

# »» ACCESS BANK PLC

Group Audited Results

6 Months Ended June 2010

**Presentation to Investors and Analysts**

August 26 2010

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## »»» Agenda

- »»» Operating Environment
- »»» Access Bank Overview
- »»» Performance Review
- »»» Update on Risk Management
- »»» Group Strategy & Outlook

## ➤➤➤ Nigerian Economy (Q2 2010)

STABLE, HOWEVER A FEW PRESSURE POINTS AND POLICY CHALLENGES

KEY ECONOMIC INDICES			
VARIABLE	2010 Q1	2010 Q2	2010 Q3 (est.)
GDP (%)	7.23	7.68	7.76
Inflation: Headline (%)	11.8	11.0	12.78
Exchange Rate (\$/N)	148.30	148.50	148.70
Foreign Reserves (\$'bn)	40.68	37.42	36.12
90 Days Treasury bill (%)	1.02	2.47	2.16
MPR (%)	6	6	6
Oil Price [\$pb] (EIA)	80.83	79.03	77.04

### ➤➤➤ Pressure Points:

- ❖ Inflation – Rebasing and re-weighting of the consumer price index to give a more accurate measure of inflation.
- ❖ Tight credit conditions in the economy.
- ❖ High demand for FGN bond and possible market bubbles.

### ➤➤➤ Challenges for monetary and credit policy in the next two quarters include:

- ❖ Providing adequate incentives for banks to lend surplus funds to the real sector.
- ❖ Preventing reoccurrence of inter-bank volatility.
- ❖ Sustaining exchange rate stability.
- ❖ Avoiding the incidence of a FGN bond market bubble.








## ➤➤➤ Other African Economies

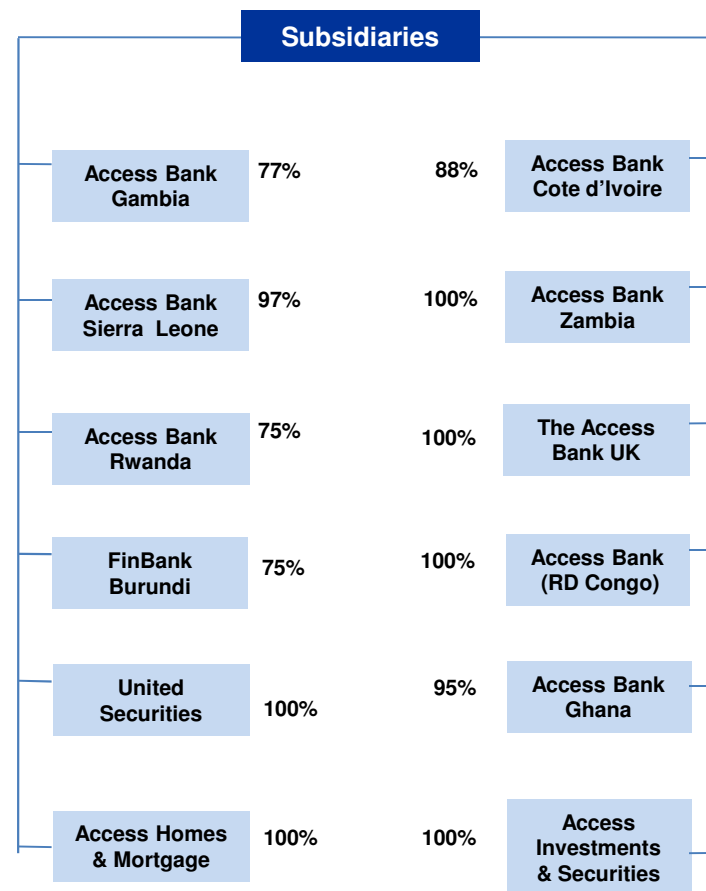
S/N	COUNTRY	OPERATING ENVIRONMENT	PRESSURE POINTS
1	Burundi	<ul style="list-style-type: none"> <li>• <b>Relatively stable macroeconomic environment</b></li> <li>– GDP growth rate at 3.9% in 2010; Inflation rate at 7.4% in April 2010</li> <li>– MPR: 14% in Aug 2010; Exchange rate: Depreciated by 0.04% from 1,230.65BIF/\$ in August 2009 to 1,230.90BIF/\$ in August 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Elections</li> <li>• Commodity prices</li> <li>• Corruption</li> <li>• Governance</li> <li>• Fiscal Deficits</li> </ul>
2	Cote d'Ivoire	<ul style="list-style-type: none"> <li>• <b>Slight decline in economic activity</b></li> <li>– GDP growth rate at 3.3% in 2010; Inflation rate at 2% in August 2010.</li> <li>– MPR currently at 3.29%; Exchange rate appreciated by 5.6% from 542CFA/\$ in June 2010 to 513CFA/\$ in August 2010.</li> </ul>	
3	Congo DR	<ul style="list-style-type: none"> <li>• <b>Positive developments; macro environment generally stable</b></li> <li>– GDP growth rate at 5.2% in 2010; Inflation rate at 6.75% in August 2010</li> <li>– MPR currently at 22%; Exchange rate depreciated from 900.5CDF/\$ in May 2010 to 901.4CDF/\$ in August 2010.</li> </ul>	
4	Gambia	<ul style="list-style-type: none"> <li>• <b>Relatively stable economic activity</b></li> <li>– GDP growth rate at 5% in 2010; Inflation rate currently at 4.5%</li> <li>– MPR at 14%; Exchange rate depreciated from D26.94/US\$ in January 2010 to D28.73/US\$ in August 2010.</li> </ul>	
5	Ghana	<ul style="list-style-type: none"> <li>• <b>The economy showed signs of strain in the first half of 2010</b></li> <li>– GDP growth rate at 7.2% in 2010; Inflation rate currently at 9.46%</li> <li>– MPR at 13.5%; Exchange rate stable around 1.43-1.44Cedi/\$</li> </ul>	
6	Rwanda	<ul style="list-style-type: none"> <li>• <b>Operating environment encouraging</b></li> <li>– GDP growth rate at 5.5% in 2010; Inflation rate currently at 5.81%</li> <li>– MPR at 7%; Exchange rate depreciated by 3.2% to 592.76RWF/US\$ in Aug 2010.</li> </ul>	
7	Sierra Leone	<ul style="list-style-type: none"> <li>• <b>Operating environment stable</b></li> <li>– GDP growth rate at 4.8% in 2010; Inflation rate currently at 17.8%</li> <li>– MPR at 22%; Exchange rate depreciated from Le3923.67/US\$ in Dec 2009 to Le3946.0/US\$ in Aug 2010.</li> </ul>	
8	Zambia	<ul style="list-style-type: none"> <li>• <b>Operating environment stable</b></li> <li>– GDP growth rate at 7% in 2010; Inflation rose to 8.4% 2010</li> <li>– MPR at 8.4%; Exchange rate appreciated from ZMK5290/US\$ in June 2009 to ZMK4975/US\$ in Aug 2010.</li> </ul>	

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# Access Bank Overview

- Parent Company** : Access Bank Plc is registered in Nigeria as a Universal bank
- No of Employees** : 2082 Professional staff
- Listing** : Ordinary Shares listed on NSE; Several International GDR Holders. Paper traded OTC in London
- Accounting** : Local GAAP and IFRS
- Auditors** : KPMG Professional Service 
- Credit Rating** : A- / B+ / BBB- (GCR/S&P/Fitch)
- Risk Management** : Basel II Capital Accord
- Partners** :      
 
- Key Industry Segments** : Telecoms, Food & Beverages, Cement, Oil & Gas and Financial Institutions
- Network** : 131 Business Offices  
161 ATMs, 310 POS, Call Centre  
3 Non-Banking subsidiaries; 9 Banking subsidiaries
- Geographical Coverage** : Africa and Europe  
Banking subsidiaries in all monetary zones in Africa



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## Financial Highlights

### Corporate Action

- ✓ Interim dividend of 20k per share

### \*Income Statement 6 months

- ✓ Gross Earnings: N49.4bn (-13.3%)
- ✓ Net Interest Margin: 8.1% (-3.1%)
- ✓ PBT: N9.8bn (+14.3%)
- ✓ PAT: N6.7bn (+3.9%)

### \*\*Balance Sheet

- ✓ Total Assets: N740bn (+9.8%)
- ✓ Shareholders' Funds: N174.4bn (+2.3%)
- ✓ Customer Deposits: N433.7bn (+4.1%)
- ✓ Loans & Advances: N415.9bn (+15.3%)

### \*\*Financial Indicators

- ✓ Strong Capital Adequacy: 28.0% (prev. 28.7%)
- ✓ Liquidity Ratio: 35.6% (prev. 41.4%)
- ✓ Loans to Deposit: 95.9% (prev. 87.1%)
- ✓ Pre-tax ROaE (annualized): 11.4% (prev. 12.5%)

\*Compared with the six months ended 30 June 2009

\*\*Compared with 31 March 2010

## ➤➤ Sustained Earnings performance in spite of low rate environment...

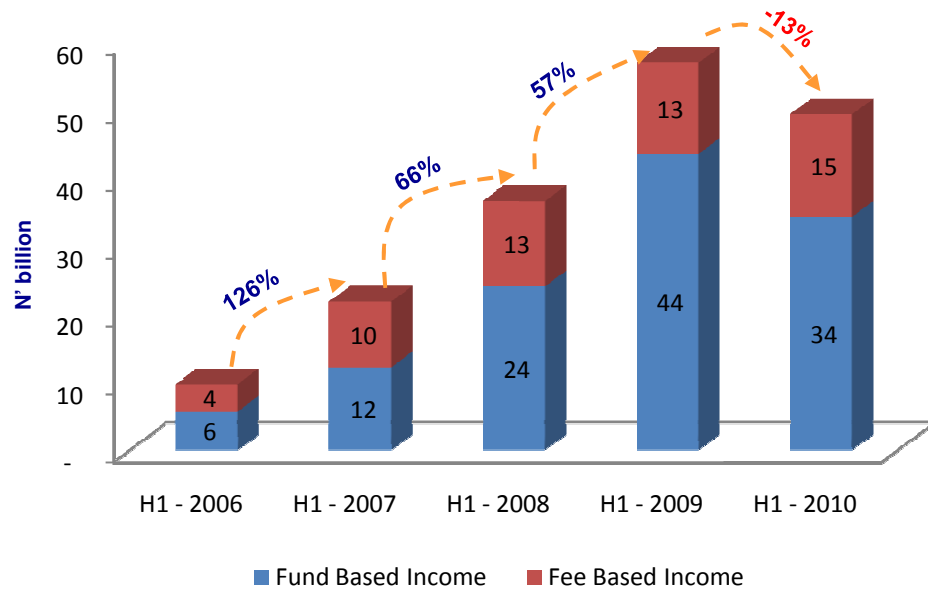
Year-on-Year/Quarter-on-Quarter (6 months)

Naira (Million)	Group June 2010	Group June 2009	% Change	Group Q2 2010	Group Q1 2010	% Change
Gross Earnings	49,409	56,962	-13%	21,631	27,778	-22%
Net Interest & Discount Income	22,089	22,670	-3%	12,479	9,610	30%
Other Income	15,066	15,516	-3%	6,269	8,797	-29%
Operating Income	37,155	38,185	-3%	18,748	18,407	2%
Operating Expense	(23,704)	(21,326)	11%	(11,664)	(12,040)	-3%
Operating Profit	13,451	16,859	-20%	7,084	6,367	11%
Provision for Risk Assets(Net)	(3,640)	(8,278)	-56%	(2,563)	(1,077)	138%
Net Profit Before Tax	9,811	8,582	14%	4,521	5,290	-15%
Estimated Taxation	(3,144)	(2,166)	45%	(1,784)	(1,360)	31%
Profit After Tax	6,667	6,415	4%	2,737	3,930	-30%

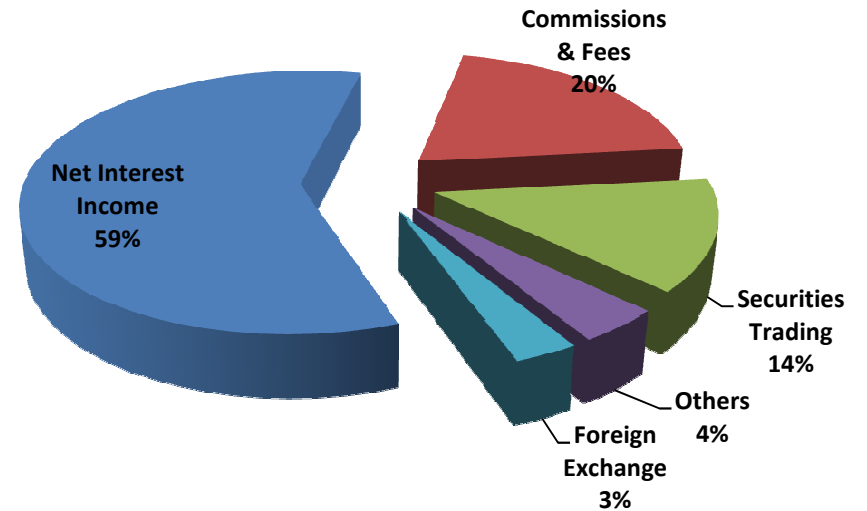
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## ...Diversified revenue streams.

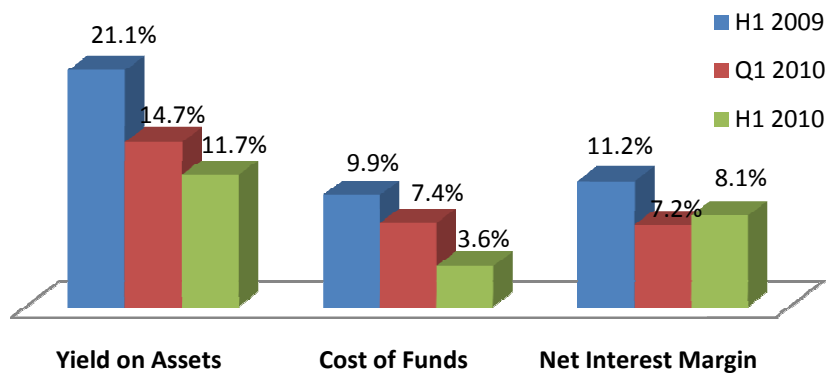
Gross Earnings Evolution



Breakdown of June 2010 Net Earnings



Margins



Comments

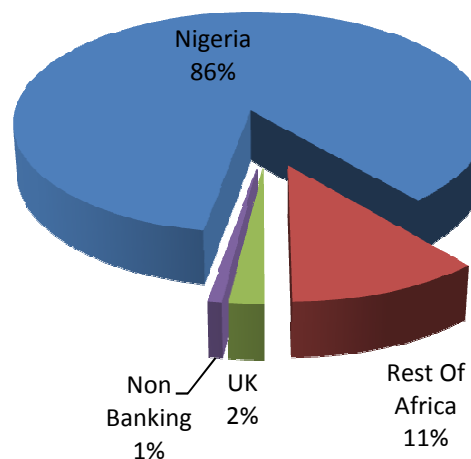
- Earnings growth adversely affected by slow economic recovery and tight credit conditions.
- Margin improvement in the second quarter given marked reduction in cost of funds.
- Objective is to maintain our 8% margin for the rest of the year.



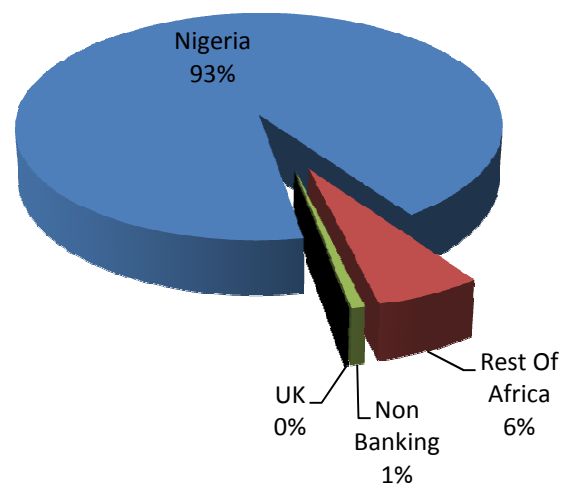
## ➤➤➤ More of our subsidiaries are contributing positively...

N'million	Nigeria	Gambia	Sierra Leone	Zambia	UK	Rwanda	Burundi	Cote d'Ivoire	R.D. Congo	Ghana	Non Banking Subsidiaries
<b>Operating income</b>	31,521	222	147	644	738	687	241	645	319	1,237	305
<b>Operating expenses</b>	(18,626)	(248)	(160)	(550)	(761)	(640)	(245)	(945)	(426)	(508)	(230)
<b>Provision expense</b>	(3,809)	88	(9)	(90)	-	(139)	(38)	222	232	(94)	-
<b>Profit before tax</b>	9,086	62	(22)	4	(23)	(92)	(42)	(78)	125	635	75
<b>Taxation</b>	(3,026)	-	1	(7)	204	-	-	-	-	(222)	(94)
<b>Profit for the period</b>	6,060	62	(22)	(3)	181	(92)	(42)	(78)	125	414	(19)

### Operating Income



### Profit Before Tax



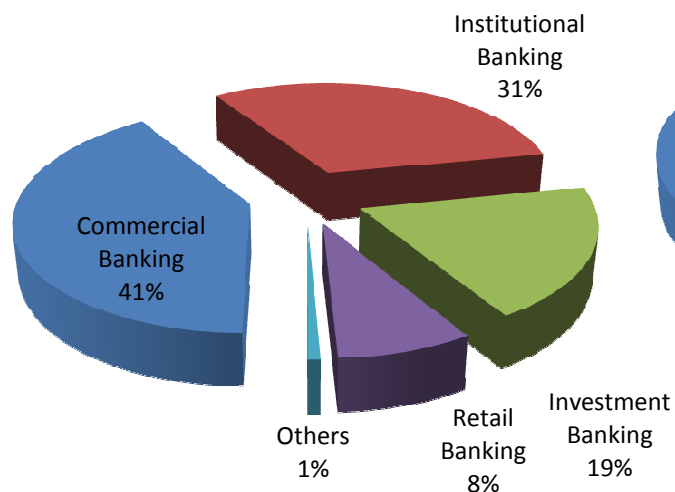
### Comments

- Net positive contribution from subsidiaries in H1 2010.
- Benefit of our one-bank strategy is beginning to accrue to bottom line.
- Subsidiaries with marginal losses are expected to break-even by end of the year.

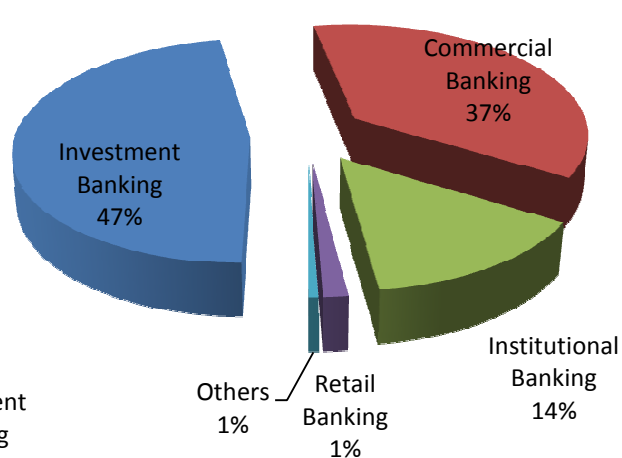
➤➤➤ ...however business segments' performance are constrained by cost of risk.

	Institutional Banking			Commercial Banking			Investment Banking			Retail Banking			Other Segments		
Naira million	Jun-10	Jun-09	% Change	Jun-10	Jun-09	% Change	Jun-10	Jun-09	% Change	Jun-10	Jun-09	% Change	Jun-10	Jun-09	% Change
Gross Earnings	15,617	14,956	4%	20,511	21,444	-4%	9,711	8,316	17%	4,028	2,171	86%	345	324	6%
Net Interest Income	5,726	8,291	-31%	12,721	12,577	1%	1,713	136	1163%	1,674	1,405	19%	254	261	-3%
Operating Profit	1,935	7,024	-72%	4,942	4,978	-1%	6,389	4,041	58%	194	722	-73%	75	93	-20%
Provisions	(2,556)	(4,384)	-42%	(1,085)	(3,681)	-71%	-	-	0%	40	(203)	-120%	(4)	(10)	-56%
Profit Before Tax	(621)	2,640	-124%	3,857	1,298	197%	6,389	4,041	58%	235	519	-55%	71	84	-16%

Gross Earnings by Business Segment



Operating Profit by Business Segment

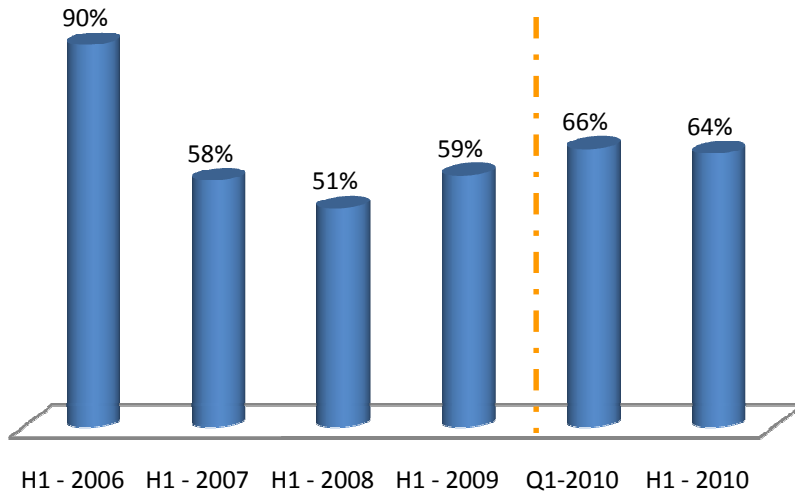


Comments

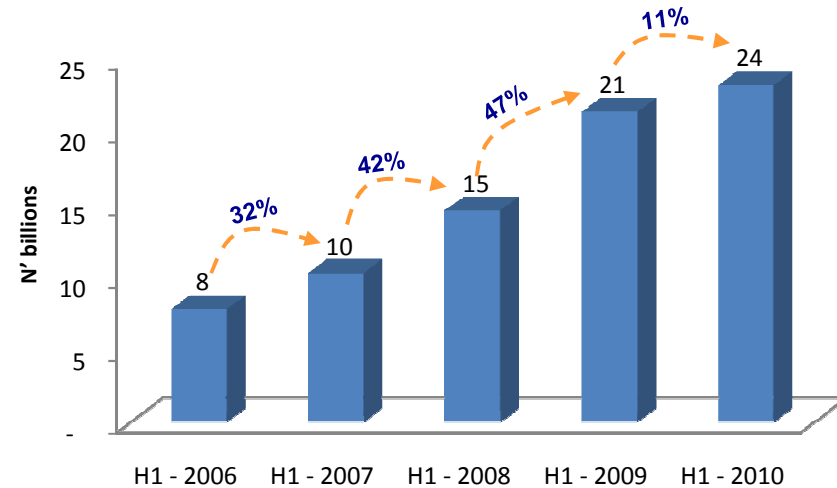
- Cost of risk and margin erosion in Institutional banking adversely impacted performance in H1 2010.
- Investment banking strong performance on the back of government trading in H1 2010.

## ➤➤➤ Sustained improvement in Cost & Efficiency ratios

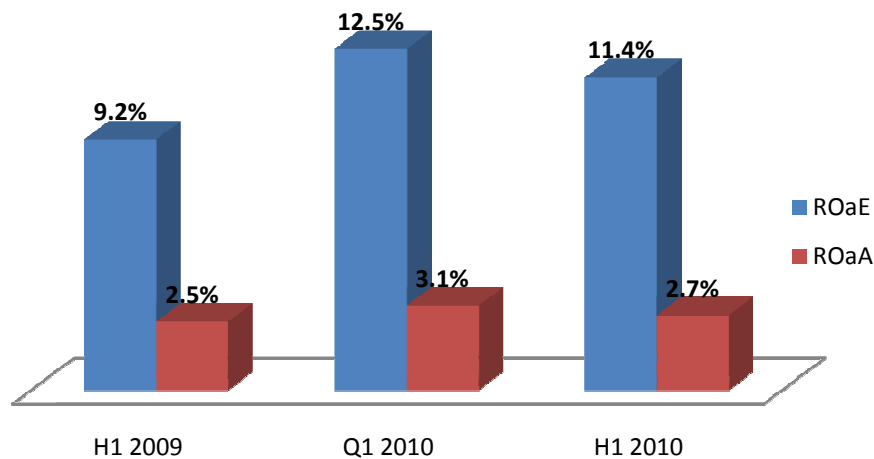
### Cost to Income Ratio



### Operating Expenses



### Pre-tax ROaE/ROaA (annualized)



### Comments

- Group cost to income ratio down from 66% in Q1 to 64% in Q2 2010. We are beginning to realise the cost and revenue synergies of our regional expansion.
- Expense growth rate decelerated from an average of 40% to 11% in H1 2010.
- Objective is to bring cost to income ratio down to 60% by the end of the year.

»»» Liquid & well structured balance sheet with significant capacity for expansion...

Naira (Million)	Group June 2010	Group March 2010	% Change (QoQ)	Group Dec. 2010	Group June 2009	% Change (YoY)
Cash & Balance with CBN	23,250	16,688	39%	64,593	27,633	-16%
Treasury Bills	29,608	35,129	-16%	17,208	10,243	189%
Due From Other Banks	101,369	139,805	-27%	93,177	105,368	-4%
Loans & Advances to Customers	412,823	358,081	15%	383,778	427,899	-4%
On-Lending Facilities	3,065	4,783	-36%	3,132	5,490	-44%
Advance Under Finance Leases	3,130	4,756	-34%	4,250	3,459	-10%
Investment Securities	83,653	64,706	29%	75,057	47,532	76%
Investment in Subsidiaries	-	-	0%	-	-	0%
Investment Properties	1,484	1,484	0%	1,404	-	100%
Investment in Associates	93	145	-36%	300	145	-36%
Other Assets	51,430	16,552	211%	17,293	37,923	36%
Deferred Tax Asset	524	2,648	-80%	1,740	4	11951%
Property & Equipment	26,121	25,950	1%	27,945	24,604	6%
Equipment on Lease	1,731	2,005	-14%	2,169	1,466	18%
Goodwill	1,738	1,738	0%	1,738	1,738	0%
<b>Total Assets</b>	<b>740,017</b>	<b>674,469</b>	<b>10%</b>	<b>693,784</b>	<b>693,506</b>	<b>7%</b>
Contingents	185,600	193,373	-4%	138,056	162,858	14%
<b>Total Assets &amp; Contingents</b>	<b>925,617</b>	<b>867,842</b>	<b>7%</b>	<b>831,839</b>	<b>856,363</b>	<b>8%</b>



»»» ...a Strong Equity cushion to support growth.

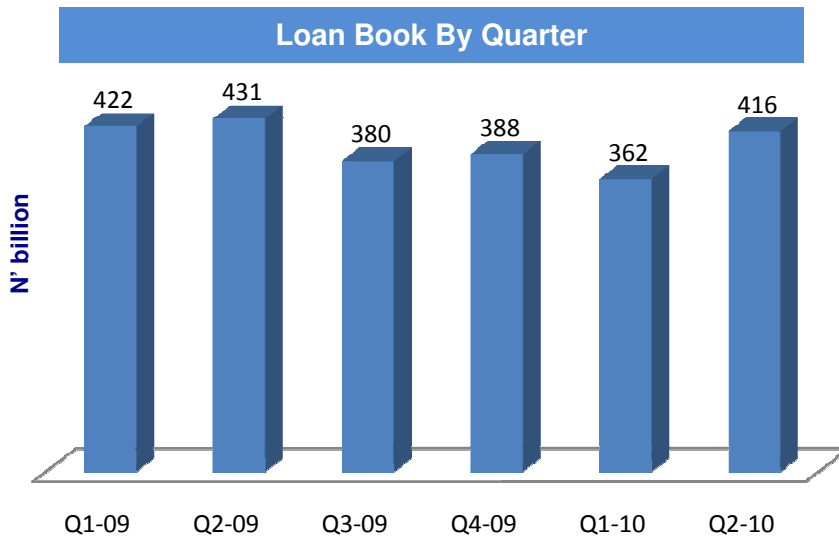
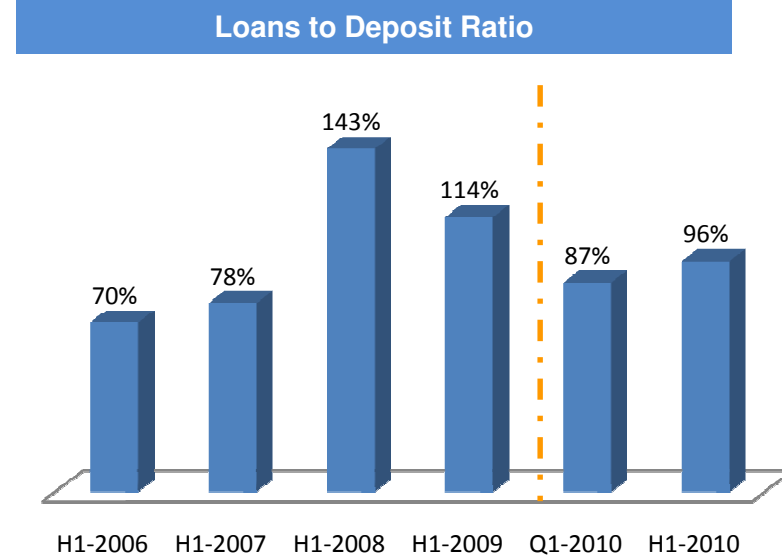
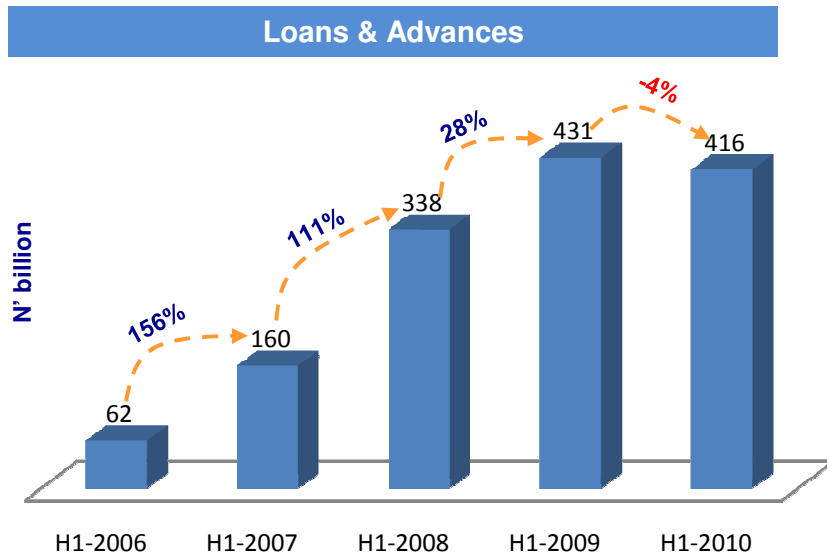
Naira (Million)	Group June 2010	Group March 2010	% Change (QoQ)	Group Dec. 2010	Group June 2009	% Change (YoY)
Customer Deposits	433,669	416,707	4%	442,072	377,275	15%
Due to Other Banks	56,825	38,121	49%	43,217	25,670	121%
On-Lending Facilities	3,065	8,761	-65%	3,132	18,419	-83%
Debt Securities in Issue	66	3,083	-98%	2,604	6,453	-99%
Current Income Tax	2,185	4,749	-54%	6,982	6,980	-69%
Other Liabilities	69,778	32,585	114%	27,430	69,653	0%
<b>Total Liabilities</b>	<b>565,588</b>	<b>504,006</b>	<b>12%</b>	<b>525,438</b>	<b>504,451</b>	<b>12%</b>

Naira (Million)	Group June 2010	Group March 2010	% Change (QoQ)	Group Dec. 2010	Group June 2009	% Change (YoY)
Share Capital	8,944	8,131	10%	8,131	8,131	10%
Share Premium	146,161	146,161	0%	146,161	146,161	0%
Reserves	18,546	15,225	22%	13,196	33,698	-45%
Shareholders' Funds	173,651	169,517	2%	167,488	187,990	-8%
Non-controlling interest	778	946	-18%	858	1,065	-27%
<b>Total Liabilities &amp; Equity</b>	<b>740,017</b>	<b>674,469</b>	<b>10%</b>	<b>693,784</b>	<b>693,506</b>	<b>7%</b>





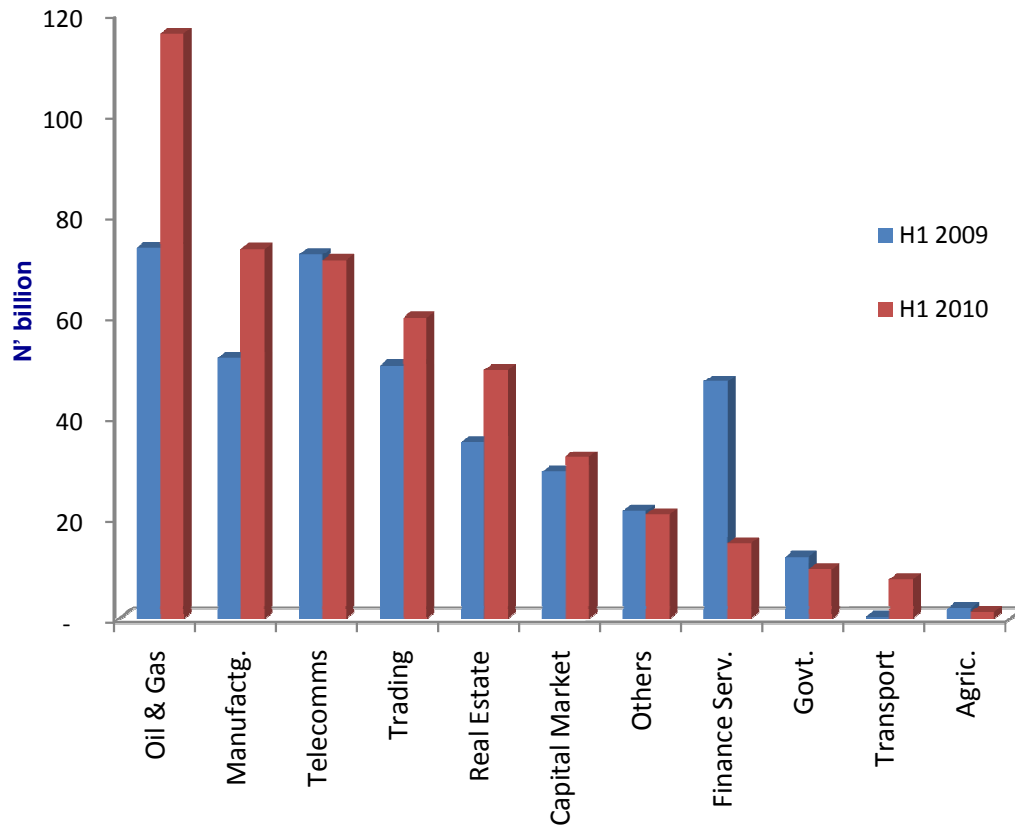
## Expansion of our loan book to growth sectors of the economy...



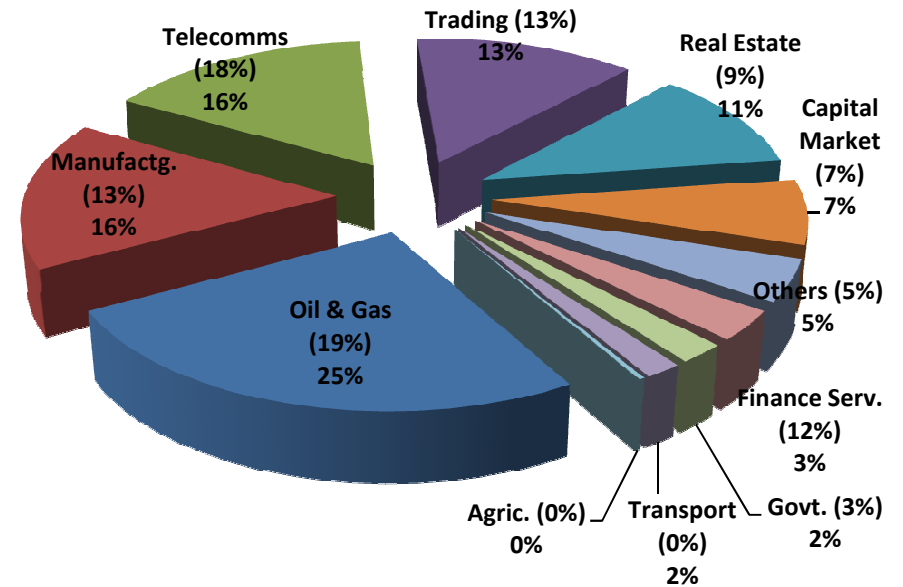
- ### Comments
- Expansion of loan book by 15% between Q1 and Q2 2010 was largely accounted for by the growth in the oil & gas industry, on the back of the de-risking of the sector via the sovereign debt notes issued by Government.
  - Loan growth targeted to high quality obligors and average lending rates down 300bps for the quarter.
  - World class ALM process enables us protect our net interest margin without comprising liquidity.

## »»» ...a well diversified loan book.

By Industry



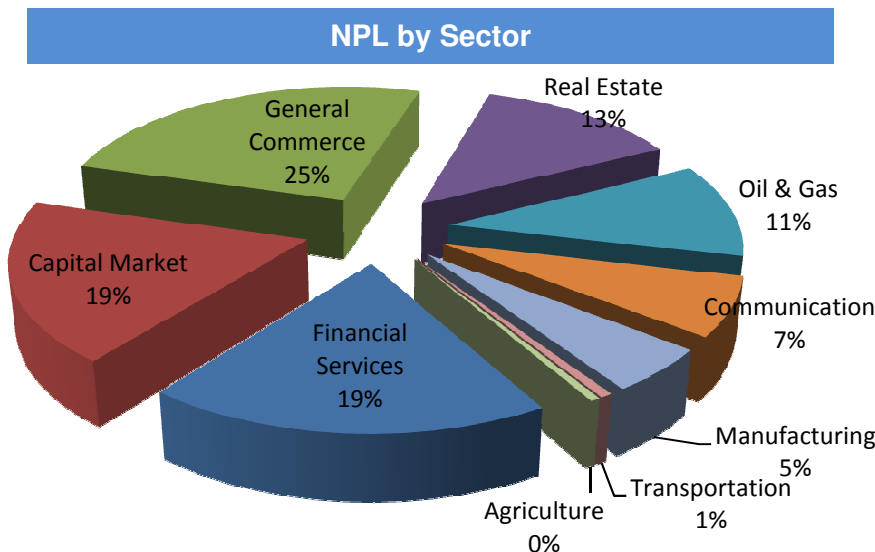
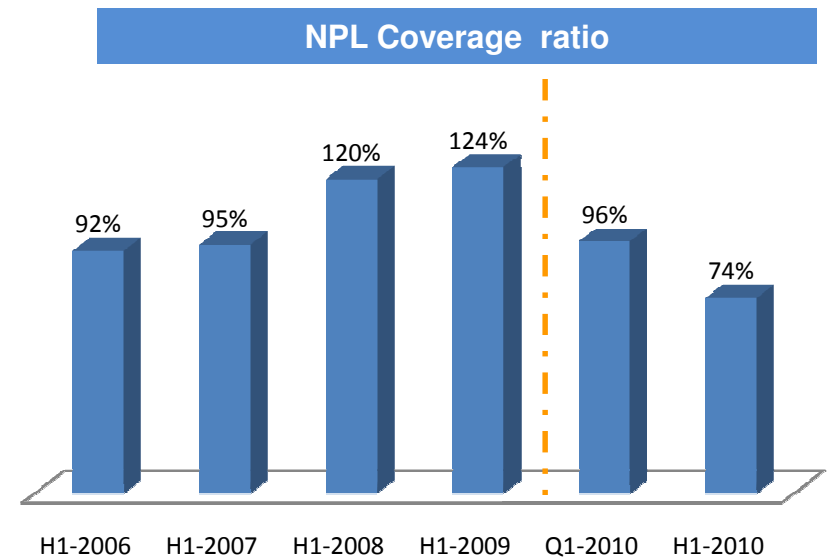
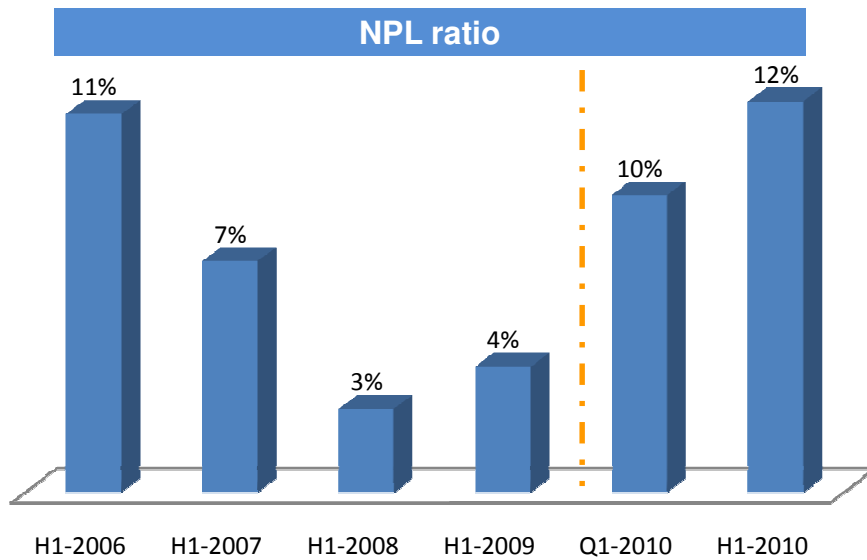
By Industry H1 2010 (H1 2009)



### Comments

- Loan portfolio is well diversified across economic sectors.
- Real economy still dominates our loan book.
- Oil & Gas still the highest contributor to the loan book – 25% (H1 2009: 19%).

## Measured steps are being taken to sustain asset quality improvement

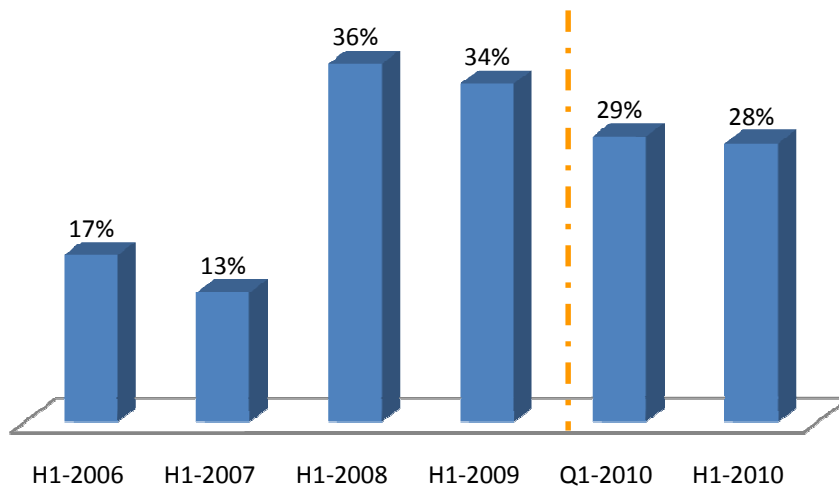


**Comments**

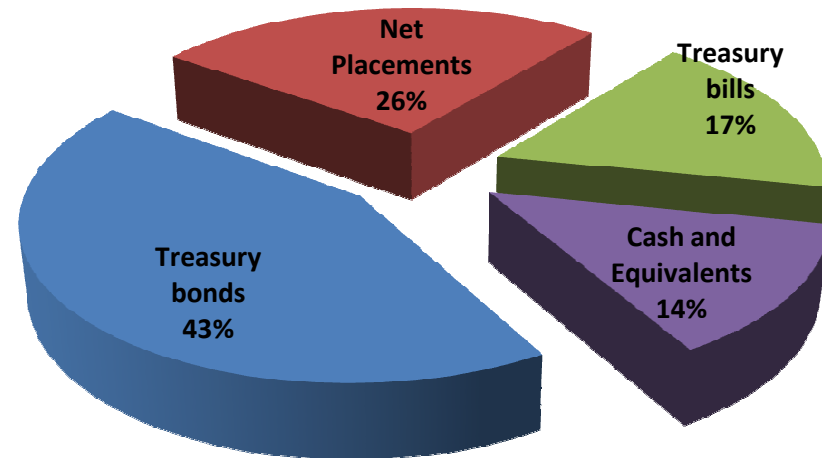
- Increase in NPLs reflects the application of legacy prudential guidelines in preparing the audited financial statement as at June 2010.
- NPL increased to include principal amount of crystallized underwriting commitment.
- NPL ratio will reduce to single digit based on new prudential guidelines.

## Capital & Liquidity cushion to support business growth

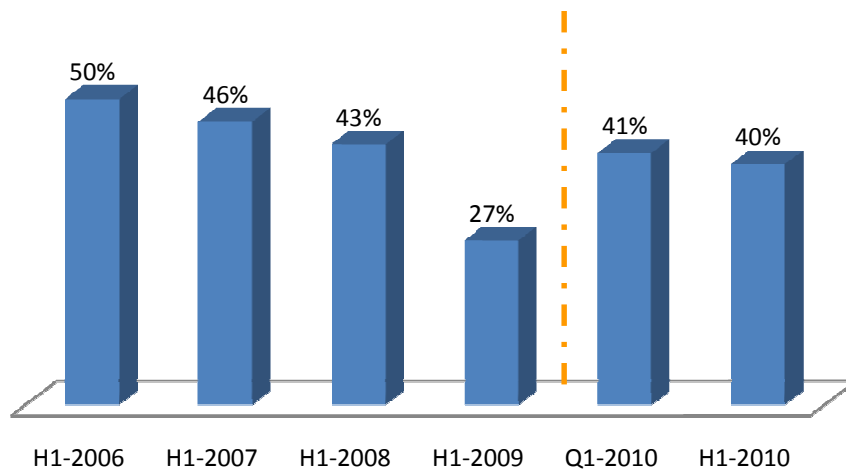
### Capital Adequacy



### Liquid Assets (H1 2010)



### Liquidity

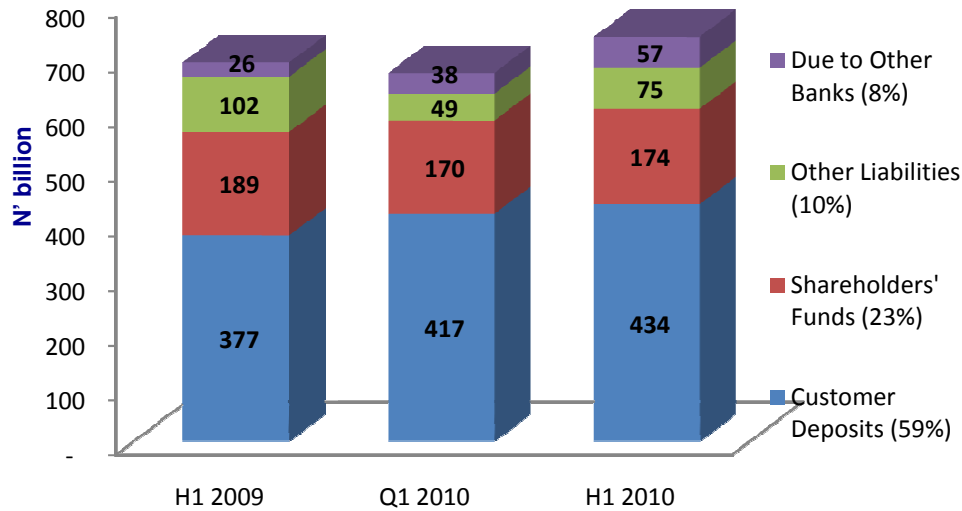


### Comments

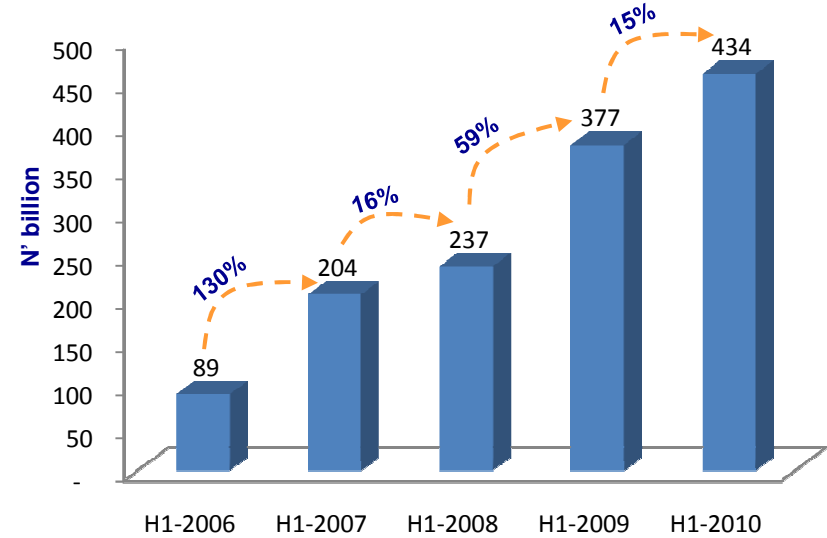
- Strong capital adequacy to support business growth and expansion. Capital Adequacy Ratio well in excess of regulatory minimum.
- Continue to maintain a very liquid balance sheet. Liquidity is strong and well above regulatory requirement.

# Low cost customer deposits continue to be a significant source of funds

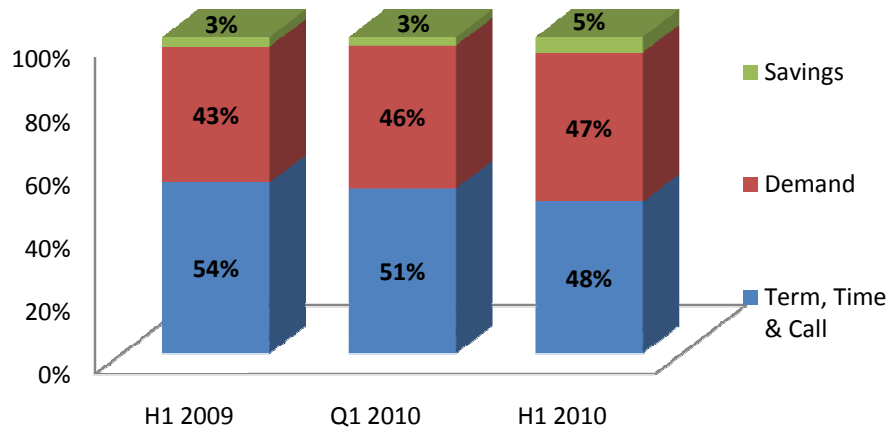
### Breakdown of Funding



### Deposits from customers



### Deposit By Type



### Comments

- Stable and diversified funding base, significant proportion of core deposits. Balance sheet is 59% funded by deposits.
- Savings deposits responding to our initiatives in the retail market segment.
- Improving mix as deposit growth continues, low cost deposits account for over 52% of total deposits; cost of funds dropped from 7.4% in Q1 to 3.6% in Q2 2010.



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## Update on Risk Management

- »» Obligor Risk Ratings and Facility Risk Rating reviews completed for all Corporate and Commercial clients (95% of Risk Assets).
- »» Risk Based Pricing Regime for all Loans have been implemented.
- »» Best Practice in Interest Rate Margin management now enabled through the combined intervention of our Risk Based Pricing Model and our Funds Transfer Pricing Model.
- »» Risk Asset collateral database is fully automated enabling accurate implementation of new Prudential Guidelines.
- »» Portfolio and lending limits have been reviewed to restrict large exposures to  $\geq$  AA Rated Obligors.
- »» Provisions for Cost of Risk have been audited by KPMG using the old prudential guidelines. Additional provisions were not required.
- »» Market and Operational Risk management practices are rating positives.

## »»» Agenda

- »»» Operating Environment
- »»» Access Bank Overview
- »»» Performance Review
- »»» Update on Risk Management
- »»» Group Strategy & Outlook



## »»» Group Strategy & Outlook

### ■ **Group Treasury and ALM**

- ✓ Continued focus on the quality and sustainability of the balance sheet and Margin Management
- ✓ Net Interest Margin to be maintained at above 7%
- ✓ Cost of Funds to average 3.5% for the year

### ■ **Loan growth to select industry and customer segments as a key earnings driver for the rest of the year**

- ✓ Target and penetrate corporate business segments with highest growth potential and risk adjusted returns

### ■ **Sustain business focus on retail market segment**

- ✓ Retail banking SBU now autonomous and distinct from commercial banking
- ✓ Retail banking has been resourced and capacitated for market share growth

### ■ **Maintain strong liquidity and Capital Adequacy ratios to cushion business risk and provide opportunity for growth**

### ■ **Continue to extract value & derive synergies (cost & revenue) from the UK and other subsidiaries by sustaining the implementation of our one-bank strategy**

### ■ **Maintain moderate Risk & Corporate Governance culture across the group**

- ✓ Implementation of IFRS & Basel II Policies
- ✓ Robust AML/KYC regimes

### ■ **Continue on-going initiatives on service delivery across the group**

### ■ **Sustain profitability & enhance stakeholder value**

- ✓ Cost to Income ratio target of 60% in 2010
- ✓ NPL ratio target of 10% in 2010