

# Q2 2008 PERFORMANCE REVIEW

## Investors and Analysts Conference Call

October 31, 2008

## Presentation Outline

- ⊖ **Solid Q2 2008 results and sustained profitability**
- ⊖ Strong Liquidity and Funding Position
- ⊖ Nigeria resilient despite Global Financial Crisis

## Q2 2008 Highlights

### Strong Results

- Pre –tax profit: N15.1bn (\$130m)
- After-tax profit N11.5bn (\$99m)
- Cost-income ratio 49%

### Healthy balance sheet

- Total assets & Contingents N808.5bn (\$6.9bn)
- Tier 1 Equity N171.8bn (\$1.5bn)
- Capital Adequacy ratio 30%
- Liquidity Ratio 43%

### On track to meet Prospectus Forecast\*

- Profit Before Tax N21.2bn
- Earnings Per Share N1.00k
- Dividend Per Share 0.73k

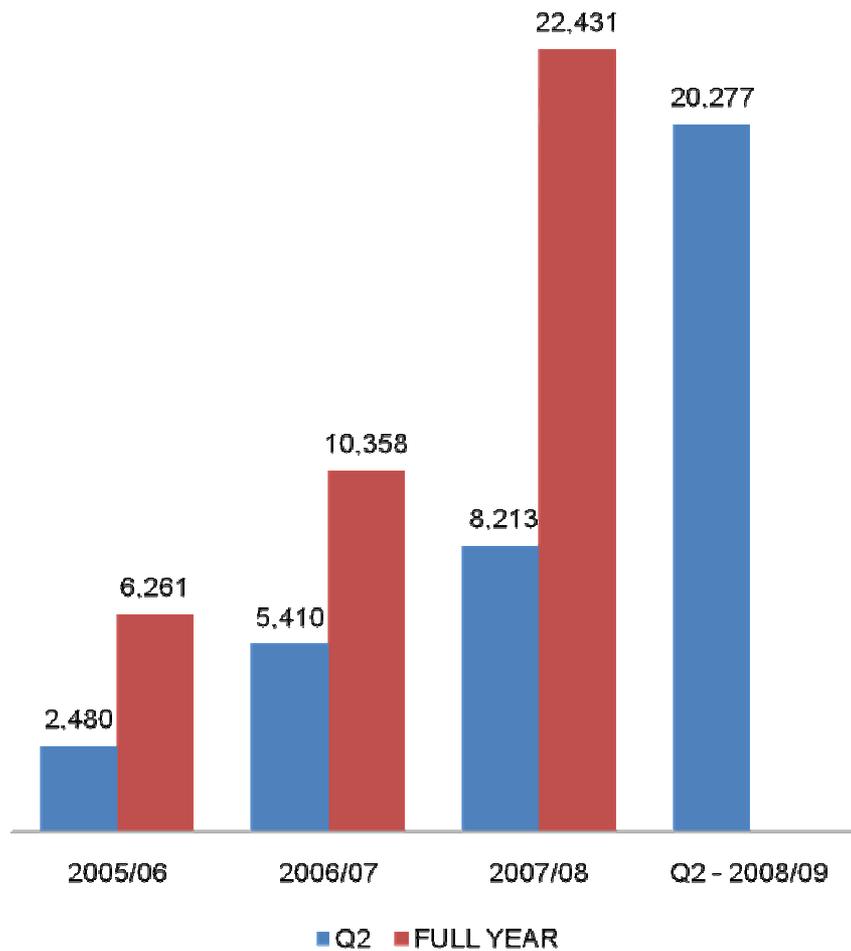
\* 9 months

# Income Statement

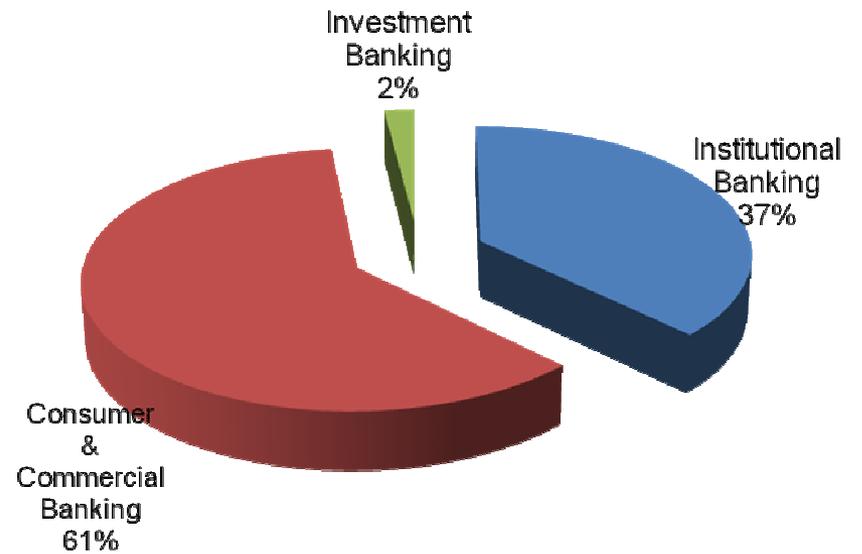


Naira million	Q2 2008	Q2 2007	Diff	%	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net Interest Income	21,248	8,214	13,034	159%	9,045	8,016	8,991	4,666	4,274
Net Commission and fee	9,147	6,612	2,536	38%	4,754	2,242	3,814	3,451	4,467
Other Operating income	1,155	758	397	52%	489	1,378	611	436	322
<b>Net Operating income</b>	<b>31,550</b>	<b>15,585</b>	<b>15,965</b>	<b>102%</b>	<b>14,288</b>	<b>13,574</b>	<b>13,511</b>	<b>7,318</b>	<b>8,267</b>
Salaries & related expenses	(4,552)	(2,123)	(2,429)	114%	(2,143)	(1,624)	(1,597)	(1,021)	(1,103)
Administrative expenses	(10,114)	(5,479)	(4,636)	85%	(4,109)	(4,472)	(4,816)	(2,465)	(3,014)
<b>Operating expenses</b>	<b>(14,666)</b>	<b>(7,602)</b>	<b>(7,065)</b>	<b>93%</b>	<b>(6,252)</b>	<b>(6,096)</b>	<b>(6,414)</b>	<b>(3,485)</b>	<b>(4,117)</b>
Loan Loss expenses	(1,760)	(980)	(780)	80%	0	(1,589)	(946)	(884)	(96)
<b>Pre-tax profit</b>	<b>15,124</b>	<b>7,003</b>	<b>8,121</b>	<b>116%</b>	<b>8,036</b>	<b>5,888</b>	<b>6,151</b>	<b>2,949</b>	<b>4,054</b>
Income Tax	(3,630)	(2,241)	(1,389)	62%	(1,929)	(923)	(964)	(462)	(636)
<b>Net profit</b>	<b>11,494</b>	<b>4,762</b>	<b>6,732</b>	<b>141%</b>	<b>6,107</b>	<b>4,965</b>	<b>5,187</b>	<b>2,486</b>	<b>3,418</b>
<b>EPS</b>	<b>94k</b>	<b>100k</b>			<b>50k</b>	<b>84k</b>	<b>88k</b>	<b>42k</b>	<b>58k</b>

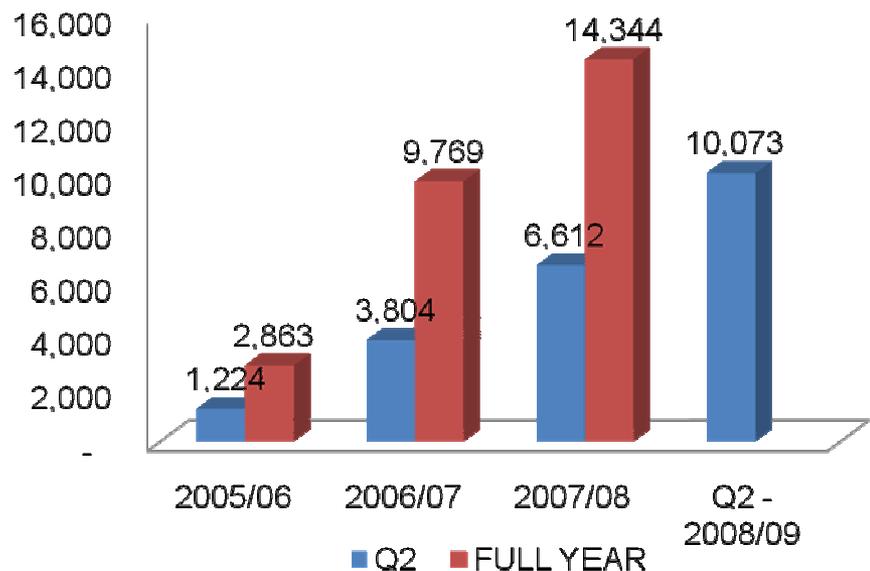
# Net Interest Income



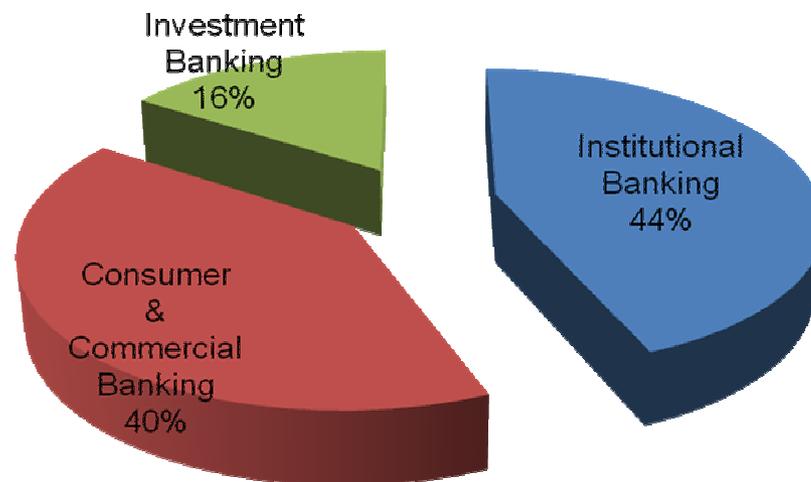
### Q2 2008 Net Interest Income By Business Segment



# Net Fee, Commission and FX Income



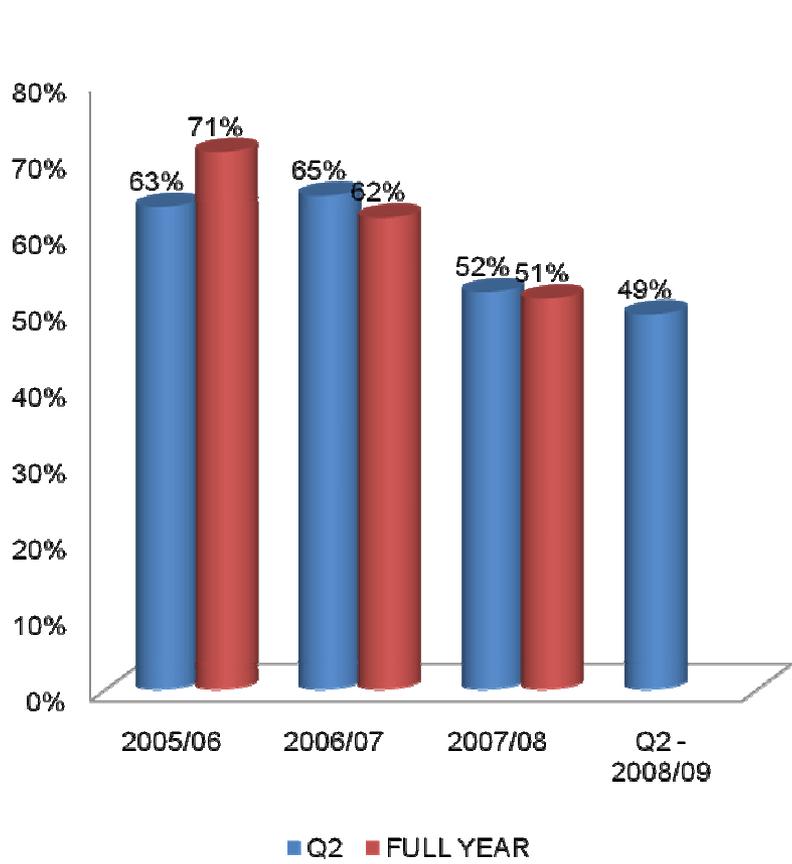
Net Fee, Commission and FX income by Business Segment



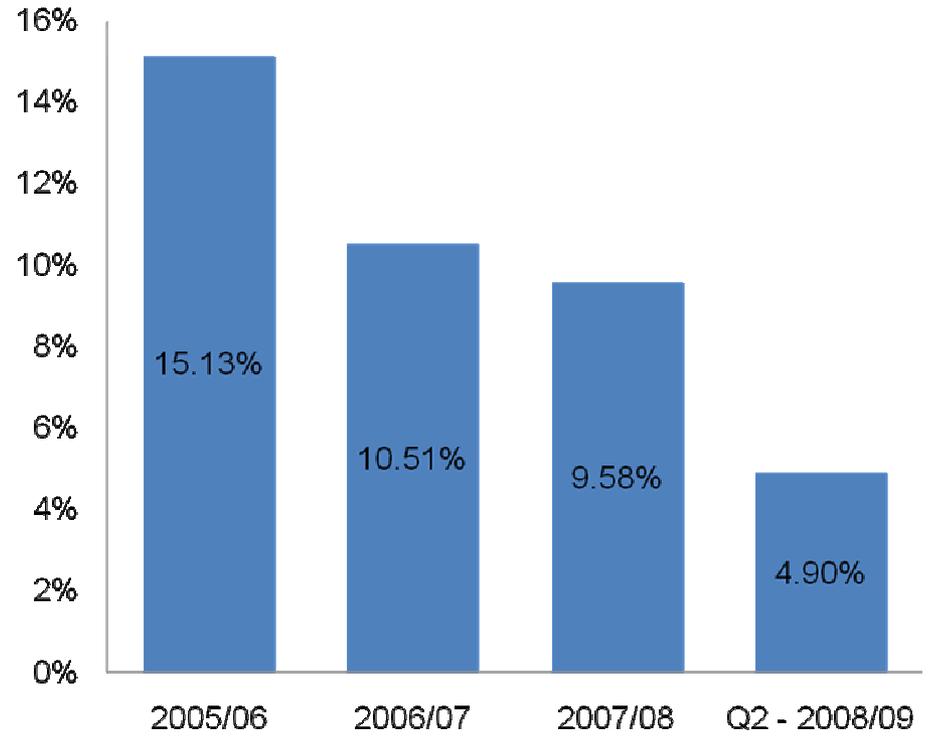
Naira ' million	Q2 2008	Q2 2007	Diff	%	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Fees & Commission	9,147	6,612	2,536	38%	4,754	2,242	3,814	3,451	4,467
Foreign Exchange	917	680	237	35%	489	1,646	689	373	307

# Cost-Income and Loan loss Expense ratios

## Efficiency in cost management



## Loan expense as a % of interest income



# Consolidated Performance Highlights



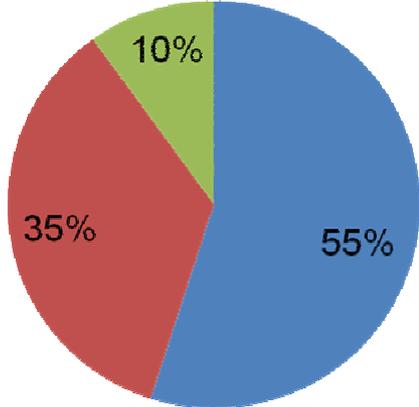
Naira Million	Parent	Group	Gambia	Sierra Leone	Burundi	Congo	Rwanda	Cote d'ivoire	UK	Zambia	USL
Net Interest income	21,247	22,135	51	29	125	68	348	220	45	26	0
Net fee and commission income	9,148	10,072	46	16	106	74	227	312	52	0	90
Other operating income	1,155	1,559	47	(2)	19	0	177	163	0	0	0
Net operating income	31,550	33,766	144	43	250	142	753	694	97	26	90
Profit before Tax	15,124	14,192	(130)	(57)	107	86	248	(211)	(705)	(179)	57

# Contribution by Business Segment



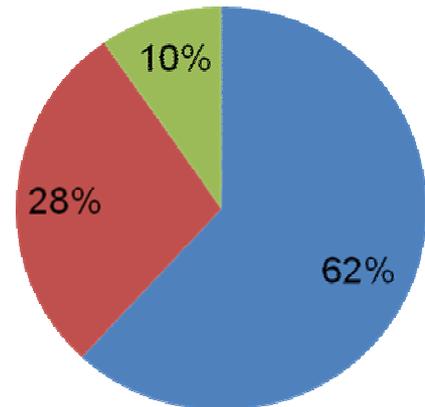
Q2 2008 Naira Million	Institutional Banking	Commercial Banking	Investment Banking	Total
Net Interest Income	8,509	12,355	384	21,248
Commission and Fees	4,256	4,012	880	9,148
Other income	279	154	721	1,154
Operating Expenditure	(3,447)	(10,638)	(582)	(14,667)
Loan Loss Expenses	(1,232)	(527)	0	(1,759)
<b>Net Segment Profit Before Tax</b>	<b>8,365</b>	<b>5,355</b>	<b>1,403</b>	<b>15,124</b>

Q2 2008  
pre tax profit



- Institutional Banking
- Consumer & Commercial Banking
- Investment Banking

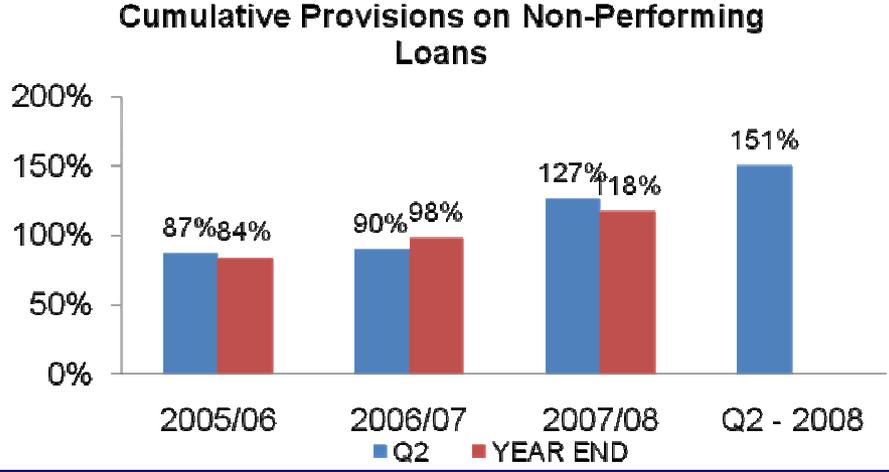
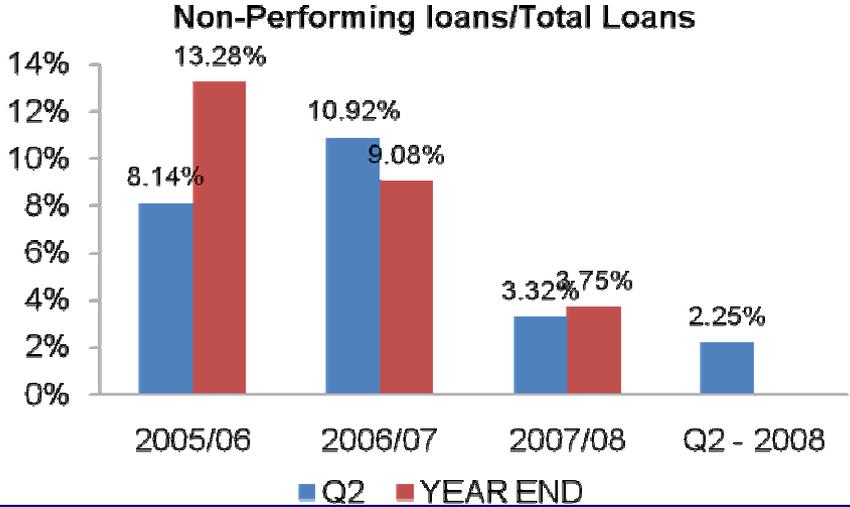
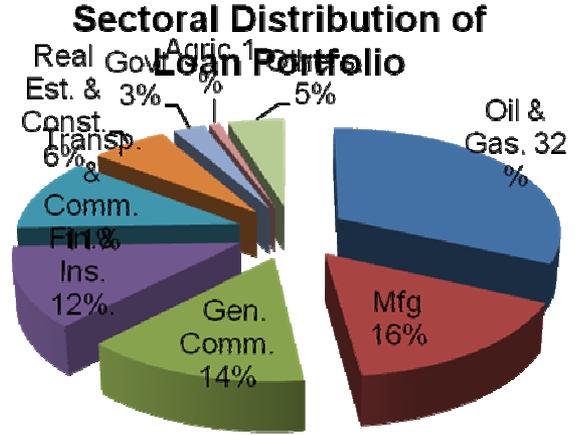
Q2 2007  
pre -tax profit



# Balance Sheet - Assets



Naira Million	Q2-2008	Q2-2007	Change
Cash and Short term funds	84,593	123,457	(38,863)
Government Securities	76,505	65,322	11,183
Trade Credit Facilities	102,897	20,979	81,918
Loans and Advances	302,481	157,225	145,256
Advances under Finance Lease	3,821	2,235	1,586
On-Lending Facilities	7,668	3,080	4,588
Other Assets	36,123	33,086	3,038
Long term investments	20,464	1,765	18,699
Equipment on lease	1,523	942	581
Fixed Assets	15,036	10,663	4,373
<b>Total Assets</b>	<b>651,111</b>	<b>418,752</b>	<b>232,359</b>



# Cautious Approach to Margin Lending Pays Off



Below is the Bank's exposure and coverage on margin lending

ANALYSIS OF TOTAL MARGIN LOANS	
	N'BILLIONS
TOTAL MARGIN LOANS:	55,695
TOTAL COLLATERAL:	69,778
COVERAGE RATIO:	125%
NO OF OBLIGORS:	77

MARGIN LOANS WITH ONE WAY OUT	
	N'BILLIONS
MARGIN LOANS:	40,772
COLLATERAL:	51,984
COVERAGE RATIO:	127%
NO OF OBLIGORS:	68

MARGIN LOANS WITH TWO WAYS OUT	
	N'BILLIONS
MARGIN LOANS:	16,738
COLLATERAL:	19,668
COVERAGE RATIO:	118%
NO OF OBLIGORS:	12

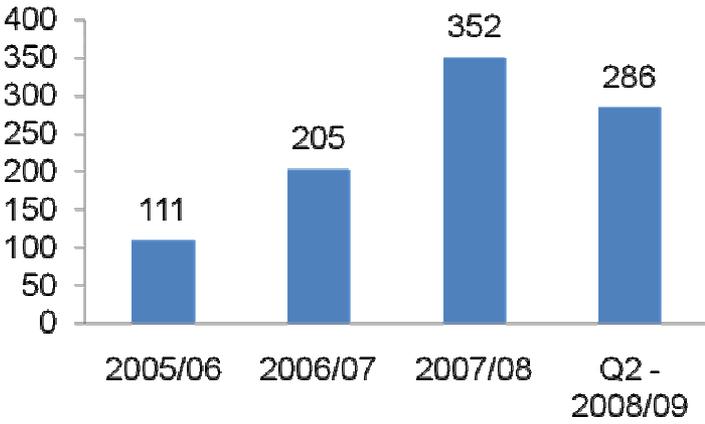
- *The NSE All share Index has to decline further by 27% before our margin cover is fully eroded*

# Balance Sheet – Liabilities & Equities

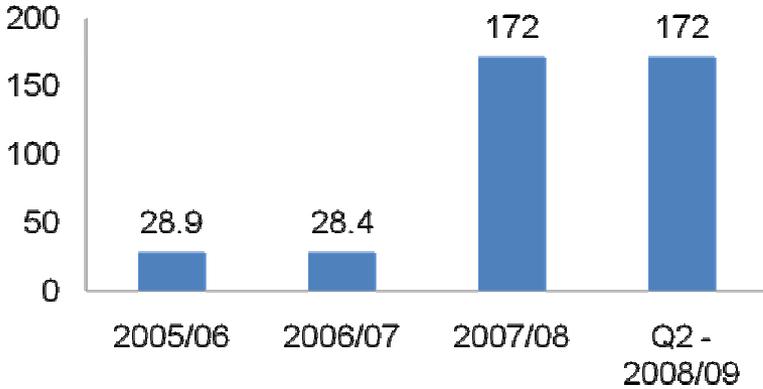


Naira Million	Q2-2008	Q2-2007	Change
Deposits & Other Accounts	286,304	188,398	97,906
Corresponding Bank Funding	115,365	36,888	78,477
On-lending Facilities	8,033	3,111	4,922
Bond	11,762	11,948	(186)
Other Liabilities	38,101	140,577	(102,476)
Long term liabilities	11,948	2,968	8,980
Shareholder equity	171,793	30,355	141,438
<b>Total Liabilities and Equity</b>	<b>643,305</b>	<b>414,244</b>	<b>229,060</b>

Deposits from customers



Shareholder equity



# Equity Overview

**Share Price:**  
N8.41 (30 Oct 2008)

**Market Cap:**  
N135.8 billion

**Equity:**  
N171.8 billion

**P/E Ratio:**  
6

**P/B Ratio:**  
0.79

**6-Month Trade History**



**Trading Volume (Apr – Oct 2007)**  
Number of Shares traded 3.0bn

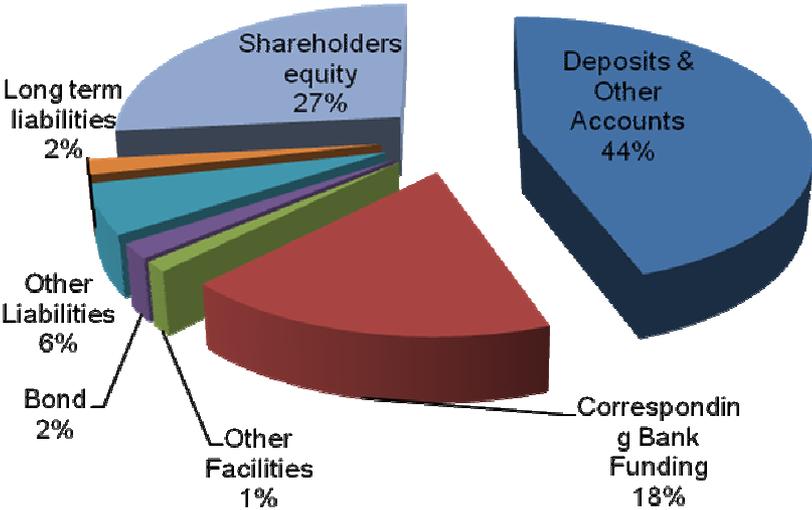
**Trading Volume (Apr – Oct 2008)**  
Number of Shares traded 1.9bn

**Shareholder Structure**

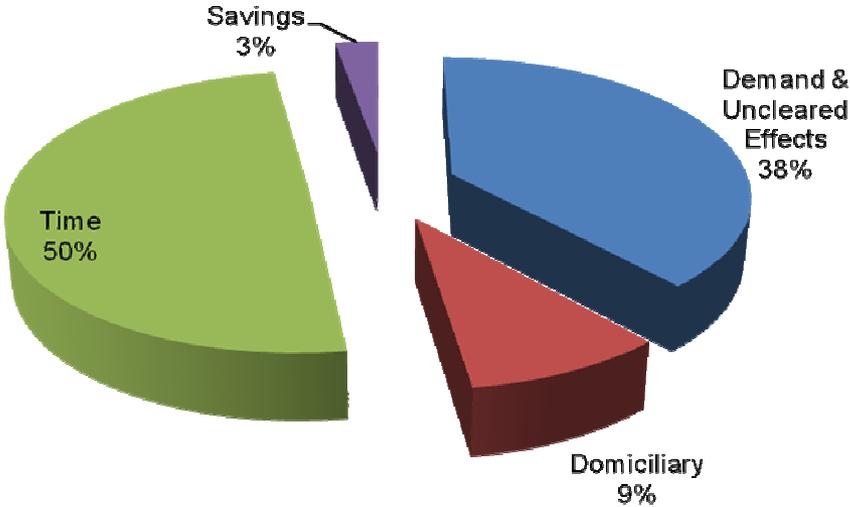
No of shares in issue	16,213 billion
No of shareholders	456,471

- ⊖ Solid Q2 2008 results and sustained profitability
- ⊖ **Strong Liquidity and Funding Position**
- ⊖ Nigeria resilient in face of Global Financial Crisis

### Funding Breakdown



### Deposit Mix



- Funding from three year convertible bond
- Over \$800 million in lines of credit from international banks
- \$100 of term credit from Development Financial Institutions e.g. ING, FMO etc
- 27% of funding comes from Tier 1 Equity

## Potential for Expanding Liability Base

- **New Account Acquisitions**
  - 120,000 new accounts acquired in the period under review.
  - Several major Corporate in Breweries, Telecomms, FCMG signed on during the period
- **Banking Subsidiaries**
- **New Delivery Channels**
  - New Branches :
    - Q1, 2008 - 8
    - Q2, 2008 - 5
  - New ATMs
    - Q1, 2008 - 15
    - Q2, 2008 - 23
- **Increase in Headcount to maximise the effectiveness of Liability generation**
  - Q1 2008 - 185
  - Q2 2008 - 181
- Expansion will be driven and delivered within the framework of our value chain management and one bank strategies
  - Human talent management and capacity building continues unabated

- ⊖ Solid Q2 2008 results and sustained profitability
- ⊖ Strong Liquidity and Funding Position
- ⊖ **Nigeria resilient despite Global Financial Crisis**

## Strong Economic Fundamentals

### Plus

- Real GDP grew by 5.4% in Q1 2008, and 6.65% in Q2
- Gross external reserves is \$63.09 billion
- Stable exchange rate supported by significant level of reserves.
- FDI inflow of \$18.5 billion as at August 2008.
- Falling Commodities price resulting in cheaper imports

### Minus

- Fall in crude oil production, export and revenue
- Inflation now 13% up from 7.8% in March
- Nigerian Stock Exchange all share index has declined by 43.5% between March and October
- Weakening confidence in the Banking system

# Impact of the Global financial crisis on Nigerian Banking System

- Reduction in Home Remittances
- Diminished access to credit lines both for trade and debt finance
- Withdrawal of Foreign Investors due to liquidity pressures at home
- Foreign Reserves at risk only if US Government defaults
- Return of Surplus talent to Nigeria
- Nigerian banks with International presence now viewed as good risk

## Key Developments in the Nigerian Stock Market

- The Nigerian stock market recorded a massive plunge in all market indicators between March and October, losing about 43% of its market value
- The capital market volatility has resulted in a confidence crisis which is beginning to extend to other key aspects of the economy
- Banking stocks account for 65% of the market capitalisation and therefore the industry has taken the worst hit in term of market capitalisation
- To stabilise the market, a team of operators, government and market regulators put in place some measures. The impact of these measures were only temporary as the decline in prices continued unabated.
- The Banking industry exposure (direct and indirect) to the stock market is very significant, in addition to the fact that, the industry accounts for significant market Capitalisation.
- Access bank margin lending exposure as at reporting date was N55.7 billion with a total collateral value of N69.8billion which represents a 125% coverage.

## Strategic Measures to Navigate Market Turbulences

- Reduce dependence on foreign correspondent banks' credit lines
- Maintenance of liquidity ratio at 40%, despite reduction by CBN to 30%
- Maintain strong capital adequacy of 30%
- Current cost structure allows us to increase deposit rate without significant impact on our net interest margin
- Continued emphasis on balanced maturity profiles: Bonds and one year deposits
- Maintain vigorous cost control; lowest cost to income ratio among Nigerian Banks

## Summary and Outlook

### Well positioned for Challenging times

1. Solid Q2, 2008 results in challenging times
2. Sound asset quality as reflected in ratio of delinquent risk assets and coverage ratio
3. Efficiency in cost control and management

### Key goals in 2008

1. To deliver quality and sustainable earnings
2. Maintain moderate risk appetite while insulating our balance sheet from systemic risks
3. Distinguish the Bank from its peers within Nigeria and Africa based on high standard of excellence