

# ACCESS BANK PLC

First Quarter 2014 Results  
Presentation to Investors & Analysts

May 2014



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# Outline

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- **Overview of Access Bank**
- Operating Environment
- Q1'14 Financial Performance Review
- SBU Financial Performance Review
- Update on Subsidiaries Rationalisation
- Outlook for Q2'14

# The Bank at a Glance

<b>Parent</b> Access Bank Plc is licensed by the Central Bank of Nigeria as an International Bank	<b>Subsidiaries</b> <b>7</b> Banking Subsidiaries	<b>Number of Employees</b> <b>3,184</b> Professional staff
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Channels		
<b>366</b> Branches	<b>1,043</b> ATMs	<b>12,054</b> POS

<b>Total Equity</b> <b>22.9bn</b> Ordinary shares in issue of 50 kobo each
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<b>Listings</b> Nigerian Stock Exchange London Stock Exchange (Eurobond)
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Credit Rating nga	
<b>STANDARD &amp; POOR'S</b> <small>RATINGS SERVICES</small>	<b>AA-</b>
<b>FitchRatings</b>	<b>A-</b>
<i>Agusto &amp; Co</i>	<b>A</b>
<b>GCR</b>	<b>A</b>

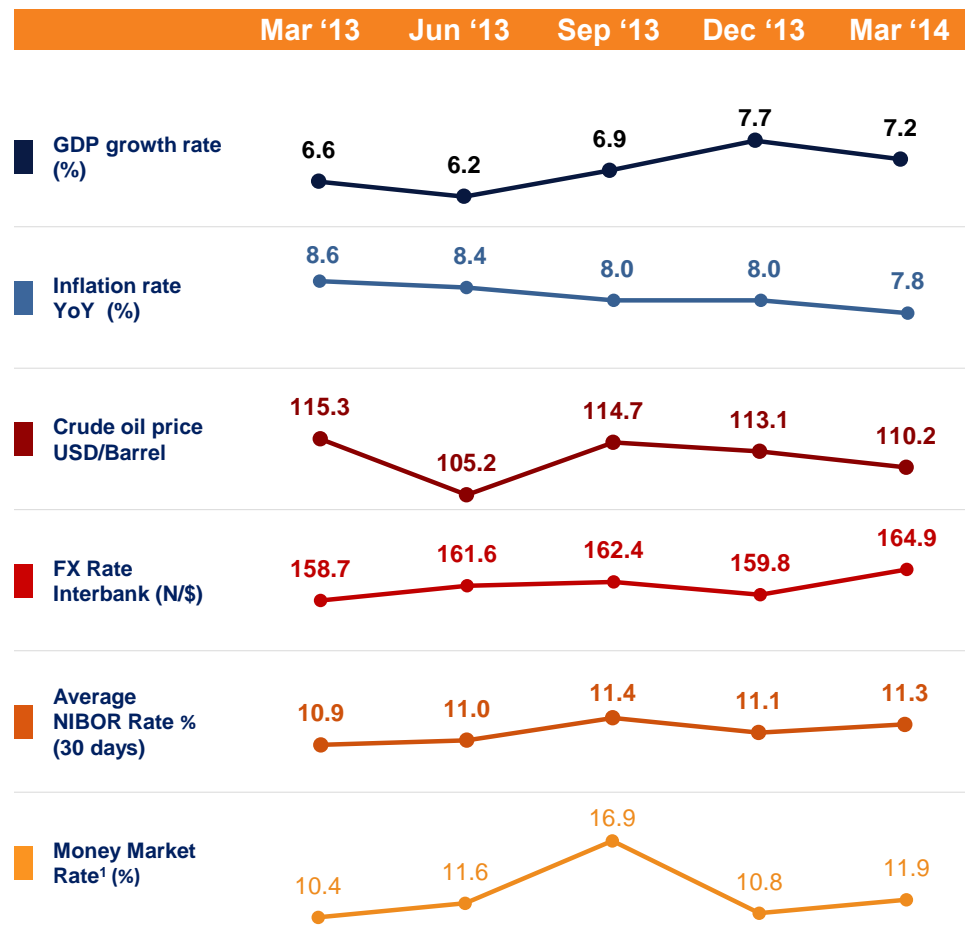
Awards & Recognition			
 Risk Management Award 2013	 African Banker's Award 2013	 M&A Winner in Africa 2012	 FT/IFC Sustainable Bank of the Year 2011

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# Operating Environment



Note: Call rate was used as an indicator for the money market rate  
 Source: Financial Derivatives, Central Bank Website

## The Nigerian Economy

- GDP growth rate dropped to 7.2% in March, from 7.7% in Q4 2013. However, recent rebasing of the GDP (to \$510bn) offers fresh imperatives for investment opportunities
- Inflation rate decreased to a 5 year low of 7.8% in Q1'14 driven by declining food inflation and negative money supply growth
- Bonny light declined 2.6% to \$110.21 due to increased crude oil supply by non OPEC countries
- Naira lost 3.68% in Q1'14 at the interbank market leading to depletion of external reserve in a bid to defend naira

## The Banking Industry

- Further increase in CRR on public sector deposits from 50% to 75% in February 2014 and 300 bps increase in CRR on private sector deposits to 15% leading to sterilisation of over N1trn from banking system
- Regulation is expected to result in pressures on interest income, cost of funds & overall operating cost
- Nationwide extension of cashless policy to commence in July 2014

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# Key Messages

## Improvement across key financial metrics

- Performance indicators improved across key metrics. RoE increased to 20% in Q1'14 from 16% in prior period and CIR improved to 64.6% from 70.2% in Q1'13
- Q1 results set strong tone for 2014 financial performance

## Strong non interest Income

- Achieved 12% growth in other banking income driven by credit related fees, trading income, FX income and other income

## Loan growth

- Loans and advances grew by 8% y/y to N872bn in Q1'14
- Diversified loan book from target sectors leading to an optimized portfolio

## Improved Cost of Funds

- Customer deposits increased by 5% from N1.3 trillion in Q1'13 to N1.4 trillion in Q1'14
- Achieved 70bps reduction in funding cost from 4.6% in FY'13 to 3.9% in Q1'14



# Key Performance Highlights

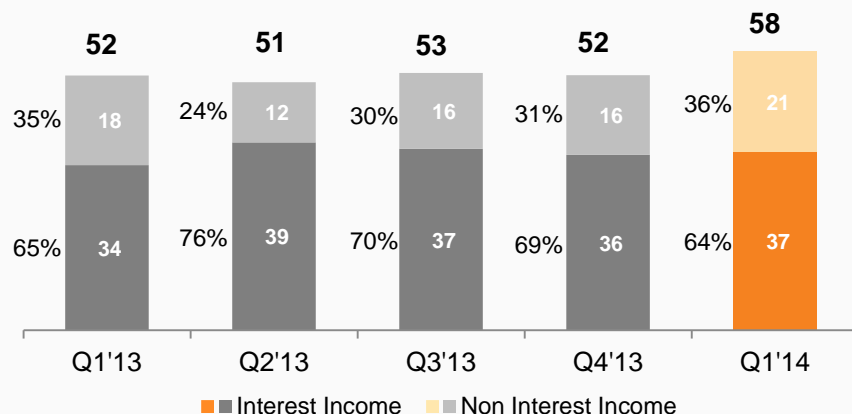
<b>1</b> <b>Profitability</b>		<b>Q1'14</b>	<b>Q1'13</b>	<b>%Δ</b>
	Gross Earnings (Nbn)	57.3	52.3	9
	Net Interest Margin (%)	6.2	5.3	↑
	PBT (Nbn)	13,4	11,2	20
	PAT (Nbn)	12.1	9.6	27
	EPS (kobo)	51.0	41.1	24
<b>2</b> <b>Balance Sheet</b>		<b>Q1'14</b>	<b>FY'13</b>	<b>%Δ</b>
	Total Assets (Nbn)	1,909.7	1,835.5	4
	Shareholders' Funds (Nbn)	255.9	244.5	5
	Customers' Deposits (Nbn)	1,403.6	1,331.4	5
	Loans & Advances (Nbn)	871.8	810.8	8
<b>3</b> <b>Prudential &amp; Performance Ratios</b>		<b>Q1'14</b>	<b>FY'13</b>	<b>Δ</b>
	Capital Adequacy (%)	19.5	19.3	+0.2
	Liquidity Ratio (%)	36.5	41.0	-4.5
	Loans to Deposit (%)	62.1	60.9	+1.2
	After tax ROAE (%)	19.6	15.5	+4.1
	Cost of Fund (%)	3.9	4.5	+0.1

# Statement of Comprehensive Income

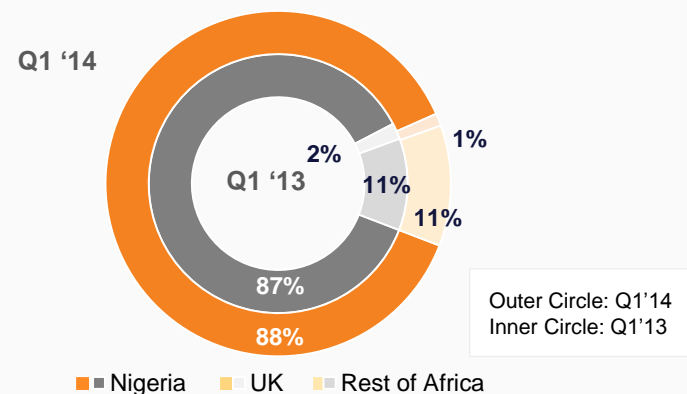
Underlying in N'M	Q1'14	Q1'13	Q1'12	YoY %Δ	Comments
<b>Gross Earnings</b>	57,270	52,343	53,059	9	<ul style="list-style-type: none"> <li>➤ Gross earnings grew y/y by 9% to N57.3bn (Q1'13 N52.5bn) driven by 8% growth in interest income and 12% growth in non interest income</li> </ul>
Interest Income	36,638	33,936	42,588	8	
Interest Expense	15,229	16,946	14,941	(10)	
<b>Net Interest Income</b>	21,409	16,990	27,647	26	<ul style="list-style-type: none"> <li>➤ Net interest income (NII) increased by 26% y/y to N21.4bn largely driven by significant growth in interest income on the back of strong loan growth and 10% decline in interest expense. Interest expense improved in the period due to replacement of high cost funds</li> </ul>
Non-Interest Income	20,632	18,407	10,471	12	
<b>Operating Income</b>	<b>42,038</b>	<b>35,397</b>	<b>38,118</b>	<b>19</b>	<ul style="list-style-type: none"> <li>➤ Non Interest Income (NII) increased by 26% y/y to N20.6bn benefiting from strong credit related fees and commission, FX income and other fees</li> </ul>
Impairment Charges	(1,514)	417	(405)	(463)	
Operating Expenses	27,148	24,858	22,182	9	
<b>Profit Before Tax</b>	<b>13,429</b>	<b>11,151</b>	<b>15,531</b>	<b>20</b>	<ul style="list-style-type: none"> <li>➤ Operating income rose by 19% to N42bn in Q1'14 as a result of improved earnings and reduced funding cost</li> </ul>
<b>Profit for the period</b>	<b>12,119</b>	<b>9,622</b>	<b>11,779</b>	<b>27</b>	

# Revenue

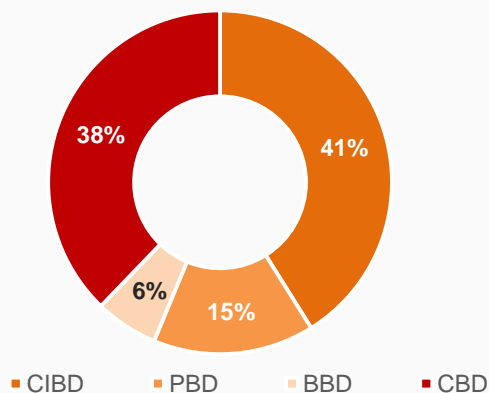
### Gross Earnings YoY (N'bn)



### Gross Earnings Distribution by Geography



### Gross Earnings Distribution by Business Segment

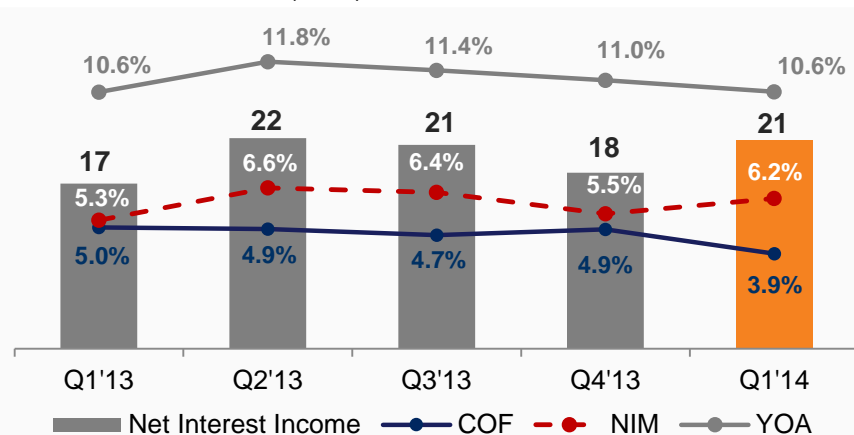


### Comments

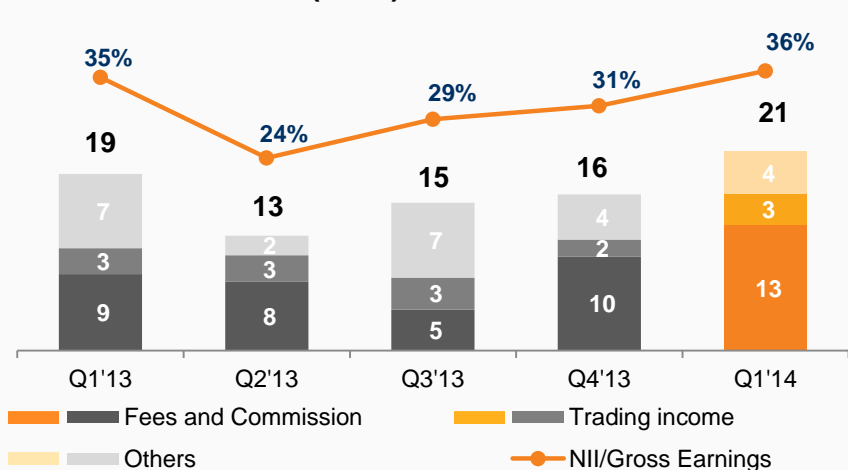
- Gross earnings grew by 9% to N58bn in Q1'14 (Q1'13: N52bn)
- Interest income accounted for 64% (Q1'13: 69%) of gross earnings in Q1'14
- Non Interest income Increased to 36% of gross earnings in Q1'14 from 31% in Q1'13
- Key drivers:
  - Interest income up 8% y/y, and non interest income up 10% y/y
  - Growth in loans and advances of 8% in Q1'14
  - Growth in foreign exchange income and strong fees and commission income

# Earnings mix

## Net Interest Income (N'bn)



## Non-interest Income (N'bn)

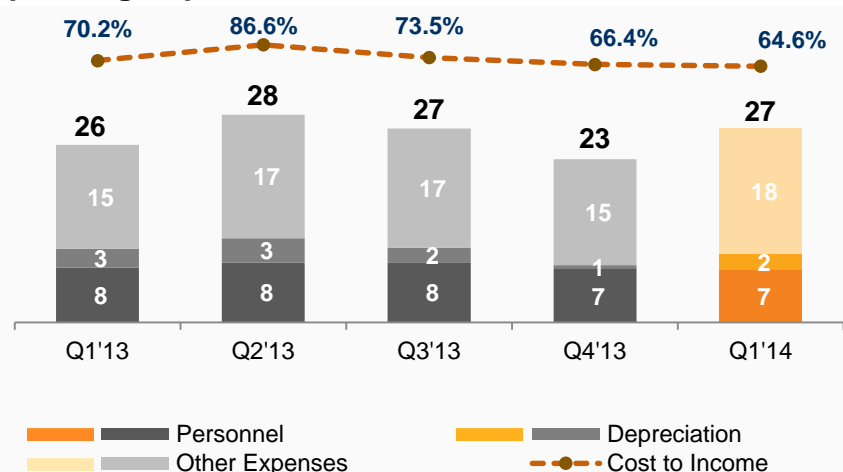


## Comments

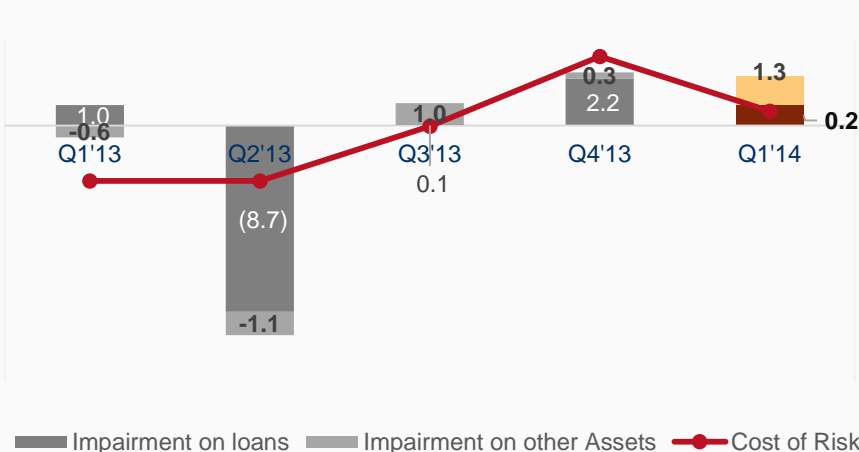
- NII improved by 26% y/y and 18% q/q to N21.4bn in Q1'2014 driven by 21% growth in earning assets and 90bps improvement in NIM to 6.2% in Q1'14
- Yield on Assets (YOA) contracted by 40bps q/q to 10.6% due to
  - Increased lower yielding foreign currency exposure as a result of limited naira lending capacity
  - Impact of additional liquidity sterilized arising from increase in cash reserve on public sector deposits
- Significant improvement in Cost of Fund (COF) from 5.3% in Q1'13 to 3.9% in Q1'14 largely due to replacement of expensive funds with lower cost deposits
- Contribution of non-interest income to gross earnings increased to 36% in Q1'14 from 35% in Q1'13
- Key drivers:
  - Significant increase in income from credit related fees and commission as a result of strong loan growth, transaction banking income, FX income and other fees and commission income
  - Increased transaction activity rate across all customer segments and channels

# Operating Expenses & Impairment Charges

## Operating Expenses (N'bn)



## Impairment Charges In N'bn

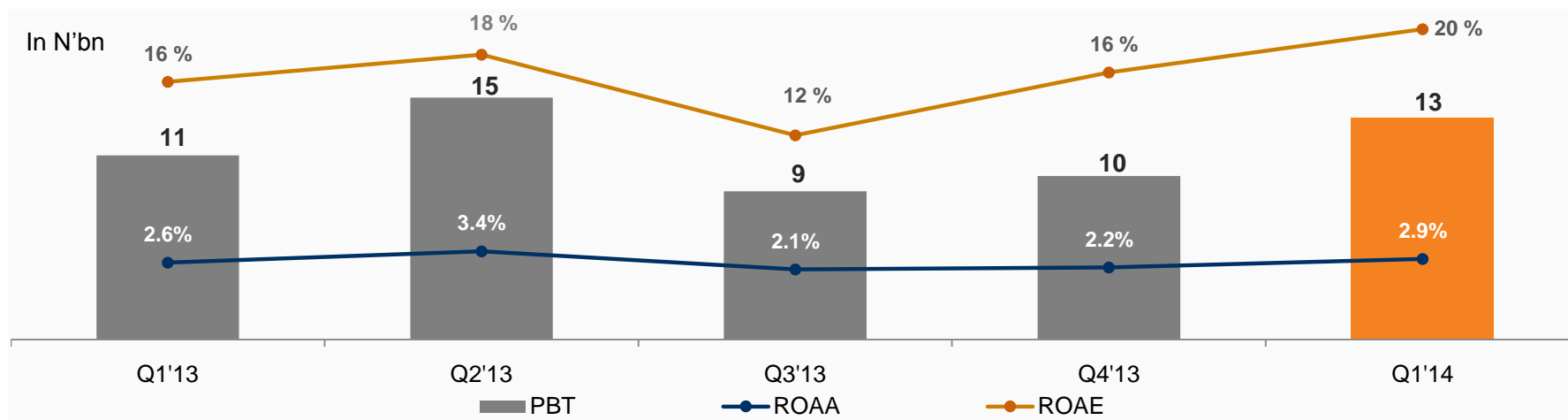


## Comments

- Improving operational efficiency as Cost to Income ratio reduced to 64.6% in line with our guidance, from 66.4% and 70.2% in Q4'13 and Q1'13 respectively driven by revenue uplift
- Operating expenses grew by 9% y/y to N27bn largely driven by increase in expenditure on infrastructure upgrade to enhance service delivery
- Benefits of diversified revenue streams in subsequent periods while controlling costs will further improve operating efficiency
- Impairment charges declined by 66% to N1.5bn in Q1'14 from N2.5bn in Q4'13 leading to a 50bps reduction in cost of risk to 0.7%
- Impairment of net liability position of non banking subsidiaries of ICB liquidated in January 2014
- Continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio

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

# Profitability



## Comments

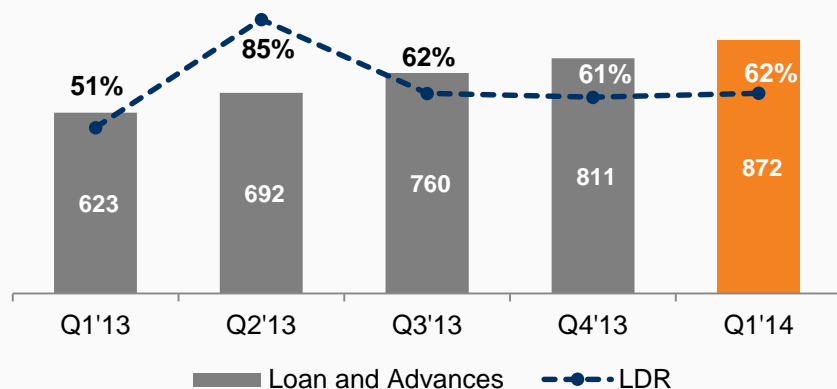
- PBT increased 20% y/y and 36% q/q to N13bn in Q1'14
- Key drivers:
  - 8% growth in interest income from loans due to increase in loans and advances in the period
  - Decline of 10% in interest expense due to run off of high cost deposits
  - Growth in non interest income driven by increase in transaction volume
- Improvement in ROE and ROA to 20% and 2.9% respectively in Q1'14

# Group Statement of Financial Position

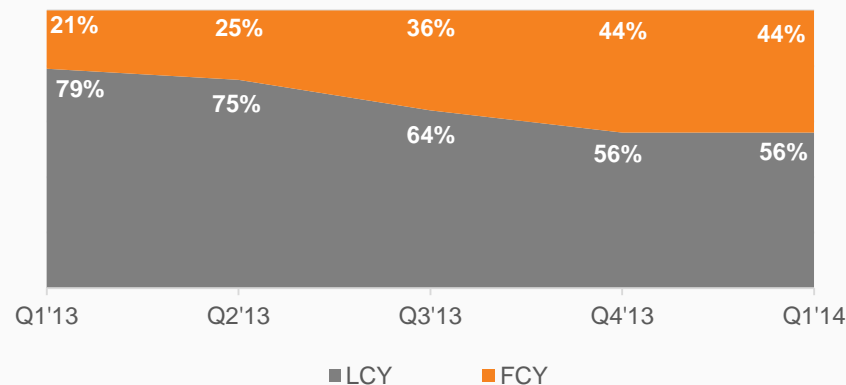
Underlying in N'B	Q1'14	FY'13	Q1'13	QoQ %Δ	Comments
Cash and Cash Equivalents	494	439	168	12	➤ Cash and Cash equivalent grew by 12% largely due to increase placements in money market
Trading & Pledged Assets	96	67	45	43	
Loans & Advances	872	811	760	8	➤ Trading assets grew by 43% to N96bn in Q1'14 driven by significant investment in treasury bill and government
Investment Securities	273	354	382	(23)	
Fixed Assets & Intangibles	70	71	70	-	➤ Significant portion of the investments securities matured during the period leading to 23% decline in investment securities
Deferred Tax Assets	11	11	8	3	
Other Assets	93	82	267	13	➤ Switching of maturing investments to money market placements with better yield and more flexibility
<b>Total Assets</b>	<b>1,910</b>	<b>1,835</b>	<b>1,701</b>	<b>4</b>	
Deposits from Banks	72	72	70	-	➤ Customers deposits grew by 5% to N1.4trn from N1.3trn
Deposits from Customers	1,404	1,331	1,226	5	
Interest Bearing loan	119	120	105	(1)	
Other liabilities	60	67	67	(11)	
<b>Total Liabilities</b>	<b>1,654</b>	<b>1,591</b>	<b>1,468</b>	<b>4</b>	
<b>Equity</b>	<b>256</b>	<b>244</b>	<b>232</b>	<b>5</b>	
<b>Total Equity &amp; Liabilities</b>	<b>1,910</b>	<b>1,835</b>	<b>1,701</b>	<b>4</b>	

# Diversified Loan Book

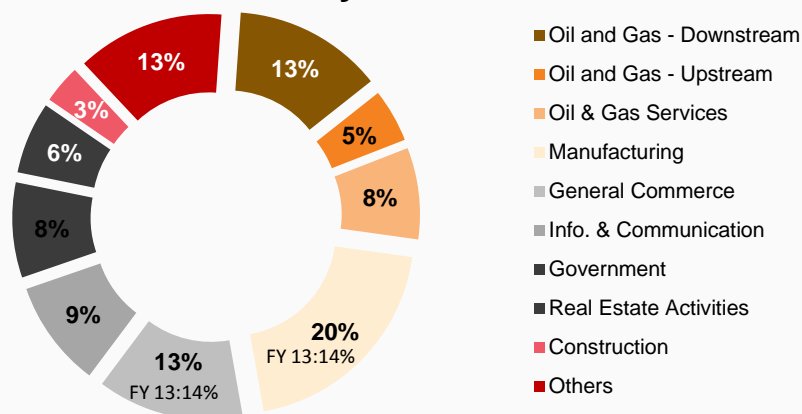
### Loan & Advances (N'bn)



### Loan analysis by Currency (N'bn)



### Loan distribution by sector



Included in others are: General Capital Market Transportation and storage, Agriculture etc

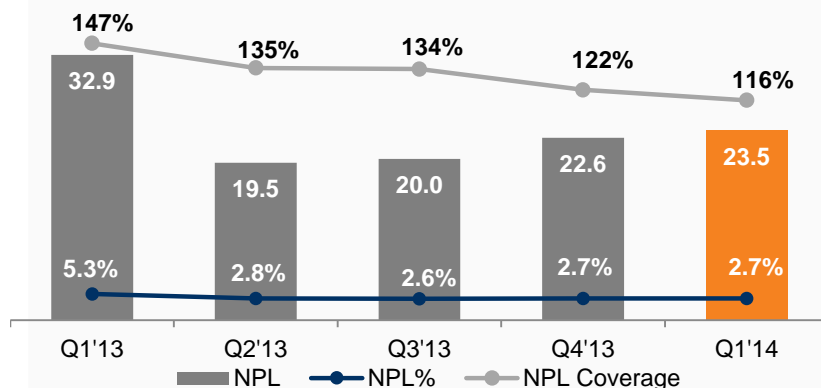
### Comments

- Continued improvement in overall loan portfolio, as the loan book grew by 8% to N872bn in Q1'14
- Loan growth was driven by increase in foreign currency lending to high quality obligors with dollar receivables mitigating exchange risk
- LDR increased to 62% in FY'13 largely driven by loan growth in target sectors (Oil and Gas, Manufacturing and Telecoms)

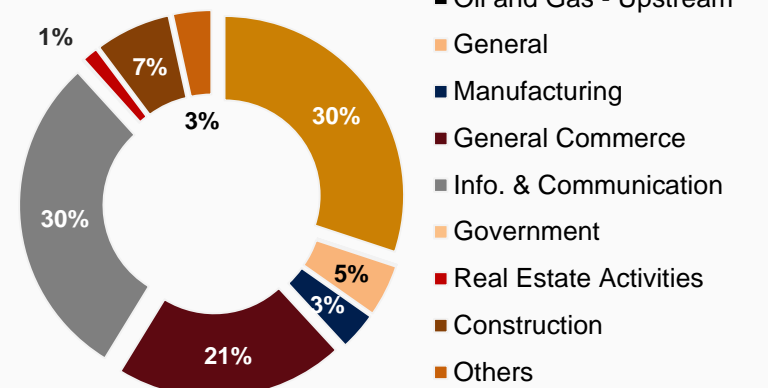


# Asset Quality

**Asset Quality (N'bn)**



**NPL by Sector**



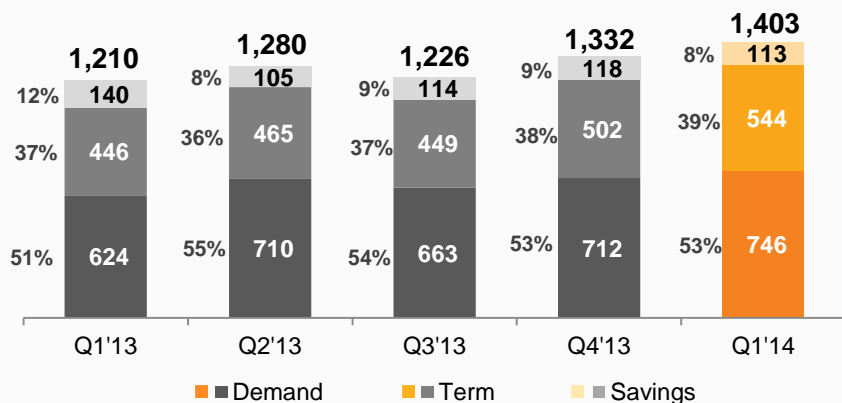
## Comments

- NPL ratio has remained stable at 2.7% from Q4'2013 reflecting strong risk management
- Adequate provisions made on classified assets with a coverage ratio (including regulatory risk reserve) of 116%
- Mitigation of our exposure to unforeseen shocks by prioritising asset quality through our diligent and systematic approach to risk management

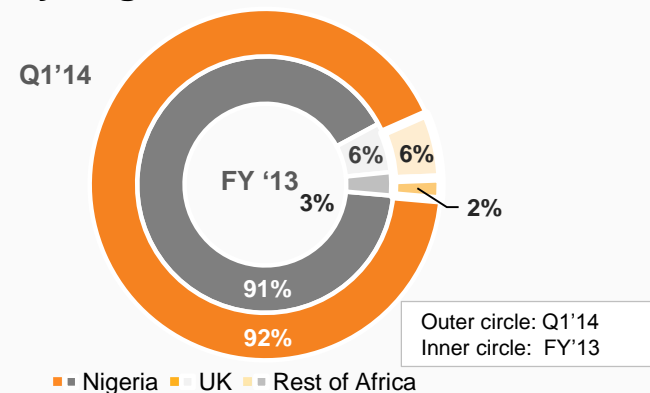
• Included in others are: Power & Energy, Finance and Insurance, Capital Market, Agriculture and Government e.t.c

# Deposit Mix

### Customer Deposits (N'bn)



### Deposits by Region

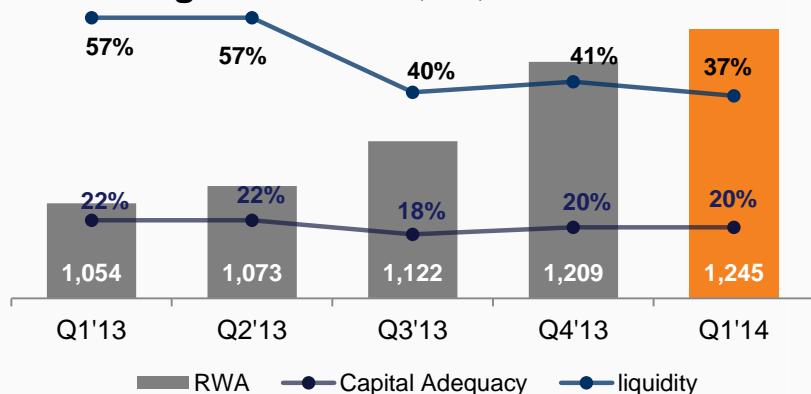


## Comments

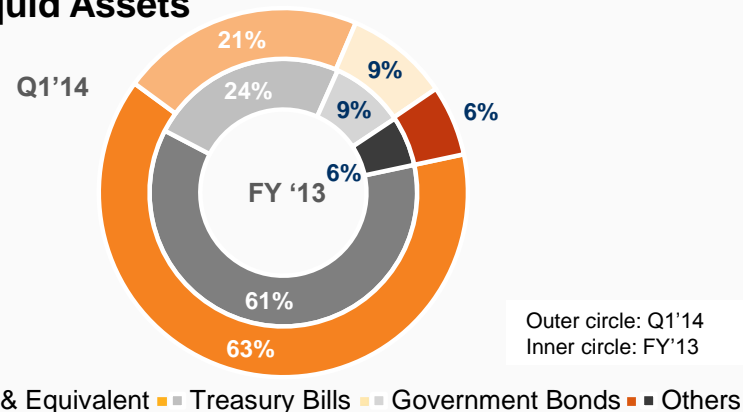
- Customer deposits increased by 5% to N1.4trn in Q1 '14 with low cost deposits contributing 61% of the total customer deposits
- Funding cost reduced by 100bps to 3.9% in 2013 due to the replacement of expensive funds in the book with lower cost deposits

# Capital Base

### Risk Weighted Assets (N'bn)



### Liquid Assets



## Comments

- Increased cash reserve on public sector deposits led to the reduction in liquidity ratio to 37%;
- Risk weighted assets (RWA) grew by 3% y/y to N1.2trillion reflecting deliberate approach of optimizing balance sheet
- CAR stable at 20% in Q1'14
- Enhance capital adequacy through increased profit retention to support growth

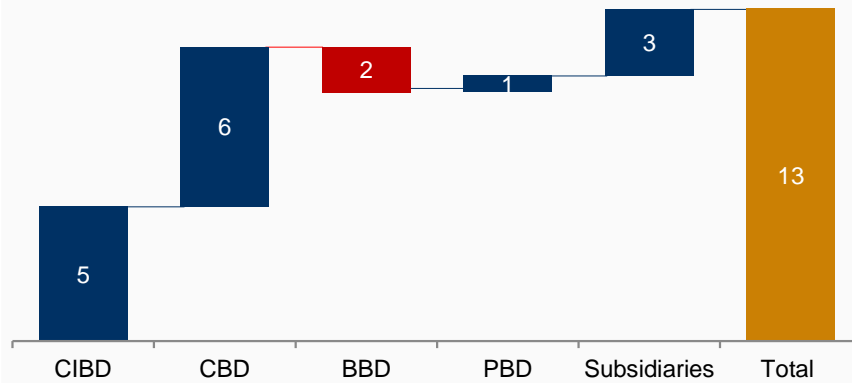
## Outline

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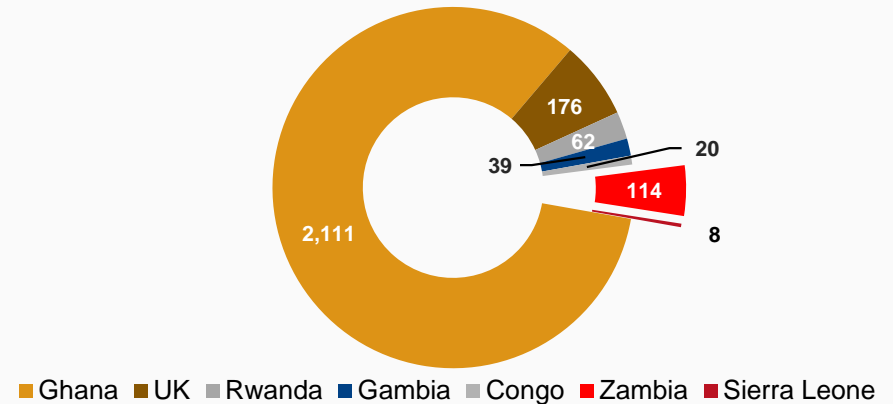
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# Contribution from Business Segments

Profit Before Tax (N'bn)

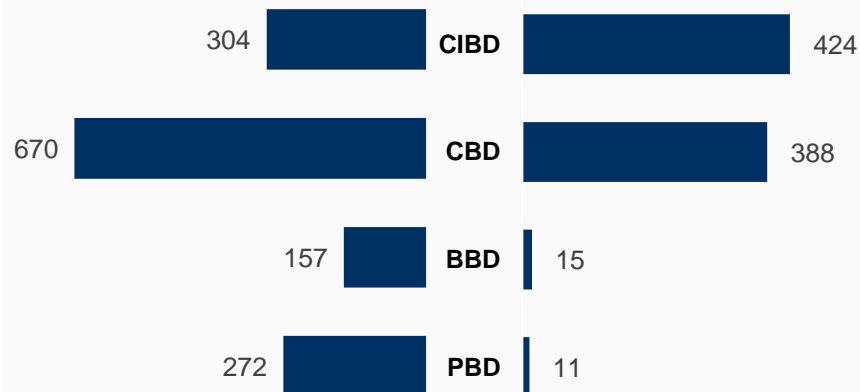


PBT Contribution from Subsidiaries



Deposits

Loans and Advances



## Comments

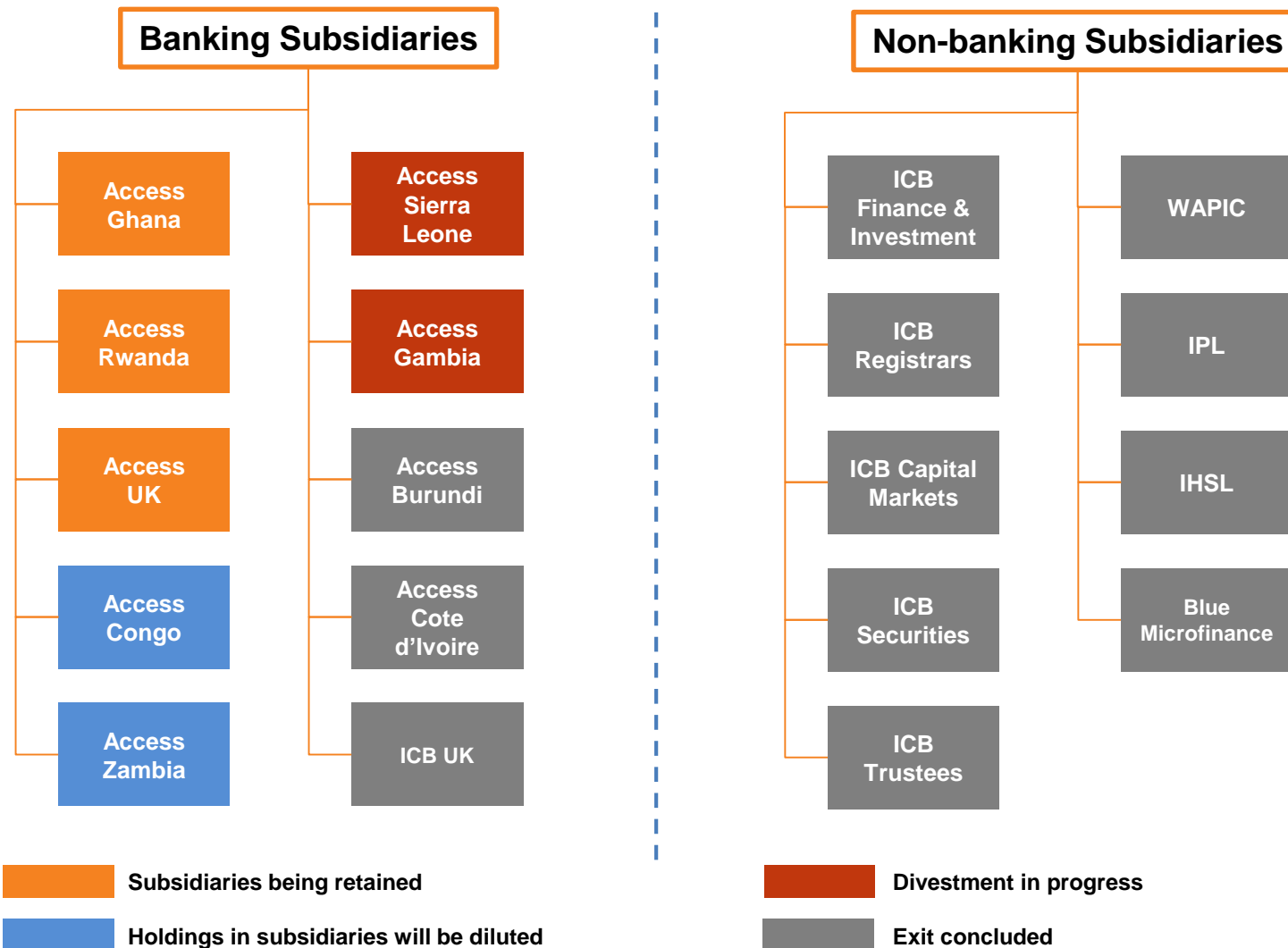
- Corporate & Investment Banking division contribute 84% to the overall Banks Profitability in the period
- Retail growth to be driven by increased focus on employees in value chain and improved customer engagement
- Aggregate profit of all subsidiaries amounted to N3bn in the period with Ghana contributing 84% of total subsidiary profit

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# Update on Subsidiaries Rationalisation



# Developments in Access Gambia

## Access Bank (Gambia) Intervention by Central Bank of The Gambia

- Central Bank of The Gambia requested the injection of capital into Access Bank Gambia to meet the new capital requirements by December 2013
- Upon the resolution to exit Gambia, the Bank sought a prospective investor willing to acquire substantial shareholding in the subsidiary as well as inject additional capital
- In March 2014, Access Bank intimated the Central Bank of The Gambia of the arrangement and understood that a 90 day extension till June 2014 had been granted given the delays in concluding the transaction
- On Monday May 5, 2014, Central Bank of Gambia acted under the Banking Act in 2009, intervened in Access Bank Gambia
- The Bank faced no liquidity or operational challenges prior to this action

## Steps Taken

- The identified investor group has made an investment in Access Bank Gambia, recapitalizing it by USD 5.2m, as requested by the Central Bank of The Gambia
- Access Bank is engaging the Central Bank of The Gambia to rescind the decision following the injection of the required capital
- Communication has been sent to all stakeholders to assure them of the Bank's commitment to resolving the issue.
- We are confident that this issue will be resolved within the next week

## Strategic Importance

- Access Bank Gambia contributes only 0.24% of the Groups total asset and 0.58% of the group revenue
- The regulatory actions in the Gambia will not have a material effect on the Bank's performance



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# Outlook for Q2'14

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## Grow Low Cost Deposits

- Grow our low cost deposits by leveraging on our retail customer base and drive account reactivation
- Enhancement of our value chain management structure to improve collection and grow liabilities

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## Enhance Revenue Streams

- Grow high quality loan portfolio from key sectors to drive earnings
- Drive profitability by growing wallet share of top 300 corporates in Nigeria and their value chain
- Improve value proposition and offerings to the SME segment

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## Drive Operational Efficiency

- Drive multichannel distribution (e-banking, telemarketing and segmented contact centers) to further improve customer experience whilst unlocking additional revenue streams
- Optimise processes to transform service delivery and reduce operating cost

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