0b accelerated amortisation of special assets

Note: 2006 FY was 18 months

# Rapid EPS growth



## Earnings per share & dividends per share (cents)



- Headline EPS up 19% in 2008
- Underlying EPS up 48% in 2008
- Underlying EPS 85% CAGR since 2006
- DPS up 14%

Notes:

<sup>1</sup> September 2006 results represent 18 months of trading

<sup>2</sup> EPS based on weighted average number of shares outstanding over the year. DPS based on shares outstanding at end of relevant period

<sup>3</sup> Underlying EPS adjusted to account for the effect of bonus share issues in 2007 and 2008 in order to give truer picture of underlying growth

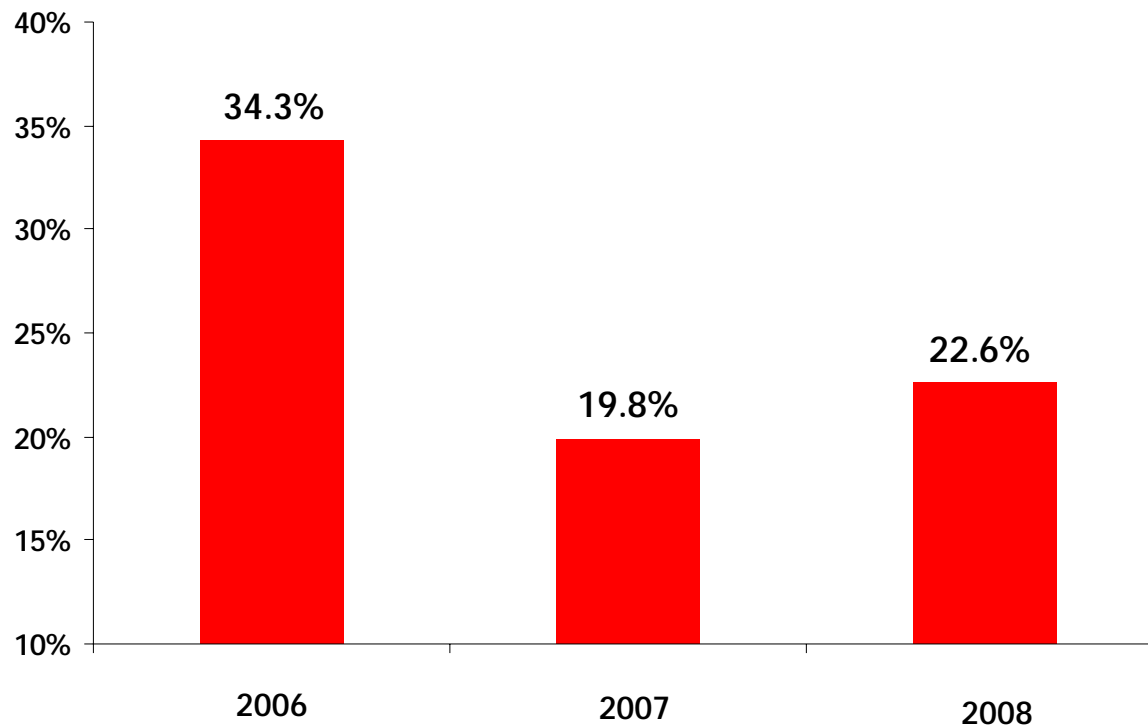
<sup>4</sup> FY2008 DPS proposed – but must be ratified by shareholders at AGM in January 2009

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# Increasing ROE



## Return on equity (%)



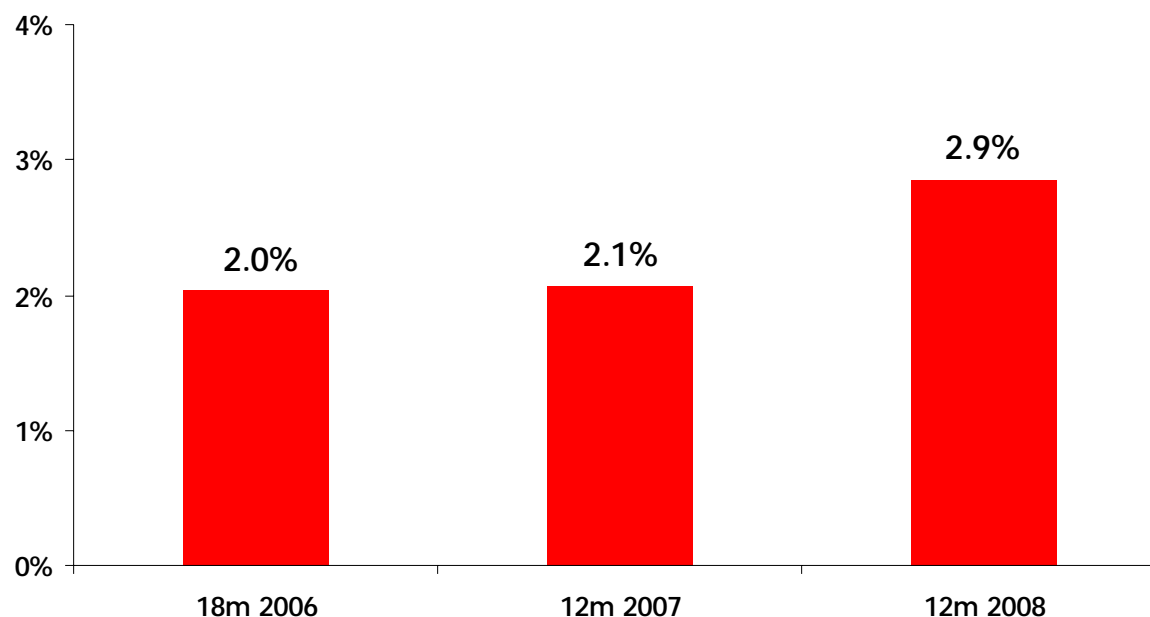
- Historical industry-leading ROE
- Short-term impact of 2007 capital raising
- ROE up 2.8% in 2008
- Targeting 25% in 2009

Note: ROE calculated on simple average equity for the period

# Making asset base work harder



## Return on average assets (%)



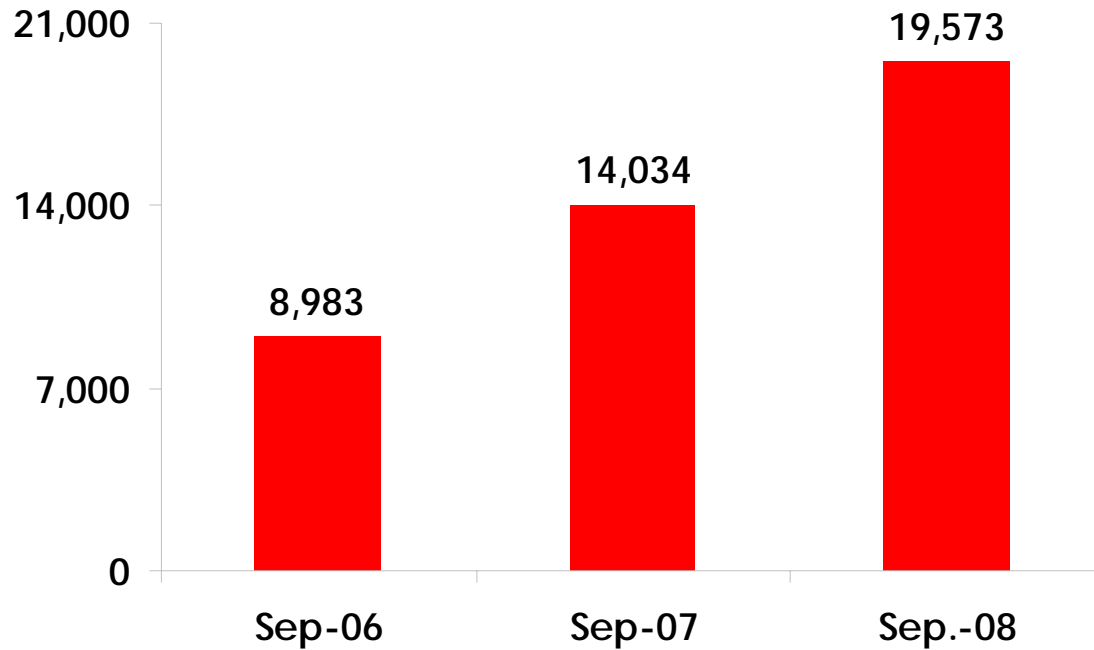
- ROA +0.8% in 2008
- Reduced NEAs
- Increased NIM ratio
- GSS initiative
- Increased Staff productivity through higher sales/non-sales staff ratio

Note: ROA calculated on simple average assets for the relevant period

# Asset growth



## Total assets + contingents (US\$ Million)

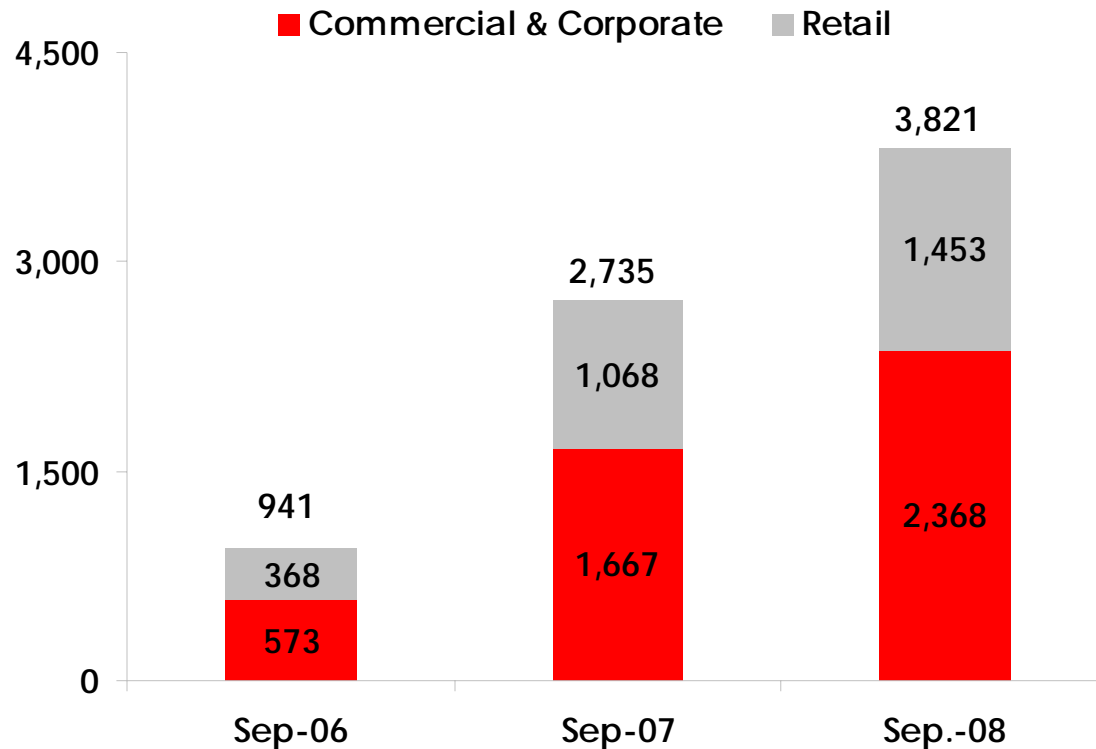


- 39% increase in 2008
- 48% CAGR since 2006

# Growth in corporate & retail lending



## Net loans by type (US\$ Million)



- Loans up 40% in 2008
- 102% CAGR since 2006
- Growth in both corporate and retail lending
- Exposure under margin lending 10% with 128% LTV
- Growth will increase with the launch of Credit Bureau in 2009

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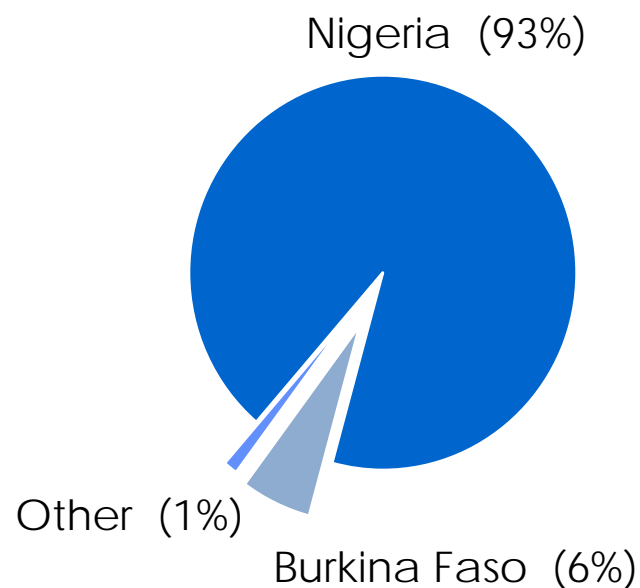
# Well diversified loan book



## Net loans by industry segment

Personal & Professional	27%
Oil & Gas	15%
Banking/Financial Services	10%
Real Estate	10%
Manufacturing	19%
General Commerce	12%
Telecommunications	4%
Other	3%
Total	100%

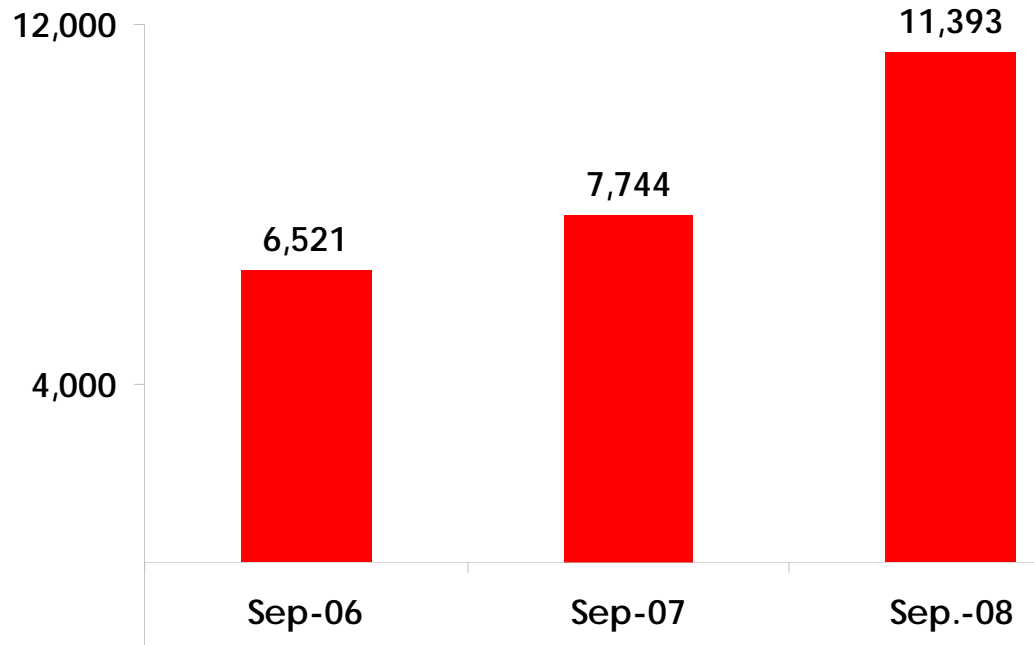
## Net loans by market



# Strong deposit growth



## Deposits (US\$ Million)

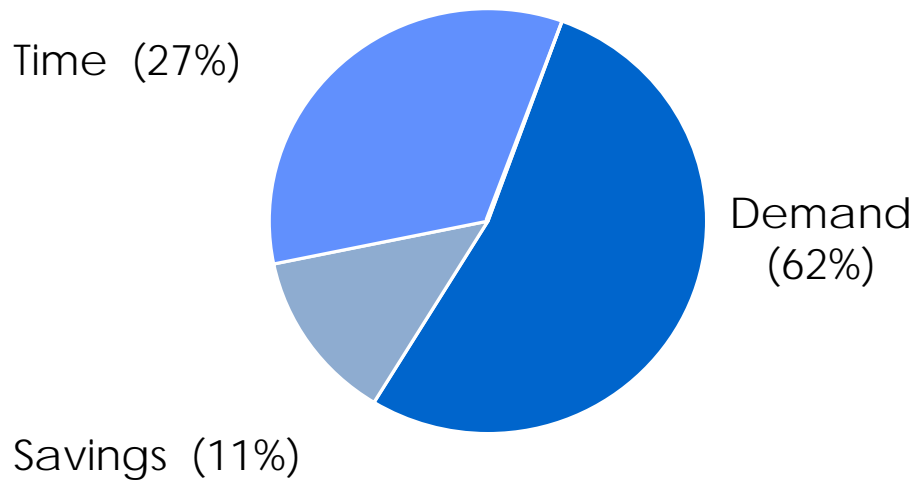


- Deposit growth slowed in 3Q due to equity market activity and competition for deposits amongst banks
- 47% growth for 2008 following strong 4Q
- 32% CAGR since 2006

# Focus on low-cost deposit mix

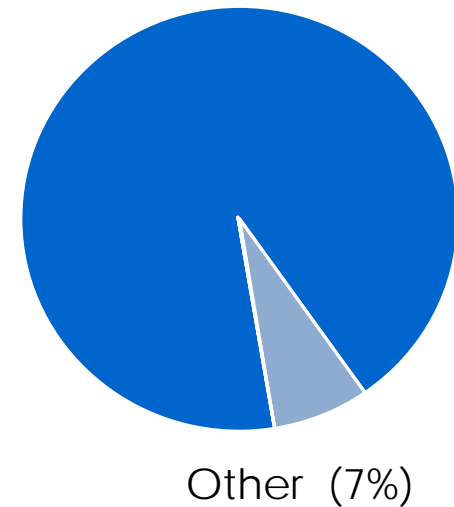


## Deposits by class



## Deposits by geography

Nigeria (93%)

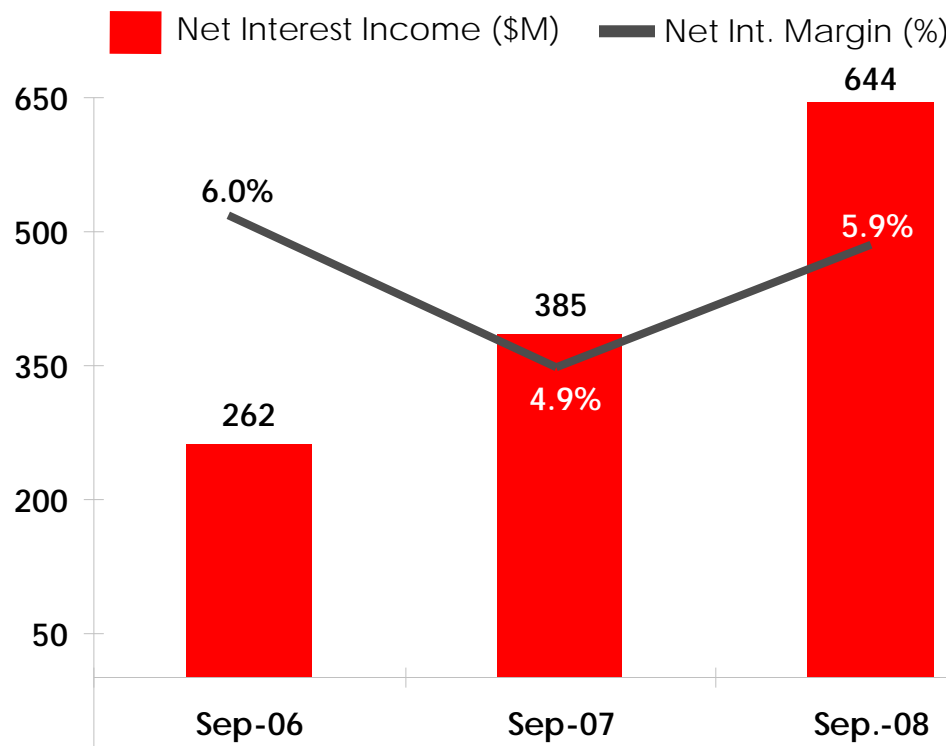


- Average cost of funds under 4%

# Increasing net interest income



Net interest margin (US\$ Million) & NIM/average interest earning assets (%)



- NIM up 67% in 2008
- 92% CAGR since 2006
- Short-term impact on NIM% of 2007 capital raising
- NIM/Interest earnings asserts up 1.0% to 5.9%

Note:

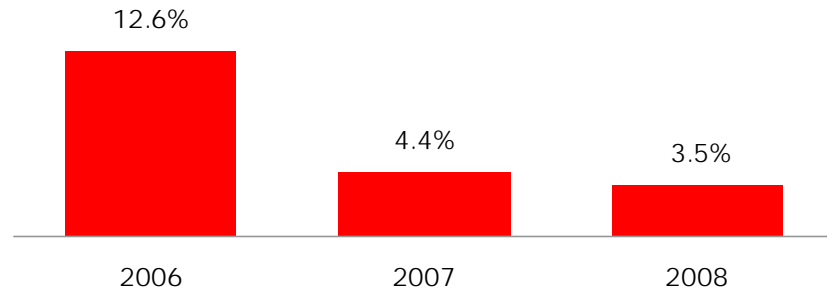
1 NIM/average interest earning assets calculated on simple average for the relevant period

2 Note: 2006 FY was 18 months

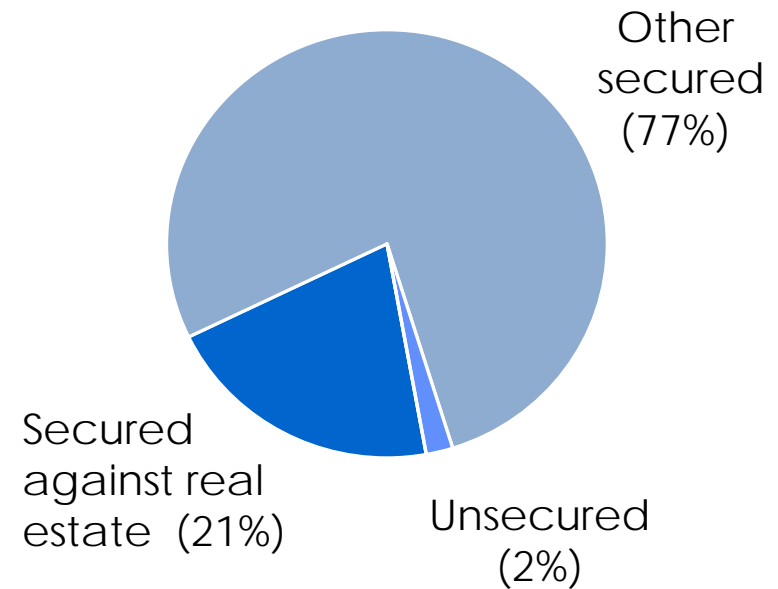
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# Improving asset quality

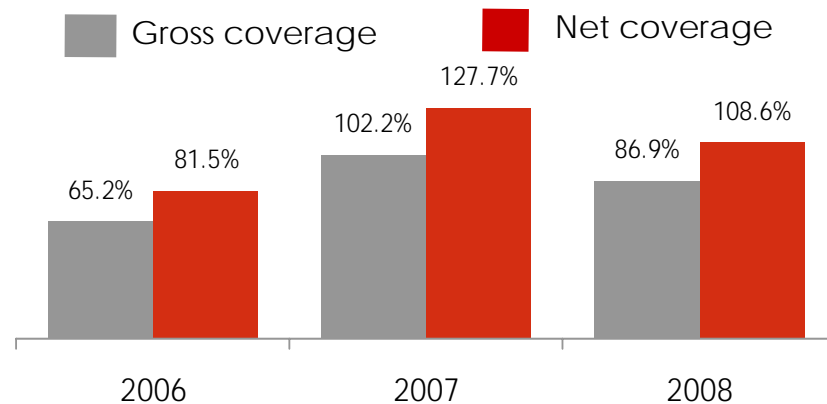
## NPL ratio<sup>1</sup>



## Gross loans by security type



## Coverage ratio<sup>2</sup>



Notes:

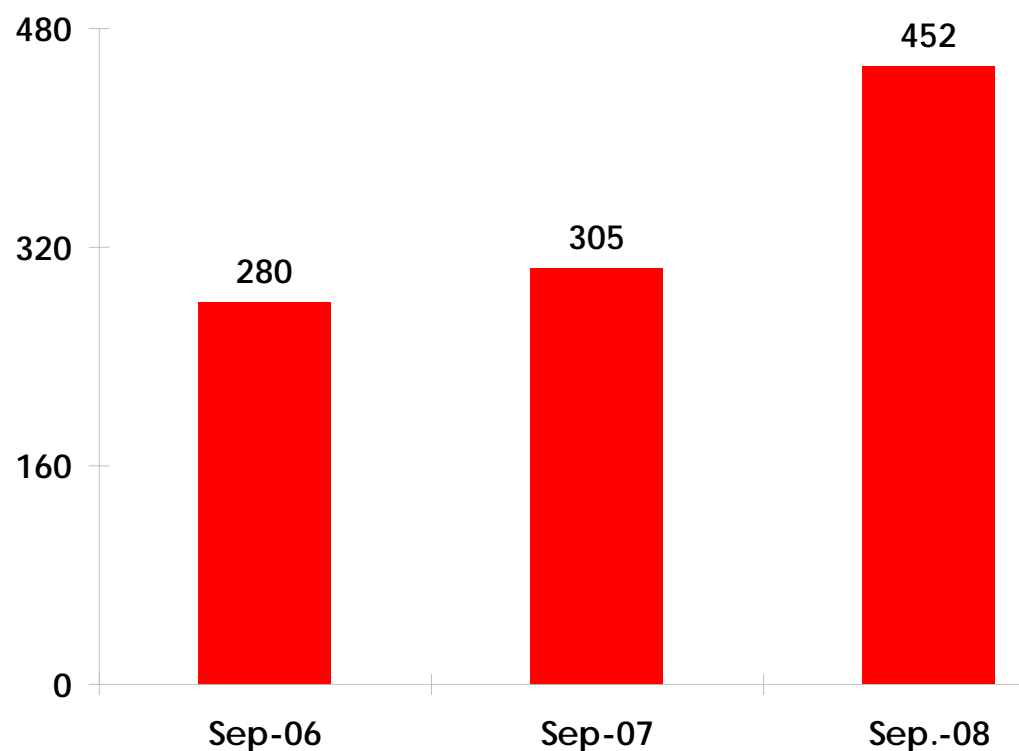
<sup>1</sup> NPL ratio defined as total non-performing loans as a percentage of gross loans

<sup>2</sup> Coverage ratio defined as provisions for loan losses as a percentage of non-performing loans. Provisions include interest in suspense. Net coverage ratio calculations NPLs net of expected recoveries

# Growth in fee income



## Non-interest income (US\$ Million)



- 48% increase in non-interest income in 2008
- 56% CAGR since 2006
- Largest source of fee income remains COT

Notes:

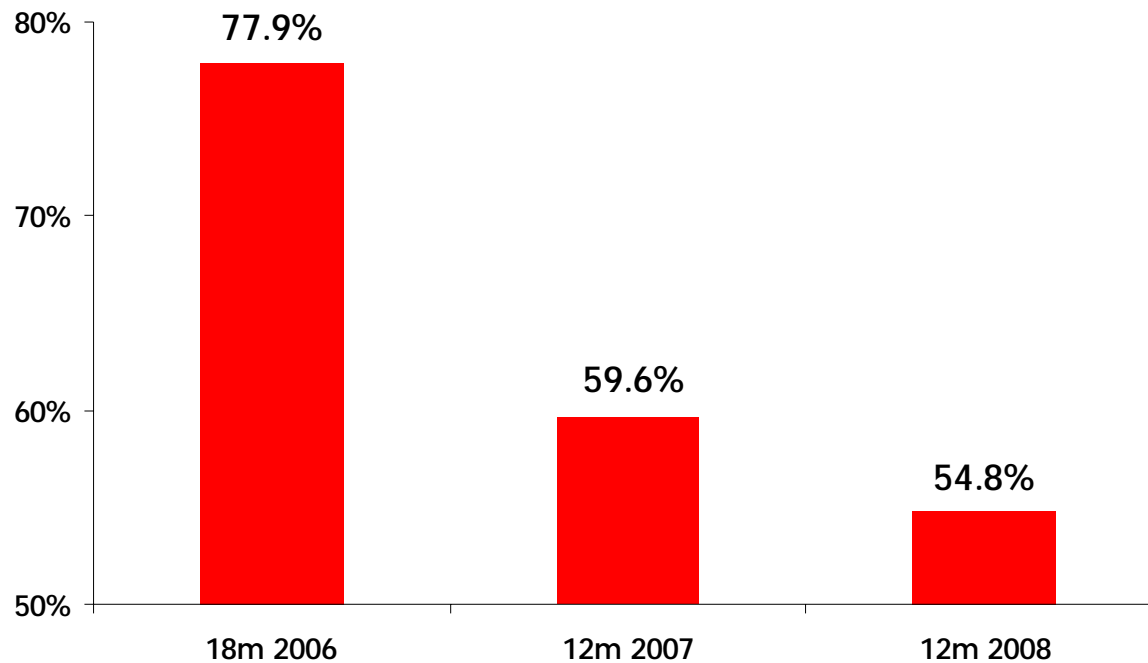
<sup>1</sup> 2006 FY was 18 months

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# Leveraging economies of scale



## Cost-to-income ratio (%)



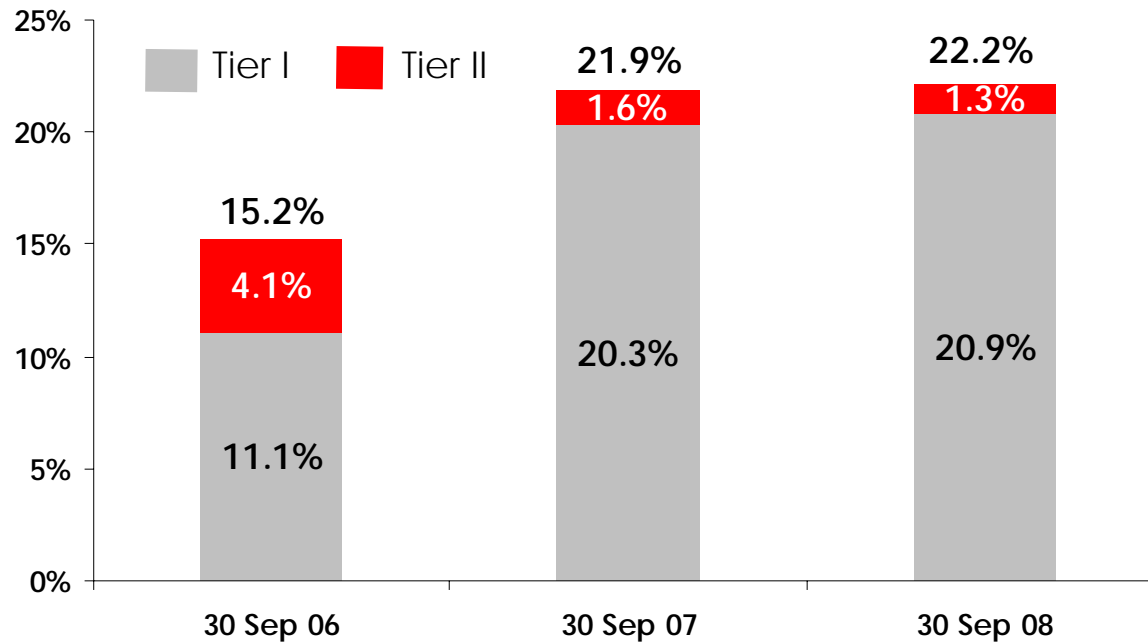
- 4.8% reduction in 2008
- Budget discipline
- Strong MIS
- Group Shared Services project target 50% by 2011

Note: Cost/Income ratio calculated as Operating expenses / (Net interest income + other banking income - provision of loans)

# Sound capital management



## Capital adequacy ratios



- Strong liquidity cushion
- Regulatory minimum = 10%

## Risk-Weighted Assets (US\$ Million)

2,724

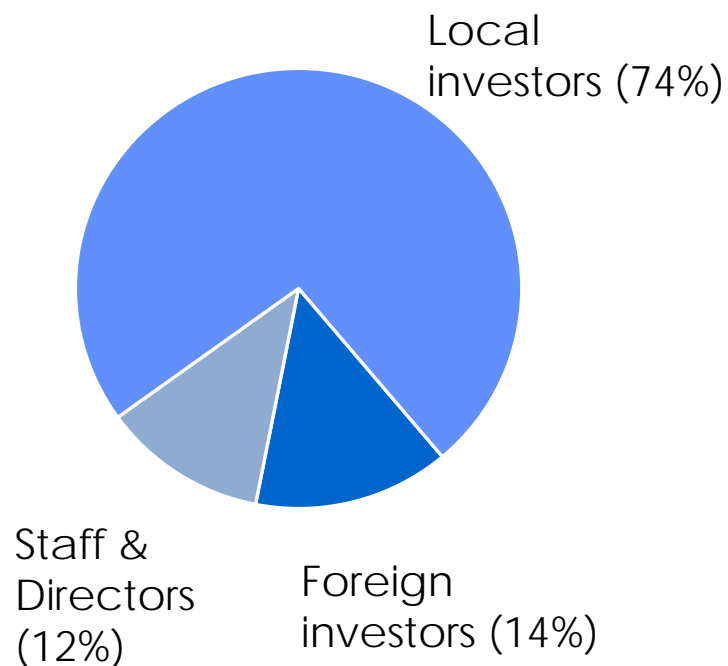
6,593

7,513

# Blue-chip shareholder base



## Shareholders



- 17.2 billion shares outstanding

Note: Shareholder data based on Registry records at 30 September 2008

## Top 10 shareholders

FIRST DOMINION INVESTMENT LIMITED	1,122.7	6.5%
THE BANK OF NEW YORK MELLON	975.8	5.7%
CONSOLIDATED TRUST FUNDS LTD	850.2	4.9%
BGL SECURITIES LIMITED/MM	629.8	3.7%
STH LIMITED	588.3	3.4%
POSHVILLE INVESTMENTS LIMITED	516.9	3.0%
STANBIC NOMINEES NIGERIA LTD (SNNL)	436.2	2.5%
BGL INVESTMENT LTD	404.8	2.3%
INTERNATIONAL FINANCE CORPORATION	309.8	1.8%
AFRICAN DEVELOPMENT BANK	270.6	1.6%
	<u>6,105.0</u>	<u>35.4%</u>

## Long-term ratings

	Local	International
▪ Fitch:	A+	B+
▪ GCR:	AA+	BB-

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# Nigerian outlook

- Oil revenue decline
- Naira depreciation
- Reduced FX reserves
- Weak capital market
- Increase in domestic debt
- Limited foreign currency credit lines
- Reduced diaspora flows
- Intense competition/reduced interest margins

# Key initiatives for 2009



- Cost optimization, creation of shared services utility
- Improving service delivery thru error elimination
- Enhanced credit management
- Enhanced compliance
- Enhanced control processes
- Investment in enhanced IT platforms
- IFRS & Basle II compliance by end of 2009 for stronger reporting and risk mgmt systems
- Renewed focus on employee training
- Scan/seize more brownfield opportunities

# 2009 financial forecasts



PARAMETERS	2008 US\$ 'Mn	2009 US\$ 'Mn	% GROWTH
GROSS EARNINGS	1,450	1,855	28%
PBT & EXCEPTIONAL ITEMS	485	556	15%
BALANCE SHEET SIZE	19,573	22,650	16%
DEPOSITS	11,393	13,675	20%
NPL RATIO	3.5%	3%	
COST/INCOME	54.80%	55%	
ROE	22.6%	25%	



Thank you



# Appendices

# Detailed P&L



For the:	12 months to 31 March		18 months to 30 September	12 months to 30 September	12 months to 30 September
	2004	2005	2006	2007	2008
	N million	N million	N million	N million	N million
<b>Gross earnings</b>	<b>24,510</b>	<b>26,089</b>	<b>90,447</b>	<b>109,512</b>	<b>169,581</b>
Interest income	15,155	14,456	57,693	73,724	116,704
Interest expense	(3,107)	(3,490)	(26,954)	(28,649)	(41,354)
<b>Net interest income</b>	<b>12,048</b>	<b>10,966</b>	<b>30,739</b>	<b>45,075</b>	<b>75,350</b>
Other income	9,355	11,633	32,754	35,733	52,877
Operating expenses	(14,632)	(16,039)	(45,111)	(45,954)	(68,796)
Provision for loans & other accounts	(761)	(40)	(5,571)	(3,702)	(2,616)
<b>Profit before tax &amp; exceptional items</b>	<b>6,010</b>	<b>6,520</b>	<b>12,811</b>	<b>31,152</b>	<b>56,815</b>
Exceptional items	-	-	-	(5,788)	(8,786)
<b>Profit before tax</b>	<b>6,010</b>	<b>6,520</b>	<b>12,811</b>	<b>25,364</b>	<b>48,029</b>
Taxation	(1,485)	(1,599)	(1,261)	(3,923)	(7,204)
<b>Profit after tax</b>	<b>4,525</b>	<b>4,921</b>	<b>11,550</b>	<b>21,441</b>	<b>40,825</b>
Minority interest	-	-	-	99	414
<b>Transfer to reserves</b>	<b>4,525</b>	<b>4,921</b>	<b>11,550</b>	<b>21,540</b>	<b>41,239</b>

# Detailed balance sheet



As at:	31 March			30 September	
	2004 N million	2005 N million	2006 N million	2007 N million	2008 N million
<b>Assets</b>					
Cash & short-term funds	90,209	110,517	79,825	129,897	200,820
Due from other banks & financial institutions	-	-	391,669	449,822	574,295
Treasury bills & government bonds	40,497	59,832	207,341	157,519	256,368
Other assets	15,343	4,455	35,618	44,926	87,194
Loans & advances	56,136	67,610	109,896	320,406	447,618
Investments	3,460	2,193	26,597	38,725	45,121
Fixed assets	6,379	6,176	33,191	49,747	61,575
<b>Total assets</b>	<b>212,024</b>	<b>250,783</b>	<b>884,137</b>	<b>1,191,042</b>	<b>1,672,991</b>
<b>Liabilities</b>					
Deposits & current accounts	151,929	205,110	776,135	905,806	1,333,289
Managed funds	-	-	13,561	66,013	40,558
Other liabilities	33,700	19,068	47,784	43,825	97,641
Taxation payable	2,373	2,535	1,644	5,149	5,606
Deferred tax	1,104	1,073	1,502	994	993
Dividend payable	-	1,878	7,102	42	42
Borrowings	3,385	1,676	1,135	1,135	-
<b>Total liabilities</b>	<b>192,491</b>	<b>231,340</b>	<b>848,863</b>	<b>1,022,964</b>	<b>1,478,129</b>
<b>Equity</b>					
Share capital	1,275	1,530	3,530	5,748	8,622
Share premium	-	-	23,209	119,066	114,788
Other reserves	18,003	17,207	10,565	31,674	56,307
Fixed assets revaluation reserve	-	-	11,231	11,231	11,231
<b>Shareholder's funds</b>	<b>19,278</b>	<b>18,737</b>	<b>48,535</b>	<b>167,719</b>	<b>190,948</b>
Minority interest	-	-	300	359	1,384
	<b>19,278</b>	<b>18,737</b>	<b>48,835</b>	<b>168,078</b>	<b>192,332</b>
<b>Liabilities &amp; equity</b>	<b>211,769</b>	<b>250,077</b>	<b>884,137</b>	<b>1,191,042</b>	<b>1,670,461</b>
<b>Acceptances &amp; guarantees</b>	<b>81,719</b>	<b>81,821</b>	<b>167,184</b>	<b>451,110</b>	<b>616,734</b>

# Detailed cash flow



(N million)	As at 31 March 2005	As at 30 September 2006	As at 30 September 2007	As at 30 September 2008
<b>Cash flows from operating activities</b>				
Interest and commission receipts	25,644	89,093	105,767	165,750
Foreign exchange income received	445	1,354	3,657	3,926
Interest expense	(3,490)	(26,954)	(28,649)	(41,354)
Cash payments to employees and suppliers	(14,881)	(37,790)	(45,999)	(63,233)
Income tax paid	(1,470)	(2,757)	(926)	(6,188)
<b>Operating profit before changes in operating assets</b>	<b>6,248</b>	<b>22,946</b>	<b>33,850</b>	<b>58,901</b>
<b>Changes in Operating Assets/ Liabilities</b>				
Loans and advances	(11,474)	(47,730)	(213,789)	(125,542)
Exchange reserve	(3,175)	(822)	-	-
Term loan	-	1,135	-	-
Borrowing	(1,709)	(1,676)	-	-
Other assets	10,888	(31,845)	(11,065)	(41,399)
Deposit and current accounts	53,181	571,025	143,232	427,483
Other liabilities	(12,754)	28,716	(3,684)	53,816
Managed funds	0	0	52,452	(25,455)
<b>Net cash from operating activities</b>	<b>41,205</b>	<b>541,749</b>	<b>996</b>	<b>347,804</b>
<b>Cash flows from Investing Activities</b>				
Purchase of fixed assets	(1,315)	(12,470)	(20,645)	(18,579)
Proceeds from sale of fixed assets	16	62	94	723
Proceeds from the disposal of investments	(1)	8,684	5,000	-
Treasury bills held to maturity	(17,946)	(26,050)	1,244	(224,753)
Purchase of investments	(121)	(27,703)	(17,351)	(19,034)
<b>Net cash used in investing activities</b>	<b>(19,367)</b>	<b>(57,477)</b>	<b>(31,658)</b>	<b>(261,643)</b>
<b>Cash flows from Financing Activities</b>				
Proceeds on sale of shares	0	0	102,968	0
Share issue expenses	0	0	(5,599)	0
Dividend paid	(1,530)	(1,836)	(7,060)	(16,668)
<b>Net cash used in financing activities</b>	<b>(1,530)</b>	<b>(1,836)</b>	<b>90,309</b>	<b>(16,668)</b>
Net increase in cash and cash equivalents	20,308	482,436	59,647	69,493
Cash and cash equivalents at the beginning of the period	149,252	169,560	651,996	711,643
<b>Cash and cash equivalents at end of the period</b>	<b>169,560</b>	<b>651,996</b>	<b>711,643</b>	<b>781,136</b>