

Half Year 2011

Results Presentation to Investors and Analysts



August 2011



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Agenda

»» Introduction

»» Operating Environment

»» Half Year Performance Review

»» Further thoughts on Scale

»» Outlook

Access Bank Overview

Parent Company : Access Bank Plc is a full service Commercial Bank registered in Nigeria on February 8, 1989 with RC number 125384

Subsidiaries : 9 Banking Subsidiaries (United Kingdom and 8 other African Countries)

No of Employees : 1751 Professional staff

Accounting : Local GAAP and IFRS

Credit Rating : A- / BBB / A- (RWN) / BBB- (RWP)
(GCR/Agusto/S&P(nga)/Fitch(nga))

Partnerships :



Risk Management : Basel II Capital Accord

Focus Segments : Institutional (Private and Public Sector), Retail and Middle market (Value chain)

Channels : 150 Business Offices
163 ATMs, 310 POS

Share Capital : Authorised share capital of N10 billion (18 billion ordinary shares and 2 billion preference shares of 50 kobo each respectively)

Paid up share capital of N8.94 billion (17.9 billion ordinary shares of 50 kobo each)

OTC Unlisted GDR

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Domestic Economy has maintained its strong growth momentum

Global Economy

- »»» The global economy expanded at an annualized rate of 4.3% first quarter, and IMF expects a 4.42% growth in Q3 2011, with an uneven growth pattern
- »»» Credible and balanced fiscal consolidation coupled with financial sector repair, tightening macroeconomic policy and demand rebalancing in many emerging economies — are critical for securing growth and job creation over the medium term.
- »»» Among emerging economies, inflation have become increasingly broad-based, reflecting a higher cost of food and fuel

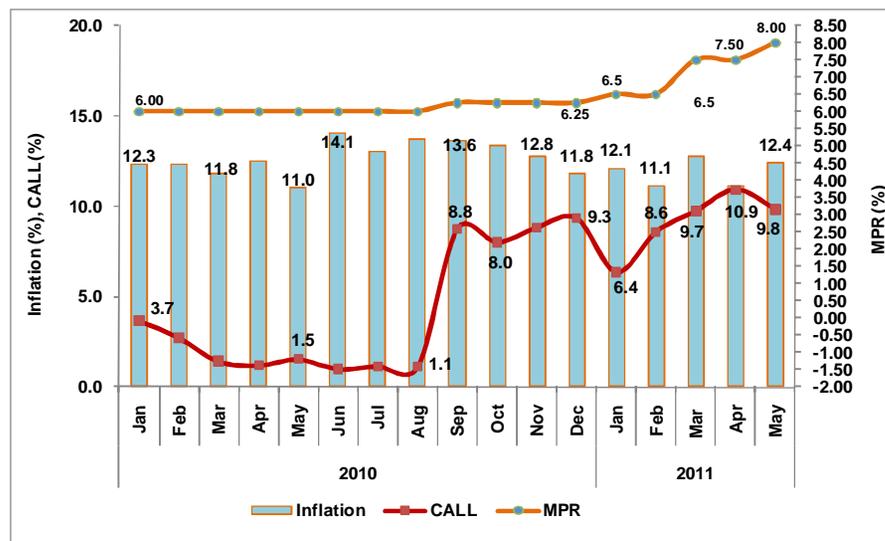
Domestic Economy

- »»» Growth of 7.43% in 1Q11 (1Q10:7.36%) driven by the non-oil sector.
- »»» Monetary policy stance focused on attaining a non-inflationary GDP growth and FX stability
 - »»» Increase in Monetary Policy rate by 75 basis point to 8.75%
- »»» Foreign Reserves of \$31.7billion and the declining on the back of demand pressure.

Banking Industry

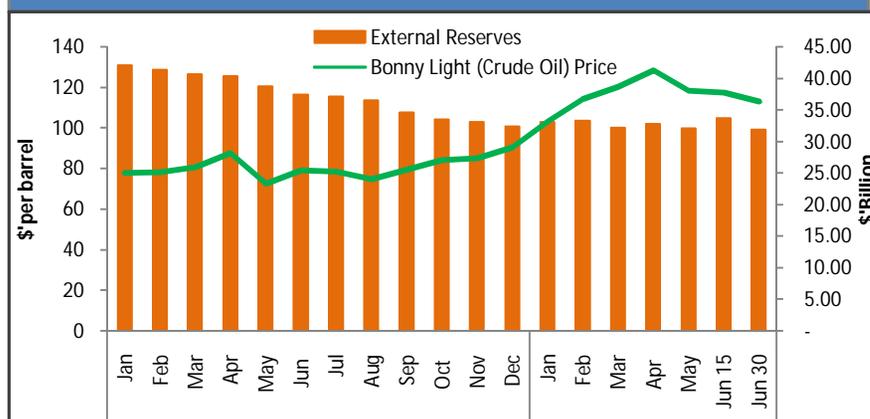
- »»» Extension of the Central Bank of Nigeria inter bank guarantee.
- »»» Rising inter bank rates due to increases in MPR and cash reserves rate (CRR)
- »»» The Central Bank of Nigeria effective 1st July 2011 lifted the one year holding period of Government securities in place.

MPR, Inflation & NIBOR Call



Source: CBN, FMDA & NBS

External Reserves & Crude Oil Price



Source: CBN & EIG

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HALF YEAR SCORECARD

Profitability

- ✓ Gross Earnings: ₦52.5bn, up by 6% yoy (Jun 10: ₦49.4bn)
- ✓ PBT: ₦10.4bn up by 6% yoy (Jun 10: ₦9.8bn)
- ✓ PAT: ₦8.1bn up by 21% yoy (Jun 10: ₦6.7bn)
- ✓ EPS: 45K (Jun 10: 37K)
- ✓ Net Interest margin: 8.2% (Jun 10: 8.1%)
- ✓ Cost to Income ratio: 61% (Jun 10: 64%)
- ✓ After tax ROAE: 9.2% (Dec 10: 6%)
- ✓ After tax ROAA: 2.2% (Dec 10: 1.5%)

Robust and Balanced Growth

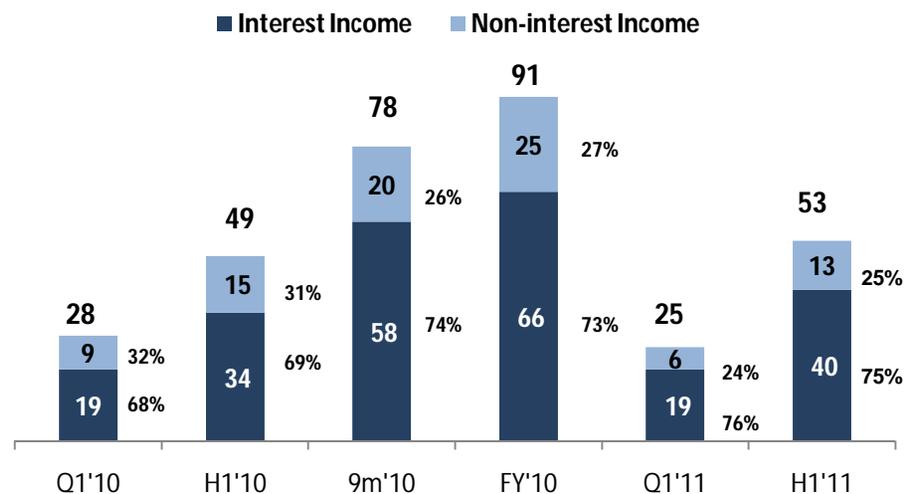
- ✓ Loans and Advances at ₦541bn, up by 19% ytd (Dec 10: ₦456bn)
- ✓ Customer deposits at ₦639bn up by 31% ytd (Dec 10: ₦487bn)
- ✓ Capital Adequacy Ratio: 22% (Dec 10: 26.5%)
- ✓ Liquidity Ratio: 40% (Dec 10: 36.9%)
- ✓ Loans to Deposit: 85% (Dec 10: 87.5%)
- ✓ NPL Ratio: 8.8% (Dec 10: 8.1%)

Resilient Earnings Performance

| Naira million | Group H1 2011 | Group H1 2010 | Change HoH | Bank H1 2011 | Bank H1 2010 | Change HoH |
|----------------------------|--------------------------|--------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Gross Earnings | 52,469 | 49,409 | 6 | 46,332 | 42,868 | 8 |
| Net Interest Income | 27,172 | 22,089 | 23 | 25,006 | 19,856 | 26 |
| Other Income | 12,984 | 15,066 | (14) | 10,214 | 11,665 | (12) |
| Operating Income | 40,157 | 37,155 | 8 | 35,219 | 31,521 | 12 |
| Operating Expense | (24,679) | (23,704) | 4 | (20,220) | (18,626) | 9 |
| Operating Profit | 15,478 | 13,451 | 15 | 14,999 | 12,895 | 16 |
| Gross Provision | (12,886) | (6,862) | 88 | (12,417) | (5,915) | 110 |
| Recoveries | 7,804 | 3,226 | 142 | 7,500 | 2,106 | 256 |
| Profit Before tax | 10,396 | 9,811 | 6 | 10,083 | 9,086 | 11 |
| Profit After Tax | 8,045 | 6,653 | 21 | 7,991 | 6,060 | 32 |

Gross Earnings growth driven by improved yield environment and growth in loans

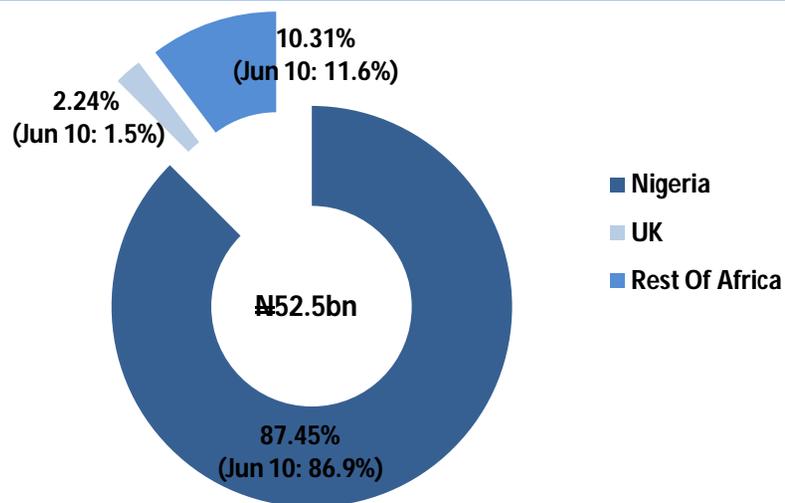
Gross Earnings Evolution



Comments

- »»» Gross Earnings increased by 6% Year-on-Year on the back of a strong growth of 23% in net interest income (despite a 15% decline in non-interest income)
- »»» Improvements in revenue growth driven by interest income growth
- »»» Interest income benefitted from 19% growth in loans & advances, and re-pricing of risk assets in a higher interest rate environment.
- »»» Non interest income declined by 15% because the market for government securities trading was weak. Other income however grew by 29%.

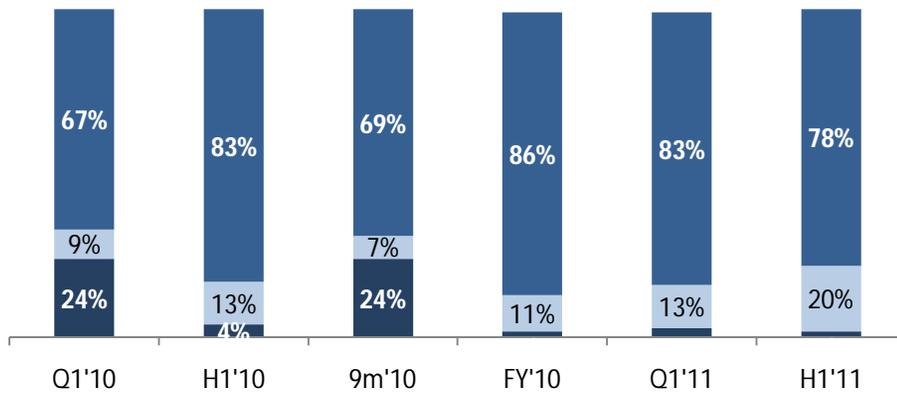
Gross Earnings by Geography



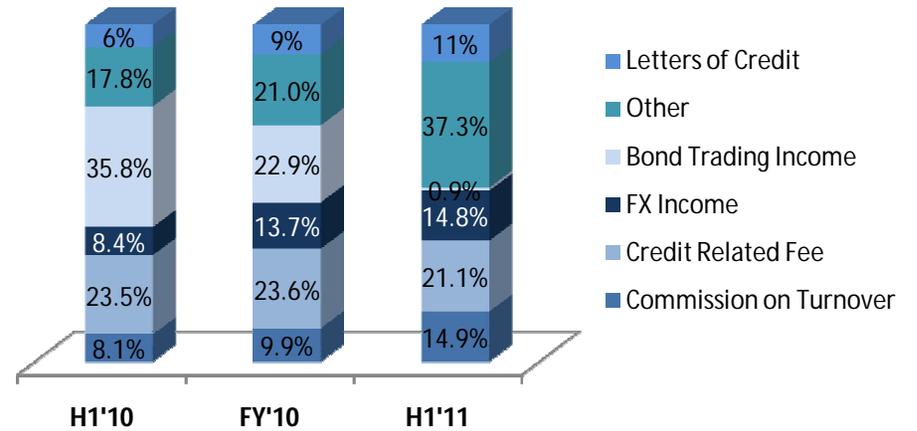
Margin expansion driven by asset repricing

Interest Income Mix

■ Placements ■ Government securities ■ Loans & Advances



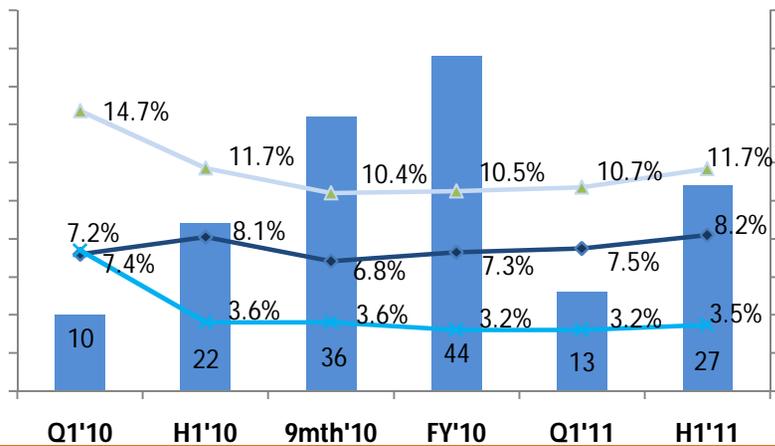
Non-Interest Income Mix



*****Included in Other Income are: Other fees and commission, Handling Commission and Remittance fees.

Margin Analysis

■ Net Interest Income ■ Net Interest Margin
▲ Yield on Assets ✕ Cost of Funds

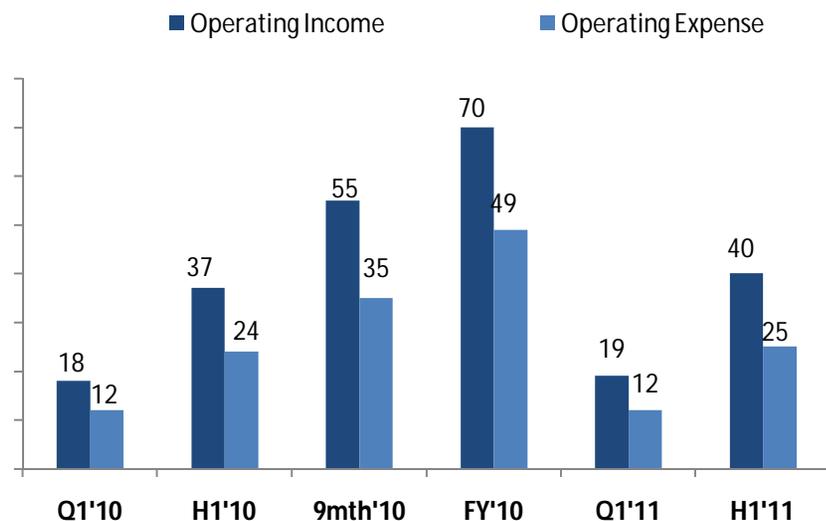


Comments

- Growth in volume of higher yielding foreign currency government securities and corporate bonds.
- Application of sophisticated asset pricing has allowed re-pricing of assets across our loan book

Steady growth in Operating Income at rate much faster than operating cost

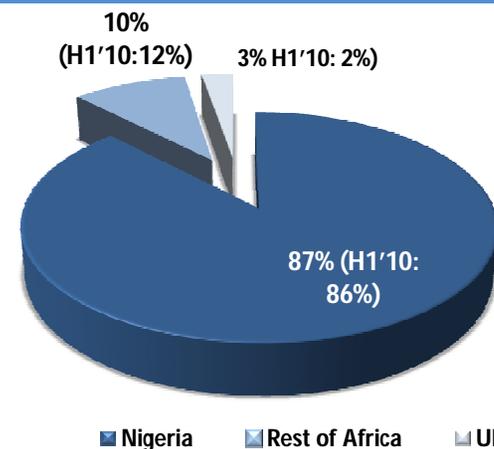
Operating Income & Expenditure (N'bn)



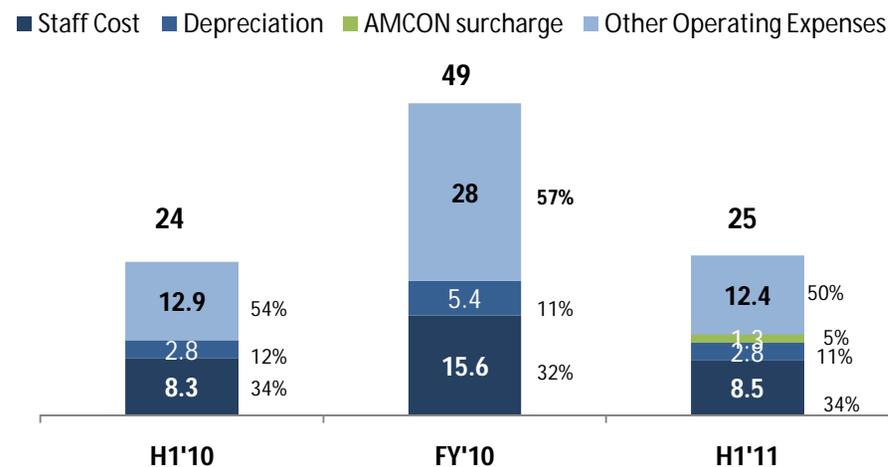
Comments

- Operating cost growth of 4%, YoY, adjusting for N1.27billion AMCON contribution, cost reduced by 1.25%.
- Continued focus on cost and operational efficiency

Operating Income breakdown by geography

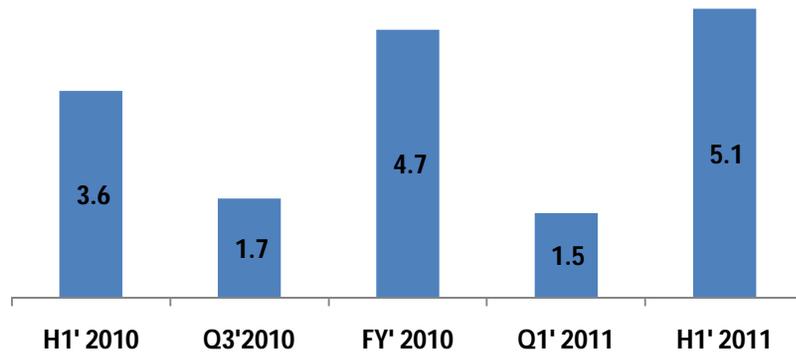


Operating Expenses Breakdown (N'bn)

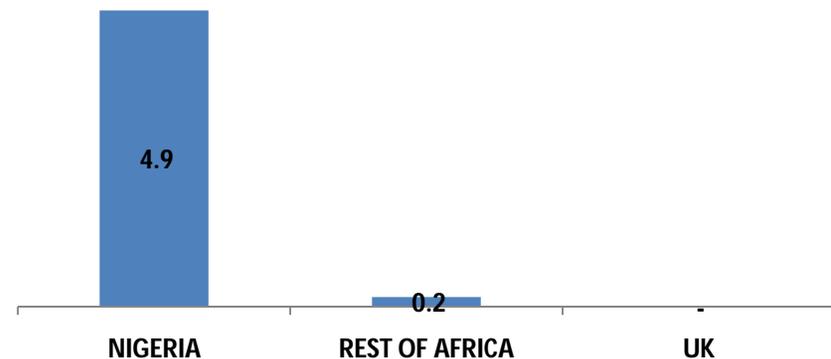


We have continued to sustain cost efficiency of our Operations

Provision for credit & other losses (₦'bn)

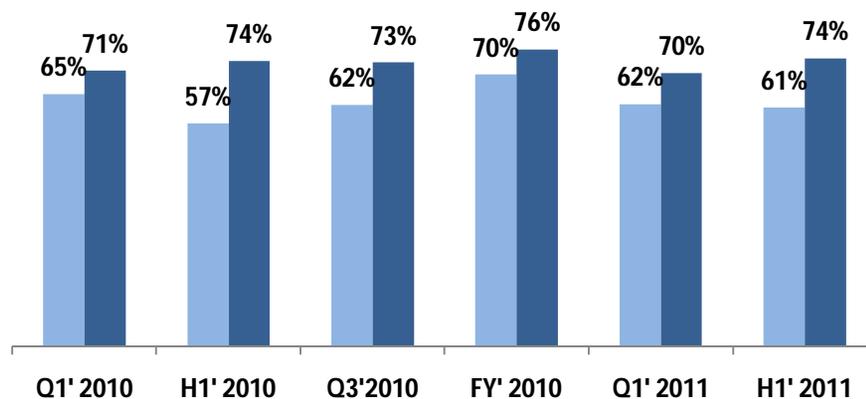


Provision for credit & other losses by geography (₦'bn)



Cost to Income ratio

■ Cost to income (without cost of risk) ■ Cost to income (included cost of risk)

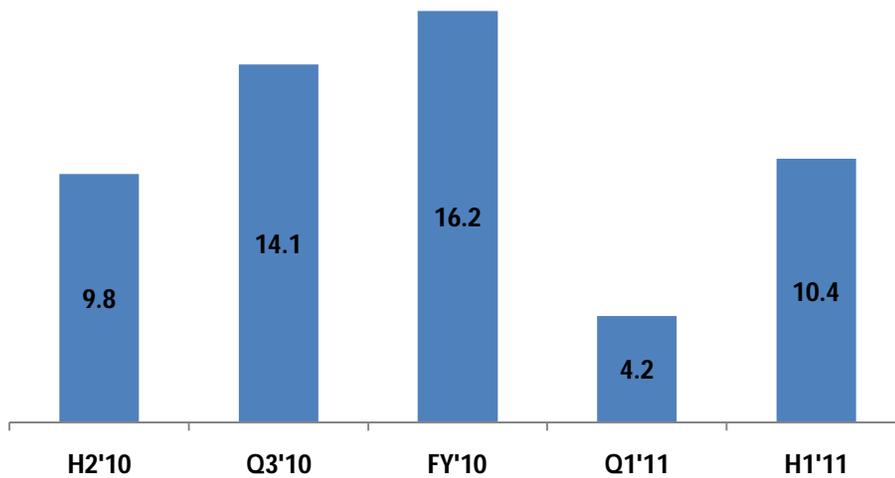


Comments

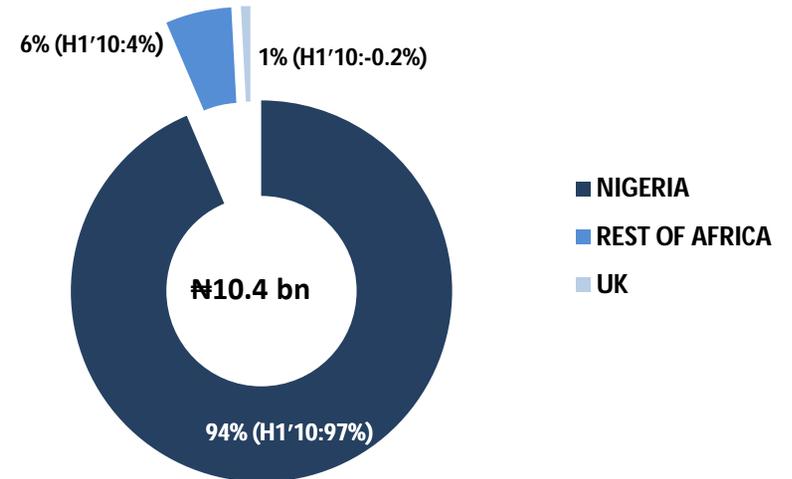
- »» Increase in credit losses resulting from a 1% general loan loss provision charge of ₦5 billion in H1 2011.
- »» We continue to focus on cost and operational efficiency of our group operations by driving various initiatives such as
 - »» Branch categorization to optimise resource allocation and revenue to reduce cost
 - »» Enhance controllable cost discipline using cash budgets.
 - »» Centralising contracting & purchasing to derive economies of scale and reduce unit cost.

Balance sheet growth & sustained cost efficiency have produced improved profitability

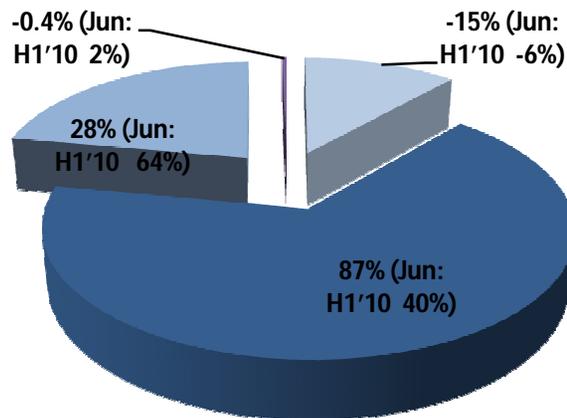
Group Profit before tax



Geographical contribution to Profit before tax (₦'bn)



SBU contribution to Profit before tax



- Institutional Banking
- Commercial Banking
- Investment Banking
- Retail Banking

Comments

- »» Balance sheet growth and sustained cost efficiency have led to an improvement in profitability
- »» International subsidiaries in aggregate have contributed 3% of Group PBT (June 2010: 7%)
- »» Commercial bank SBU remained the key revenue driver accounting for 87% of PBT
- »» Positive outlook for financial markets and retail bank in the second half of the year
- »» Earnings drag from challenged institutional bank loan portfolio will be resolved in the second half of the year

Well structured and balanced Assets & Liabilities

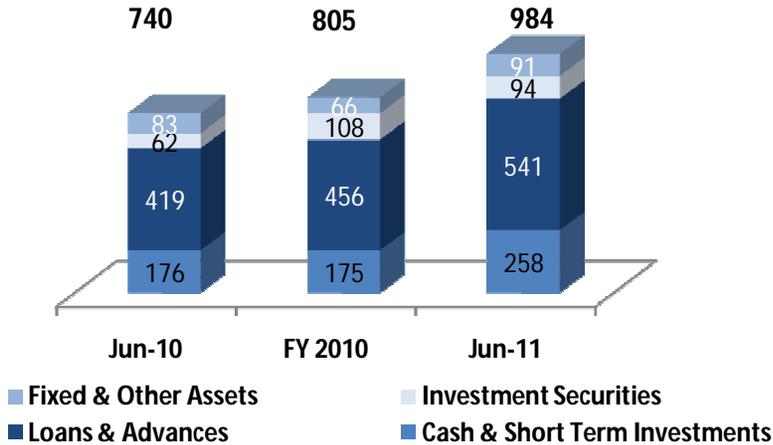
| Naira (million) | Group Q2, 2011 | Group Q1, 2011 | QoQ % Change | Bank Q2, 2011 | Bank Q1, 2011 | QoQ % Change |
|----------------------------|-------------------|-------------------|-----------------|------------------|------------------|-----------------|
| Liquid Assets | 343,137 | 367,998 | (7) | 229,397 | 263,809 | (13) |
| Loans & Advances | 540,742 | 464,075 | 17 | 504,738 | 440,509 | 15 |
| Other Assets | 61,369 | 32,375 | 90 | 58,898 | 28,225 | 109 |
| Investment in Subsidiaries | 0 | 0 | 0 | 25,300 | 25,407 | (0.4) |
| Investment Properties | 12,441 | 13,289 | (6) | 12,441 | 13,289 | (6) |
| Fixed Asset | 25,314 | 24,061 | 5 | 19,200 | 19,811 | (3) |
| Goodwill | 1,432 | 1,738 | (18) | 0 | 0 | 0 |
| Total Assets | 984,434 | 907,208 | 9 | 849,973 | 789,113 | 8 |
| Deposits | 639,112 | 577,994 | 11 | 522,057 | 486,499 | 7 |
| On Lending | 24,969 | 35,944 | (31) | 24,969 | 35,623 | (30) |
| Other Liabilities | 144,956 | 106,996 | 36 | 119,202 | 82,005 | 45 |
| Equity | 175,397 | 182,614 | (4) | 183,745 | 184,986 | (1) |
| Total Liabilities | 984,434 | 907,208 | 9 | 849,973 | 789,113 | 8 |
| Off Balance Sheet | 295,789 | 251,719 | 18 | 263,203 | 242,193 | 9 |
| Balance Sheet Size | 1,280,223 | 1,158,927 | 10 | 1,113,175 | 1,031,306 | 8 |

***** Loans and Advances includes Loans & Advances, On-lending facilities and Advances under finance lease

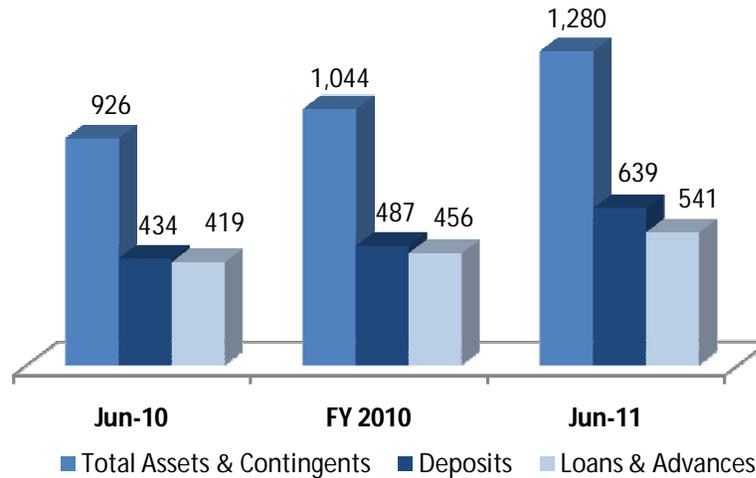
***** Liquid Asset includes Cash and short term fund, Investment Securities and Placement with other banks

Our Balance Sheet structure and efficiency continues to improve

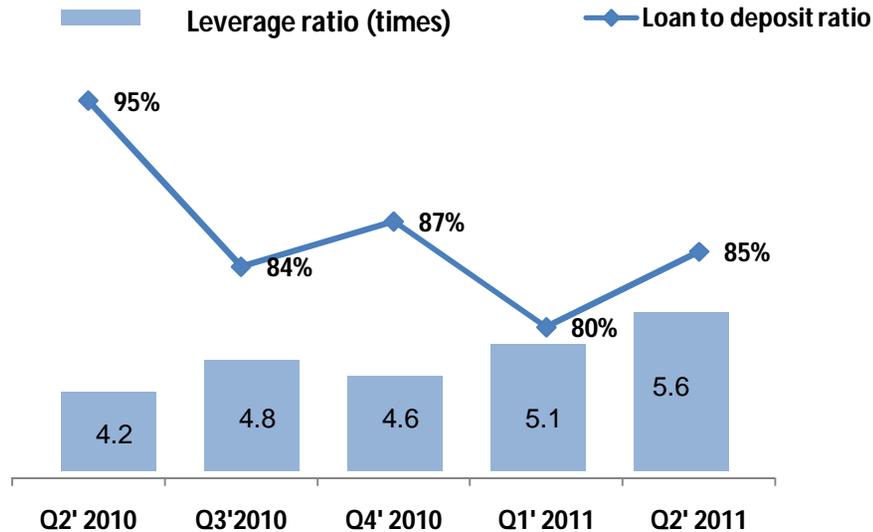
Asset Mix (₹'bn)



Balance sheet size (₹'bn)



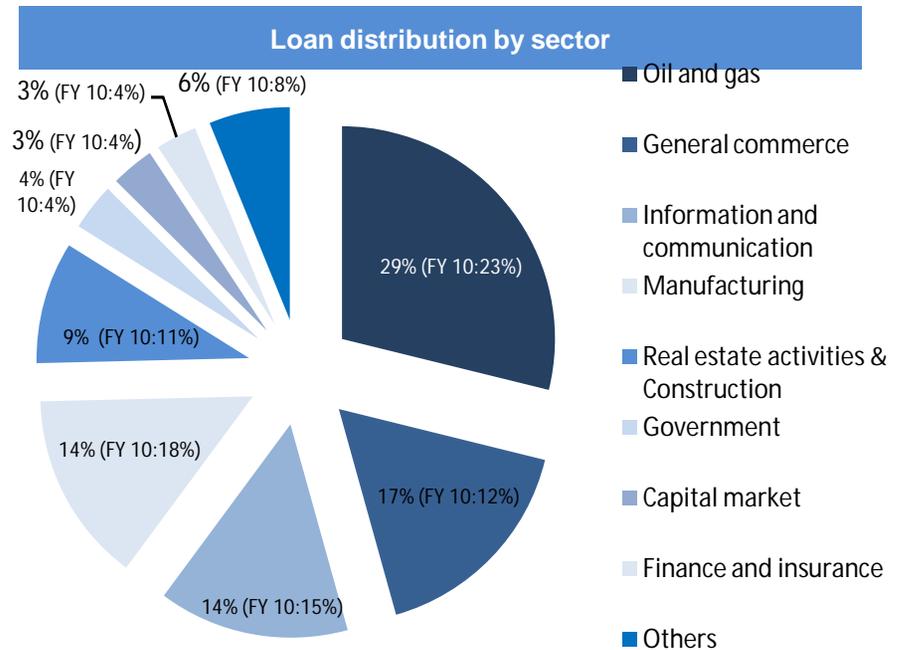
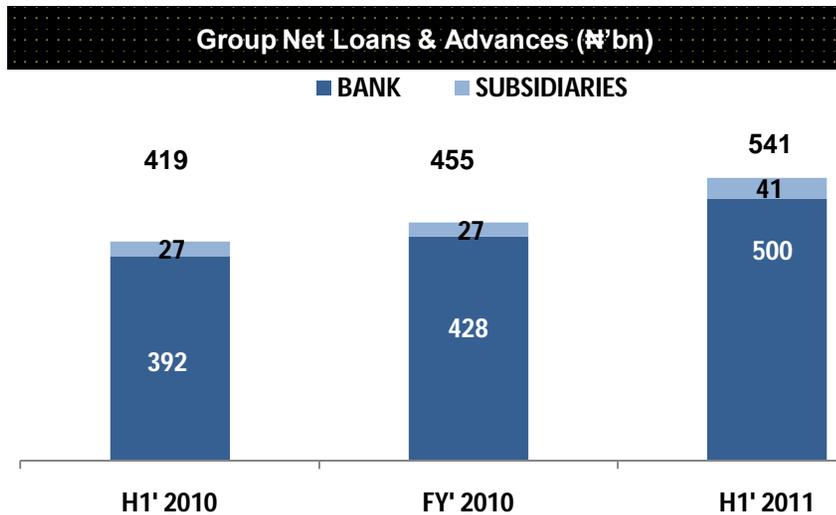
Balance sheet efficiency



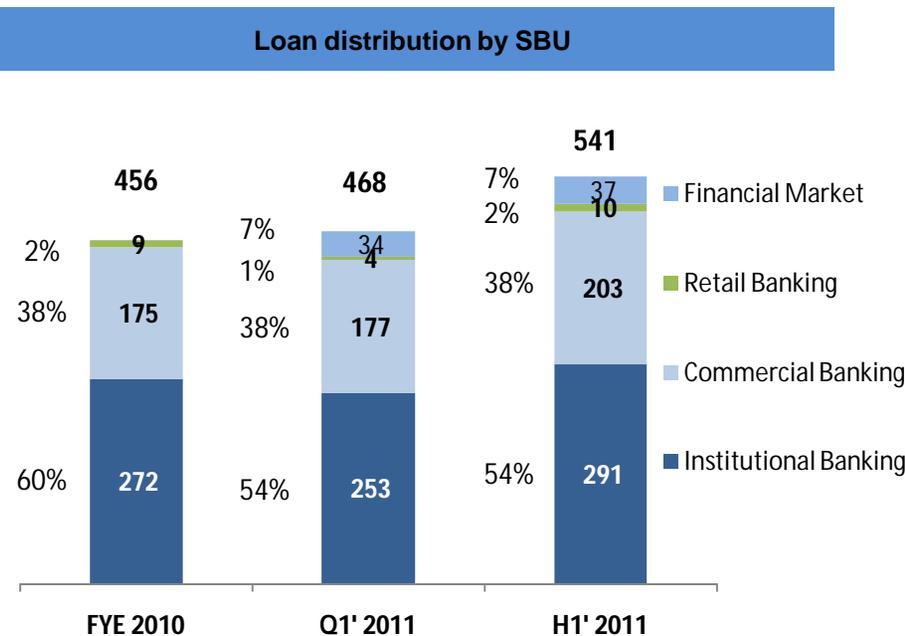
Comments

- »»» Our focus is to continuously enhance the efficiency of our balance sheet to improve profitability
- »»» Embarked on a number of organic initiatives to reduce deposit concentration risk

Our Loan book remains well diversified across sectors and business segment



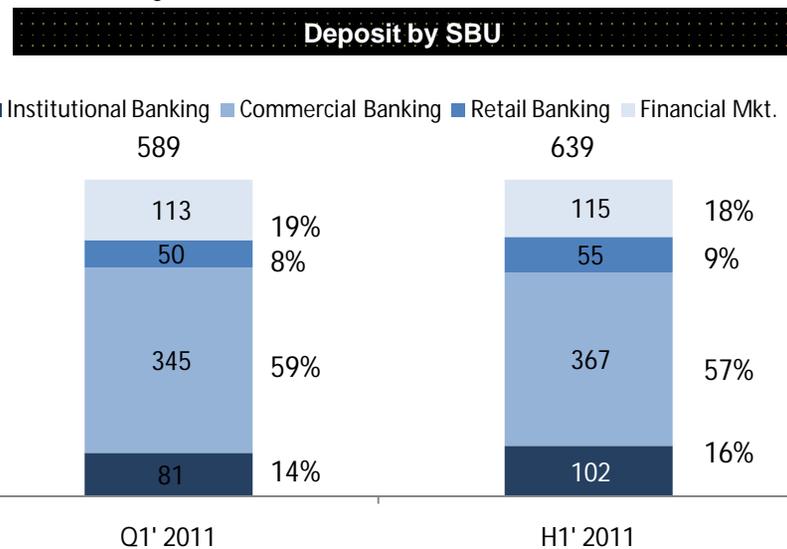
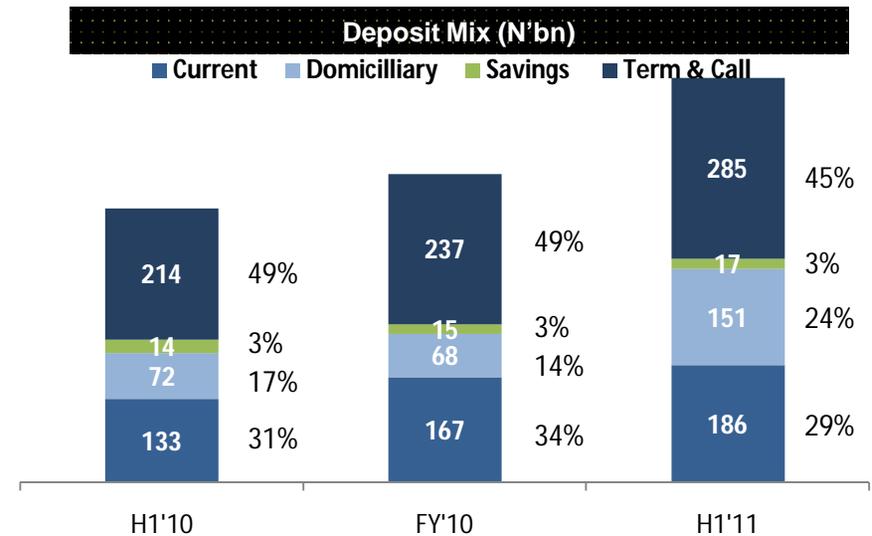
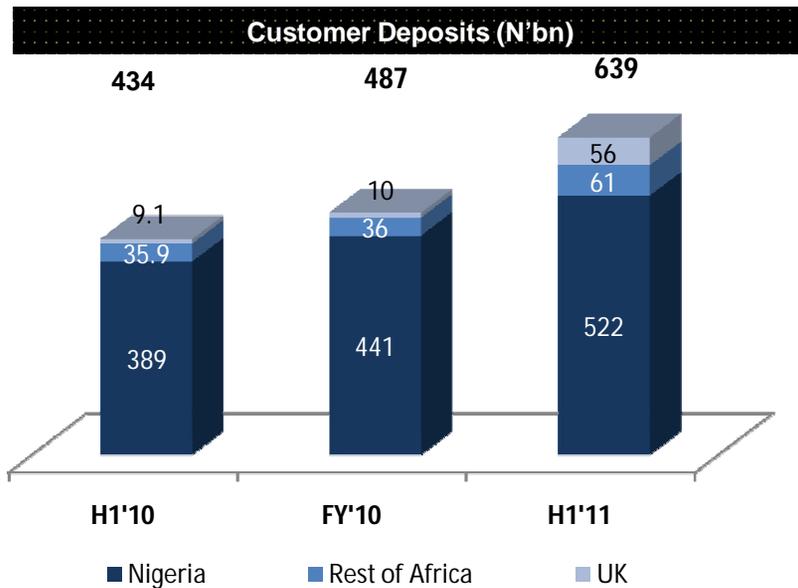
****Included in others are: General, Agriculture, Transportation and Power e.t.c



Comments

- 29% year on year growth in net loans, 17% increase in QoQ and 19% growth year till date.
- Loan loss provision increased by 40% on the back of 1% general loan loss provision.
- Oil and Gas accounted for 29% of total exposure.
- We continue to migrate our loan book to risk rating 1 and 2 obligors.

Quality of our funding base is improving as we continue to grow low cost deposits

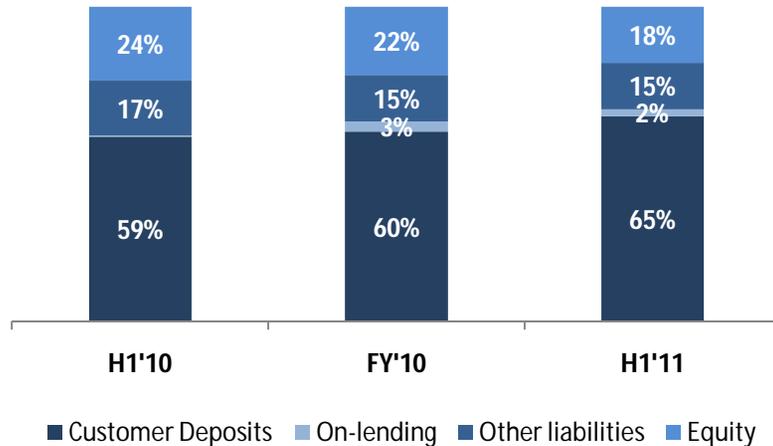


Comments

- Improving deposit mix, low cost deposit now account for 55% (FYE 10: 51%) of total deposits
- Growing contribution to deposit growth from subsidiaries particularly Access Bank UK.
- Energised focus on retail deposit generation is driving low cost deposit growth and diluting concentration risk

Our levels of Capital and Liquidity is adequate for business expansion and growth

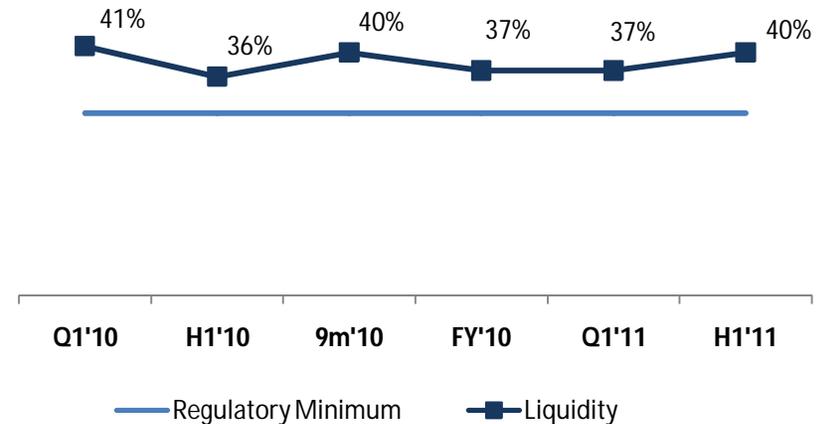
Funding Mix



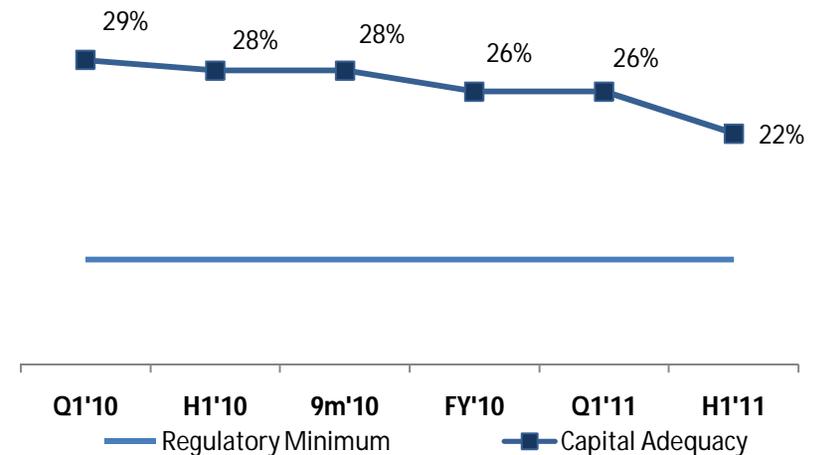
Comments

- »»» Capital base remains strong and adequate to support business expansion and growth (organic & inorganic)
- »»» Stress test in high stress scenarios shows that CAR remains well above regulatory minimum
- »»» Liquidity is strong and liquidity ratio is in excess of regulatory requirements.

Liquidity

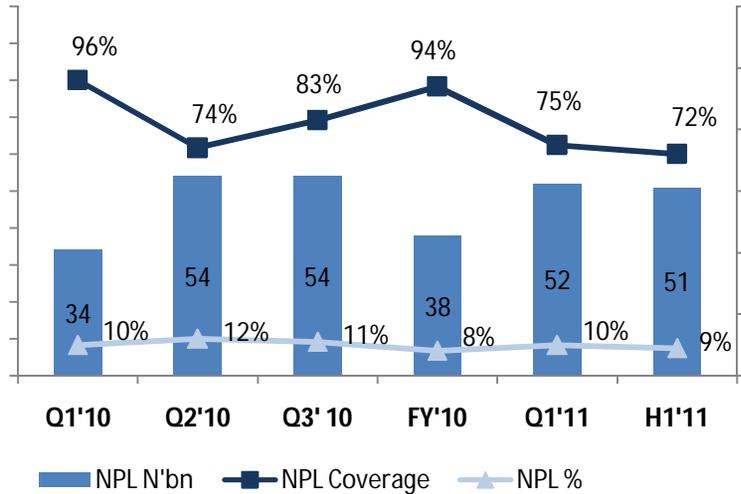


Capital Adequacy

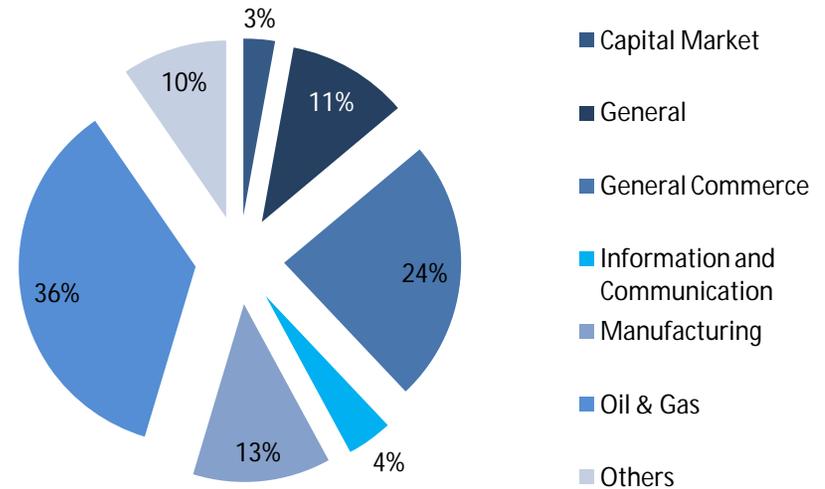


Asset quality indicators distorted by one large NPL

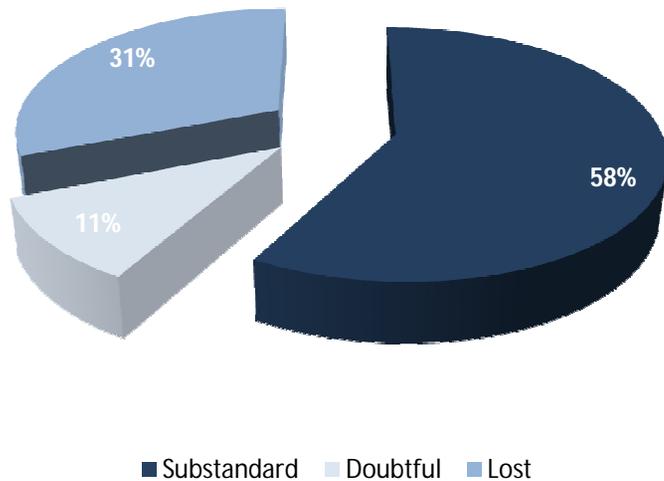
Asset Quality Ratio



NPL by sector



Ageing analysis of NPL



Comments

- >>> ₦13 billion was received from AMCON on the second phase sale with write back of ₦5.3 billion.
- >>> By end of the year, we expect to have resolved all significant exposures which showed challenges following 2008/2009 financial economic crisis.
- >>> Stress test of loan book shows that our ₦12 billion annual provision run rate is sufficient to cover impairment in a stressed scenario
- >>> Loan portfolio stress shows that capital adequacy is well above regulatory minimum.

Agenda

»» Introduction

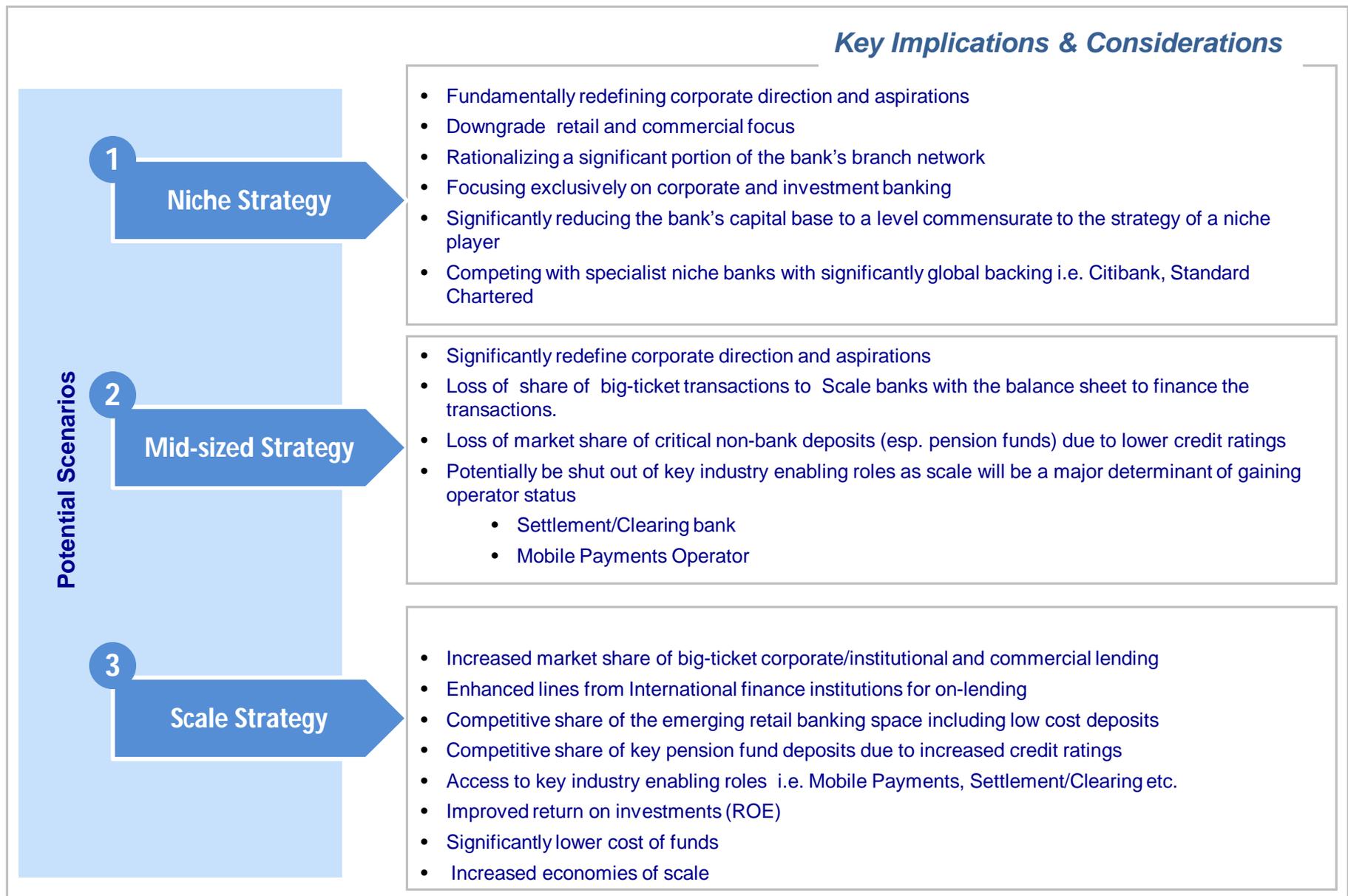
»» Operating Environment

»» Half Year Performance Review

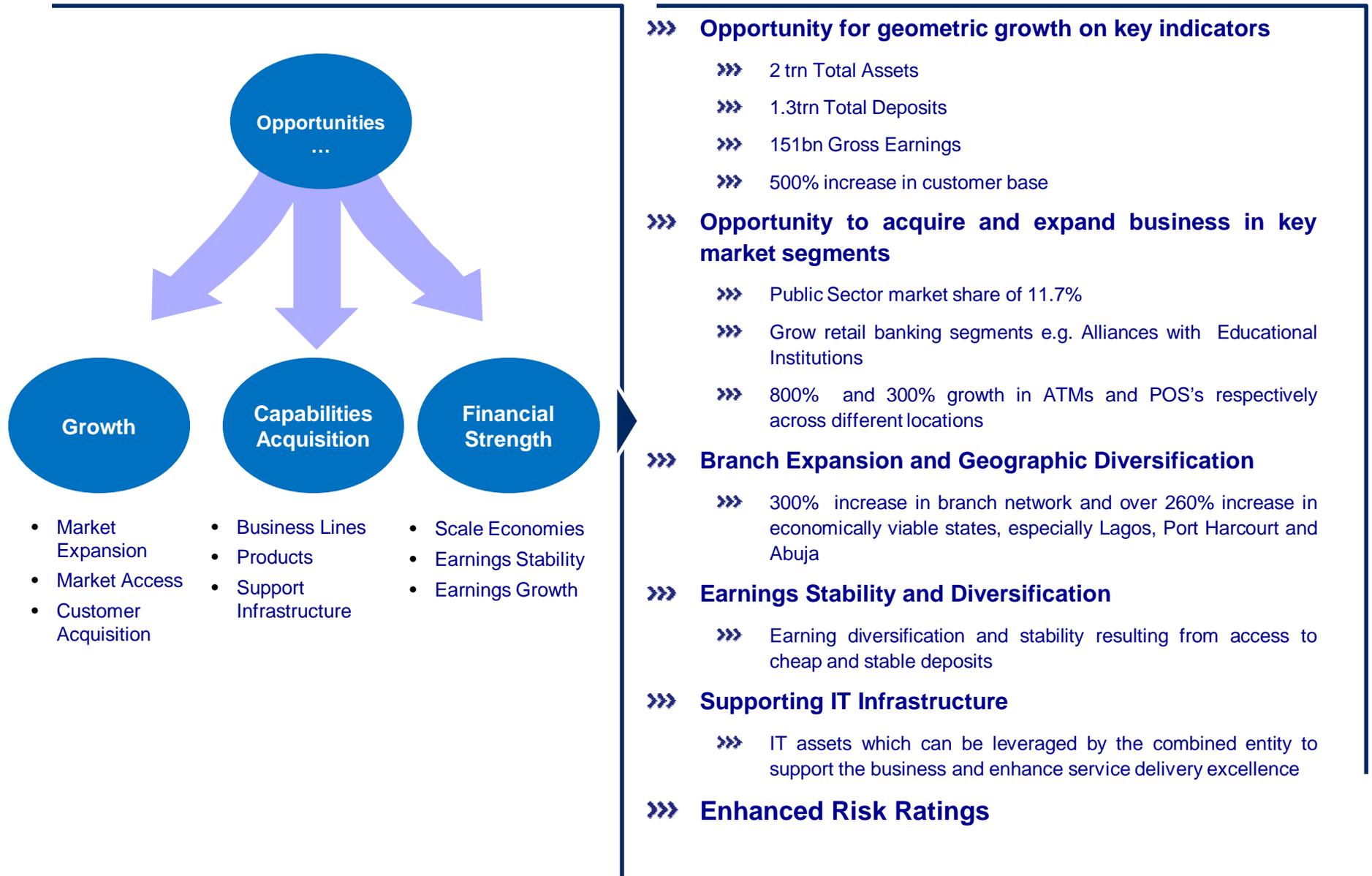
»» Further thoughts on scale

»» Outlook

For Access, the Scale Strategy is the most realistic and viable alternative



Abridged Benefit Analysis of Business Combination



Agenda

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Outlook

»» Significant Growth in Commissions & Fees

- »» Fixed Income origination and underwriting mandates to fund state government infrastructure programmes
- »» Financial Advisory mandates to support Public Private Partnerships in Infrastructure development
- »» Sales of e-enabled financial markets products and services e.g. Access Trade, Access FX etc.

»» 100% Growth in Retail Customer count

- »» Aggressive retail account sign on campaign leveraging on our value chain relationships
- »» Drive Payroll Administration services as an integral part of our business model
- »» Innovative use of partnerships to deploy “Fresh and Unique” branded products to financially excluded public

»» Growing Market Share of Corporate Clients

- »» Roll out mobile/cards and POS service delivery platform to exploit “cash less Lagos” opportunity
- »» Utilise government intervention schemes (Power & Agric) as a value added differentiator for corporate clients
- »» Deploy 21st century e-payment solutions to increase our market share of corporate customers
- »» Roll out enhanced product offerings for DFI's, MLA's and NGO's

»» Complete Merger Transaction

- »» Hold extraordinary General meetings
- »» Change of control in September
- »» Begin to reap cost and financial synergies within 90 days.

»» WE ARE PAINTING A BRIGHTER PICTURE ACROSS AFRICA

...AND BEYOND

At Access Bank, we believe acting responsibly is essential for business and societal sustainability. Our Corporate Social Responsibility endeavours continually provide innovative and proactive solutions to economic, social and environmental challenges.

We create sustainable value for our shareholders; promote diversity while ensuring rewarding career opportunities for our employees; consider environmental and social issues in our lending activities.

Through this responsible business approach, Access Bank is touching lives across countries where we operate and helping our host communities paint a bright picture of a sustainable future... for everyone.

A Passion For Excellence

access »»

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