

Access Bank Plc

Q3 2013 Results Presentation to Investors & Analysts

November 4, 2013

SPEED SERVICE SECURITY

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- >>> **Overview of Access Bank**
- >>> Operating Environment
- >>> Q3 2013 Financial Performance Review
- >>> SBU Financial Performance Review
- >>> Outlook for Q4 & 2014

1

Bank of Best practice with consistent growth over the past 10 years

- ››› Issued \$350 Million Eurobond listed on the London Stock Exchange
- ››› Pioneered IFRS compliant Financial Statements in 2008
- ››› Outstanding M&A track record
- ››› 3,985% returns on every N1 invested in Access since 2002

2

Strong Financial Stability Indicators

- ››› Capital Adequacy ratio of 18%
- ››› Loan to deposit ratio of 62%
- ››› Liquid balance sheet with liquidity ratio of 40%
- ››› Consistent rating upgrades from S&P, Fitch, Agosto and GCR

3

Strong market share across key market segments

- ››› 4th largest Nigerian Bank
- ››› Leading retail footprint with 6.5 million customers
- ››› Leading market share of top corporates value chain
- ››› Treasury and trade finance powerhouse

4

Experienced board and management & strong Corporate Governance

- ››› Best in Class CEO Succession plan
- ››› A Leader in Corporate Governance and Compliance
- ››› Highly regarded and stable Board of Directors
- ››› Executive Directors with over 150 years of combined experience

Key Highlights

Parent Company

- **Access Bank Plc** is licensed by the Central Bank of Nigeria as an International Bank

Subsidiaries

- 9 Banking Subsidiaries

Listings

- Nigerian Stock Exchange
- London Stock Exchange (Eurobond)

Number of Employees

- 3,265 Professional Staff

Channels

- 349 Branches
- 1,552 ATMs
- 11,367 POS

Total Equity

- 22.9 bn ordinary shares in issue of 50 kobo each

Credit Ratings

FitchRatings

A-

STANDARD & POOR'S
RATINGS SERVICES

AA-

Agusto & Co

A

GCR

A

Awards



African Banker's Award



Business in the Community



FT/IFC Sustainable Bank of the Year(2011)



M&A Winner in Africa 2012

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Developments in Domestic Environment **access** >>>

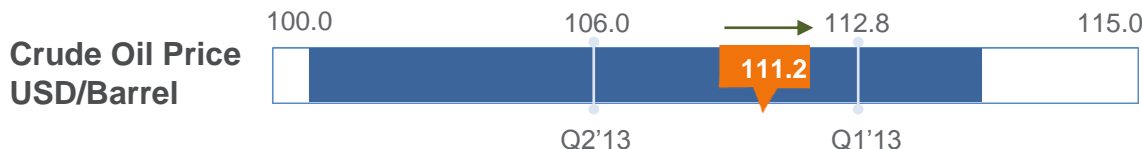
Comments



- GDP grew by 6.5% in Q3'13 compared to the 6.18% recorded in Q2'13

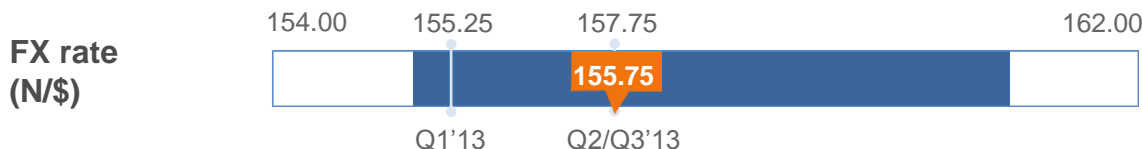


- Inflation improved to 8.2% in Q3'13 compared to 8.4% as at H1'13. Inflation has remained within single digit over the last eight months

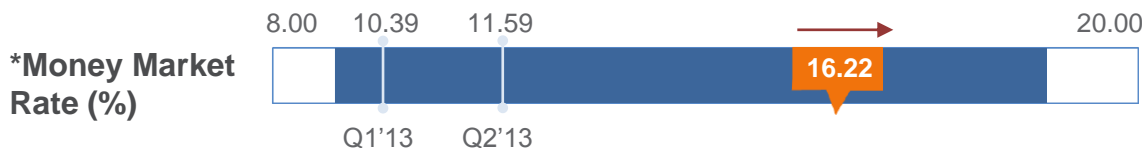


- Bonny Light rose to \$111.2 per barrel at end-Q3. Rising tension in the Middle East led to an increase in oil prices

▲ Economic Indicators
▼ Market Indicators



- The local unit stayed within the \$/N155±3% band at the CBN window. However, Interbank FX rate depreciated by N2.69k to N161.44/US\$ driven by capital repatriation by offshore investors and import demand



- Money market rate increased to 16.22% in Q3 due to the impact of increase in cash reserve ratio of public sector deposits



- Interbank lending rose to 12.84% largely driven by huge systemic outflows occasioned by CBN's policy stance on CRR to maintain price stability and defend the Naira and the resulting liquidity squeeze

Legend

■ Range ■ Value as at Sept '13 ⇄ Trend relative to Q2'13

*The money market rate represents the call rate as at Sept'13

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Continuous Improvement in NIM

- NIM improved from 6.6% in Q2'13 to 7.4% in Q3'13
- Cost of fund reduced by 50bpts to 4.4% in Q3

Strong Loan growth

- Net loan growth of 25% YtD
- Loan grew by 11% to N760bn in Q3

Sustained good asset quality

- NPL ratio improved to 2.6% in Sept '13 compared with 2.8% in H1'13
- Impairment write back of N8.7bn YtD

Improving cost efficiency

- Operating cost to income down to 73% in Q3'13 from 84% in Q2'13
- Q2 CIR elevated by one-off items

Key Performance highlights

1

Profitability

	Sept '13	Sept '12	%Δ
Gross Earnings (Nbn)	154	162	(4)
Net Interest Margin (%)	7.1	7.7	↓
PBT (Nbn)	35	39	(9)
PAT (Nbn)	28	35	(21)
EPS (kobo)	109	139	(27)

2

Efficient Balance Sheet

	Sept '13	FY '12	%Δ
Total Assets (Nbn)	1,701	1,745	(3)
Shareholders' Funds (Nbn)	232	241	(4)
Customers' Deposits (Nbn)	1,226	1,201	2
Loans & Advances (Nbn)	760	609	25

3

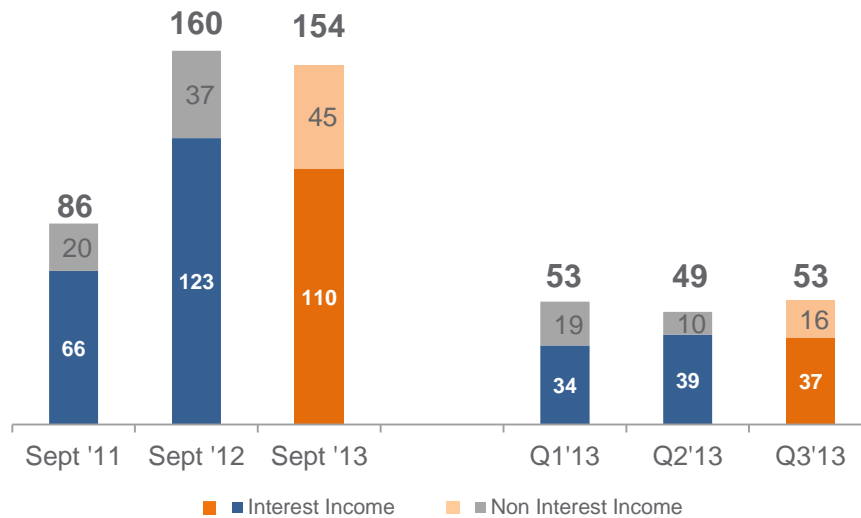
Strong Prudential & Performance Ratios

	Sept '13	FY '12	Δ
Capital Adequacy (%)	18	23	(5)
Liquidity Ratio (%)	40	60	(20)
Loans to Deposit (%)	62	51	11
After tax ROAE (%)	16	18	(2)
Cost of Fund (%)	4.6	5	0.4

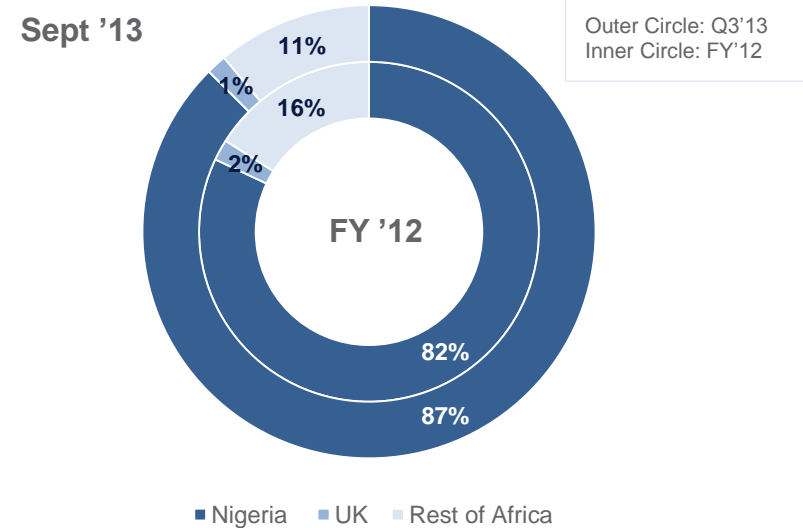
Statement of Comprehensive Income

in N'M	9M '13	9M '12	YoY %Δ	Q3 '13	Q2 '13	Q3/Q2 %Δ	Comments
Gross Earnings	154,427	160,392	(4)	52,470	48,393	8	<ul style="list-style-type: none"> YTD Gross earnings at N154bn, (2012: N160bn). QoQ earnings increased 8% on the back of strong non interest income YTD Interest income at N109bn, (2012: N123bn) due to the sale of significant volume of government securities in Q3'12, slower than anticipated growth loan book in Q1 & Q2'13 and impact of increase CRR Interest expense at N50bn (2012: N46bn) due to high cost deposits on the books since Q3'12 which have now run off. However, Interest expense reduced by 4% QoQ due to replacement of expensive funds with lower cost deposits Non Interest Income (NII) up 19% YoY, benefiting from significant increase in credit related fees and commission, foreign exchange income and strong dividend income Revenue from strong loan growth from quality names recorded in Q3'13 will begin to accrue from Q4 and beyond
Interest Income	109,911	122,968	(11)	37,335	38,640	(3)	
Interest Expense	50,283	46,462	8	16,360	16,977	(4)	
Net Interest Income	59,628	76,506	(22)	20,975	21,663	(3)	
Non-Interest Income	44,516	37,424	19	15,991	9,753	64	
Operating Income	104,144	113,930	(9)	36,966	40,716	(9)	
Impairment Charges	8,679	(203)	4175	(1,038)	9,300	(111)	
Operating Expenses	78,336	75,183	4	27,168	26,432	3	
Profit Before Tax	35,087	38,544	(9)	8,985	14,242	(37)	
Profit for the Period	27,719	34,679	(21)	6,994	10,394	(33)	

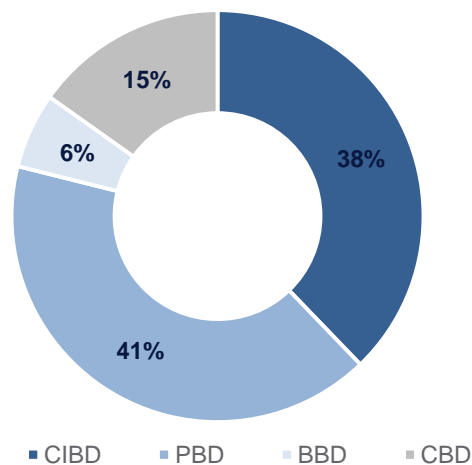
Gross Earnings YoY (N'bn)



Gross Earnings Distribution by Geography



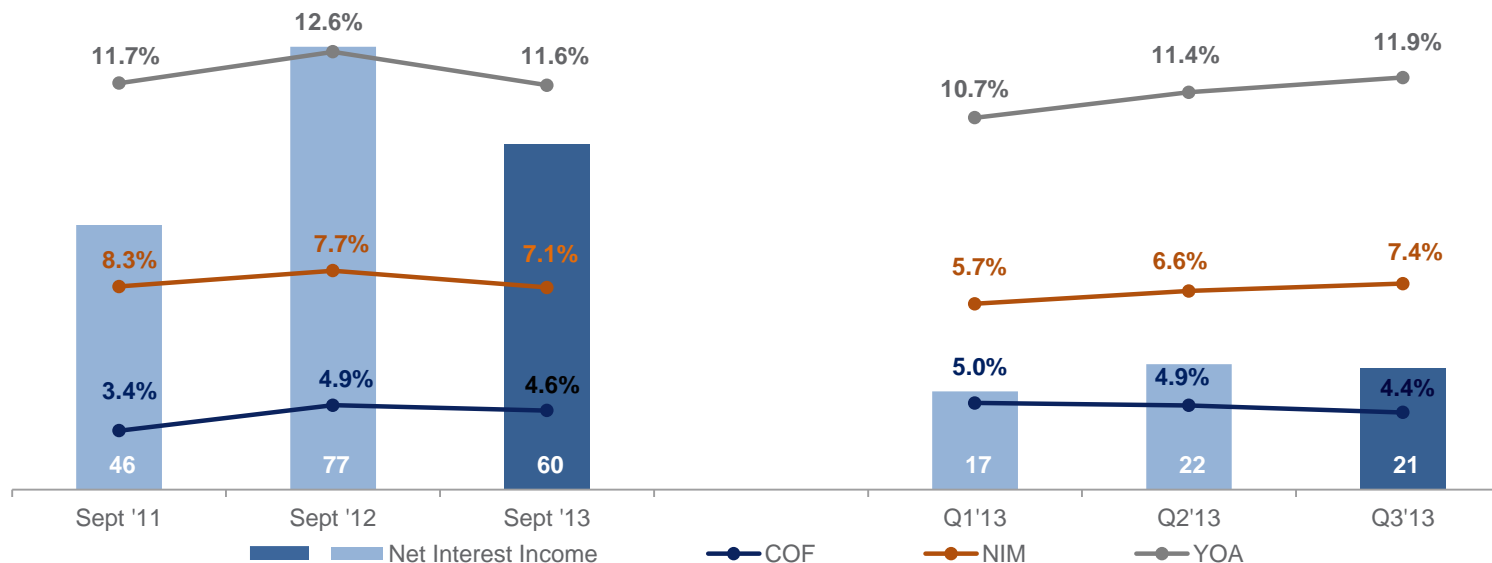
Gross Earnings Distribution by Business Segment



Comments

- Interest income accounted for 71% YTD while non interest income was at 29%
- Key drivers:
 - Interest income contracted in the period due to the sale of significant volume of government securities in Q3'12
 - Strong growth of 33% in non-interest income YoY which compensated significantly for the drop in interest income.

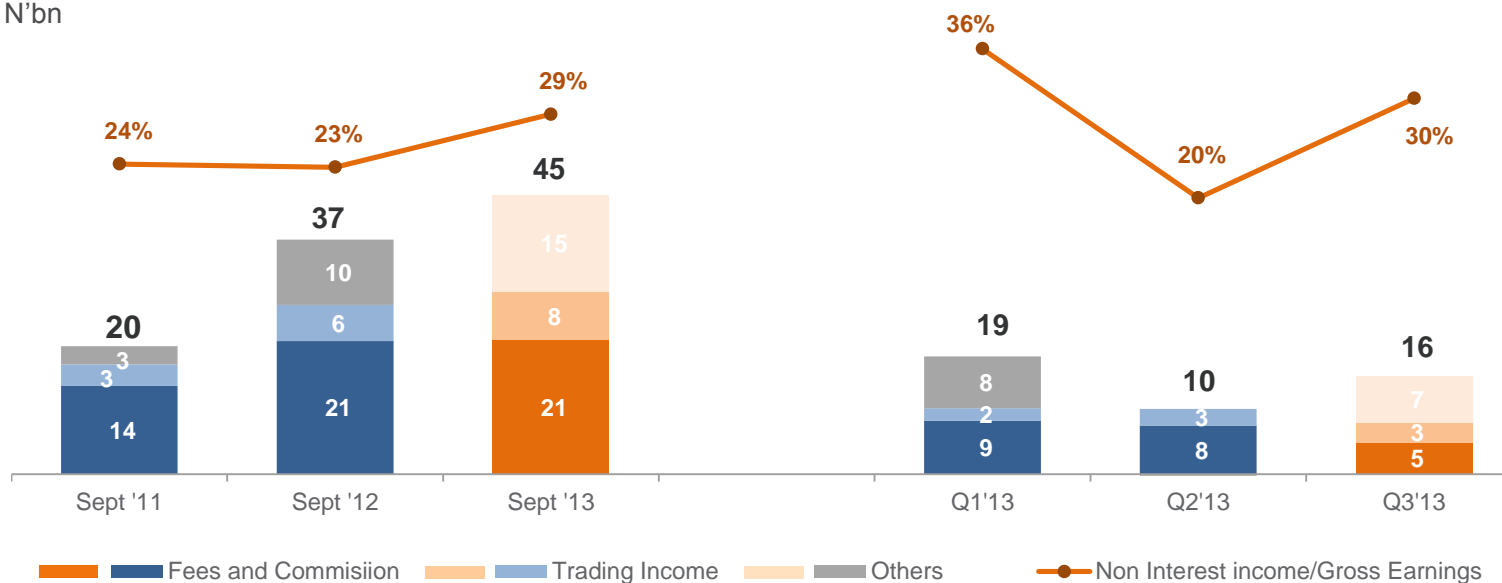
In N'bn



Comments

- Net interest Income at N60 bn (2012: N77bn)
- Key drivers:
 - Lower than expected build up in earning assets book following a contraction in Q3'12
 - Increased volume of high cost deposits in Q3 with 9 – 12 months maturities
 - Impact of additional liquidity sterilized arising from increase in cash reserve on public sector deposits
- NIM contracted by 60bpt YoY to 7.1% but increased by 80bpts QoQ to 7.4%
- Key drivers:
 - NIM at 7.1% (2012: 7.7%) resulting from comparatively lower yield on assets in the period as a result of:
 - increase exposure in foreign currency and migration to high quality names
 - YOA increased QoQ as a result of deployment of dollar funding book with the associated funding cost already included in the bank's funding cost profile

In N'bn



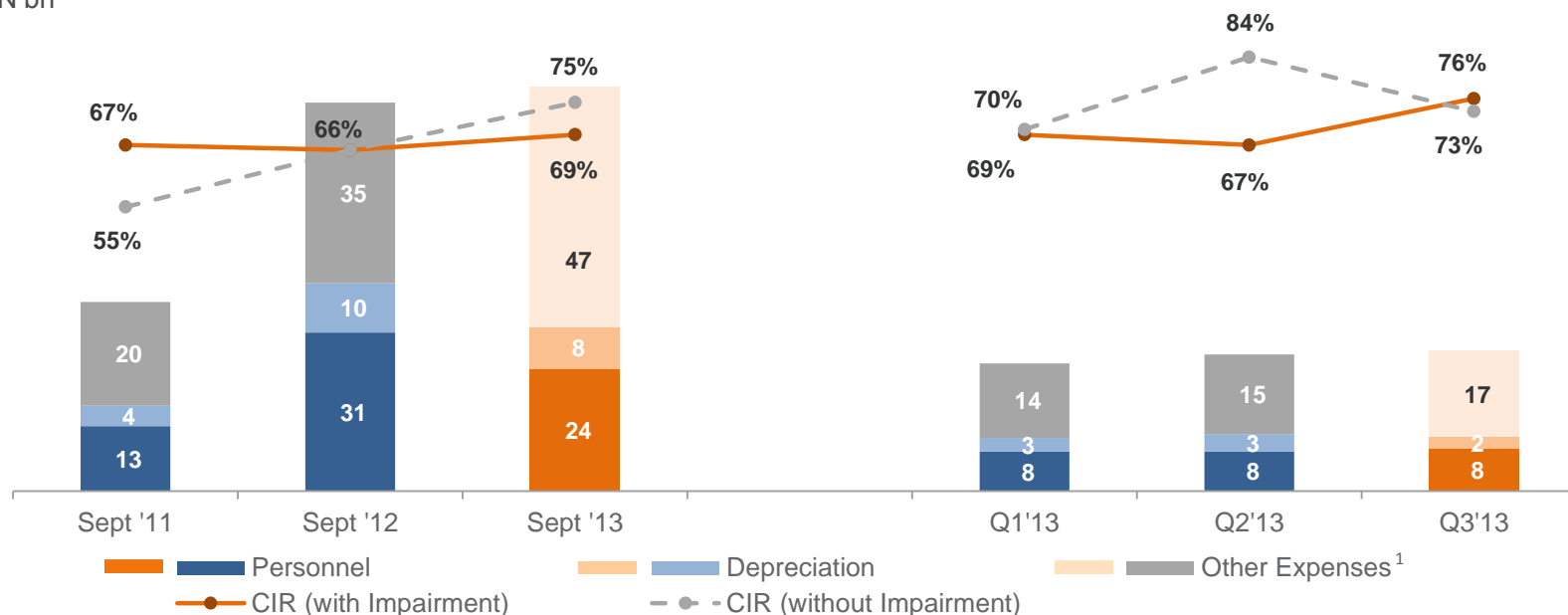
Comments

- Non interest Income increased by 19% YoY to N45B in Sept.'13 and by 64% QoQ to N16B in Q3'13
- Growth driven by significant increase in income from credit related fees and commission, strong transaction banking income, trading income and profit on disposal of non core idle assets
- Contribution of non Interest income to gross earnings increased to 30% in September '13 from 23% in Sept'12

*Included in Other Income 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

In N'bn



Comments

- Cost to Income increased from 66% in Sept '12 to 69% in Sept '13 on the account of slower than expected income growth in Q1 and Q2, however, CIR (without impairment) is trending downward on quarterly basis
- Operating expenses grew 4% YoY to N78.3bn in Sept.'13 but declined 16% QoQ to N24.5bn in Q3'13
- YoY Cost Trend:

	Sept '12	Sept '13	%Δ
Total Operating Cost	75.1	78.3	4
Non-recurring Items	<u>8.7</u> ²	<u>3.9</u> ³	(65)
Normalised Opex	<u>66.4</u>	<u>74.7</u>	12.5

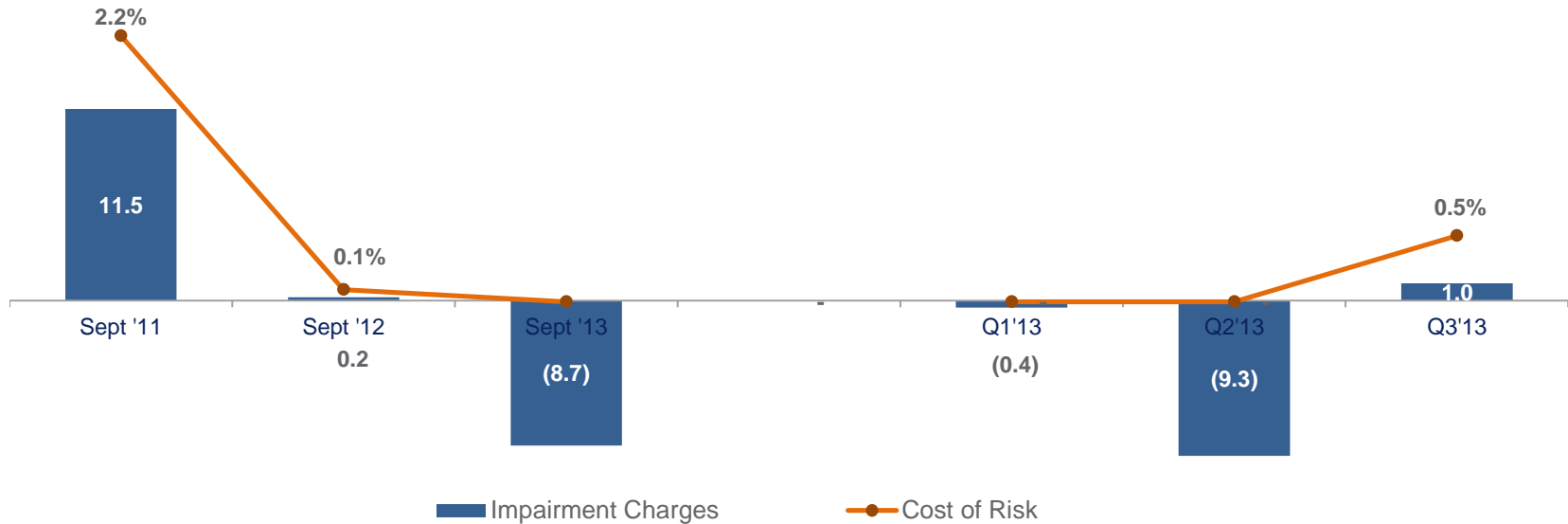
- Normalised Operating cost increased by 12.5% in Sept'13 which includes 0.2% increase (5.3bn) in AMCON charge due to enlarged balance sheet post merger.

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

2. 2012: N8.7bn includes Integration cost of N6.3bn (severance benefits and restructuring costs) and 4bn loss on disposal of financial accommodation bond in 2013

3. 2013: N3.6bn includes the unpaid ICB AMCON charge, professional fees and branding cost

In N'bn



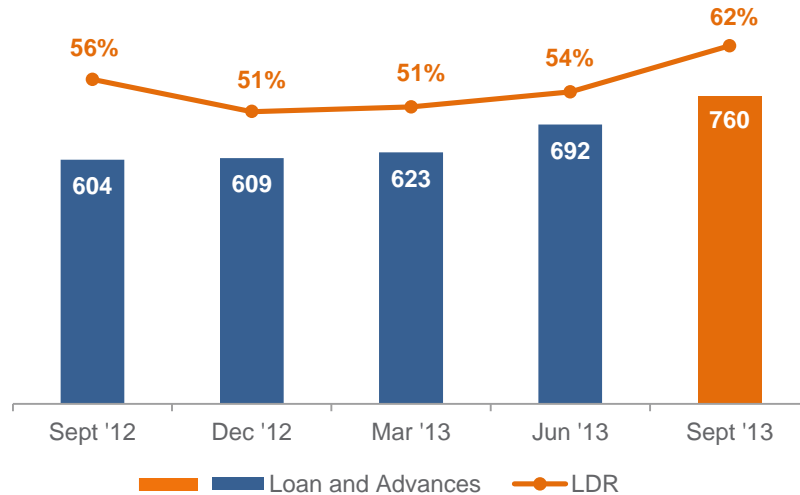
Comments

- Cost of risk increased by 80 basis point in Q3, however on YTD basis, net write back of N8.7bn
- Continuous improvement in the quality of our portfolio quality, whilst seeking to optimize growth
- Marked improvement in loan quality was driven by aggressive loan recovery and remedial action
- Continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio

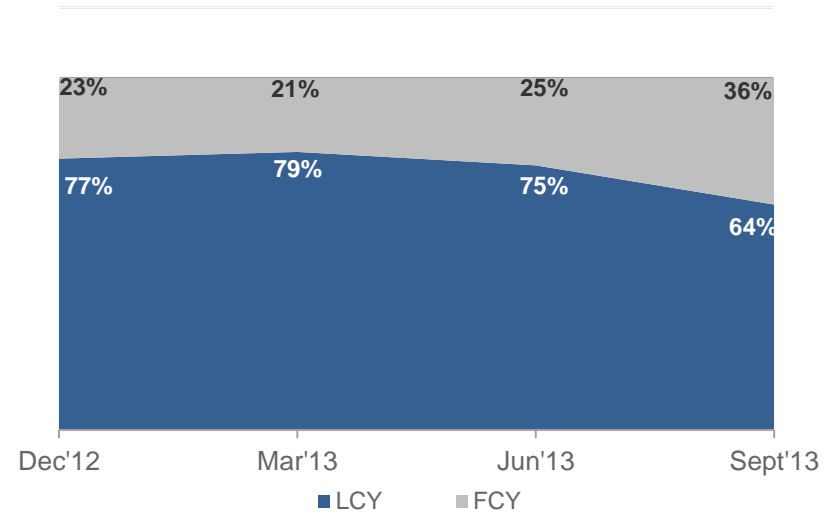
Group Statement of Financial Position

Underlying in N'Bn	9M'13	H1'13	FY'12	9M'12	QoQ %Δ	YTD %Δ	Comments
Cash and Cash Equivalents	167	220	296	241	(24)	(43)	<ul style="list-style-type: none"> YTD Loan growth of 25% with significant dollar lending growth in Q3 largely from top end Corporate and Commercial customers Marginal growth of 2% in customer deposits as a result of run-off of expensive deposit which were replaced with lower cost deposit leading to a QoQ reduction in the funding cost Total equity decreased in the period as a result of WAPIC spin-off effected by a distribution from share premium
Trading & Pledged Assets	45	79	89	181	(43)	(49)	
Loans & Advances	760	692	609	604	10	25	
Investment Securities	381	458	447	312	(17)	(15)	
Fixed Assets & Intangibles	70	70	68	63	1	4	
Deferred Tax Assets	8	8	8	5	(4)	-	
Other Assets	267	192	228	232	39	17	
Total Assets	1,701	1,719	1,745	1,637	(1)	(3)	
Deposits from Banks	70	11	105	104	538	(33)	
Deposits from Customers	1,226	1,280	1,201	1,075	(4)	2	
Interest Bearing loan	105	108	95	94	(3)	11	
Other liabilities	67	80	103	122	(16)	(35)	
Total Liabilities	1,468	1,479	1,504	1,396	(1)	(2)	
Equity	232	240	241	241	(3)	(4)	
Total Equity & Liabilities	1,701	1,719	1,745	1,637	(1)	(3)	

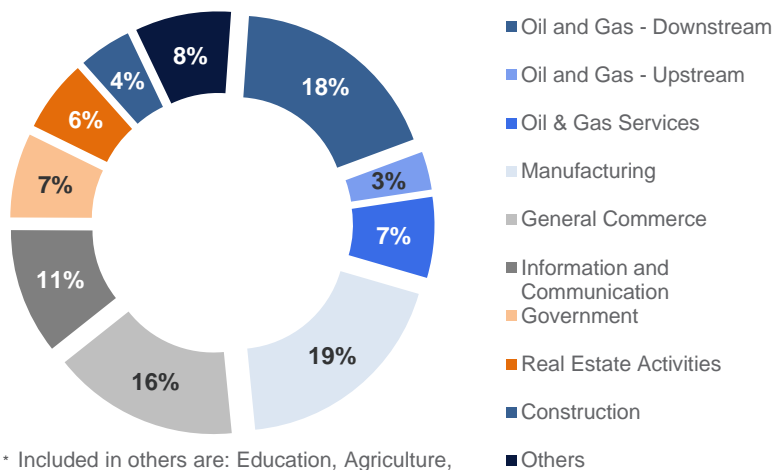
Loan & Advances (N'bn)



Loan analysis by Currency (N'bn)



Loan distribution by sector

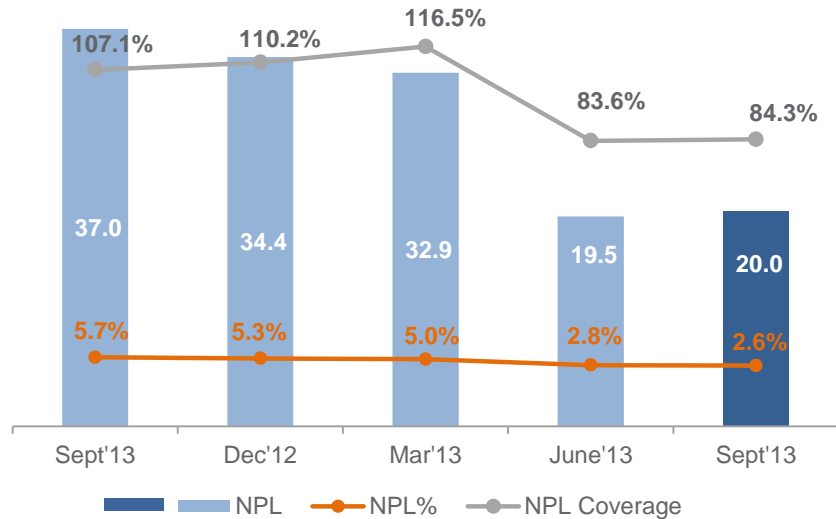


Comments

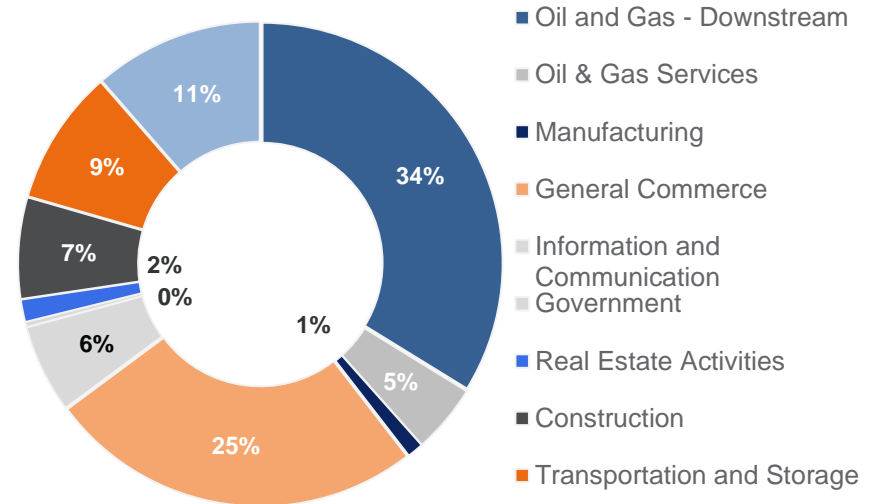
- Strong 25% loan growth Ytd and 10% growth on QoQ
- LDR stood at 62% in Sept'13, represents 80bpts increase over that of H1'13
- Continues to maintain a well diversified and balanced loan portfolio across key economic sectors
- Efficient and liquid portfolio with 45% maturing within 90 days
- Foreign currency exposure grew from 23% of total exposure in Dec'12 to 36% of total exposure in Sept'13 as we seek to utilise and maximize yield on our dollar funding book

* Included in others are: Education, Agriculture, Capital Market, Government, Transport e.t.c

Asset Quality (N'bn)



NPL by Sector

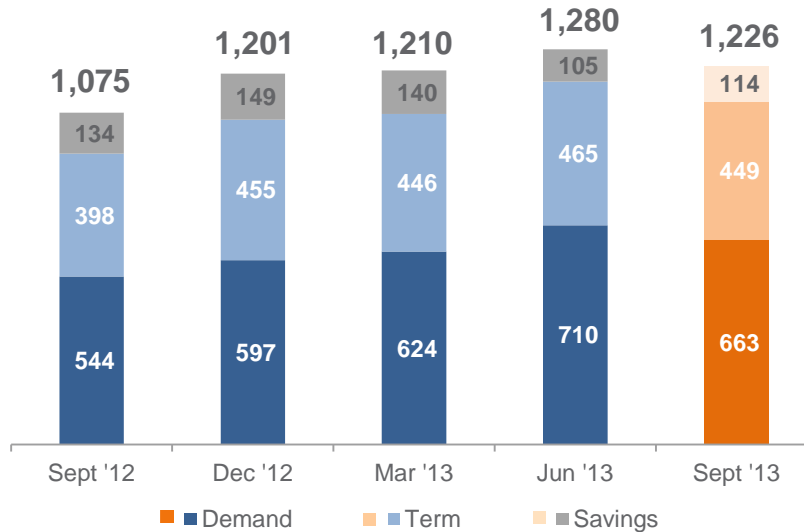


Comments

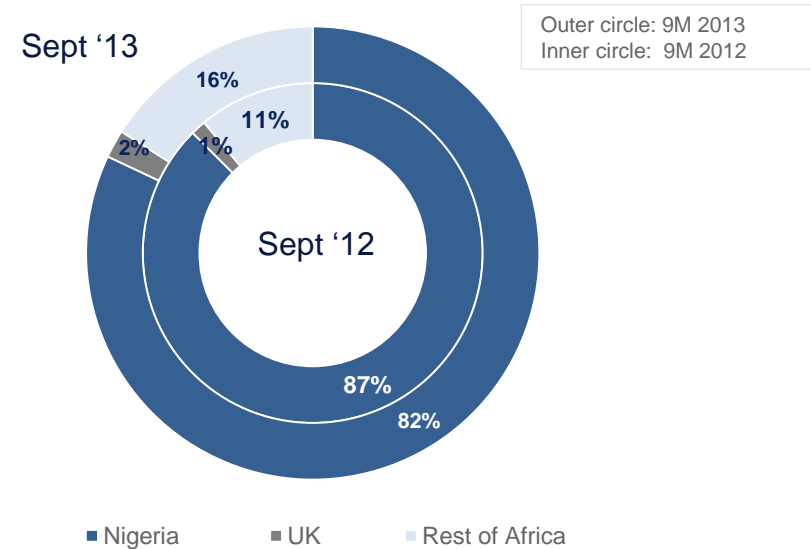
- On YoY, NPL declined from 5.32% in Dec'12 to 2.6% in Sept'13
- Key drivers for the reduction in the NPL ratio were:
 - Write-offs of fully provisioned loans
 - Successful loan recovery efforts
 - Strong loan growth of 25% YoY and 11% in the last quarter
- Coverage ratio stable at 84.3% in Sept '13. However including regulatory risk reserve of N8.4bn, coverage ratio is in excess of 100%

* Included in others are: Construction, General, Oil & Gas, Education, Agriculture etc

Customer Deposits (N'bn)



Deposits by Region

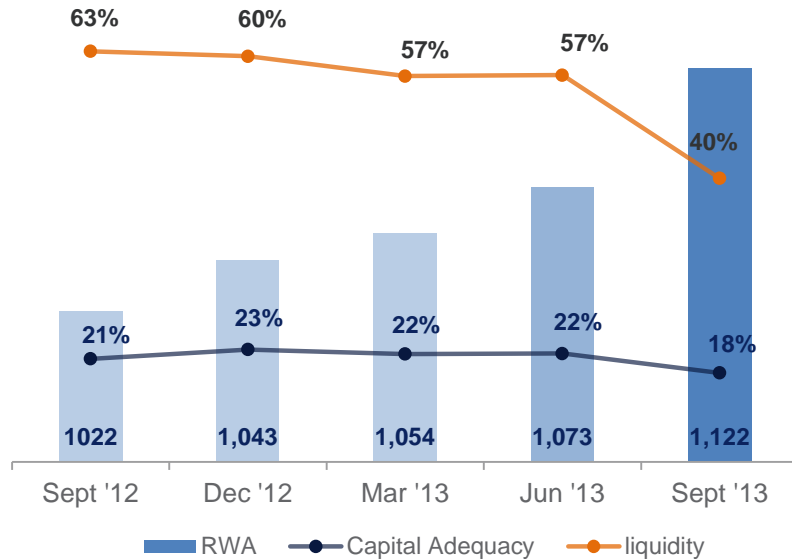


Comments

- Customer deposits increased by 2% Ytd to N1.23trn in Sept'13. Emphasis has been on replacing high cost deposits with stable low cost deposits
- CASA grew by 20bpts YTD to 64% in Sept'13 and the term deposits declined by 4%
- Strong growth in the deposits across all the subsidiaries

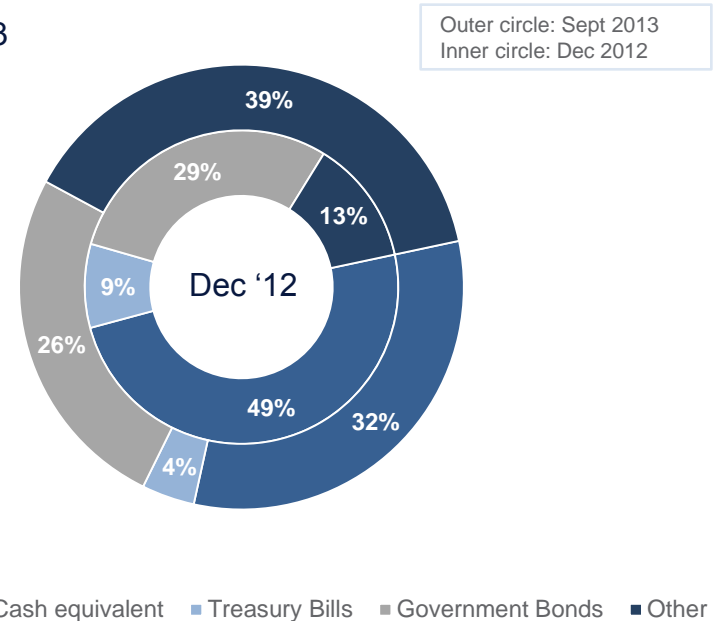
* Savings deposits account for 9% of total deposits of the Bank

Risk Weighted Assets (N'bn)



Liquid Assets

Sept '13



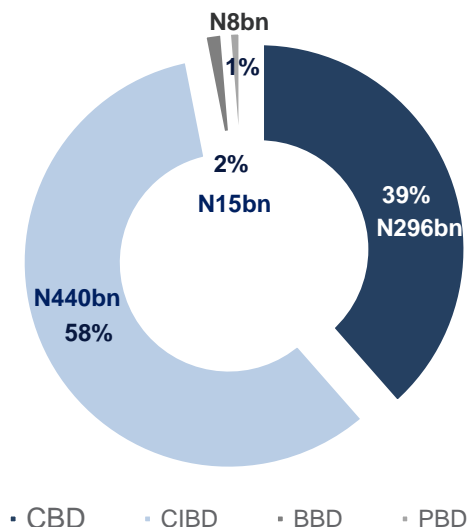
Comments

- Increased cash reserve on public sector deposits led to the reduction in liquidity ratio to 40%; a total of N70bn in additional liquidity was sterilised with the CBN
- CAR of 18% largely impacted by loan growth, WAPIC spin-off and income dividend paid in the period. We project CAR will close at 20% for the year end

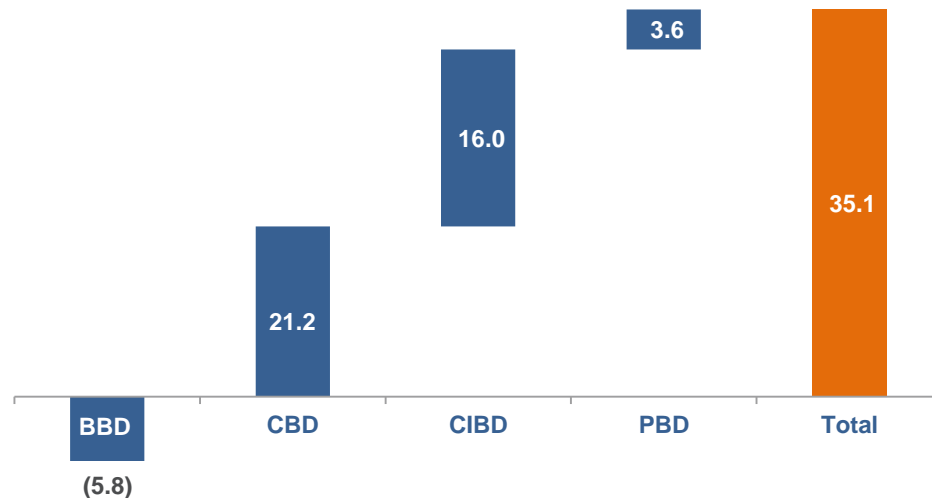
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Division	Corporate & Investment Banking	Commercial Banking	Business Banking	Personal Banking
Customer	<ul style="list-style-type: none"> • Institutional clients with an annual gross revenue of N20bn and above • Focus on key industries : oil & gas, power, • telecommunications and manufacturing 	<ul style="list-style-type: none"> • Mid-tier corporate customers with annual gross turnover > N1bn • Oriental corporates • Public Sector 	<ul style="list-style-type: none"> • Small and medium enterprises (SMEs) and Micro SMEs with <1B turnover • Oriental entrepreneurs in key sectors • 400,000 existing customers 	<ul style="list-style-type: none"> • Provides financial services to individuals (personal & inclusive segments) and private banking • Over 5 million customers with 349 branches and 1,552 ATMs
Products and Services	<ul style="list-style-type: none"> • Financial advisory • Trade finance • Treasury • Project Arranging/Lending • Asset finance • Bancassurance • Correspondent banking & settlement services 	<ul style="list-style-type: none"> • Cash management • Liquidity management • Trade finance • Advisory services • Inventory management • Automated Revenue collection & payment • Low cost asset financing 	<ul style="list-style-type: none"> • Programmed lending • Payroll management • Trade finance • Payment & Collection • Financial Advisory • Asset finance 	<ul style="list-style-type: none"> • Debit & Credit Cards • Mobile Banking • Salary accounts • Bancassurance • Savings and investment accounts • Personal loans, advances and mortgages

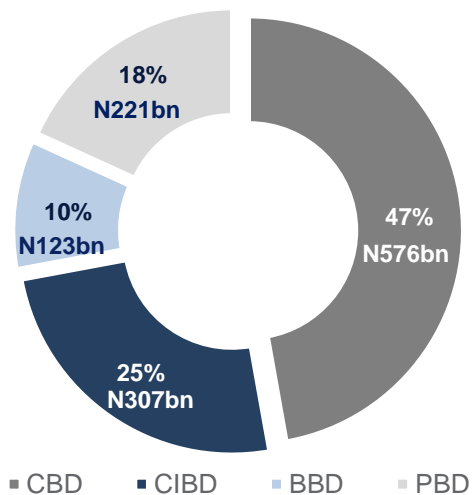
Loans & Advances



Profit Before Tax (N'bn)



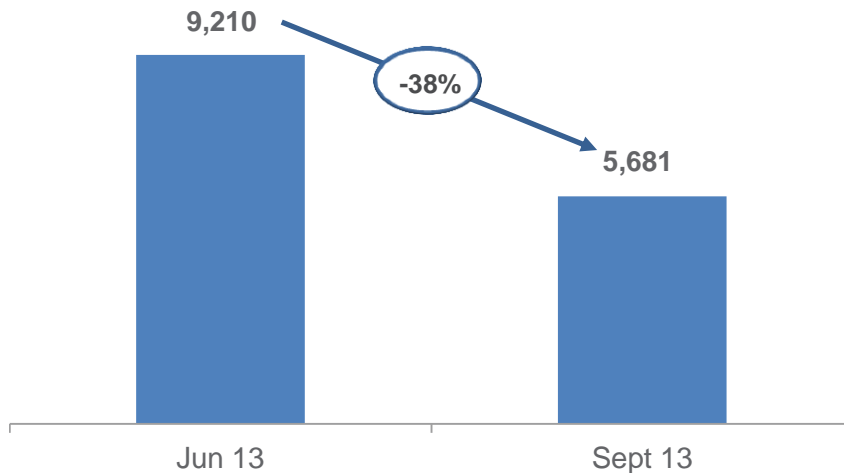
Deposits



Comments

- Strong contribution of commercial and institutional banking division to the overall profitability
- Diversified and stable sources of funding across all SBU
- BBD made a loss as the business segments has just started to gain traction

Profit Before Tax (N'bn)



Performance Review

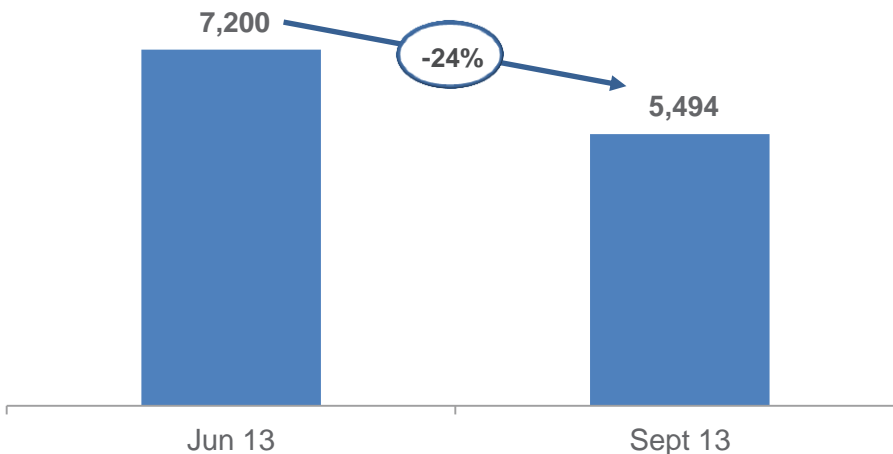
- Q2 impacted by significant write-backs
- Loan growth from Manufacturing, Oil & Gas (Mid-stream) & Telecoms
- Fees and commissions growth driven by loan growth and improved cash management solutions
- Growing traction and momentum on signing on new customers
- Asset creation in targeted sectors to low risk Corporates

Q4 Action Plan & Priorities

- Drive payment and collection through corporate internet Banking platform “primus”
- Focus on international trade, project finance and treasury management to further boost our FX Income
- Selectively focus on top end clients in strong growth sectors that contribute significantly to GDP
- Sign-on 20 additional customers in Q4'13
- Diversify clientele base across sector to reduce concentration risk in the segment

	Jun '13	Sept '13	%Δ
Deposits (N'M)	318	306	(4)
Loans (N'M)	404	440	9
Accounts sign on/Reactivation	272	273	-
Number of Deals/Mandates	1	3	200
Trade (FX) Volume	390	953	144

Profit Before Tax (N'bn)



	Jun'13	Sept'13	%Δ
Deposits (N'M)	604	578	(4.3)
Loans (N'M)	266	296	11
Accounts sign on / Reactivation	1,516	1,846	22

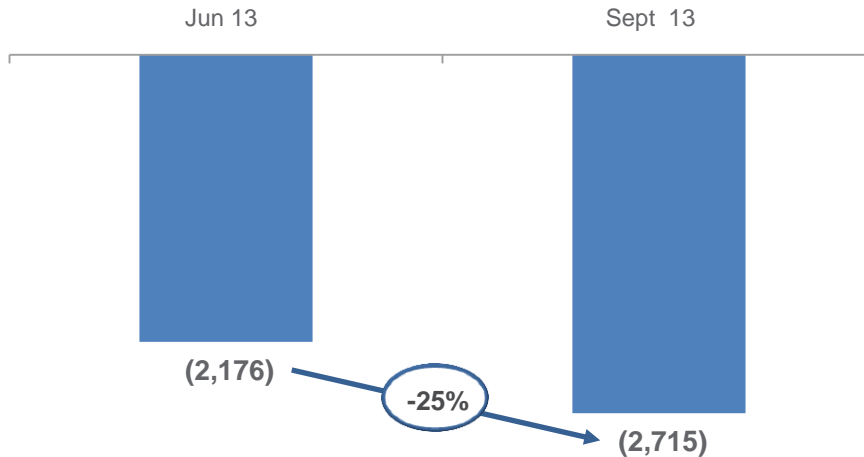
Performance Review

- Increased CRR on public sector deposits impacted the interest income in this business segment
- Strong growth in credit related fees & commissions
- Loan growth from Oil & Gas (Upstream & Mid-stream)

Q4 Action Plan and Priorities

- Strengthen sales force effectiveness
- Grow market share in Asian and Orientals markets
- Deploy the use of corporate internet banking platform for cash management
- Leverage on foreign currency balance sheet to grow high yield risk asset
- Seek out high end infrastructure/construction financing opportunities
- Drive growth in hospitality, lifestyle, schools, hospitals and hotels segments (high growth segment)
- Grow market share of indigenous and non-IOC upstream firms

Profit Before Tax (N'bn)



Performance Review

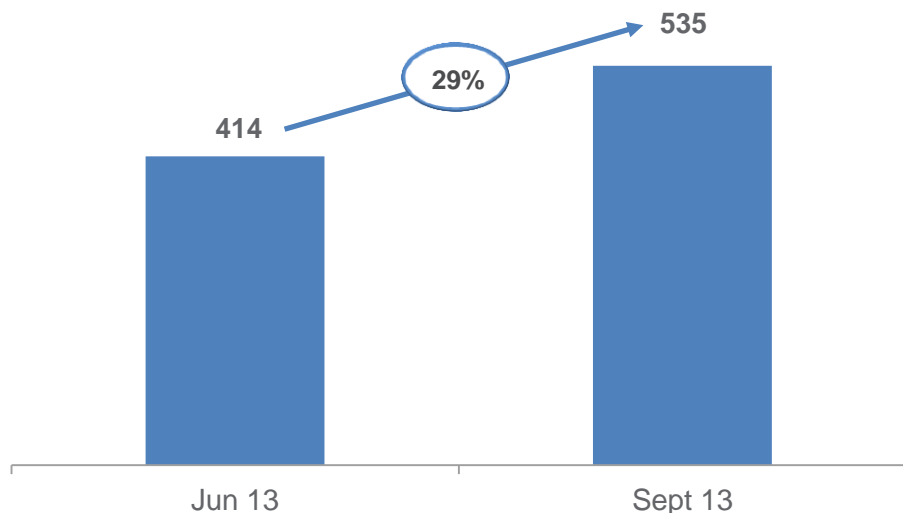
- Cautious loan growth in identified 13 market segments
- Continuing resource optimization and enhanced productivity towards improving profitability
- Disciplined implementation of go-to market strategy

Q4 Action Plan and Priorities

- Gain traction/momentum in the 13 identified market segments with visible impact on the balance sheet
- Leverage on value chain opportunities for all targeted segments
- Reactivate 80,000 accounts in Q4'13
- Improve staff productivity by strengthening the effectiveness of the Sales team

	Q2'13	Q3'13	%Δ
Deposits (N'M)	124	119	(4.2)
Loans (N'M)	13	15	15
No of POS Deployed	986	750	(24)
No of dormant account reactivated	845	9,900	1,072

Profit Before Tax (N'bn)



Performance Review

- Loan growth in the HNI & UHNI customer segments
- Expensive deposit run-off, especially in the UHNI segment, which is being replaced
- Transaction Banking income increased as customer engagement was intensified

Q4 Action Plan & Priorities

- Increase product penetration across segments
- Leverage on the value chain of top commercial and institutional clients
- Mobile banking to drive transaction activities and generate fee income
- Improve frequency of customer contact from once in 2 months to once every month
- Maintain agent call rate at 150 calls per agent per day
- Increase active Internet Banking users from 200k to 500k
- Grow salary account by additional 125k

	Jun '13	Sept '13	%Δ
Deposits (N'B)	232	222	(4.3)
Loans (N'B)	9	10	11
Account Reactivated	23,367	10,834	(116)
Salary account Mandate	2,240	3,958	78
Average Walk in Customers	18,641	19,534	4.8
Number of Cards issued	134,350	189,186	41

- >>> Overview of Access Bank
- >>> Operating Environment
- >>> Q3 2013 Financial Performance Review
- >>> SBU Financial Performance Review
- >>> **Outlook for Q4 & 2014**

Now – 2014

Clear actions to position us to stronger earnings

- Enhancing sales force effectiveness by refining our sales methods and services to meet market needs
- Leveraging our evolving technology platforms and corporate value chain to drive significant collections growth
- Relationship management targeted at growing share of the Retail value chain
- Acquisition of majority share of the oriental market space, increasing income by leveraging Asia - Africa trade
- Transforming customer experience around channels to best-in-class and enhance customer loyalty levels
- Maintaining loan growth momentum by developing target asset products across all business segments

2015+

Focusing on key performance indicators (Access 1,2,3)

- Drive profitability by growing wallet share of top 300 corporates in Nigeria and their value chain
- Achieve market leadership in customer service and satisfaction both among the retail and corporate customers
- Re-activate dormant customers and increase transaction on their accounts
- Attain top 3 ranking in Banking Industry Customer Satisfaction rating across all segments
- Drive deposits retention by focusing on account opening along customer value chain
- Extend credit to cover SME segment of the value chain of selected corporate & commercial banking customers

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