ACCESS BANK PLC
2013 Full Year Results Presentation to Investors & Analysts
April, 2014
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Outline

- Overview of Access Bank
- Operating Environment
- FY 2013 Financial Performance Review
- SBU Financial Performance Review
- Outlook for 2014
Management Team

Herbert Wigwe
GMD/CEO

Obinna Nwosu
GDMD/COO

Elias Igbina Kenzua
Executive Director
CIBD

Roosevelt Ogbonna
Executive Director
CBD

Titilayo Osuntoki
Executive Director
BBD

Victor Etuokwu
Executive Director
PBD

Ojinika Olaghene
Executive Director
Operations & IT

Enterprise Resource Division

Head, HR

Integrated Project Finance and cash management offering
Financing expansion & upgrade of network infrastructure and equipment

Over 24 years of Banking experience
Sound understanding of business development in corporate banking space

Over 20 years of strong leadership and business development
Seasoned and distinguished banker and scholar

Over 26 years of exceptional service delivery in the industry
Executed several strategic transformational project

Over 21 years banking experience across all facets of banking
Drove industry initiatives defining best practices in the retail segment

Over 22 years of Banking experience in Operations and IT
Strong Program and Project governance

Subsidiaries

Channels

CRO

CFO

CCO

Head, HR

Enterprise Resource Division

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Head, HR
2013 – A Pivotal Year in Our Transformation

Physical Integration of ICB complete

- 4th Largest Nigerian Bank
- Leading retail footprint with 6.5 million customers
- Large diversified retail bank with significant retail potential

Legacy issues exacerbated regulatory pressure

- Balance sheet with structural liquidity constraint from AMCON Bonds exposure
- Impact of 66% increase in Levy estimated at N8.8bn in 2013
- Four-fold increase in public sector CRR resulted in estimated earnings impact of N4bn
- COT reduction to N3/mill impacted earnings by about N6bn

Transition to sustainable platform for growth

- Significant acquisition of blue chip corporate clients, consolidates leading corporate banking business and value chain proposition
- Enhanced commercial banking business through dominance in Orientals and deepening market share in priority segments
- Customer-centric approach to retail & SME through the development of product programmes in target market segments
- Best in Class management team to drive best practices and process throughout bank

Clear priorities for 2014

- Improve our service offering and customer experience across our diversified market segments
- Enhance our sales effectiveness across the value chain, while leveraging our diverse offerings
- Leverage on technology to provide competitive advantage
- Enhanced Risk Management framework throughout the Bank
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

Number of Employees
4,001 Professional staff

Credit Rating

S
ctandar
& Po
es
ratings Services
AA-

Fitch Ratings
A-

Agusto & Co
A

GCR
A

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

Channels

366 Branches
1,043 ATMs
11,615 POS

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

Listings
Nigerian Stock Exchange
London Stock Exchange (Eurobond)
Outline

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Operating Environment

The Nigerian Economy

- GDP grew by 7.7%, largely driven by 88.3% contributions from the non-oil sector
- Inflation rate improved to 8.6% in Q1’13 and remained within single digit throughout the year
- Bonny light increased 2% yoy. Oil price stayed above $110 for most of the year but declined to $105 in June due to market shifts in the Euro-zone.
- NIBOR rates declined by 183bps yoy to 11.13% across maturities in Dec ’13 due to improve market liquidity from AMCON bond redemption at the end of the year

The Banking Industry

- Increase in CRR for banks on public sector deposits to 50% from 12%. Further increase to 75% in February 2014
- MPC raised CRR on private sector deposit by 300 bps to 15% in April 2014
- COT reduced from N5 to N3/mill while interest on savings increased to 30% on MPR
- Increase in AMCON levy from 0.3% in 2012 to 0.5% of total assets in June 2013
- Regulation is expected to result in pressure earnings and cost

Note: Call rate was used as an indicator for the money market rate
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Key Messages

Financial Performance Impacted by Regulatory Headwind
- N8.8bn increase in operational expense driven by increased AMCON levy
- Increased cash reserve on public sector deposits impacted performance by N3bn
- Revised bank charges impacted performance by N6bn

Strong Non Interest Income
- Achieved 48% growth in other banking income driven by credit related fees, trading income and Other income

Strong Loan Growth
- Net loans grew by 33% YoY to N811bn significantly above overall market growth rates
- Diversified loan book from target sectors leading to an optimized portfolio

Improved Asset Quality
- Significant improvement in NPL ratio from 5.0% in 2012 to 2.7% in 2013
- Impairment write back of N6.2bn YoY on the back of improved asset quality and obligor migration

Improving deposit mix
- Customer deposits increased by 10.8% from N1.2 trillion to N1.3 trillion in FY’13, limited by run-off and replacement of expensive deposit
- Achieved 11% CASA growth in FY’13 leading to reduced funding cost from 4.6% in FY’12 to 4.5% in FY’13
## Key Performance Highlights

### Profitability

<table>
<thead>
<tr>
<th></th>
<th>FY’13</th>
<th>FY’12</th>
<th>%Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Earnings (Nbn)</td>
<td>208.3</td>
<td>207.0</td>
<td>1</td>
</tr>
<tr>
<td>Net Interest Margin (%)</td>
<td>6.3</td>
<td>8.0</td>
<td>-1</td>
</tr>
<tr>
<td>PBT (Nbn)</td>
<td>45.0</td>
<td>46.5</td>
<td>-1</td>
</tr>
<tr>
<td>PAT (Nbn)</td>
<td>37.5</td>
<td>44.8</td>
<td>-16</td>
</tr>
<tr>
<td>EPS (kobo)</td>
<td>158.6</td>
<td>171.9</td>
<td>-8</td>
</tr>
<tr>
<td>DPS (kobo)</td>
<td>60.0*</td>
<td>85.0</td>
<td>-29</td>
</tr>
</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>FY’13</th>
<th>FY’12</th>
<th>%Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets (Nbn)</td>
<td>1,835</td>
<td>1,745</td>
<td>5</td>
</tr>
<tr>
<td>Shareholders’ Funds (Nbn)</td>
<td>244</td>
<td>241</td>
<td>1</td>
</tr>
<tr>
<td>Customers’ Deposits (Nbn)</td>
<td>1,331</td>
<td>1,201</td>
<td>11</td>
</tr>
<tr>
<td>Loans &amp; Advances (Nbn)</td>
<td>811</td>
<td>609</td>
<td>33</td>
</tr>
</tbody>
</table>

### Prudential & Performance Ratios

<table>
<thead>
<tr>
<th></th>
<th>FY’13</th>
<th>FY’12</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Adequacy (%)</td>
<td>20.0</td>
<td>23.3</td>
<td>-3.3</td>
</tr>
<tr>
<td>Liquidity Ratio (%)</td>
<td>41.4</td>
<td>60.0</td>
<td>-18.6</td>
</tr>
<tr>
<td>Loans to Deposit (%)</td>
<td>60.9</td>
<td>50.7</td>
<td>+10.2</td>
</tr>
<tr>
<td>After tax ROAE (%)</td>
<td>14.9</td>
<td>18.2</td>
<td>-3.3</td>
</tr>
<tr>
<td>Cost of Fund (%)</td>
<td>4.5</td>
<td>4.6</td>
<td>+0.1</td>
</tr>
</tbody>
</table>

* Excludes WAPIC shares distribution at market value of N4.15bn (18k per share)
## Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Underlying in N‘M</th>
<th>FY’13</th>
<th>FY’12</th>
<th>FY’11</th>
<th>YoY %Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Earnings</strong></td>
<td>208,357</td>
<td>206,972</td>
<td>138,358</td>
<td>1</td>
</tr>
<tr>
<td><strong>Interest Income</strong></td>
<td>145,961</td>
<td>165,294</td>
<td>107,609</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>68,237</td>
<td>65,059</td>
<td>37,026</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>77,724</td>
<td>100,235</td>
<td>70,583</td>
<td>(22)</td>
</tr>
<tr>
<td><strong>Non-Interest Income</strong></td>
<td>60,930</td>
<td>41,041</td>
<td>30,749</td>
<td>48</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>138,548</td>
<td>140,670</td>
<td>101,332</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Impairment Charges</strong></td>
<td>6,163</td>
<td>(10,022)</td>
<td>(9,251)</td>
<td>(161)</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>101,181</td>
<td>84,750</td>
<td>69,593</td>
<td>19</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>44,996</td>
<td>46,535</td>
<td>22,487</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>37,497</td>
<td>44,840</td>
<td>15,458</td>
<td>(16)</td>
</tr>
</tbody>
</table>

**Comments**

- Interest income at N146bn, (2012: N165bn) due to the sale of significant volume of AMCON Bonds in Q3’12, slower than anticipated growth in loan book in H1’13 and the impact of CRR

- Interest expense up 5% YoY driven by high cost deposits on books since Q3’12 which have now completely run off due to replacement of expensive funds with lower cost deposits

- Strong growth of 48% in Non Interest Income (NII) to N61bn benefiting from strong dividend income, credit related fees, trading and other income including N5bn valuation gain

- Impairment write back driven by positive obligor migration

- Expenses up 19% on the back of increased AMCON charges and other one off expenses

- Tax rate normalises to 17% from 4% in 2012
Gross Earnings of N208bn in 2013 (2012: N207bn)

Interest income accounted for 70% (2012: 80%) of gross earnings while non interest income stood at 30% (2012: 20%)

Key drivers:
- Interest income declined in the year due to the sale of significant AMCON bonds in Q3 2012 leading to the contraction of the asset book and slower than expected loan growth in first half of the year
- Strong growth of 48% in non-interest income YoY which compensated significantly for the drop in interest income
Net Interest Income

Comments

- Net interest Income at N78bn (2012: N100bn)

- Key drivers:
  - Timing of loan growth – slow growth in H1’13, 8% of total loan growth was recorded in Q4’13 and the benefit will be fully realised in 2014
  - Impact of additional liquidity sterilized arising from increase in cash reserve on public sector deposits
  - Lower than expected build up in earning assets following the contraction in 2012

- Yield on Assets (YOA) contracted by 180bps YoY to 10.8% in FY’13 resulting from
  - Increased exposure to lower yielding foreign currency exposure as a result of limited naira lending capacity

- Cost of Fund (COF) improved by 10bps YoY to 4.5% in FY’13 inline with the Bank’s strategy to replace expensive funds with lower cost deposits
**Non Interest Income**

In N'bn

- **FY '09**: 23%, 19
  - Fees and Commission: 2
  - Trading income: 7
  - Others: 10

- **FY '10**: 28%, 25
  - Fees and Commission: 8
  - Trading income: 3
  - Others: 14

- **FY '11**: 22%, 31
  - Fees and Commission: 5
  - Trading income: 3
  - Others: 23

- **FY '12**: 20%, 41
  - Fees and Commission: 8
  - Trading income: 25

- **FY '13**: 29%, 61
  - Fees and Commission: 9
  - Trading income: 32

**Comments**

- Non interest income increased by 48% YoY to N61B in 2013
- Contribution of non interest income to gross earnings increased to 29% in 2013 from 20% in 2012
- **Key drivers:**
  - Significant increase in income from credit related fees and commission on the back of strong loan growth, strong transaction banking income, disposal of idle assets (N2.1bn), dividend from AFS securities (N3.2bn), trading income (N1.9bn) and other income including valuation gain

*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*
Comments

- Cost to Income increased from 64.9% in FY’12 to 69.9% in FY’13 on the account of lower than expected income growth and higher operating expenses in the year on account of significant one off cost.

- Operating expenses grew by 19% YoY to N101 billion in Dec’13 (2012: N85bn) but declined by 26% to N20bn QoQ.

- Key drivers:
  - AMCON charge paid by the bank increased from N2 billion to N11 billion in 2013 due to 0.2% increase AMCON charge and the its impact on the enlarged balance sheet following the acquisition.
  - Non-recurring expenses such as depreciation adjustment N768mn, professional fees and branding cost (N1.12bn) and significant repairs and maintenance of existing infrastructure.

1. Other operating expense includes: Professional fees, Insurance, General administrative expenses, Other premises and equipment costs etc.
2. Impairment (charge)/write back was included in the computation of CIR.
Impairment Analysis

Comments

- Impairment write back of N6.2bn due to significant positive rating migrations of obligor
- Obligor Risk Rating (ORR 1-3) customers increased from 76% in the 2012 to 90% of the Banks Obligor
- Marked improvement in loan quality was driven by aggressive loan recovery and remedial action
- The benefit of improved risk management has started to come through as significant positive rating migrations on the loan book resulted in write backs on collective impairment
- Continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio

*ORR – Obligor Risk Rating
## Group Statement of Financial Position

<table>
<thead>
<tr>
<th>Underlying in N'B</th>
<th>FY’13</th>
<th>FY’12</th>
<th>FY’11</th>
<th>FY’10</th>
<th>YoY %Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>439</td>
<td>405</td>
<td>268</td>
<td>61</td>
<td>8</td>
</tr>
<tr>
<td>Trading &amp; Pledged Assets</td>
<td>67</td>
<td>92</td>
<td>77</td>
<td>-</td>
<td>(26)</td>
</tr>
<tr>
<td>Loans &amp; Advances</td>
<td>811</td>
<td>609</td>
<td>577</td>
<td>559</td>
<td>33</td>
</tr>
<tr>
<td>Investment Securities</td>
<td>354</td>
<td>447</td>
<td>562</td>
<td>120</td>
<td>(21)</td>
</tr>
<tr>
<td>Fixed Assets &amp; Intangibles</td>
<td>71</td>
<td>68</td>
<td>71</td>
<td>47</td>
<td>4</td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>11</td>
<td>8</td>
<td>3</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>Other Assets</td>
<td>82</td>
<td>117</td>
<td>71</td>
<td>18</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,835</td>
<td>1,745</td>
<td>1,629</td>
<td>805</td>
<td>5</td>
</tr>
<tr>
<td>Deposits from Banks</td>
<td>72</td>
<td>97</td>
<td>135</td>
<td>64</td>
<td>(26)</td>
</tr>
<tr>
<td>Deposits from Customers</td>
<td>1331</td>
<td>1201</td>
<td>1102</td>
<td>487</td>
<td>11</td>
</tr>
<tr>
<td>Interest Bearing loan</td>
<td>120</td>
<td>103</td>
<td>41</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>67</td>
<td>103</td>
<td>159</td>
<td>56</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,591</td>
<td>1,504</td>
<td>1,437</td>
<td>629</td>
<td>6</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>244</td>
<td>241</td>
<td>192</td>
<td>175</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Equity &amp; Liabilities</strong></td>
<td>1,835</td>
<td>1,745</td>
<td>1,629</td>
<td>805</td>
<td>5</td>
</tr>
</tbody>
</table>

**Comments**

- YoY loan growth of 33% with significant dollar lending growth in 2013 largely to high rated Corporate and Commercial customers.
- Investment securities declined by 21% resulting from the maturity of significant portion of the outstanding AMCON bond at year end which was settled with cash and treasury bills.
- Growth in Customer deposits at 11% limited by run off of expensive deposits replacement with low cost stable funds.
The Bank continued to improve its overall loan portfolio, as the loan book grew by 33% to N811bn in FY’13.

Loan growth significantly driven by increase in foreign currency book to high quality obligor with dollar receivables mitigating FX risk.

LDR increase to 61% in FY’13 largely driven by loan growth in target sectors (Oil and Gas, Manufacturing and Telecoms).

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

➤ Significant improvement in NPL ratio from 5.0% in 2012 to 2.7% in 2013 reflecting the bank’s improved risk management and positive obligor migration

➤ Key drivers for the reduction in the NPL ratio were:
  - Strong loan growth
  - Successful loan recovery efforts
  - Write-offs of fully provisioned loans

➤ Adequate provisions made on classified assets with a coverage ratio of 113%

➤ Continue to mitigate 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
- Reserve for loan loss includes regulatory risk reserve
Comments

Customer deposits increased by 11% YoY to N1.33tn in FY ’13 with low cost deposits contributing 62% of the total customer deposits.

Funding cost reduced by 10bps to 4.5% in 2013 due to the improved mix driven by the replacement of expensive funds with lower cost deposits.

Key drivers:

- Growth in deposits primarily due to the enhanced segmentation and engagement strategy
- Extension of the value chain to the SME segments
- Low cost deposits from our enhanced personal banking business
Capital Base

Comments

- Increased cash reserve on public sector deposits led to the reduction in liquidity ratio to 41%; N70bn was sterilised with the CBN in 2013.
- Risk weighted assets (RWA) growth of 15.9% y-o-y reflect deliberate approach of optimizing balance sheet.
- CAR of 20% largely impacted by loan growth, WAPIC spin-off and interim dividend paid in the period.
- Enhance capital adequacy through increased profit retention to support growth.
Corporate & Investment Banking division contribute 44% to the overall Banks Profitability in FY’13

BBD made a loss of N5bn in FY 2013 as the business segment has just started to gain traction in the SME segment. The benefits of various strategic initiatives are expected to be realised in 2014 as the division becomes profitable in the course of the year

Retail growth to be driven by increased focus on employees in value chain and improved customer engagement
CIBD & CBD Performance

### CIBD Performance

**Loans & Advances**
- **56%** N468bn
- **44%** N343bn

**Deposits**
- **25%** N331bn
- **75%** N1trn

**Action Plan & Priorities**
- **New Customer Sign-on to Account** for at least 25% of 2014 Performance in Deposits, Loans and Advances, PBT, and Commissions and Fees
- **Increase customer adoption of “primus”** application for effective cash management system to drive growth of low cost funds and activity within customer value chain
- **Focus on international trade, project finance** and treasury management to further boost our FX Income
- **Deepen clients relationship and finance acquisition/development of oil producing Assets** - marginal fields, IOC divestments and other opportunities

### CBD Performance

**Loans & Advances**
- **40%** N318bn
- **60%** N468bn

**Deposits**
- **46%** N609bn
- **54%** N722bn

**Action Plan & Priorities**
- **Grow market share of Orientals and Asian customers** on our books and develop penetration strategies for Oriental prospects
- **Drive growth in hospitality, lifestyle, schools, hospitals and hotels segments (high growth segment)** and seek out high end infrastructure/construction financing opportunities
- **Empower the customer management function** to drive consistent and enjoyable customer experience
BBD & PBD Performance

**BBD Performance**

- **Loans & Advances**
  - 2% (N16bn)
  - 98% (N770bn)

- **Deposits**
  - 10% (N132bn)
  - 90% (N1,199bn)

**PBD Performance**

- **Loans & Advances**
  - 1% (N9bn)
  - 99% (N777bn)

- **Deposits**
  - 19% (N260bn)
  - 81% (N1,071bn)

**Action Plan & Priorities**

- Actively target the top 100 religious bodies in LPA and improve cash management offerings to increase the wallet share of existing customers
- Grow market share of Orientals and Asian customers on our books and develop penetration strategies for Oriental prospects
- Actively targeting and banking top 250,000 women in business
- Focus on improving payroll processing for selected customers to improve salary account sign on

- Leverage social media interactions to increase customer intimacy and embed a customer-centric culture within the organization
- Launch multi-channel loyalty scheme to increase alternative channel penetration and Improve portfolio of innovative products and services to target segments
- Accelerate drive to grow high quality loan portfolio from the UHNI and HNI segments
- Transition from term deposits to low cost funds (CASA) in order to reduce the bank’s overall cost of funds
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## Strategic Priorities

### Improve service offering to drive customer experience across our diversified market segments
- Drive operational efficiency through business process transformation and automation
- Roll out World-class e-banking, telemarketing and segmented contact centers to offer an enjoyable customer experience
- Reinforce the current efficiency operating plan to transform branches to points of sales

### Enhance the effectiveness of sales force
- Enhancing customer engagement by adopting best practice Sales Force Effectiveness Model
- Develop sales skills to support sales processes and create a culture of winners for motivating sales people
- Capacity building by increasing capabilities of sales teams and selling skills of all employees

### Leverage on technology as a competitive advantage
- Optimise & scale Current IT Infrastructure to support wholesale and retail markets, support risk management particularly in the retail segment and drive inclusive banking initiatives
- Build customer analytics capability to provide tailored service to customers in different segments
- Alternative channel expansion – ATM deployment & availability improvement initiative; POS deployment

### Enhanced risk management
- Enhance overall risk management framework for the bank
- Strengthen risk management system to support loan growth objective
- Diversify loan portfolio across target sectors to reduce concentration risk

### Enhanced risk management
- Transform customer experience and achieve top 5 position in the KPMG BICSS in 2014, targeting top 3 by 2017
- Increase wallet share of customers across all business segments
- Aggressively grow the business by improving revenue per staff and reducing cost to sell
- Accelerate cultural integration through standardized and predictable output across sales force
- Improve Operational efficiency and turnaround time
- Continued consolidation of technology applications and efficiency improvement across all service outlet
- Higher quality assets from target sectors
- Diversified loan portfolio and stable earnings
- Maintain low non performing loan portfolio
## 2014 Targets

<table>
<thead>
<tr>
<th>Metrics</th>
<th>2013</th>
<th>2014 Targets</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>14.9%</td>
<td>20%</td>
<td>➤ Drive profitability by growing wallet share of top 300 corporates in Nigeria and their value chain</td>
</tr>
<tr>
<td>NIM</td>
<td>6.4%</td>
<td>7.0%</td>
<td>➤ Continue to improve the deposits mix to reduce funding cost while optimising assets yield</td>
</tr>
<tr>
<td>CIR</td>
<td>70%</td>
<td>65%</td>
<td>➤ Optimise resource base and grow revenues</td>
</tr>
<tr>
<td>Loan growth</td>
<td>33%</td>
<td>20%</td>
<td>➤ Accelerated drive to grow high quality loan portfolio</td>
</tr>
<tr>
<td>Deposit growth</td>
<td>11%</td>
<td>25%</td>
<td>➤ Deposits growth driven by focusing on account opening along customer value chain and reactivation of accounts in personal and business banking segments</td>
</tr>
</tbody>
</table>
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