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Group Managing Director/CEO

## GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S STATEMENT 48TH ANNUAL GENERAL MEETING CONGRESS HALL, TRANSCORP HILTON HOTEL, ABUJA MAY 10, 2010

Distinguished shareholders,

It is my pleasure to present to you our Group performance for the period ended December 31, 2009.

2009 was a particularly eventful year for the African financial services sector, as the impact of the global financial crises of the previous year began to take its toll. However, the fractures in the international financial system provided opportunities for well capitalized and liquid banks, such as UBA, to further consolidate their position as market leaders. The Central Bank of Nigeria (CBN) implemented resolute regulatory measures to ensure the stability of the Nigerian banking system, including a special audit or stress-test on all banks, and I am pleased to record that UBA was one of the first five banks to pass the audit.

UBA demonstrated resilience, emerging from these events stronger than ever, thus vindicating our risk management and governance practices. Our focus has always been on building the necessary institutional and governance frameworks to ensure business sustainability and continuity. Indeed, in 2009 we consolidated our position as a leading financial services institution in Africa.

I would highlight some key transactions and milestones achieved during the period, which illustrate our progress, despite the global financial storm.

### Key Transactions

- Arranger and lead underwriter of a USD265 million loan to Nigerian National Petroleum Corporation/Mobil Producing Nigeria Unlimited for the Natural Gas Liquid II Supplemental Refinancing
- Lead arranger and underwriter for N18.5bn Imo State Government of Nigeria Bond

### Key Milestones

- Launched our Africash and Afritrade products to facilitate swift and cost effective transfers across Africa
- Initiated the Western Union Money Transfer service, thereby becoming the first bank in Nigeria to be an agent of the two largest Money Transfer Operators (the other being Moneygram) since the non-exclusive environment came into being as directed by the Central Bank of Nigeria. We are also replicating this in other non exclusive countries across Africa.
- Expanded operations in seven new African countries, bringing to 16 the number of African countries we currently operate in;
- Launched a Group Shared Services platform designed to unlock scale economies in our operations and transform customer service. This is the first of its kind in this part of the world;
- Recognized as the second fastest growing brand within the world's top 500 global financial institutions by the Financial Times (FT)/ The Banker Magazine: recognition of our position, as "the Bank that unites Africa".

Each in a different way attests to our ability to pursue disciplined growth, to compete with peers locally and globally and find new ways to serve our huge and growing customer base.

I am elated in the way UBA has navigated through one of the most serious global financial crises of recent decades. Equally, I feel extremely confident about the future, our business prospects in Africa and the ability of African institutions such as UBA to drive economic development across the continent.

At the beginning of the last financial year, we set out our corporate objectives, which were aimed at further consolidating the considerable progress we made in 2008 towards achieving our vision of being 'Africa's Global Bank'. I am pleased to report that we achieved significant milestones on each goal, which when combined, sets the stage for what I believe will be the platform for growth and profitability in 2010 and the years to come.

## 1. FOCUS ON THE FUTURE

Looking forward, our focus this year will be on the following key aspects of our business:

### a. Delivering Exceptional Customer Service

As customer service mastery remains the primary differentiator between successful and unsuccessful service organizations, UBA is extremely focused on ensuring that we build this competence into every facet of our business. To this end, we commissioned our Service Excellence Programme in May 2009, aimed at ensuring that UBA ranks amongst the most customer- focused service providers in Africa, by the end of 2010.

The programme is anchored on six customer-centric touch points including:

- Process Excellence
- Branch transformation
- Training/ Culture Change
- IT Optimization
- Service Management
- Pricing & Product Management

As part of the programme, a Service Excellence Day (SED) initiative was launched to change our staff's attitude towards internal and external customers. SED is observed on the last Friday of every month Group-wide, and involves putting our leadership team at the front-line, directly serving our customers. It also provides management with the opportunity to recognize and reward staffs who demonstrate exceptional customer service attitudes.

Our focus on internal and external customer service reaffirms our commitment to our customers and colleagues, thus further positioning us to effectively compete in the increasingly sophisticated markets.

### b. Maintaining Leadership in Nigeria

Nigeria is currently the second largest economy in Sub-Saharan Africa – and is projected to be the largest in less than a decade. Apart from being our headquarter location, Nigeria's inherent growth potential makes it a crucial market for us and with our deep local knowledge, we have the ability to bring real scale advantages to the delivery of our products and services. Consequently, we have strengthened our business capabilities and executive oversight in both UBA Nigeria North and South, to ensure we provide unmatched banking services to our ever-teeming customer base.

We also refocused our attention on our corporate and institutional customers to deliver tailored cash management and trade solutions to meet their cash flow needs. In 2009, we introduced the CEOs Business Breakfast sessions as an interactive platform to engage this customer segment. The Bank co-hosted one such session with the British High Commissioner and the UK Trade and Investment department, and others with the South African High Commissioner and the South African business community, the Aviation Industry and Oil & Gas Industry. We shall build on this in 2010.

### c. Expanding our African and Global Reach

In 2009, UBA made further significant progress in accomplishing its goal of extending operations across the African continent. We commenced operations in seven new African countries bringing the total number of African countries we operate in to 16, Nigeria Inclusive - Francophone West Africa - Burkina Faso, Cote D'ivoire, Guinea Conakry, Republic of Benin and Senegal; Anglophone West Africa - Ghana, Liberia and Sierra Leone; Central Africa - Cameroun, Tchad (Chad) and Gabon; East Africa - Kenya, Tanzania and Uganda; and Southern Africa – Zambia. Notably, we moved significantly into Eastern and Southern Africa; and are recording achievements that show that we can compete efficiently and win market share in new, often complex markets.

We have established a representative office in Paris, in addition to an affiliate presence in the United Kingdom and a branch in the United States. UBA is also in the process of establishing its presence in China and United Arab Emirates to facilitate trade in these key corridors for Africa. In 2010, with our growing global reach, we will support our customers' international businesses and participate more actively in the global financial arena.

The global economic downturn and financial crisis has changed the landscape significantly, offering considerable advantages to banks like ours. A number of the large banking mandates we won last year were achieved in spite of stiff competition from global peers. Our ability to expand in this way augurs well for the growth of our corporate business.

## 2. 2009 FINANCIAL PERFORMANCE

### a. Balance Sheet

Despite the challenging operating environment and the introduction of a common year-end for all banks operating in Nigeria, the Group balance sheet as at December 31, 2009 reflects strength upheld by solid capital and liquidity positions.

#### i. Assets

The Group's total assets dropped slightly to N1.55tr (2008: N1.67tr), as we made additional provisions for diminution offset against the asset value. There was a 44% growth in gross loans and advances to customers from N445bn to N643bn, demonstrating our commitment to support the various economies in which we operate. Our liquidity ratio remained strong at 47% (22% above regulatory minimum), in spite of increased lending activities, additional investments in our Africa rollout, and fixed assets infrastructure.

#### ii. Liabilities

Customers' deposits as at December 31, 2009 held up well at N1.25tr (2008: N1.33tr), a reflection of market confidence in the Bank and in spite of our cutting back on expensive deposits. Our loan to deposit ratio

stood at 48.7% (2008: 32.4%) indicating increased leveraging of our balance sheet. This is still below peer average. Though we note the CBN loan-to-deposit ceiling of 80%, we however continue to adopt a cautious mode in growing our loan portfolio. As we continue to strengthen our risk management capacity, we will prudently grow the loan book in 2010 financial year to boost revenue growth. Our shareholders' funds stood at N186.8bn (2008: N195bn), culminating in a risk-weighted capital adequacy ratio of 16.3%. This is well in excess of the 10% minimum stipulated by the CBN.

### b. Income Statement

Given the requirement by the Central Bank of Nigeria for all banks in Nigeria to have a common year end of December 31 commencing in 2009, our income statement was based on a 15 month period to 31 December 2009, as against 12 months for the prior period.

#### i. Income

Gross earnings for the Group rose 46% during the period from N169.5bn to N246.7bn. Interest and similar income remained significant in the Group's income profile and underscores the strength of the Group's core business of financial intermediation. During the period under review, net interest income grew by 57% from N75bn to N118bn, while net interest margin improved from 5.9% in 2008 to 9.2% in 2009.

The Group continues to make efforts towards growing other lines of income, through focus on product innovation and development, particularly in the area of payments, international trade and electronic-banking. Other income comprising largely of fees, commissions, investment and foreign exchange income, grew 30% from N53bn in 2008 to N69bn in 2009. Growth in our operating income remained strong at 46% for the period from N128bn in 2008 to N187bn, reflecting the earnings capacity of our underlying operating activities.

#### ii. Expenses

The Group recorded a 91% growth in operating expense from N68bn in 2008 to N130bn in 2009 arising from harsh operating conditions, increased staff costs and increasing infrastructure challenges. This was further accentuated by start-up costs arising from our Pan-African expansion. However, while scale has necessitated an increase in our overall cost, UBA still remains efficient on a unit cost basis (considering our staff strength and large branch network) and cost management remains one of the major items in executive management's agenda.

The Group increased its provision for diminution in the value of assets by 1362% from N2.6bn to N38bn. The increased provision reflects both the effects of decline in stock and oil prices on the value of loans to customers as well as the exceptional provisioning recommended by the CBN following its special examination of all banks during the period. These contributed largely to the decline in profit before tax and exceptional items which declined from N56bn in 2008 to N13.7bn in 2009.

#### iii. Exceptional items

The Bank wrote off special assets of N7bn during the period. The special assets relate to impaired assets acquired during the takeover of Continental Trust Bank Limited by United Bank for Africa Plc in 2005. The write off is consistent with the agreement reached with the Nigerian Accounting Standards Board to write off special assets over a period not exceeding five years effective from 2006. Consequently, the balance outstanding in the special assets account is expected to be written off in full by the end of 2010 financial year.

#### iv. Returns to shareholders

The Group recorded a profit after tax and exceptional items of N2.4 billion for the period ended December 31, 2009. In line with our tradition of distributing returns to our shareholders, the Board of Directors is proposing a dividend of 10 kobo per share and a bonus share issue of 1 new share for every 5 shares held.

### c. Africa Expansion

Our African strategy is beginning to yield the desired results, with the African Bank subsidiaries contributing about 10% (2008: 5.6%) to deposit liabilities of the Group. Whilst the Group performance has been impacted this year by the investment needs of subsidiaries, we have focused on building scale and diversifying our earnings geography, and remain confident that most of the subsidiaries will achieve break even positions in 2010, and contribute very significantly in the future profitability of our Group.

## 3. 13 YEARS OF WEALTH CREATION FOR OUR SHAREHOLDERS

The past thirteen years during which I served as Chief Executive Officer first at the erstwhile Standard Trust Bank Plc and now at UBA have been particularly rewarding for shareholders who shared this exciting journey with me as:

- Crystal Bank was financially distressed and had closed operations to the public for months when I led a group of investors and management to acquire the bank and christened it Standard Trust Bank in 1997
- Customers and shareholders had lost all their deposits and investments in Crystal Bank, but subsequently all the bank's depositors were repaid
- Existing shareholders regained their investments and;
- Investors in 50k ordinary shares of Standard Trust Bank in 1997 saw its value rise to N7.41/share in 2005 at the time of the merger with UBA. When you take into consideration the bonuses and dividends of N0.89K per share that they also received during the period, their total return on investment for the 8 years (1997 – 2005) came to 2,209%
- Similarly, investors in the shares of UBA which were priced at N10/share in July 2005 at the time of the merger with STB have received significant returns on their investment in spite of the current capital market down turn. Again, when you take into account the four bonus payments we have declared (i.e. 1:5 in 2005, interim 1:2 in 2008, final 1:4 in 2008 and 1:5 in 2010) and the dividend payments since 2006 totaling N3.25, the return on investment is a princely 300.1%!
- All in all the sum of N10,000,000.00 invested in the equity of STB in 1997, converted to UBA shares in 2005 and held to date would be worth N662.7m today. This is a straight line return of 6,527% in 13 years.

I am therefore fulfilled that we have created significant wealth for our shareholders who bought into the vision and supported us through the past 13 exciting years!! The years ahead look even brighter!

## 4. PASSING THE BATON

As you are aware, I will be retiring as CEO of UBA on July 31, 2010 following the new regulation by the Central Bank of Nigeria announced in January 2010 which limits the tenure of bank CEOs to 10 years.

I have served as CEO of United Bank for Africa Plc since its merger with Standard Trust Bank Plc (STB) in August 2005. Prior to this, I had been CEO of STB, since 1997; bringing the total number of years I have served as CEO to 13. During this time, we have gone through periods of prosperity and challenges, emerging bigger, stronger and better focused on our vision of becoming Africa's Global Bank. We successfully carried out the largest bank merger and integration in Sub-Saharan Africa and have within 5 years transformed the institution from a single country operating entity to a Pan African and global player with operating presence in 16 African countries spread across West Africa, Central Africa, East Africa and Southern Africa; and additional presence in Paris and London. All these have been made possible by the commitment shown by the UBA workforce and continued support of our customers, Board and shareholders.

In line with our robust succession plans and in compliance with the CBN guideline, the Board of Directors, after due consideration, approved the appointment of Mr. Phillips Oduoza as my successor effective August 1, 2010, subject to the approval of the CBN. Prior to his appointment, Mr. Oduoza was the Deputy Managing Director, UBA South Bank – the Group's largest Strategic Business Group in terms of revenue contribution. Phillips holds a 1st Class degree in Civil Engineering and an MBA (Finance) from the University of Lagos. He is also an alumnus of the Advanced Management Programme (AMP) of Harvard Business School and has over 20 years banking experience spanning all facets of the profession. A seasoned professional, Phillips has operated at Executive Management level for over 10 years, initiating and implementing strategic policies across the industry. I am confident that he will build on the foundation that we have established and launch the Group on a new growth trajectory for the benefit of all shareholders.

I wish to specially thank you, our shareholders, for the opportunity to serve you and your support during my tenure as we strove to deliver a vision of building a world class financial institution in Africa, by Africans, serving businesses across Africa and beyond. This race we run is a marathon, and as I pass the baton to Mr. Oduoza, I ask you all to extend the same support to him so that together, we will deliver on the bank of our dreams

UBA ... Africa's Global Bank.

God bless you all and long live UBA.

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