

ACCESS BANK PLC

H1'2014 Results Presentation to
Investors & Analysts

August 2014



Disclaimer

The information presented herein is based on sources which Access Bank Plc (the “Bank”) regards dependable. This presentation may contain forward looking statements. These statements concern or may affect future matters, such as the Bank’s economic results, business plans and strategies, and are based upon the current expectations of the directors. They are subject to a number of risks and uncertainties that might cause actual results and events to differ materially from the expectations expressed in or implied by such forward looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, regulatory developments, competitive conditions, technological developments and general economic conditions. The Bank assumes no responsibility to update any of the forward looking statements contained in this presentation.

The information should not be interpreted as advice to customers on the purchase or sale of specific financial instruments. Access Bank Plc bears no responsibility in any instance for loss which may result from reliance on the Information.

Access Bank Plc hold copyright to the Information, unless expressly indicated otherwise or this is self-evident from its nature. Written permission from Access Bank Plc is required to republish the information on Access Bank or to distribute or copy such information. This shall apply regardless of the purpose for which it is to be republished, copied or distributed. Access Bank Plc’s customers may, however, retain the Information for their private use.

Transactions with financial instruments by their very nature involve high risk. Historical price changes are not necessarily an indication of future price trends. Investors are encouraged to acquire general information from Access Bank Plc or other expert advisors concerning securities trading, investment issues, taxation etc in connection with securities transactions.

The Information contained in this presentation is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by the Bank. Any person at any time acquiring the securities must do so only on the basis of such person’s own judgment as to the merits of the suitability of the securities for its purposes and only on such information as is contained in public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained herein. The information is not tailored for any particular investor and does not constitute individual investment advice.

Outline

- **Overview of Access Bank**
- Operating Environment
- H1 2014 Financial Performance Review
- SBU Financial Performance Review
- Strategy & Outlook for H2 2014

The Bank at a Glance

Parent Access Bank Plc is licensed by the Central Bank of Nigeria as an International Bank	Subsidiaries 7 Banking Subsidiaries	Number of Employees 3,192 Professional staff
--	--	---

Channels		
366 Branches	1,043 ATMs	13,016 POS

Total Equity 22.9bn Ordinary shares in issue of 50 kobo each
--

Listings Nigerian Stock Exchange London Stock Exchange

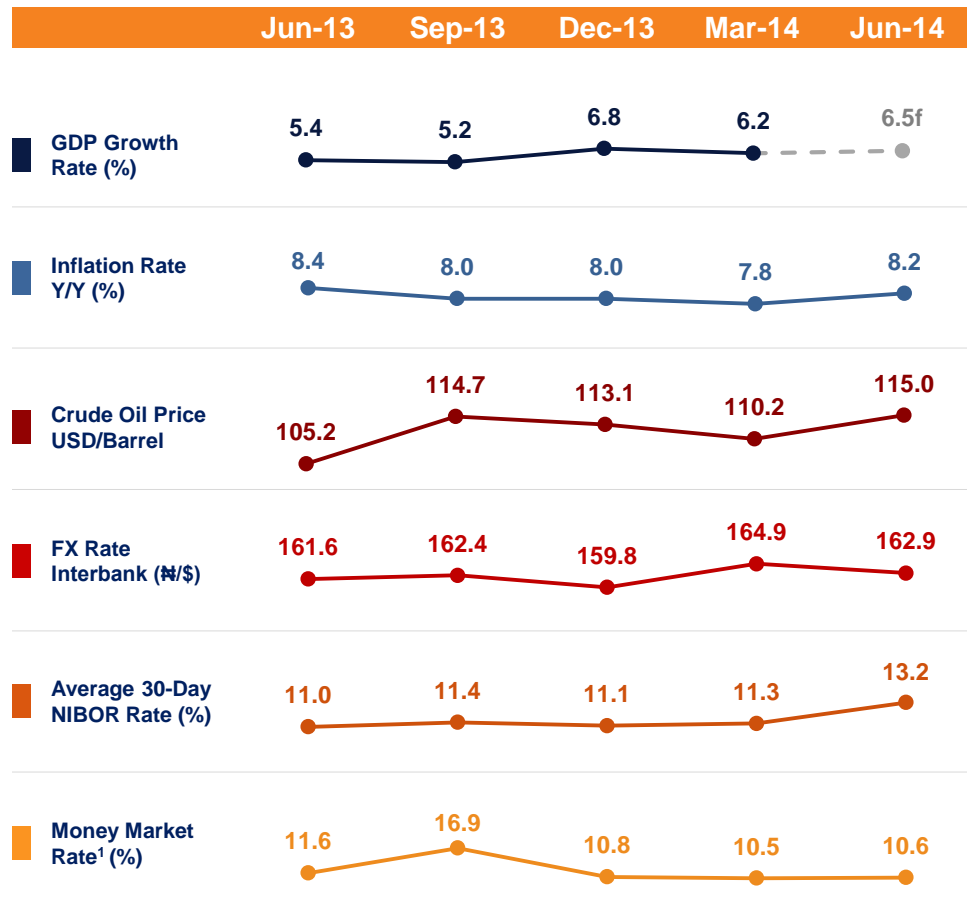
Credit Rating nga	
STANDARD & POOR'S <small>RATINGS SERVICES</small>	AA-
FitchRatings	A-
<i>Agusto & Co</i>	A+
GCR	A

Awards & Recognition			
 Risk Management Award 2013	 African Banker's Award 2013	 M&A Winner in Africa 2012	 FT/IFC Sustainable Bank of the Year 2011

Outline

- Overview of Access Bank
- **Operating Environment**
- H1 2014 Financial Performance Review
- SBU Financial Performance Review
- Strategy & Outlook for H2 2014

Domestic Operating Environment



Note: Call rate was used as an indicator for the Money Market Rate
 Source: CBN, Nigerian Bureau of Statistics (NBS), Financial Derivatives, PanAfrican Capital, Trading Economics, BMI

The Nigerian Economy

- GDP decreased to 6.2% in Q1'14, down from 6.8% in Q4'13. The economy is projected to grow by 6.5% in H2'14, with contributions from the telecoms and manufacturing sectors
- Headline inflation edged up marginally to 8.2% in June 2014, from 7.8% in Q1'14. Increase was largely driven by higher food prices and price instability
- Average Bonny Light oil price reached a nine-month high of \$115/barrel in H1'14. Volatility of oil prices in the period negatively impacted government receipts and oil revenues
- Naira depreciated by 1.2% at the interbank market to ₦162.9/\$. FX rate is expected to remain within the 3% range for the rest of the year

Banking Industry

- Extension of Parallel Run of Basel II capital computation to October 2014
- The banking sector experienced an upsurge in Tier II capital issuance to fund medium and long-term dollar denominated transactions
- To bolster capital levels, banks are expected to limit the dividend payout and maintain conservative loan growth
- Reintroduction of remote-on-us ATM cash withdrawal transactions fees to reduce cost burden on banks from Sept 1'14

Outline

- Overview of Access Bank
- Operating Environment
- **H1 2014 Financial Performance Review**
- SBU Financial Performance Review
- Strategy & Outlook for H2 2014

Key Messages

Improvement Across Key Financial Metrics

- Performance indicators improved across key metrics. NIM up by 120bps from 5.7% to 6.9% y/y and remained stable at 6.9% q/q
- Operating income increased by 22% to N83bn. PBT growth was limited by N9.7bn impairment write back in H1'13

Strong Earnings Growth

- Gross earnings increased y/y by 16% to N118bn (H1'13: N102bn) driven by a 16% growth in interest income to N83.6bn and a 15% increase in non-interest income to N34.0bn

Improving Cost Efficiency

- Cost to Income Ratio (CIR) improved to 63.1% in H1'14 from 75.9% in H1'13
- Improvement in CIR was largely driven by revenue uplift and operational efficiency

Strong Loan growth

- Loan growth of 17% y/y to N949bn mainly from increased penetration to growing sectors of the economy
- Diversified loan book from target sectors led to an optimized portfolio

Improved Assets Quality

- NPL ratio improved by 20bps from 2.7% in FY'13 to 2.5% in H1'14
- Continually reviewing portfolio quality whilst seeking to optimize growth in risk assets

Optimised Capital Structure

- The bank successfully issued Tier II capital in June 2014 to boost capital base and increase duration of foreign currency balance sheet
- Capital Adequacy Ratio (CAR) improved by 200bps to 21% (Tier I CAR: 16%), which is well above regulatory minimum for a SIFI classified bank

Key Performance Highlights

1

Profitability

	H1'14	H1'13	%Δ
Gross Earnings (N'm)	117,918	101,978	16
Operating Income (N'm)	83,084	68,055	22
Impairment Charges(N'm)	(3,506)	9,717	(136)
PBT (N'm)	27,118	26,100	4
EPS (kobo)	99	92	8

2

Balance Sheet

	H1'14	FY'13	%Δ
Total Assets (N'bn)	2,044	1,835	11
Shareholders' Funds (N'bn)	259	244	6
Customers' Deposits (N'bn)	1,451	1,331	9
Loans & Advances (N'bn)	949	811	17

3

Prudential & Performance Ratios

	H1'14	FY'13	Δ
Capital Adequacy (%)	21.0	19.0	+2.0
Liquidity Ratio (%)	37.1	41.0	-3.9
Loans to Deposit (%)	65.4	60.9	+4.5
After tax ROAE (%)	18.3	14.9	+3.4
Cost to Income (%)	63.1	73.0	+9.9

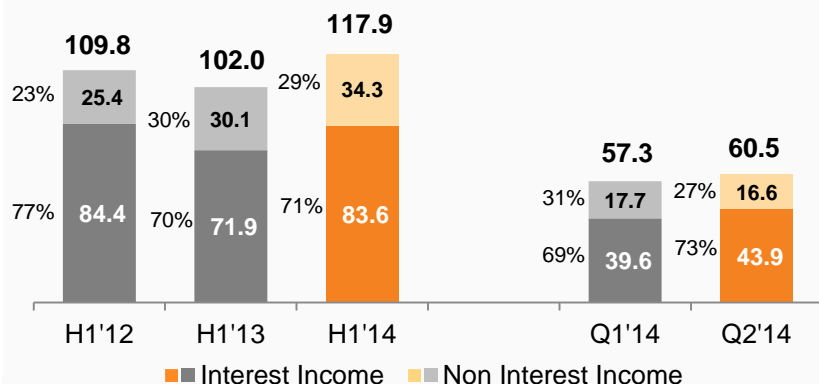
Statement of Comprehensive Income

Underlying in N'M	H1'14	H1'13	Y/Y %Δ	Q2'14	Q1'14	QoQ %Δ	Comments
Gross Earnings	117,918	101,978	16	60,597	57,321	6	<ul style="list-style-type: none"> ➤ Gross earnings increased y/y by 16% to N118bn (H1'13: N102bn) driven by 16% growth in interest income and 15% growth in non interest income ➤ Interest income increased by 16% y/y to N85.7bn due by loan growth and improved income from other government securities ➤ Non-interest income grew by 14% to N34bn driven by strong credit related fees and commission, FX income and transaction banking income ➤ Operating income increased significantly by 22% to N83bn in H1'14 resulting from strong contribution of interest income and non interest income ➤ Limited PBT growth of 4% in the period largely due to one-off impairment write back of N9.7bn in 2013
Interest Income	83,577	71,919	16	43,949	39,628*	11	
Interest Expense	34,835	33,923	3	19,606	15,229	29	
Net Interest Income	48,743	37,996	28	24,343	24,399	-	
Non-Interest Income	34,341	30,059	14	16,648	17,693*	(6)	
Operating Income	83,084	68,055	22	40,991	42,092	(3)	
Impairment Charges	(3,506)	9,717	(136)	(1,922)	(1,514)	32	
Operating Expenses	52,460	51,672	2	25,311	27,149	(7)	
Profit Before Tax	27,118	26,100	4	13,689	13,429	2	
Profit for the period	23,074	20,720	11	10,955	12,119	(10)	

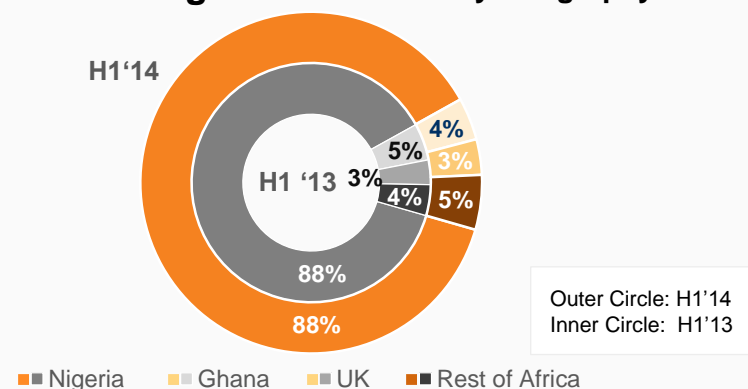
* N3bn in management fees integral to loans has been reclassified to interest income in Q1'14

Revenue

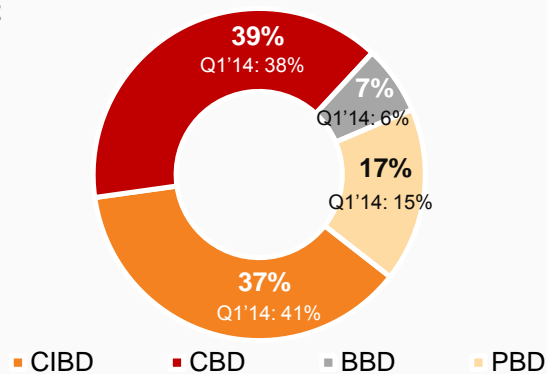
Gross Earnings Y/Y (N'bn)



Gross Earnings Distribution by Geography



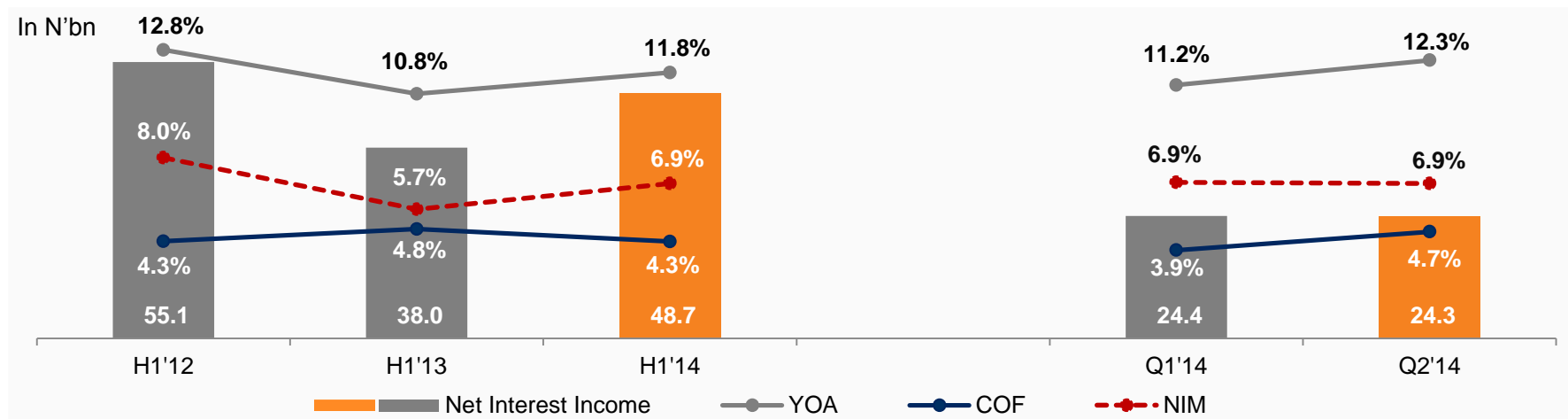
Gross Earnings Distribution by Business Segment



Comments

- Gross earnings grew by 16% y/y to N117.9bn in H1'14 (H1'13: N102.0bn) largely driven by strong interest and non interest income
- Interest income accounted for 71% (H1'13 : 70%) of gross earnings while non interest income contributed 29% to gross earnings (H1'13: 30%)
- The contribution of PBD and BBD to gross earnings increased to 17% and 7% respectively, reflecting the bank's growth momentum in the retail and SME segments

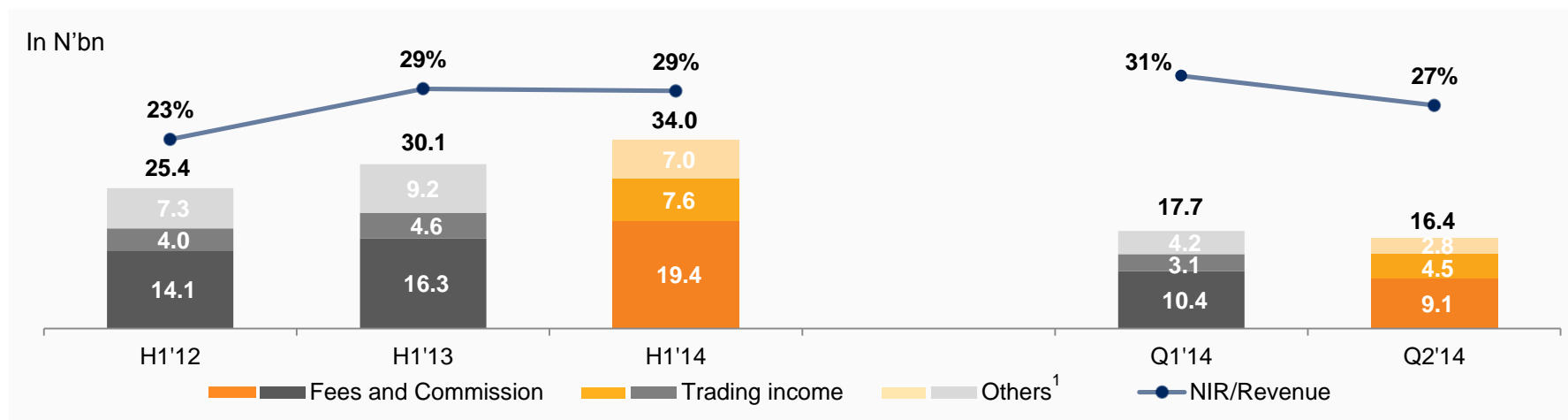
Net Interest Income



Comments

- Net interest income increased by 28% to N48.7bn y/y but was flat q/q
- Key drivers y/y:
 - Strong loan growth of 17% in the period and interest income from loans booked in prior periods
 - Sharp decline in the funding cost y/y due to continued replacement of expensive funds with low cost deposits
- Yield on Assets (YOA) improved by 100bps y/y to 11.8% in H1'14 benefitting from asset re-pricing
- Cost of Funds (COF) improved by 50bps y/y to 4.3% in H1'14. However, it increased q/q to 4.7% as a result of increase tenored deposits in the face of regulatory headwinds and perceived market liquidity risk

Non Interest Income

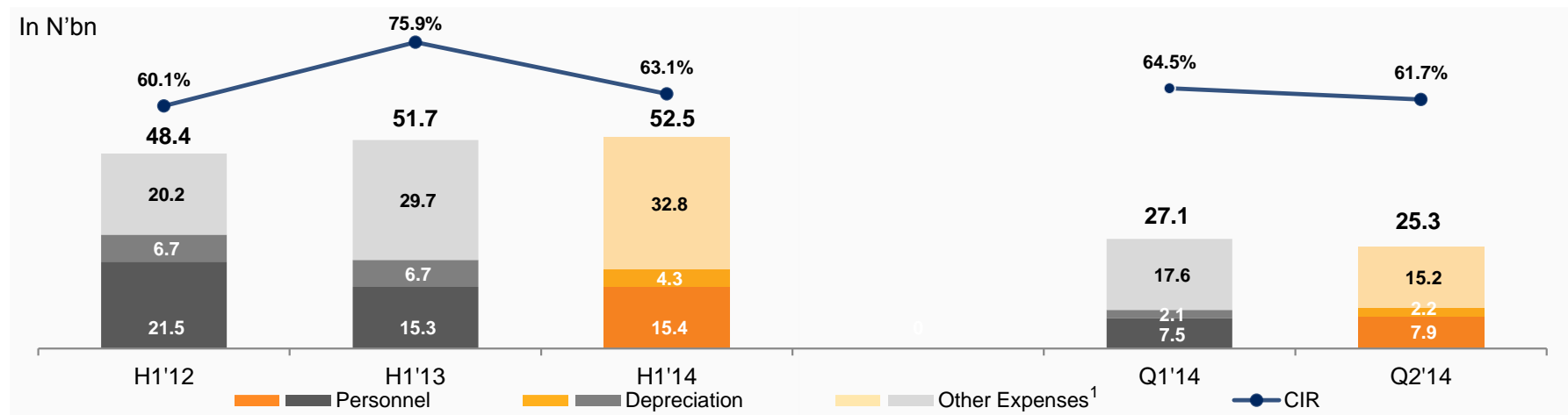


Comments

- Non interest income increased by 15% y/y to N34bn in H1'14 but declined by 7% q/q to N16.4bn on the back of non recurring dividend income recorded in Q1'14
- Contribution of non interest income to gross earnings was flat at 29% in H1'14 but declined to 27% q/q due to significant improvement in the interest income in Q2'14
- 15% growth in non interest income y/y was driven by:
 - Significant increase in income from credit related fees and commission on the back of strong loan growth, FX income, other fees and commission, and retail related transaction banking income

1. Included in Other Incomes are: Mark-to-market gain on trading investments, Dividends on available-for-sale equity securities, Gain on disposal of equity investment, Rental Income & other income

Operating Expenses

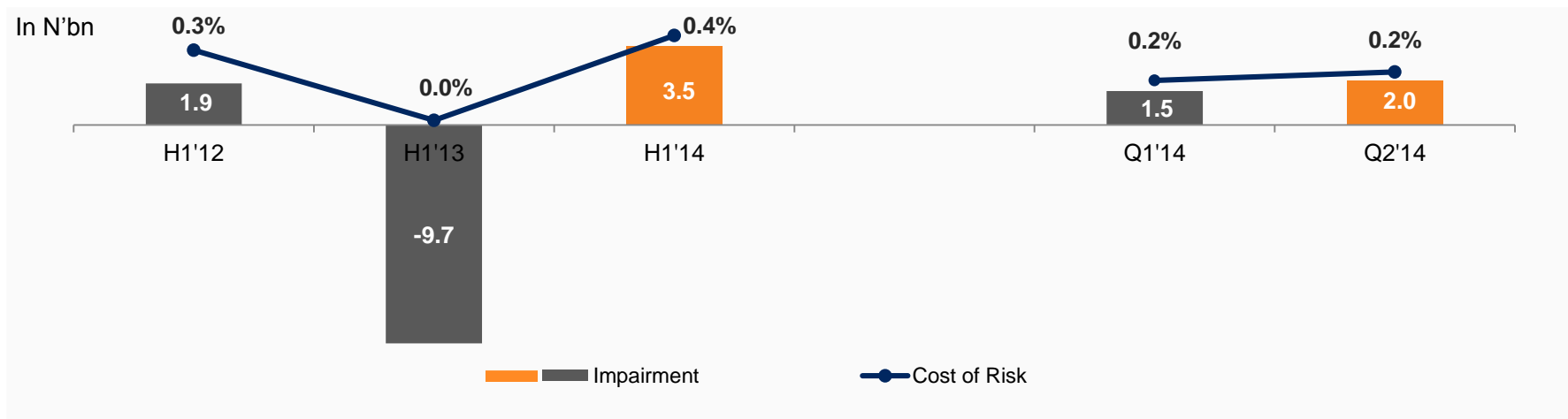


Comments

- Significant improvement in the Cost to Income (CIR) from 75.9% in H1'13 to 63.1% in H1'14 largely driven by revenue uplift and operational efficiency
- Improved Cost to Income Ratio reflects benefits of cost containment initiatives and improved earnings
- The bank will continue to optimize resource base while growing revenue

1. Other operating expense includes: Professional fees, Insurance, General administrative expenses, Other premises and equipment costs etc

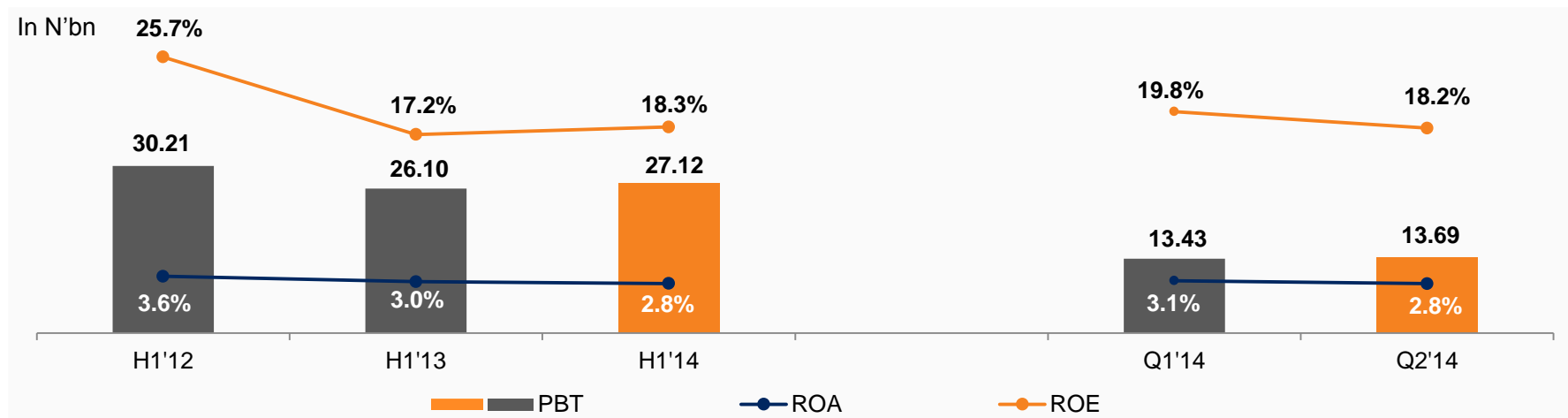
Impairment Analysis



Comments

- Impairment charges increased to N3.5bn in H1'14 in contrast with the N9.7bn one-off impairment write-back in 2013
- Cost of risk increased to 0.4% in H1'14 and remained flat at 0.2% q/q despite the growth in risk assets
- Adequate measures are in place to effectively monitor and improve quality of risk assets

Profitability



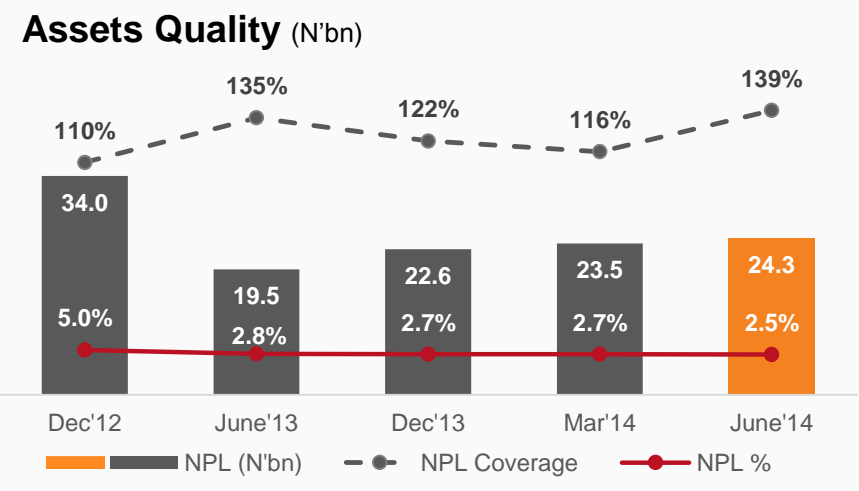
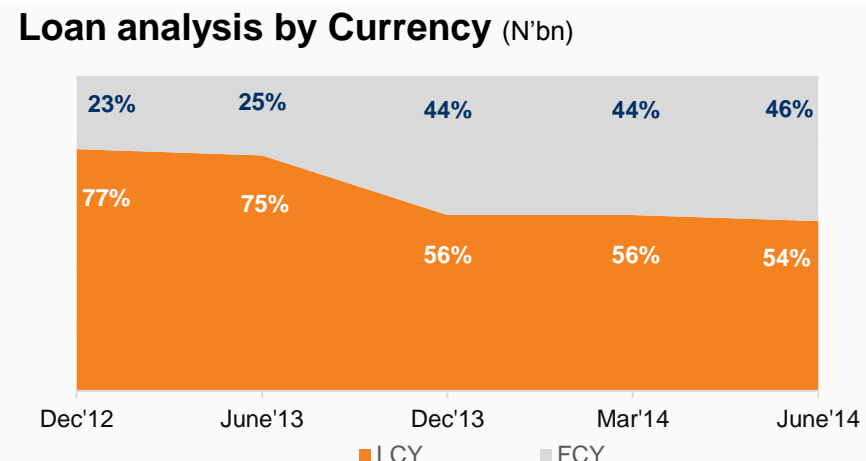
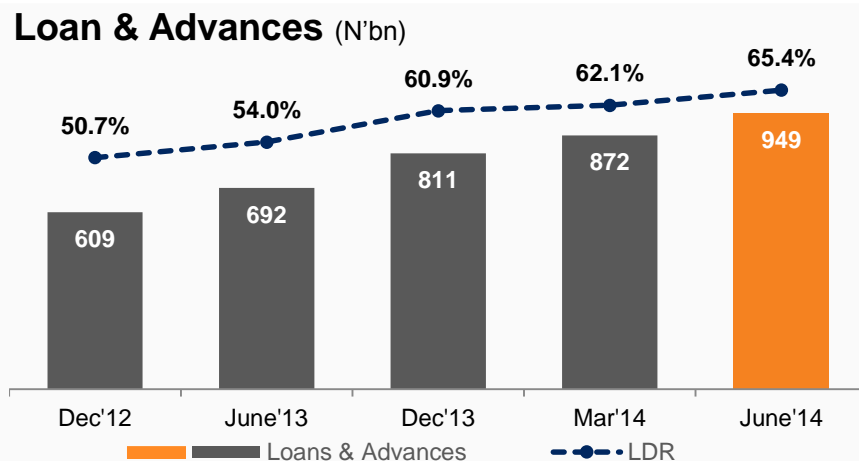
Comments

- PBT increased by 4% y/y to N27.1bn and 2% q/q to N13.67bn. Limited PBT growth largely due to one off write back of N9.7bn in 2013 resulting from obligor migration
- Growth drivers:
 - 18% growth in interest income driven by growth in increase in loans and advances in H1'14 and Q4'13
 - Growth in non interest income due to increase in credit related fees and commission, foreign exchange income and other fees
- ROE improved by 30 bps to 18.3% y/y but declined to 18.2% in Q2'14

Group Statement of Financial Position

Underlying in N'B	H1'14	FY'13	Ytd %Δ	Q2'14	Q1'14	QoQ %Δ	Comments
Cash and Cash Equivalents	538	439	22	538	494	9	<ul style="list-style-type: none"> ➤ Cash and cash equivalents increased by 23% in H1'14 largely due to increase in cash reserve and proceeds from bond issuance ➤ 17% YTD loan growth largely to high quality Corporate and Commercial customers ➤ Investment securities declined by 23% due to the maturity of significant portion of the HTM securities ➤ Growth in customer deposits of 9% YTD driven by tenored and demand deposits ➤ Interest bearing loans grew by 51% YTD as a result of Tier II bond issuance
Trading & Pledged Assets	101	67	49	101	95	6	
Loans & Advances	949	811	17	949	872	9	
Investment Securities	273	354	(23)	273	273	-	
Fixed Assets & Intangibles	72	71	1	72	70	2	
Deferred Tax Assets	11	11	-	11	11	0	
Other Assets	100	82	22	100	93	8	
Total Assets	2,044	1,835	11	2,044	1,908	7	
Deposits from Banks	93	72	28	93	72	29	
Deposits from Customers	1,451	1,331	9	1,451	1,404	3	
Interest Bearing loan	181	120	51	181	119	52	
Other liabilities	60	67	(11)	60	59	2	
Total Liabilities	1,785	1,591	12	1,785	1,653	8	
Equity	259	244	6	259	256	1	
Total Equity & Liabilities	2,044	1,835	11	2,044	1,908	7	

Asset Quality

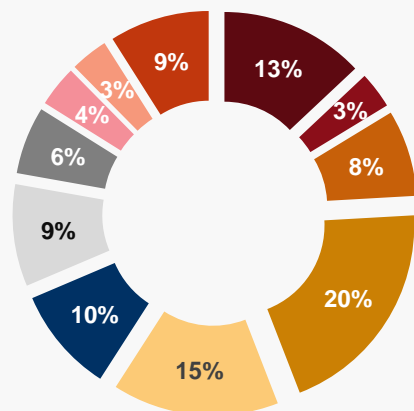


Comments

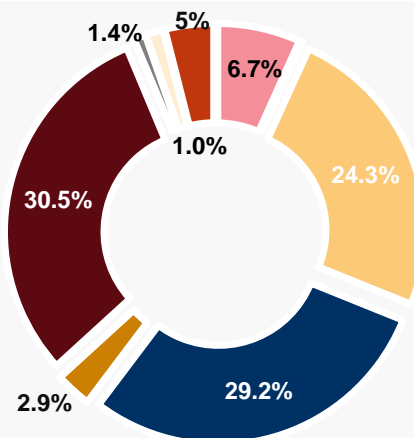
- The Bank continued to improve its overall loan portfolio, which grew by 17% YTD to N949bn in H1'14
- Loan growth was driven by foreign currency lending to high quality obligors with dollar receivables, thus mitigating exchange rate risk
- NPL ratio improved further to 2.5% in H1'14 from 2.7% in Q1'14 reflecting the bank's improved risk management
- Key drivers for the reduction in the NPL ratio were:
 - Strong loan growth to quality obligors
 - Enhanced monitoring of facility performance

Assets Diversification and Quality

Loan distribution by Sector



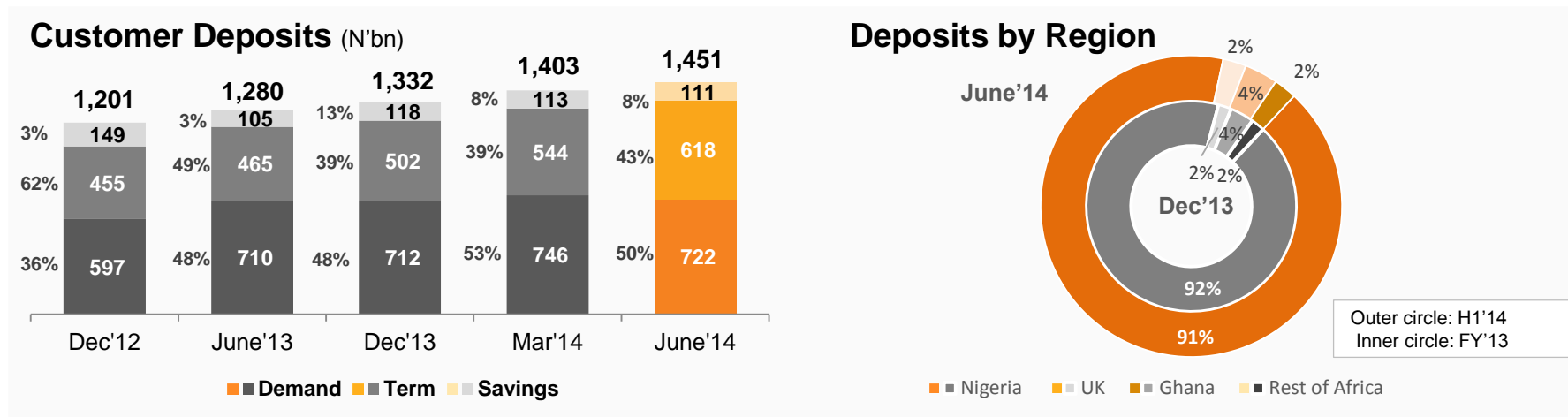
NPL distribution by Sector



Sector	Loans		NPL		Comments
	Jun'14	Dec'13	Jun'14	Dec'13	
Oil & Gas – Downstream	13.0%	17.8%	30.5%	29.8%	<ul style="list-style-type: none"> ➤ The Bank continued to optimise its overall loan portfolio, as the loan book increased to N949bn ➤ NPL ratio reduced to 2.5% with downstream, Manufacturing and Information Technology sectors accounting for 85% of the total NPL ➤ Continued mitigation of the Bank's exposure to unforeseen shocks by prioritising asset quality through our diligent and systematic approach to risk management
Oil & Gas – Upstream	3.3%	3.9%	-	-	
Oil & Gas – Services	7.8%	6.0%	-	-	
Manufacturing	20.0%	19.2%	2.9%	3.5%	
General Commerce	15.0%	13.5%	24.3%	19.5%	
Information & Communication	9.5%	9.7%	29.2%	29.4%	
Government	9.2%	7.8%	-	-	
Real Estate Activities	6.1%	6.3%	1.0%	1.4%	
Construction	3.7%	3.4%	6.7%	7.4%	
Finance & Insurance	3.4%	4.5%	0.1%	0.1%	
Others ¹	9.0%	7.9%	5.3%	8.9%	

¹ Included in others are: Capital Market, Transportation and Storage, Agriculture etc.

Deposit Mix

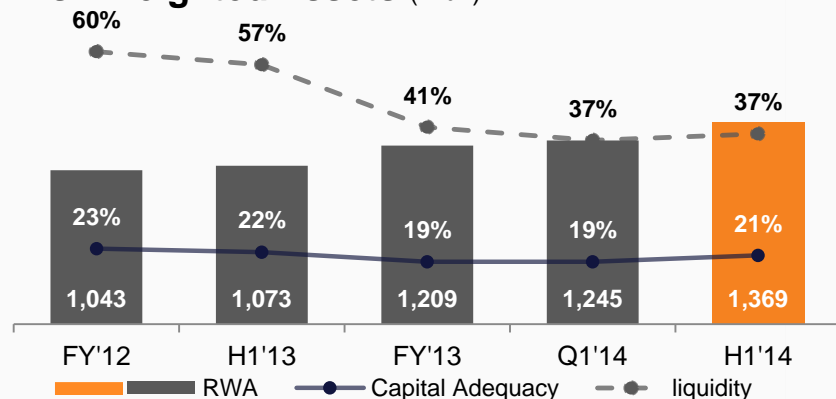


Comments

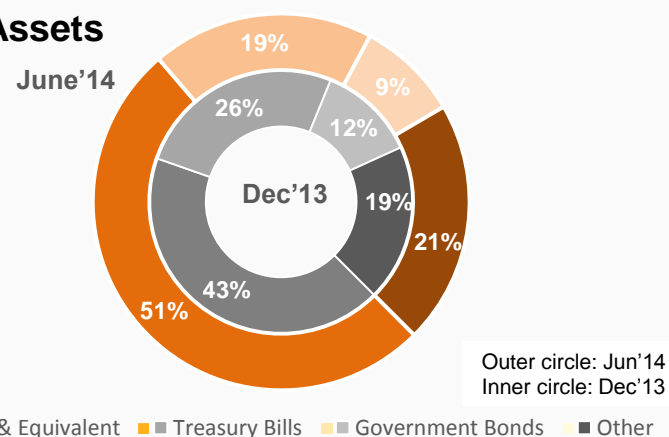
- Customer deposits increased by 9% YTD to N1.45trn in H1'14 with low cost deposits constituting 58% of the total customer deposits in H1'14 compared to 61% in Q1'14
- Key drivers:
 - Deliberate decision to increase tenored deposits in the face of regulatory headwinds and perceived liquidity risks
 - Growth in deposits primarily due to the enhanced segmentation and engagement strategy
 - Improved engagement of the retail & SME segments of the value chain
 - Low cost deposits from our enhanced personal banking business
- Accelerated drive to grow low cost deposits (CASA) to further reduce the bank's overall funding costs

Capital Base

Risk Weighted Assets (N'bn)



Liquid Assets



Comments

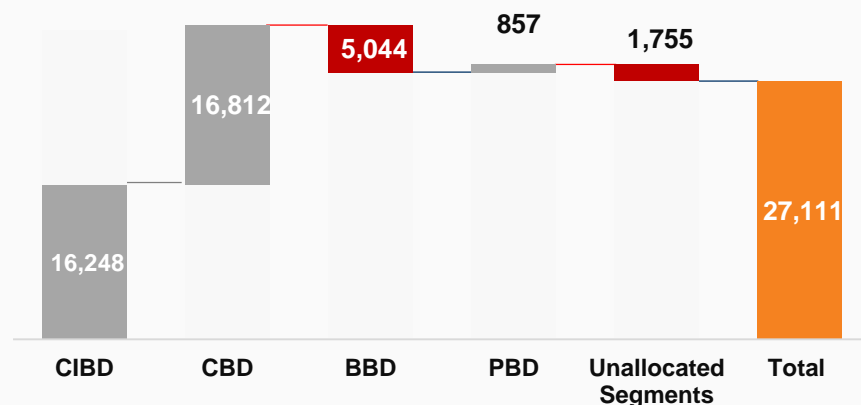
- Capital Adequacy Ratio (CAR) improved by 200bps to 21% (Tier I CAR:16%) largely resulting from subordinated Tier II capital injection of \$400m
- Risk Weighted Assets (RWA) grew by 13.2% to N1.37trillion YTD reflecting our deliberate approach to optimise the balance sheet
- Enhanced capital adequacy through increased profit retention to support growth

Outline

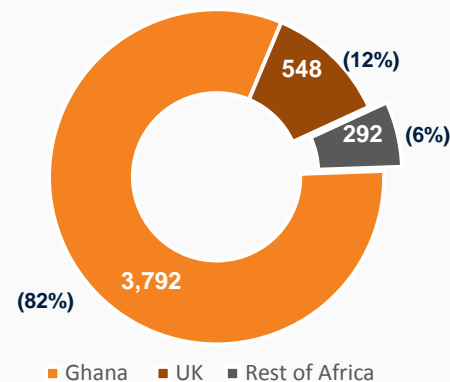
- Overview of Access Bank
- Operating Environment
- H1 2014 Financial Performance Review
- **SBU Financial Performance Review**
- Strategy & Outlook for H2 2014

Contribution from Business Segments

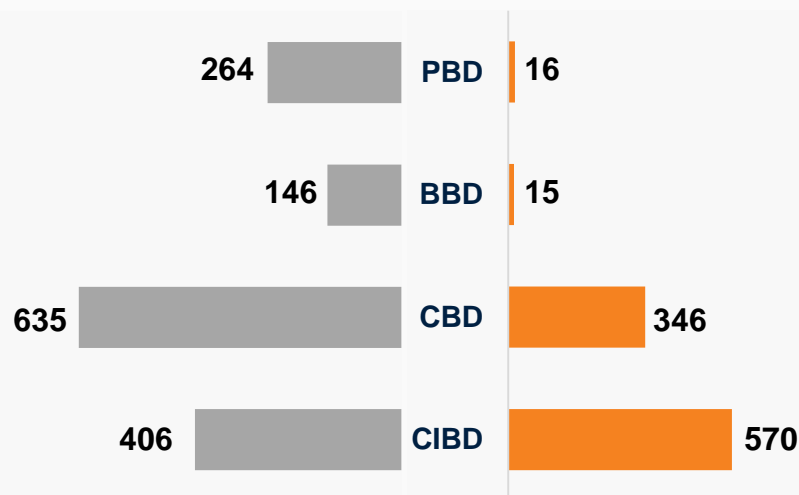
Profit Before Tax (N'bn)



Profit Contributions from Subsidiaries



Deposits and Loans (N'bn)



Comments

- The Corporate & Investment Banking and Commercial Banking divisions are the major drivers of business growth, contributing over N33bn to PBT in H1'14
- BBD made a loss of N5bn in H1'14 as the business segment is gaining traction in the SME segment.
- Retail growth to be driven by increased focus on employees in value chain and improved customer engagement, which will drive income generating transactions
- PBT from Ghana accounted for 82% of the subsidiaries' PBT contribution to the Group

Outline

- Overview of Access Bank
- Operating Environment
- H1 2014 Financial Performance Review
- SBU Financial Performance Review
- **Strategy & Outlook for H2 2014**

Committed to Achieving 2014 Targets

Metrics	H1'14		2014 Targets	Comments
ROE	18.3%	➤	20%	➤ Improvement in ROE to 18.3%. Performance still on track towards attaining 2014 ROE target
NIM	6.9%	➤	7.0%	➤ Continuous drive to improve deposit mix, thereby reducing funding cost while optimizing asset yield
CIR	63%	➤	65%	➤ Continuous cost optimization while growing revenue base
Loan growth	17%	➤	20%	➤ Accelerated drive to grow high quality loan portfolio with increasing focus on target sectors of the economy
Deposit growth	9%	➤	25%	➤ Deposit growth driven by aggressive account opening and reactivation of accounts in the Personal and Business Banking segments

Outlook for H2'14

Enhance Retail Market Engagement

- Grow low cost deposits by intensifying account reactivation, new customer sign-on and banking the value chain of corporate clients
- Dominate women market by providing specialized and innovative solutions to the segment

Optimise Channels Portfolio

- Improve functionality and capability of alternative channels to enhance revenue generation
- Evolve channels platforms and processes to achieve enjoyable customer experience across all segments

Drive Salesforce Effectiveness

- Scale up salesforce in branches to adequately harness market opportunities in target sectors
- Enhance and standardize sales process to improve customer engagement and satisfaction

Improve Cost Efficiency

- Adoption of cost containment and procurement optimization measures to drive operational efficiency
- Focus on consolidation of branches and migration of non-profitable branches to manage operational costs

Disclaimer

The information presented herein is based on sources which Access Bank Plc (the “Bank”) regards dependable. This presentation may contain forward looking statements. These statements concern or may affect future matters, such as the Bank’s economic results, business plans and strategies, and are based upon the current expectations of the directors. They are subject to a number of risks and uncertainties that might cause actual results and events to differ materially from the expectations expressed in or implied by such forward looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, regulatory developments, competitive conditions, technological developments and general economic conditions. The Bank assumes no responsibility to update any of the forward looking statements contained in this presentation.

The information should not be interpreted as advice to customers on the purchase or sale of specific financial instruments. Access Bank Plc bears no responsibility in any instance for loss which may result from reliance on the Information.

Access Bank Plc hold copyright to the Information, unless expressly indicated otherwise or this is self-evident from its nature. Written permission from Access Bank Plc is required to republish the information on Access Bank or to distribute or copy such information. This shall apply regardless of the purpose for which it is to be republished, copied or distributed. Access Bank Plc’s customers may, however, retain the Information for their private use.

Transactions with financial instruments by their very nature involve high risk. Historical price changes are not necessarily an indication of future price trends. Investors are encouraged to acquire general information from Access Bank Plc or other expert advisors concerning securities trading, investment issues, taxation etc in connection with securities transactions.

The Information contained in this presentation is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by the Bank. Any person at any time acquiring the securities must do so only on the basis of such person’s own judgment as to the merits of the suitability of the securities for its purposes and only on such information as is contained in public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained herein. The information is not tailored for any particular investor and does not constitute individual investment advice.

access >>>