

ACCESS BANK PLC

Q3 2014 Results Presentation to
Investors & Analysts

October 2014



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Outline

- **Overview of Access Bank**
- Operating Environment
- Q3 2014 Financial Performance Review
- SBU Financial Performance Review
- Strategy & Outlook for Q4 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 1 Rep Office in China	Number of Employees 3,358 Professional staff
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Channels		
366 Branches	1,045 ATMs	14,097 POS

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

Listings
 Nigerian Stock Exchange
 London Stock Exchange

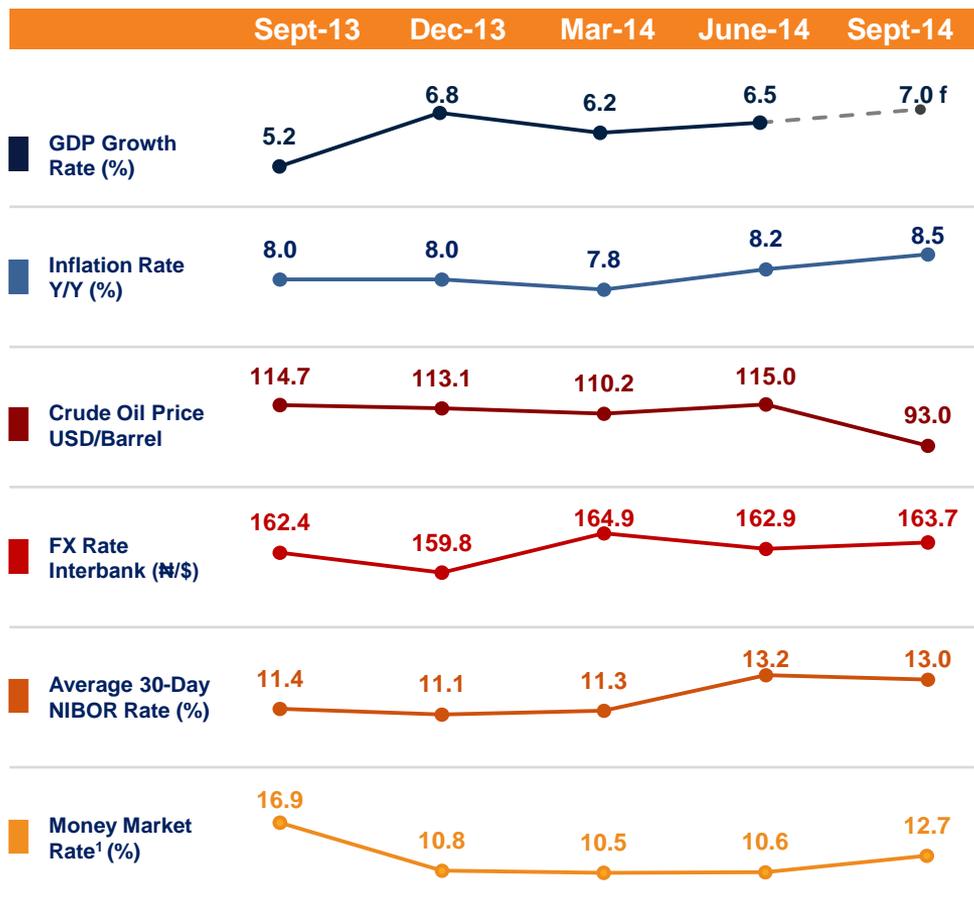
Credit Rating nga	
STANDARD & POOR'S <small>RATINGS SERVICES</small>	AA-
FitchRatings	A-
<i>Agusto & Co</i>	A+
GCR	A+

Awards & Recognition				
 Best Credit Card Product Award 2014	 Risk Management Award 2013	 African Banker's Award 2013	 M&A Winner in Africa 2012	 FT/IFC Sustainable Bank of the Year 2011

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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, Trading Economics, BMI

The Nigerian Economy

- GDP increased to 6.54% in Q2'14, from 6.21% in Q1'14. The economy is projected to grow by 6.96% in Q3'14, with significant contributions from the telecoms and manufacturing sectors
- Headline inflation increased for the sixth consecutive month to 8.5% in August 2014, from 8.2% in Q1'14. The increase was largely driven by higher food prices
- Average Bonny Light oil price declined to \$93/barrel from \$115/barrel in Sept. Drop in crude oil price is due to supply glut in the international market
- Naira depreciated by 1% at the interbank market to ₦163.7/\$ driven largely by increasing demand in the face decreasing FX reserves.

Banking Industry

- AMCON sold 2 of the 3 nationalized banks to successful bidders
- Parallel Run of Basel II capital computation to commence in October 2014
- ATM cash withdrawal transactions fees was introduced on remote on us to reduce cost burden on banks
- CBN announced the establishment of N300 Billion Power and Aviation Intervention Fund to catalyze financing of the Power sector

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Key Messages

Improvement across key financial metrics

- Performance indicators improved across key metrics
- Margin improvement as NIM increased by 60bps from 6.3% to 6.9% y/y and 60bps increase in q/q to 7.5%

Strong earnings growth

- Gross earnings increased y/y by 17% to N182bn (9M '13: N155bn) driven by a 20% growth in interest income to N132bn and 11% increase in non-interest income to N50bn

Improving cost efficiency

- Cost to Income Ratio (CIR) improved significantly to 61.2% in 9M'14 from 75% in 9M'13
- Improvement in CIR was largely driven by revenue uplift and cost optimisation

Strong loan growth

- Strong loan growth of 33% YTD to N1.1trn 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 9M'14
- Continually reviewing portfolio quality whilst seeking to optimize growth in risk assets in target sectors

Maximizing shareholder value

- ROE increased notably by 310bps to 18.7% in 9M14 (9M '13: N15.6%) anchored on strong credit growth, margin improvements and effective management of operating expense
- Improved profitability and operational efficiency reflected in Earnings per Share which increased by 30% to 157k in the period

Key Performance Highlights

1

Profitability

	Sept '14	Sept '13	%Δ
Gross Earnings (N'm)	181,797	155,026	17
Operating Income (N'm)	125,578	104,143	21
Impairment Charges(N'm)	(6,959)	8,679	
PBT (N'm)	42,156	35,087	20
EPS (kobo)	157	121	30

2

Balance Sheet

	Sept '14	FY'13	%Δ
Total Assets (N'bn)	2,075	1,835	13
Shareholders' Funds (N'bn)	265	244	8
Customers' Deposits (N'bn)	1,479	1,331	11
Loans & Advances (N'bn)	1,080	811	33

3

Prudential & Performance Ratios

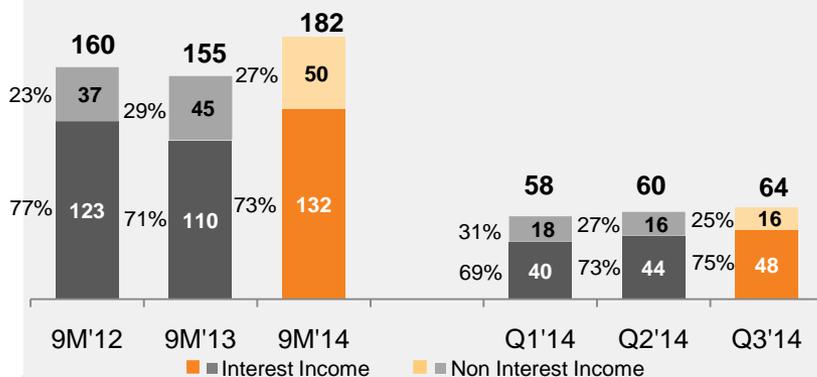
	Sept '14	FY'13	Δ
Capital Adequacy (%)	19.9	20.0	-0.1
Liquidity Ratio (%)	33.5	41.4	-7.9
Loans to Deposit (%)	73.0	60.9	+12.0
After tax ROAE (%)	18.7	15.4	+3.3
Cost to Income (%)	61.2	75.2	+14

Statement of Comprehensive Income

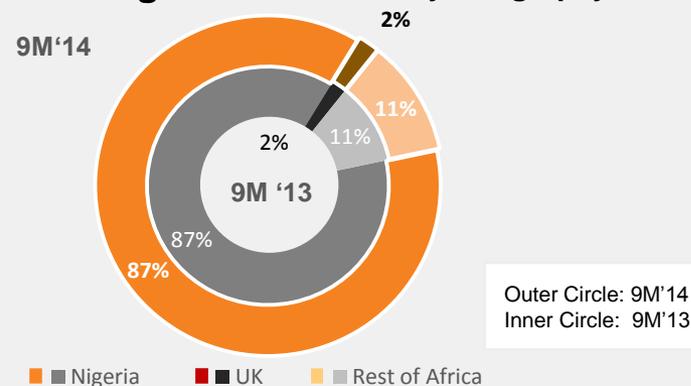
Underlying in N'M	9M'14	9M'13	Y/Y %Δ	Q3'14	Q2'14	Q3/Q2 %Δ	Comments
Gross Earnings	181,797	155,027	17	63,867	60,606	5	<ul style="list-style-type: none"> ➤ Gross earnings increased y/y by 17% to N182bn (9M'13: N155bn)
Interest Income	131,724	109,911	20	48,147	43,949	10	<ul style="list-style-type: none"> ➤ Interest income increased by 20% y/y to N131.7bn largely driven by loan growth
Interest Expense	55,779	50,283	11	20,944	19,606	7	<ul style="list-style-type: none"> ➤ Interest expense increased by 11% to N58bn reflecting the impact of the subordinated tier II note on the bank's funding cost in 2014
Net Interest Income	75,945	59,628	27	27,203	24,343	12	<ul style="list-style-type: none"> ➤ Non-interest income grew by 11% to N50bn driven by FX income, dividend income, credit related fees and commission and transaction banking income
Non-Interest Income	49,633	44,516	11	15,593	16,400	(5)	
Operating Income	125,578	104,144	21	42,796	40,743	5	<ul style="list-style-type: none"> ➤ Operating income increased significantly by 21% to N126bn in 9M'14 resulting from strong contribution of interest income and non interest income
Impairment Charges	(6,959)	8,679	(180)	(3,453)	(1,992)	73	
Operating Expenses	76,874	78,336	(2)	24,414	25,311	(4)	
Profit Before Tax	42,156	35,087	20	15,039	13,688	10	<ul style="list-style-type: none"> ➤ 20% growth in PBT in the period limited by one-off impairment write back of N8.7bn in corresponding period of 2013
Profit for the period	35,833	27,719	29	12,760	9,644	16	

Revenue

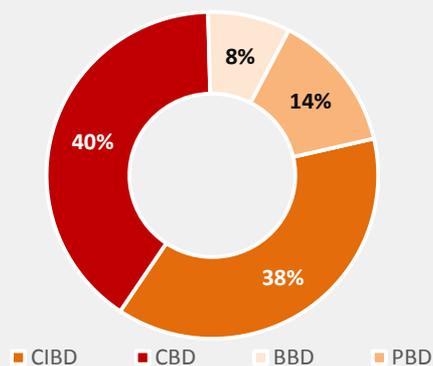
Gross Earnings Y/Y (N'bn)



Gross Earnings Distribution by Geography



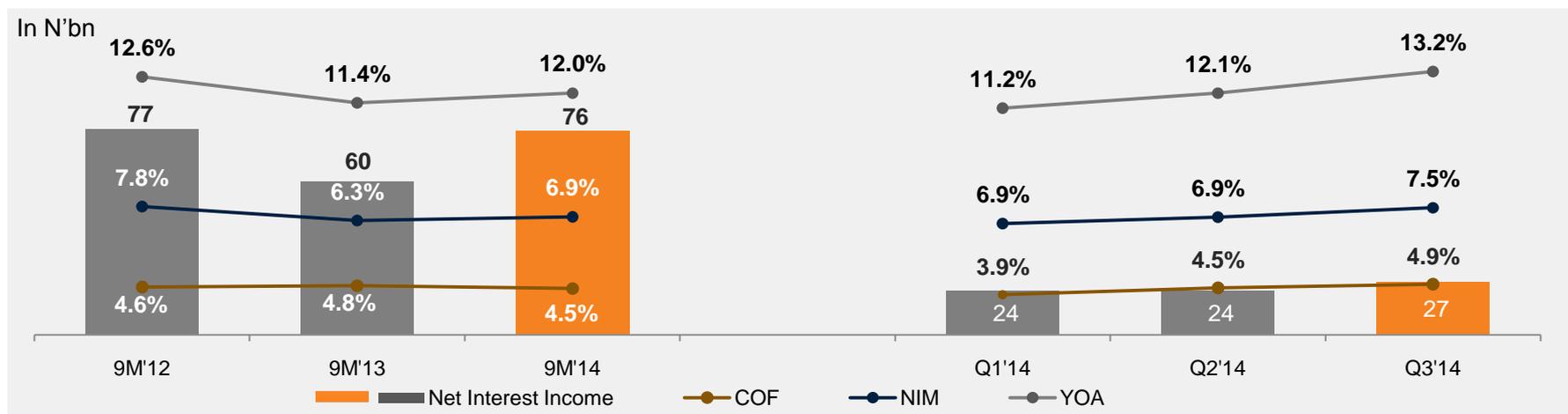
Gross Earnings Distribution by Business Segment



Comments

- Gross earnings grew by 17% y/y to N182bn in 9M'14 (9M'13: N155.0bn)
- Key drivers:
 - Interest income accounted for 73% (9M'13 : 71%) of gross earnings while non interest income contributed 27% of gross earnings (9M'13: 29%)
 - Improved contribution of personal and business banking segment reflecting the bank's growth momentum in the retail and SME segments
- Diversified revenue generation across all subsidiaries

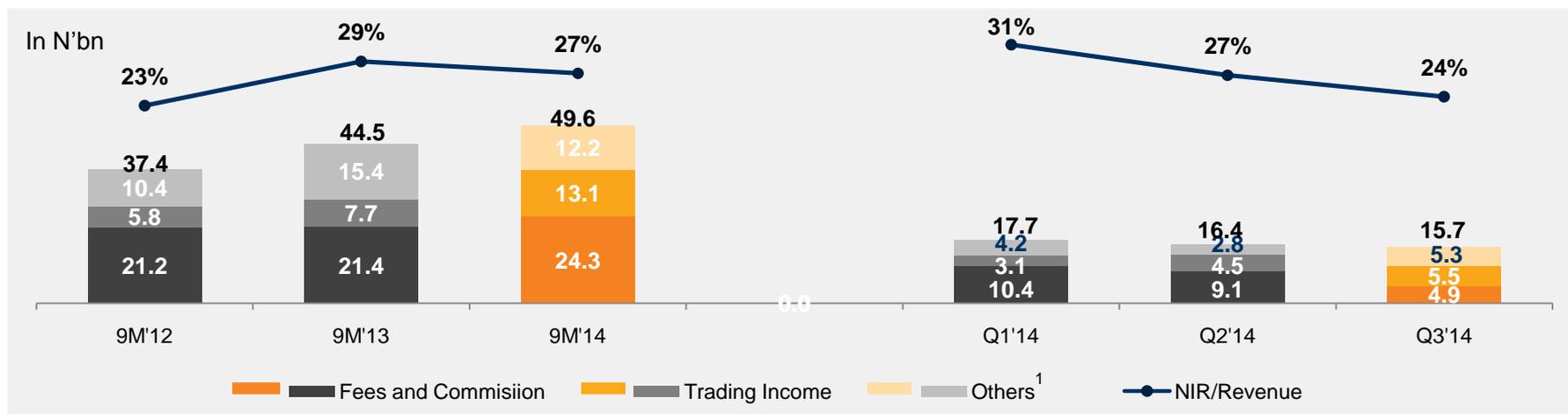
Net Interest Income



Comments

- Net interest income increased by 27% to N75.9bn y/y and by 12% to N27bn in Q3'14
- Margin improvement as NIM increased by 60bps from 6.3% to 6.9% y/y and increase 60bps q/q to 7.5%
- Key drivers y/y:
 - Strong loan growth to obligors in Bank's approved sectors
 - 30bps decline in the funding cost y/y due to continued replacement of expensive funds with low cost deposits
- Yield on Assets (YOA) improved by 60bps y/y to 12% in 9M'14 benefitting from asset re-pricing
- Cost of Funds (COF) reduced by 30bps y/y to 4.5% in Sept '14 but increased 40bps q/q to 4.9%

Non-interest Income

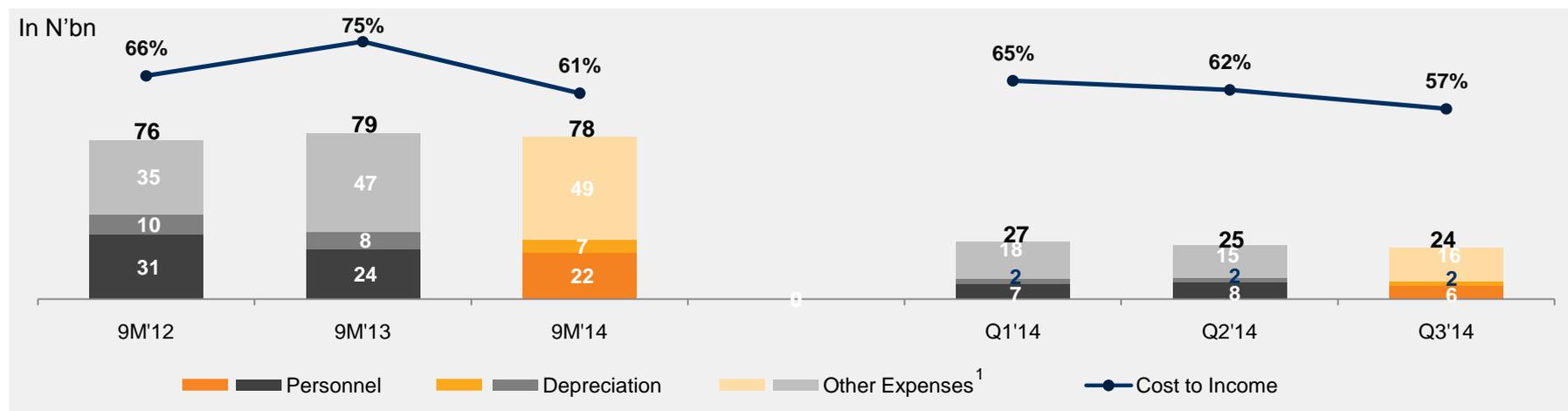


Comments

- Non-interest income increased by 11% y/y to N49.6bn in 9M'14 but declined marginally by 5% q/q to N15.7bn in Sept'14 reflecting the impact of non recurring dividend income recognised in Q2'14
- 11% growth in non-interest income y/y was driven by:
 - Dividend income
 - FX income
 - Significant increase in income from credit related fees and commission on the back of strong loan growth

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



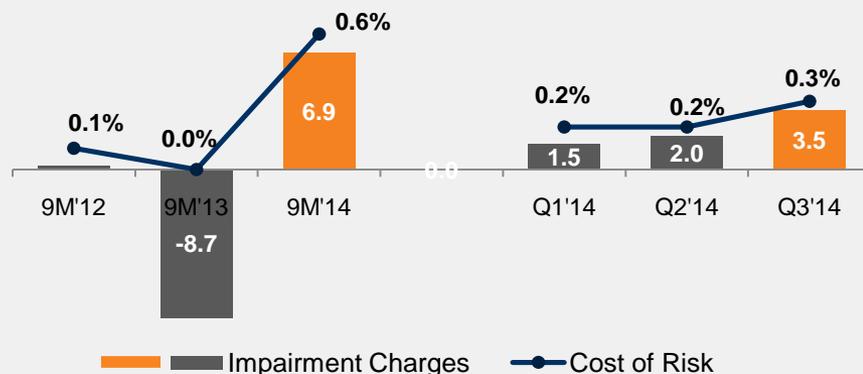
Comments

- Significant improvement in the Cost to Income Ratio (CIR) from 75% in 9M'14 to 61% y/y largely driven by revenue uplift and cost efficiency
- Quarter on Quarter reduction in absolute cost to income ratio from 62% in Q2'14 to 57% in Q3'14
- Improved Cost to Income Ratio reflects benefits of cost management initiatives and improved earnings
- The bank will continue to optimize resource base while growing revenue

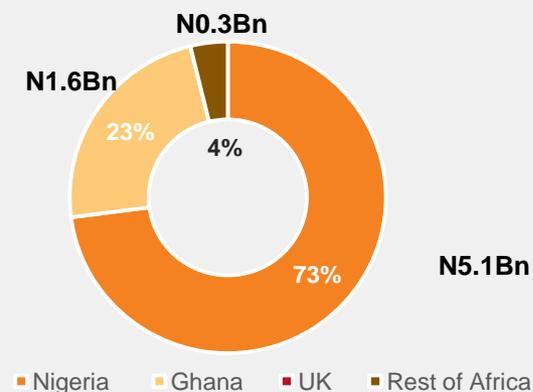
1. Other operating expense includes: Professional fees, Insurance, General administrative expenses, Other premises and equipment costs etc

Impairment Analysis

Impairment charges & Cost of Risk



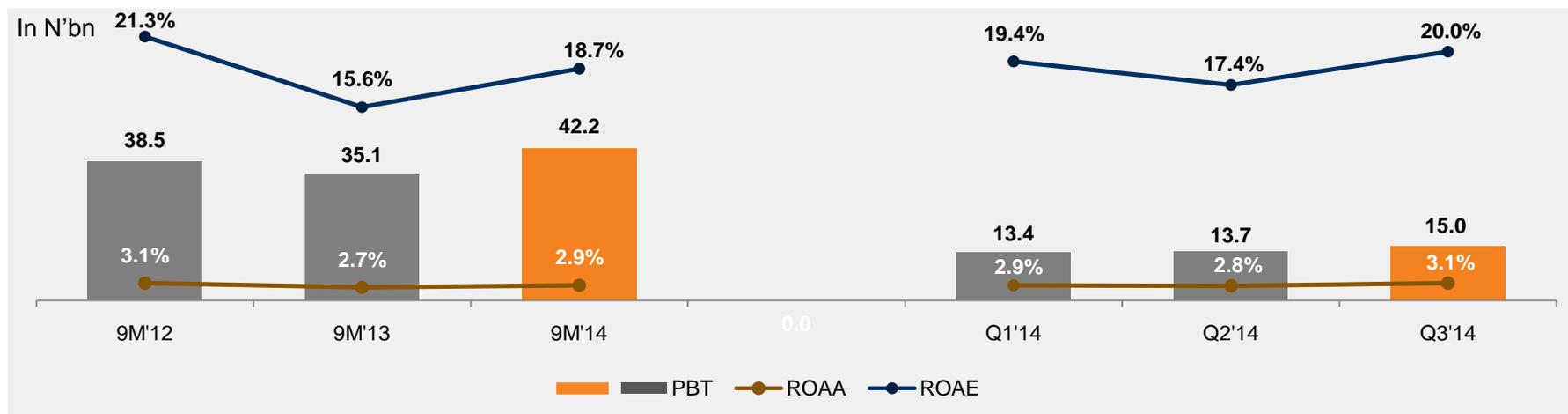
Breakdown of Impairment by region



Comments

- Impairment charges increased to N6.9bn in 9M'14 y/y and N3.5bn q/q
- The Bank deliberately strengthened its loan impairment charges on its customers as a safeguard against deterioration in their operating environment
- Cost of risk increased to 0.6% in 9M'14 and increased by 10bps to 0.3% q/q
- Adequate measures are in place to effectively monitor and improve quality of risk assets

Profitability & Efficiency



Comments

- PBT increased by 20% y/y to N42.2bn and 10% q/q to N15bn. Growth in PBT was limited by one-off write back of N8.7bn in corresponding period of 2013
- Growth drivers:
 - 20% growth in interest income driven by significant growth in loans and advances in the period
 - Growth in non interest income due to increase in credit related fees and commission, foreign exchange income and Dividend income
 - 2% reduction in the operating expenses in the period
- ROE improved by 30 bps to 18.7% y/y and further increase q/q to 20.0% in Q3'14

Group Statement of Financial Position

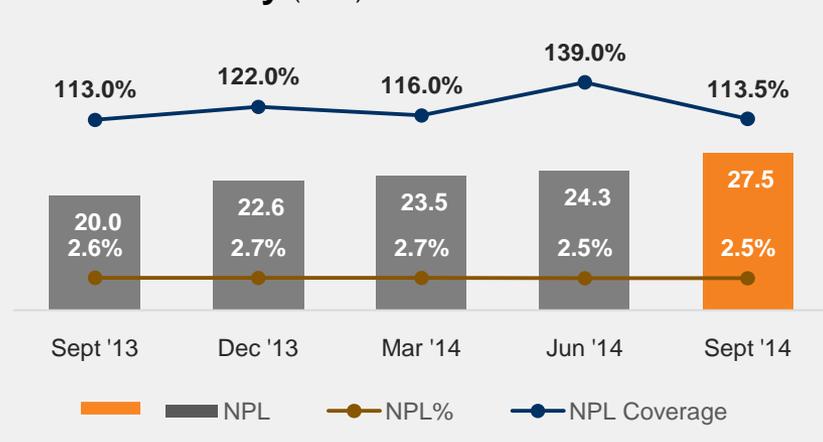
Underlying in N'B	9M'14	H1'14	FY'13	9M'13	QoQ %Δ	YTD %Δ	Comments
Cash and Cash Equivalents	414	538	439	168	(23)	(6)	<ul style="list-style-type: none"> ➤ Loan growth of 33% YTD largely due to high quality Corporate and Commercial customers in target sectors of the economy ➤ 54% growth in trading and pledged assets ➤ Investment securities declined by 21% YTD due to the maturity of significant portion of the HTM financial assets ➤ Growth in customer deposits of 11% YTD driven by improved customer engagement ➤ Interest bearing loans grew by 46% YTD as a result of subordinated bond issuance in July 2014
Trading & Pledged Assets	104	101	67	45	3	54	
Loans & Advances	1,080	949	811	760	14	33	
Investment Securities	278	273	354	382	2	(21)	
Fixed Assets & Intangibles	68	72	71	70	(5)	(4)	
Deferred Tax Assets	11	11	11	8	0	2	
Other Assets	120	100	82	267	19	45	
Total Assets	2,075	2,044	1,835	1,701	2	13	
Deposits from Banks	116	93	72	70	25	60	
Deposits from Customers	1,479	1,451	1,331	1,226	2	11	
Interest Bearing loan	176	181	120	105	(3)	46	
Other liabilities	39	60	67	67	(35)	(43)	
Total Liabilities	1,809	1,785	1,591	1,468	1	14	
Equity	265	259	244	232	2	8	
Total Equity & Liabilities	2,075	2,044	1,835	1,701	2	13	

Asset Quality

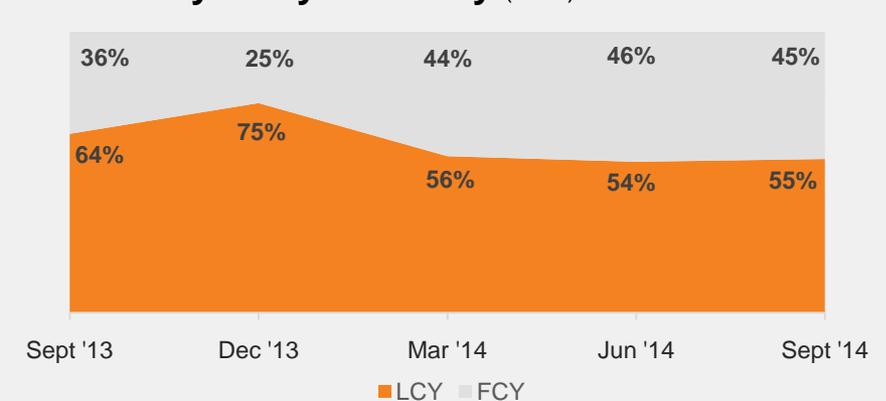
Loan & Advances (N'bn)



Assets Quality (N'bn)



Loan Analysis by Currency (N'bn)

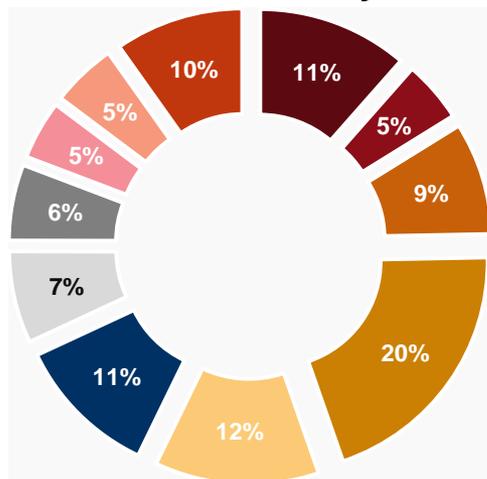


Comments

- Consistent improvement in overall loan portfolio as the bank's loan book grew by 33% YTD to N1.1trn in Sept'14 in line with approved plan
- Loan growth was driven by foreign currency lending to high quality obligors with dollar receivables, thus mitigating exchange rate risk
- LDR increased to 73% in the period a bid to optimise the balance sheet
- Sustained reduction in NPL ratio to 2.5% driven by the bank's enhanced risk management
- Key drivers for the NPL ratio were:
 - Strong loan growth to quality obligors
 - Enhanced monitoring of facility performance

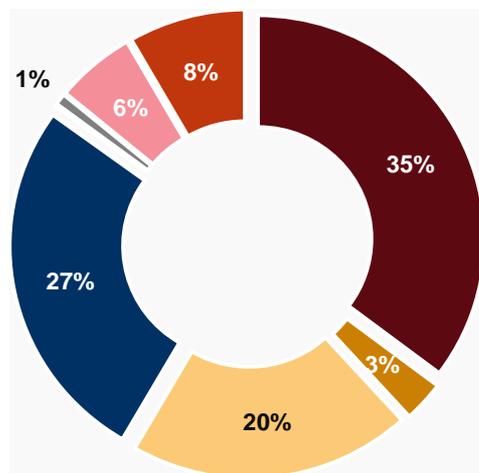
Assets Diversification and Quality

Loan distribution by Sector



- Oil & Gas – Downstream
- Oil & Gas – Upstream
- Oil & Gas – Services
- Manufacturing
- General Commerce
- Information & Communication
- Government
- Real Estate Activities
- Construction
- Finance & Insurance
- Others¹

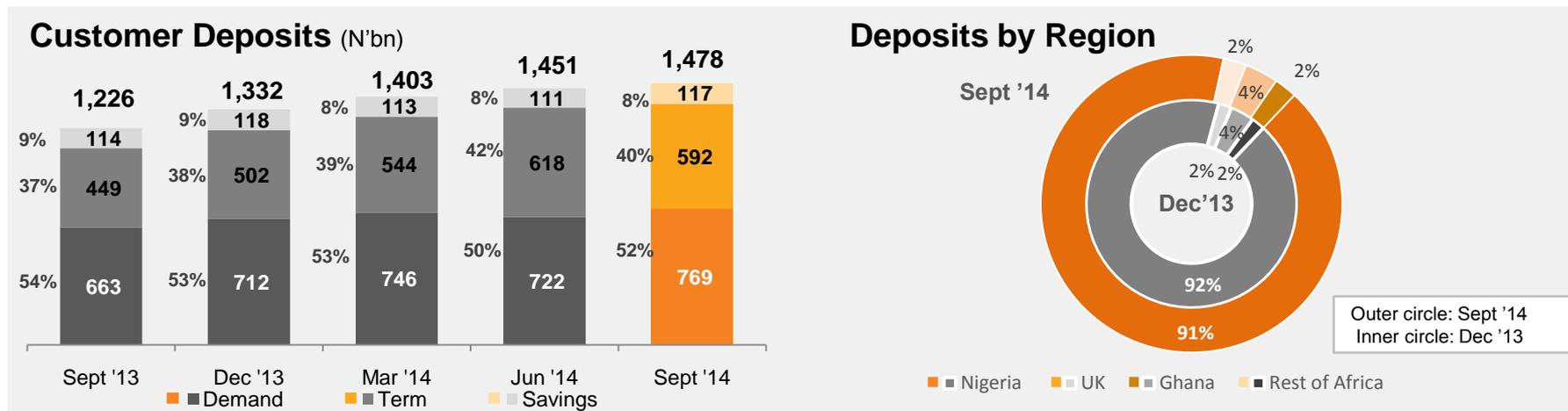
NPL distribution by Sector



Sector	Loans		NPL		Comments
	Sept'14	Dec'13	Sept'14	Dec'13	
Oil & Gas – Downstream	11.4%	17.8%	35.3%	29.8%	<ul style="list-style-type: none"> ➤ The Bank grew its risk assets to obligors in approved sectors resulting in a well diversified portfolio ➤ NPL reduced to 2.5% in Sept'14. Top 3 sectors contributing to NPL are Oil & Gas downstream, Information & Communication and General Commerce ➤ Significant reduction in exposure to Oil & Gas downstream from 17.8% in FY'13 to 11.4% in Sept'14 ➤ The Bank remained focus on continuous mitigation of the exposure to unforeseen shocks by prioritising asset quality through our diligent and systematic approach to risk management
Oil & Gas – Upstream	4.7%	3.9%	-	-	
Oil & Gas – Services	8.6%	6.0%	-	-	
Manufacturing	20.0%	19.2%	3.0%	3.5%	
General Commerce	12.4%	13.5%	20.2%	19.5%	
Information & Communication	10.9%	9.7%	26.6%	29.4%	
Government	7.0%	7.8%	0.2%	-	
Real Estate Activities	5.8%	6.3%	0.8%	1.4%	
Construction	4.5%	3.4%	5.7%	7.4%	
Finance & Insurance	4.9%	4.5%	0.0%	0.1%	
Others	9.7%	7.9%	8.3%	8.9%	

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

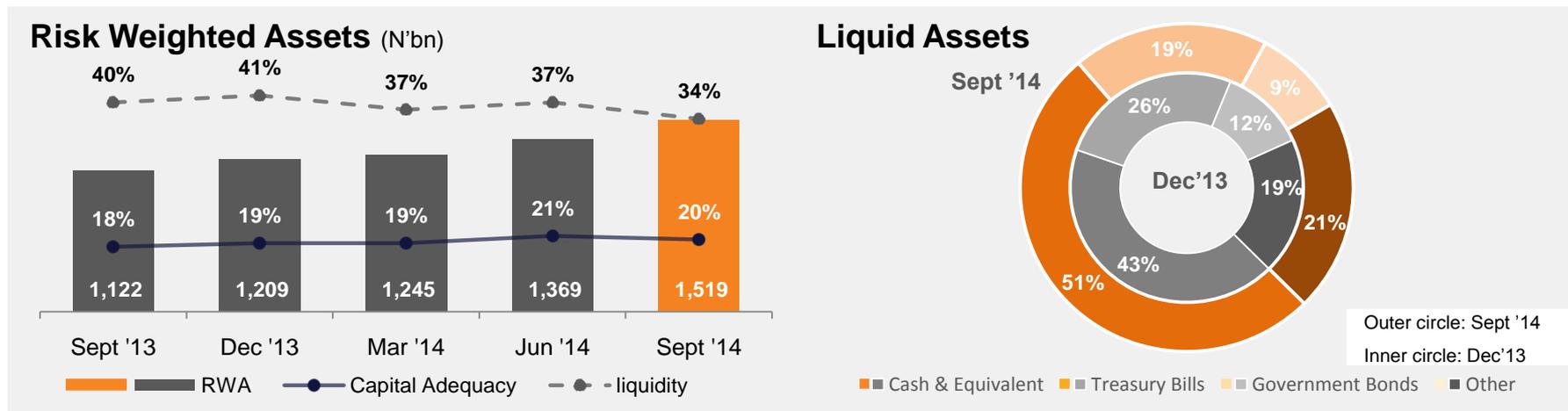
Deposit Mix



Comments

- Customer deposits increased by 11% YTD to N1.48trn in Sept'14 with low cost deposits constituting 60% of the total customer deposits in 9M'14 relative to 58% low cost deposits in June'14
- Key drivers:
 - Growth in deposits primarily due to the enhanced segmentation and engagement strategy execution
 - Improved engagement of the retail & SME segments of the value chain
 - Low cost deposits from our personal banking business
- Desired deposits growth has been slow to come through in 2014, we have taken steps to accelerate sustainable low cost deposits growth in the last quarter to reduce overall cost of funding

Capital Base



Comments

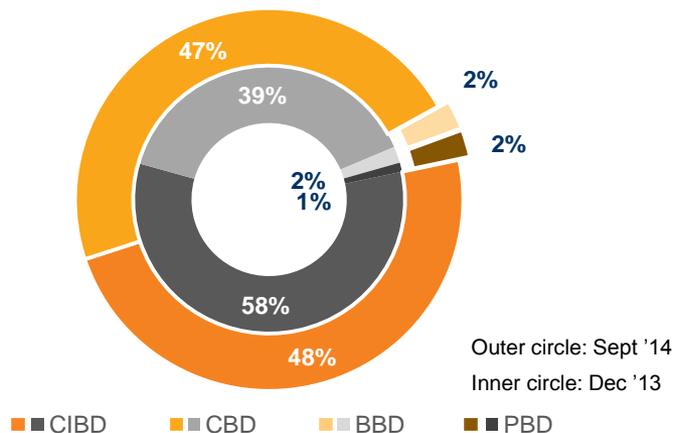
- Capital Adequacy Ratio (CAR) reduced by 10bps due to the significant loan growth and interim dividend paid in the period
- Risk Weighted Assets (RWA) grew by 12.1% to N1.53trillion YTD reflecting our deliberate approach to optimise the balance sheet
- The Bank seeks to enhance the core capital adequacy through the proposed rights issues and increased profit retention to support growth

Outline

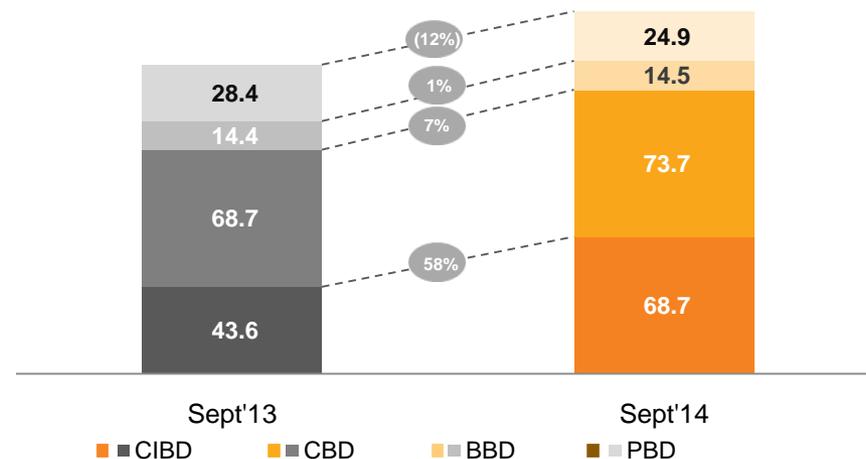
- Overview of Access Bank
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- **SBU Financial Performance Review**
- Strategy & Outlook for H2 2014

Contribution from Business Segments

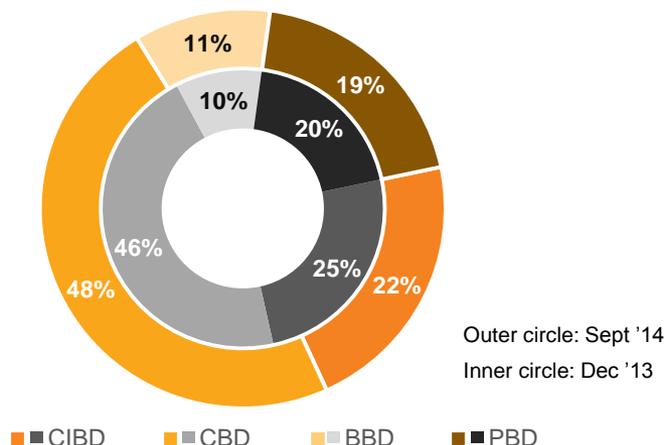
Loans and Advances (N'bn)



Revenue (N'bn)



Customers Deposit (N'bn)



Comments

- Strong contribution of Commercial and Corporate & Investment banking segments to the overall profitability
- Diversified funding base across business segments
- Improved customer engagement and portfolio of innovative products to drive retail growth
- Continue to gain traction in both our PBD and BBD with increased customer sign on and business volumes

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Rationale for Raising Capital

Access Bank's Growth Strategy



- Become the World's Most Respected African Bank
- Achieve top 3 ranking in chosen markets



- Expanded and diversified retail deposit base
- Deployment of analytics and behavioral segmentation to prioritize customer needs



- Build quality of loan book after integration
- Sustained and disciplined growth in chosen markets



- Continued extension of our Value Chain Strategy leveraging on a strong technology base

Rights Issue

Enhance Capital Strength

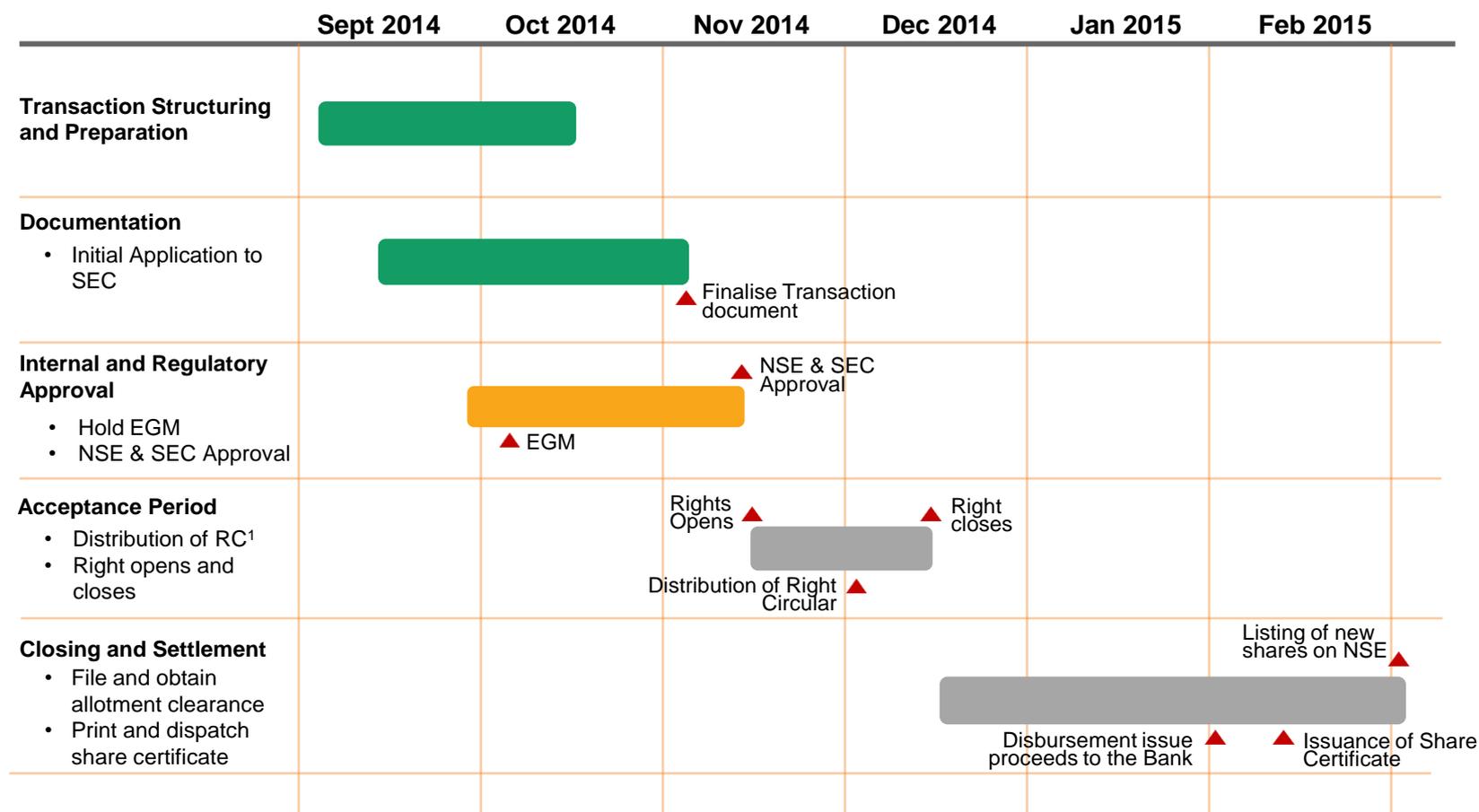
- Comprehensively strengthening capital ratios for the longer term
- Maintain moderate risk appetite while proceeding on a growth trajectory
- Allow for growth initiatives in targeted sectors
- Enhance ability to capitalize on future opportunities
- Support the Bank's credit ratings
- Build a strong buffer to regulatory requirements

Delivering superior shareholder value requires the enhancement of our tier 1 capital

Terms of the rights issue

Issuer	<ul style="list-style-type: none"> ➤ Access Bank PLC
Use of Proceeds	<ul style="list-style-type: none"> ➤ The funds raised will be used to upgrade the Bank's information technology platforms and branch network to enable it provide better service and further improve the working environment as well as improve its distribution channel infrastructure to enable it provide more efficient services to clients. The funds will also be used to augment the Bank's working capital and support risk assets growth
Now being issued	<ul style="list-style-type: none"> ➤ Offer size of 7,640,449,438 (Seven billion, Six hundred and Forty million, Four hundred and Forty Nine thousand, Four hundred and Thirty Eight) ordinary shares of 50 kobo each
Issue Size	<ul style="list-style-type: none"> ➤ N68 billion
Method of Issue	<ul style="list-style-type: none"> ➤ By way of rights to existing shareholders
Provisional Allotment	<ul style="list-style-type: none"> ➤ One (1) ordinary share for every three (3) fully paid ordinary shares held by shareholders of the Bank.
Issue Price per Share	<ul style="list-style-type: none"> ➤ N8.90
Discount to Book Value	<ul style="list-style-type: none"> ➤ 21.4%
Payment	<ul style="list-style-type: none"> ➤ In full acceptance
Underwriting	<ul style="list-style-type: none"> ➤ At the instance of the issuer, this issue is not underwritten

Indicative milestones & timelines



Legend

- ▲ Milestones
- Completed Activities
- Activities commenced
- Yet to commence

1. RC – Rights Circular

Strategy & Outlook for Q4'14

Implementation of capital plan

- Implementation of the Bank's capital plan to enhance growth
- Tier 1 capital raise through a rights issue

Sustainable build-up of low cost deposits

- Improve engagement with existing customers and continue to acquire customers in target segments
- Improve salesforce effectiveness and deploy staff to branches

Processes and cost efficiency improvement

- Enhance current cost containment gains across procurement and general operations
- Optimise processes to transform service delivery and reduce operating cost

Customer experience improvement

- Expand channel capabilities to provide real time access to banking seamlessly across channels
- Extend universe of services offered to match customer segmentation profiles

Digital ecosystem enhancement

- Extend the value proposition of digital banking to our customers by leveraging current data capabilities
- Enhance capabilities around pricing, risk decisions and customised solutions while becoming digitally closer to our customers

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