

2016 Nine Month Results Presentation to Investors & Analysts

November 2016



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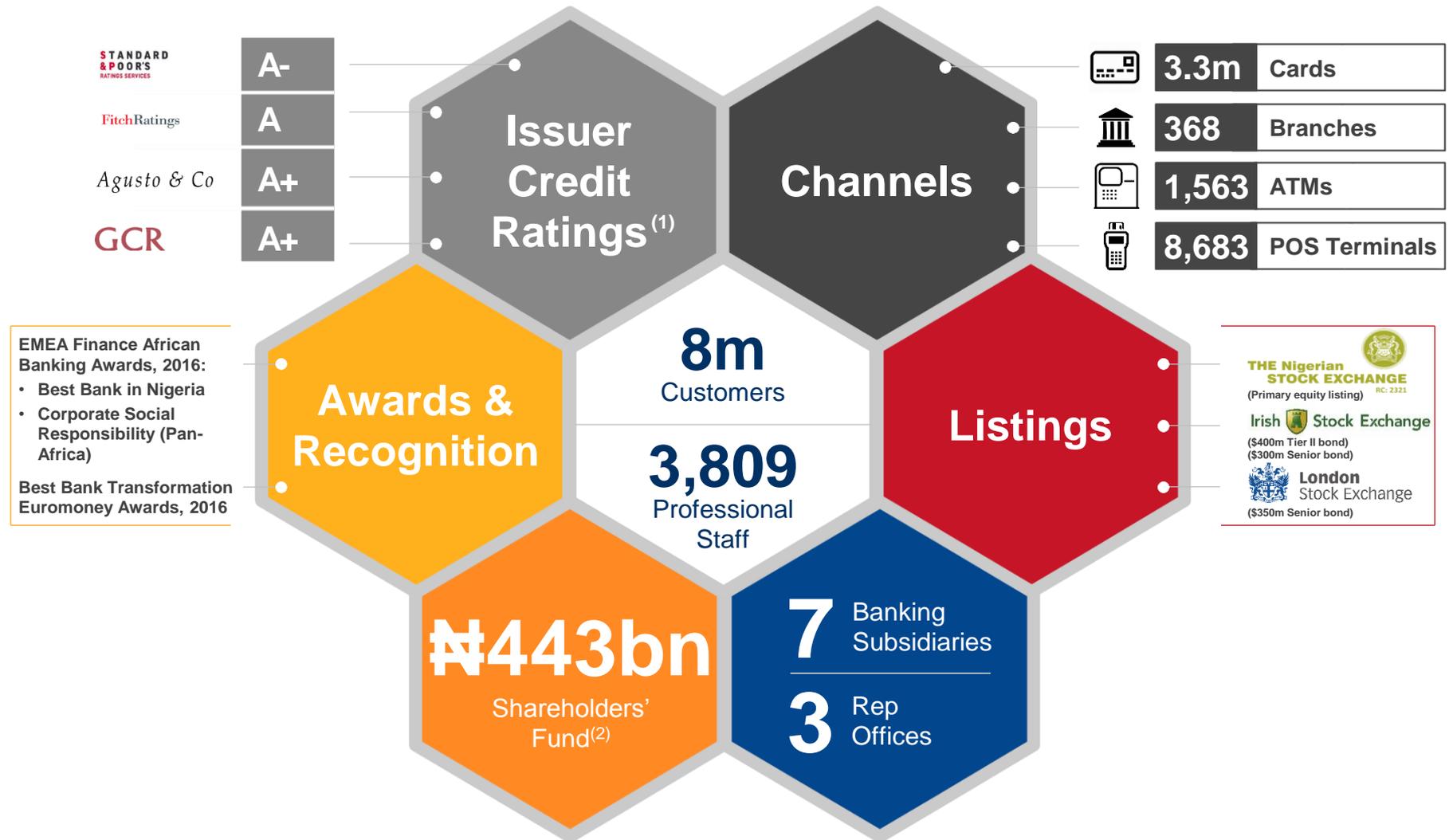
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Outline

- 1 Overview of Access Bank
- 2 Domestic Operating Environment
- 3 Group Financial Performance Review
- 4 SBU Performance Review
- 5 Q4'16 Outlook

Overview of Access Bank

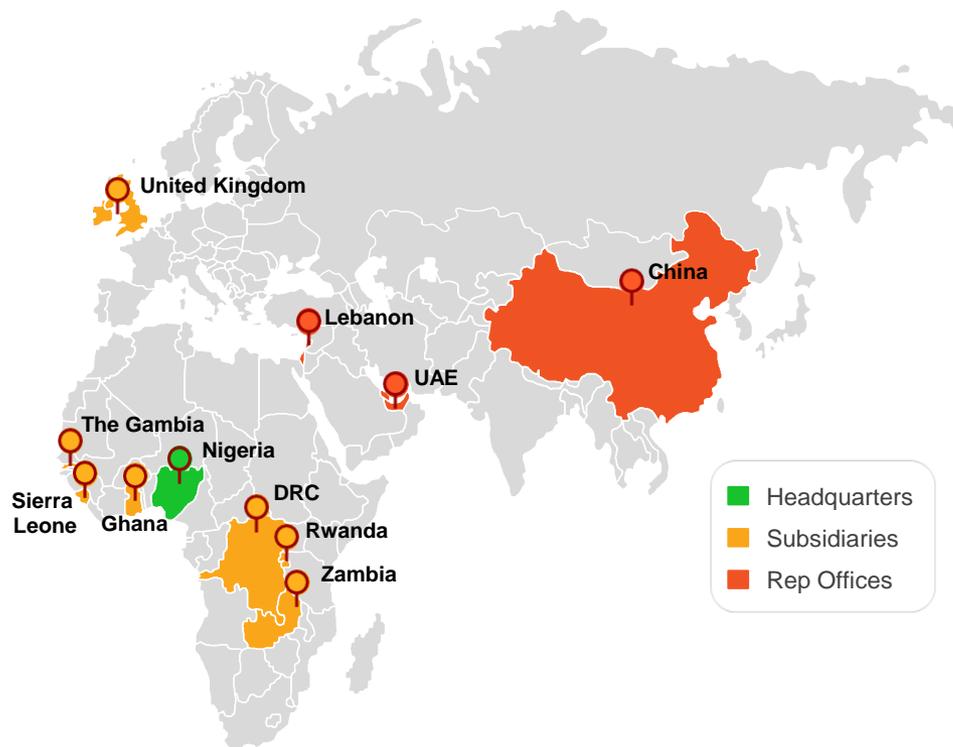
At a Glance



(1) Long-term issuer national ratings
 (2) Total Equity (including non-controlling interest)

International Network

Recognized as a leading diversified financial institution in Nigeria with a distribution network across Sub-Saharan Africa, the UK, China, Lebanon and the UAE



Nigeria	
Parent Company	
PBT (₦'bn)	62.7
ROE (%)	17.3
Equity (₦'bn)	406.4
Branches	308

Zambia	
Ownership Interest	92%
PBT (₦'m)	3.1
ROE (%)	0.1
Equity (₦'bn)	3.5
Branches	6

The UK	
Ownership Interest	100%
PBT (₦'bn)	3.0
ROE (%)	9.2
Equity (₦'bn)	44.8
Branches	2

The Gambia	
Ownership Interest	64%
PBT (₦'m)	147.9
ROE (%)	6.0
Equity (₦'bn)	3.1
Branches	6

Ghana	
Ownership Interest	92%
PBT (₦'bn)	5.2
ROE (%)	22.4
Equity (₦'bn)	33.1
Branches	33

R. D. Congo	
Ownership Interest	74%
PBT (₦'m)	411.9
ROE (%)	10.0
Equity (₦'bn)	5.4
Branches	2

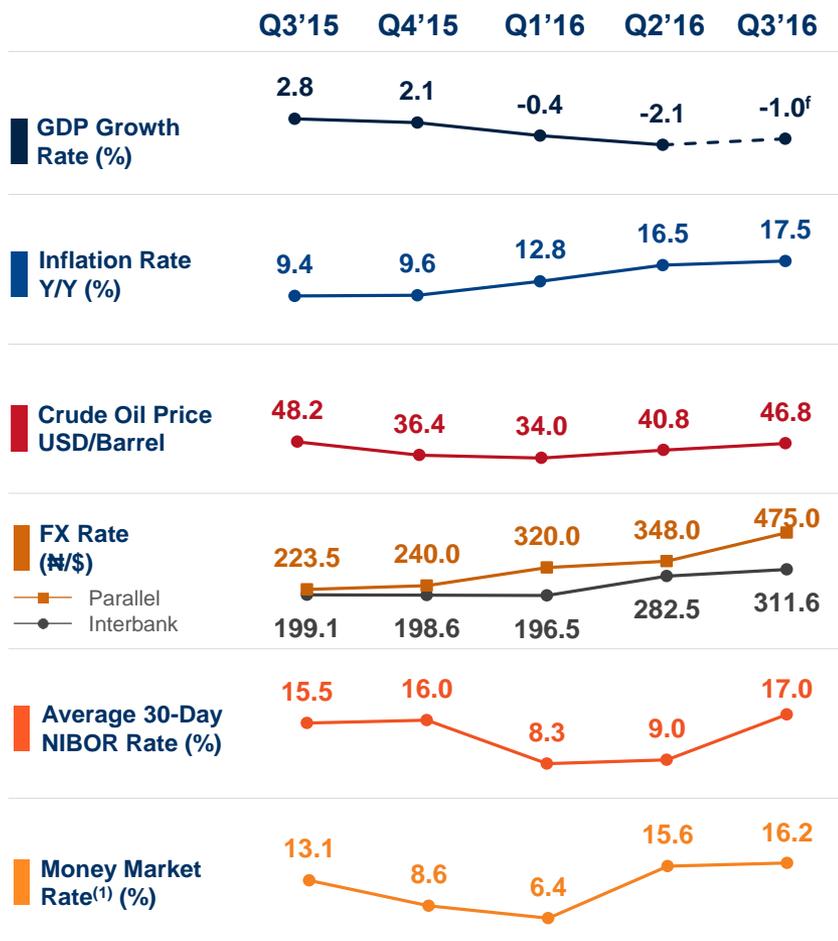
Rwanda	
Ownership Interest	75%
PBT (₦'m)	424.8
ROE (%)	13.6
Equity (₦'bn)	4.1
Branches	7

Sierra Leone	
Ownership Interest	97%
PBT (₦'m)	103.4
ROE (%)	6.8
Equity (₦'bn)	1.8
Branches	4

Domestic Operating Environment

The Nigerian Economy

Key Macroeconomic Indicators



Comments

- GDP growth slowed further by 2.1% y/y in the second quarter, following a 0.4% y/y contraction in Q1'16 and is forecast to contract to 1.0% in Q3'16
- Headline inflation increased by an average of 17.5% in Q3'16, reflecting the impact of the FX shortage, higher food, utilities and transport costs
- Slowed rise in Bonny Light oil price, averaging \$46.8 per barrel in Q3'16 owing largely to shortage of supply from exporting nations and the resurgence of the Niger Delta Avengers (NDA)
- Continued widening of the FX rate differential between the interbank and parallel markets primarily driven by persistent FX scarcity, declining FX reserves and higher commodity prices

2016 Regulatory Highlights

- The foreign exchange rate system was liberalized by the CBN; Naira now market-driven with the adoption of a flexible exchange policy – **June**
- CBN further tightened monetary policy as MPR was raised to 14% from 12% but kept CRR unchanged at 22.5% – **July**
- S&P downgraded Nigeria's rating further from "B+" to "B" with stable outlook – **September**

Source: CBN, National Bureau of Statistics (NBS), Financial Derivatives Company Limited (FDC), Business Monitor International (BMI)

(1) Call rate was used as an indicator for the Money Market Rate

Group Financial Performance Review

Key Messages

Resilient financial performance in the face of a challenging macroeconomic environment

Strong Profits

Profit Before Tax

₹72.0bn

9M'15: ₹60.4bn ↑ +19% y/y

Improved pre-tax profit principally driven by stronger net interest income

Improved Margins

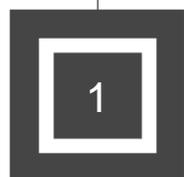
Net Interest Margin⁽¹⁾

6.5%

9M'15: 6.0% ↑ +50 bps y/y

Enhanced net interest margin on the back of a 40% y/y growth in net interest income to ₹106.4bn in 9M'16

Key Takeaways from 9M'16 Results



Stable Asset Quality

NPL Ratio

2.1%

Dec'15: 1.7%
↑ +40 bps ytd

Cost of Risk

0.9%

9M'15: 1.0%
↓ -10 bps y/y

Stable asset quality largely due to proactive monitoring of the loan book

Solid Capital Base

Capital Base⁽²⁾

₹467.0bn

Dec'15: ₹389.4bn ↑ +20% y/y

Strongly poised to maximize growth opportunities in key sectors of the economy

(1) NIM is calculated as Net Interest Income (NII) divided by the average of opening and closing balances of Interest-Earning Assets during the applicable period

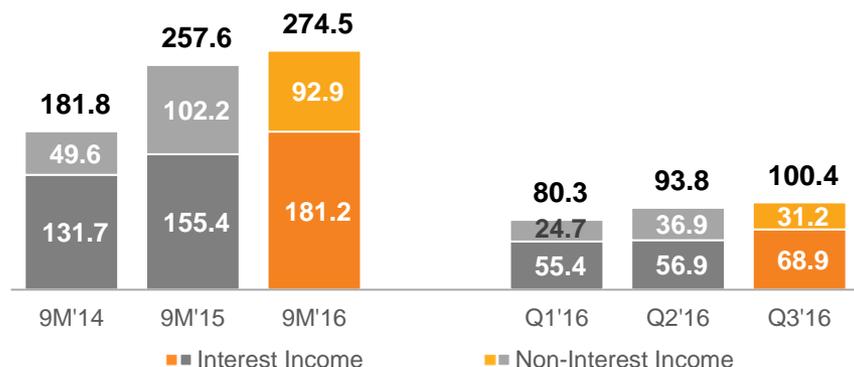
(2) Total regulatory capital (Tier I & II) as at 30 September 2016

Group Financial Highlights

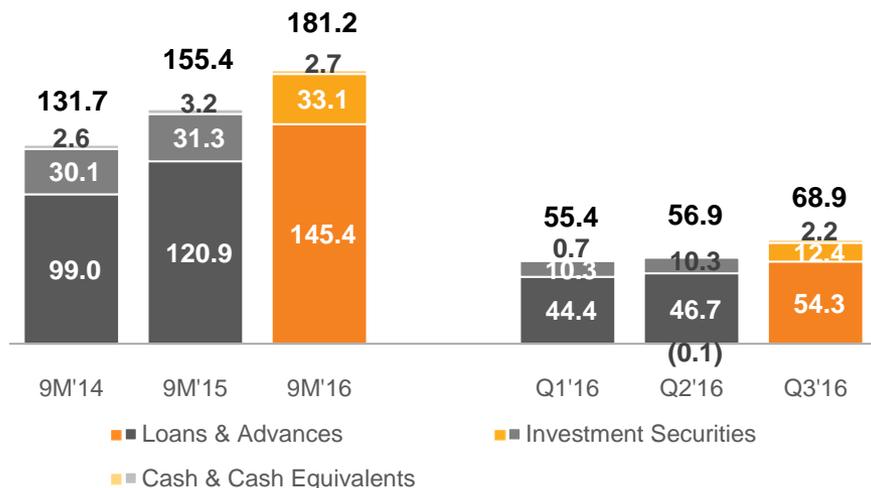
Profitability				
	9M'16	9M'15	Δ	
Gross Earnings (₦'m)	274,468	257,590	7%	
Net Interest Income (₦'m)	106,374	75,897	40%	
Operating Income (₦'m)	199,263	178,094	12%	
Impairment Charges (₦'m)	(12,336)	(11,551)	7%	
Profit Before Tax (₦'m)	72,004	60,372	19%	
Profit After Tax (₦'m)	57,095	48,093	19%	
EPS (₦)	1.98	2.01	(1%)	
Cost-to-Income (%)	57.7	59.6	↓ 1.9	
Balance Sheet				
	Sep'16	Dec'15	Δ	
Loans and Advances (₦'bn)	1,837	1,409	30%	
Total Assets (₦'bn)	3,390	2,591	31%	
Customer Deposits (₦'bn)	2,099	1,683	25%	
Shareholders' Fund (₦'bn)	443	368	20%	
Prudential Ratios				
	9M'16	FY'15	Δ	
After-Tax ROAE (%)	18.8	20.4	↓ 1.6	
Capital Adequacy (%)	19.0	19.5	↓ 0.5	
Liquidity (%)	39.0	38.0	↑ 1.0	
Loan-to-Deposit (%)	71.5	70.9	↑ 0.6	

Revenue

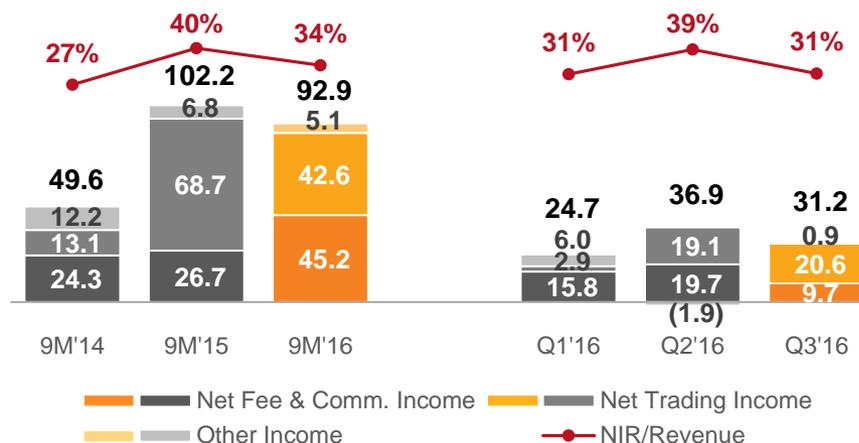
Gross Earnings⁽¹⁾ (₺'bn)



Interest Income (₺'bn)



Non-Interest Income (₺'bn)

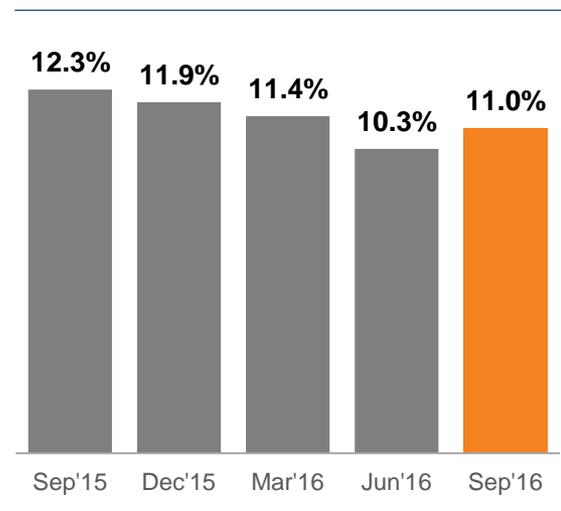


- Gross earnings increased 7% to ₺274.5bn in the period (9M'15: ₺257.6bn) principally due to improved interest income on the Bank's earning assets (+17% y/y, 9M'16: ₺181.2bn)
- Stronger interest income growth of 21% q/q to ₺68.9bn in Q3'16 largely driven by a 16% increase in income on loans and advances in the quarter (Q3'16: ₺54.3bn vs. Q2'16: ₺46.7bn)
- Non-interest income of ₺92.9 billion (9M 2015: ₺102.2 billion) owing largely to improved fee and commission income, with strong gains on derivatives of ₺96bn offsetting the revaluation loss of ₺54bn owing to our short FX position
- Net fee and commission income improved 69% to ₺45.2bn in 9M'16, as channels and other e-business income increased ₺15.6bn y/y to ₺19.7bn on the back of increased card transaction volumes in the period

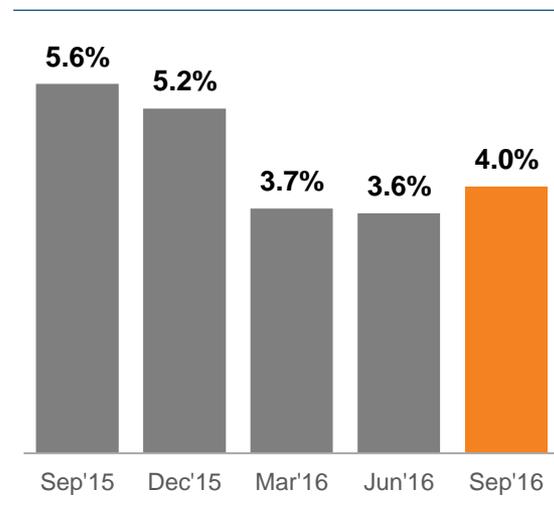
(1) Calculated as the sum of Interest Income, Fee & Commission Income, Net Gains (Losses) on Investment Securities, Net Foreign Exchange Income / (Loss) and Other Operating Income

Margin Analysis

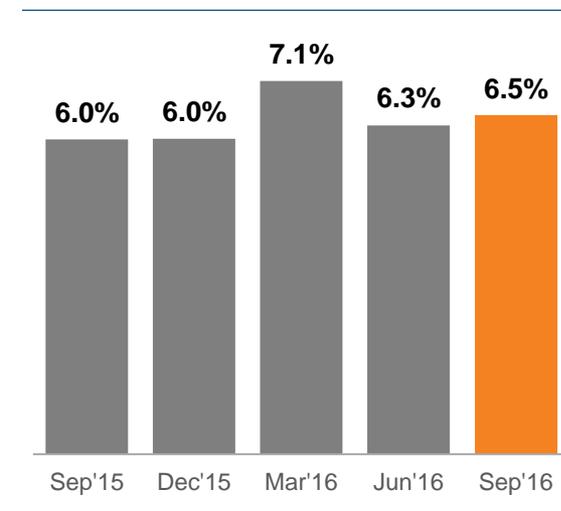
Yield on Assets (YoA)



Cost of Funds (CoF)



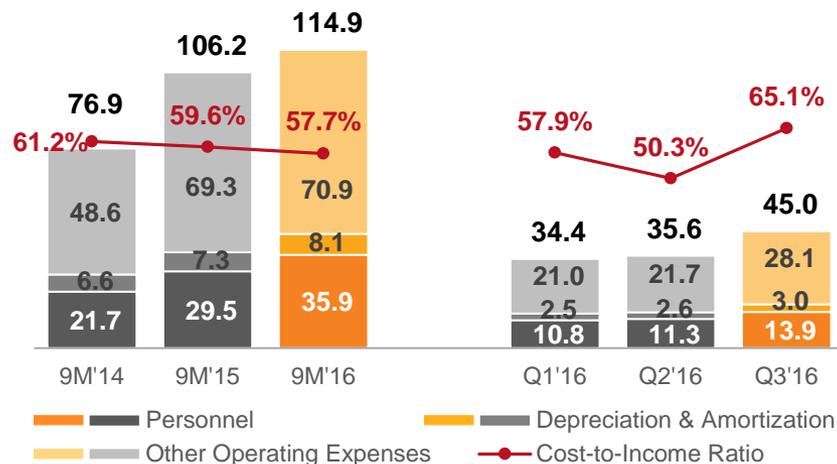
Net Interest Margin (NIM)



- Yield on Assets up 70bps q/q to 11.0% in Sep'16 from 10.3% in Jun'16, largely due to increased market lending rates in the quarter
- Cost of Funds significantly improved by 160bps y/y to 4.0% in Sep'16 from 5.6% in Sep'15, but increased 40bps q/q (Jun'16: 3.6%) primarily driven by growth in term deposits of 13% in the quarter to ₦899bn (Jun'16: ₦794bn)
- Interest expense down 6% (9M'16: ₦74.8bn), thus translating to an improved net interest margin of 6.5% in Sep'16 (Sep'15: 6.0%) as the Bank's net interest income grew 40% to ₦106.4bn in the period (9M'15: ₦75.9bn)

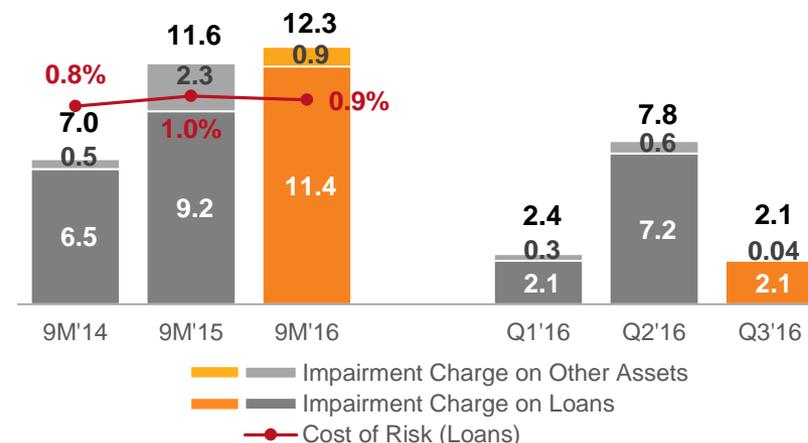
Operating Expenses & Impairment Analysis

Operating Expenses (₺'bn)

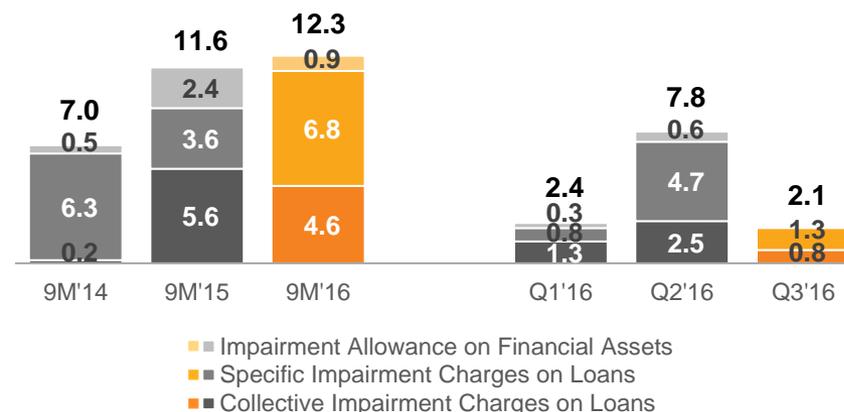


- Operating expenses inched up 8% to ₺114.9bn in 9M'16 (9M'15: ₺106.2bn)
 - Cost savings in the period were offset by further currency devaluation and heightened inflation
- Improved cost-to-income ratio of 57.7% (-190 bps y/y, 9M'15: 59.6%), as operating income increased 12% to ₺199.3bn primarily due to strong growth in net interest income (+40% y/y)
- Impairment performance remained stable, with charges increasing marginally by 6% to ₺12.3bn in 9M'16 (9M'15: ₺11.6bn) largely due to prudent provisioning on the loan book on the back of persistent macro headwinds

Impairment Charges (₺'bn)



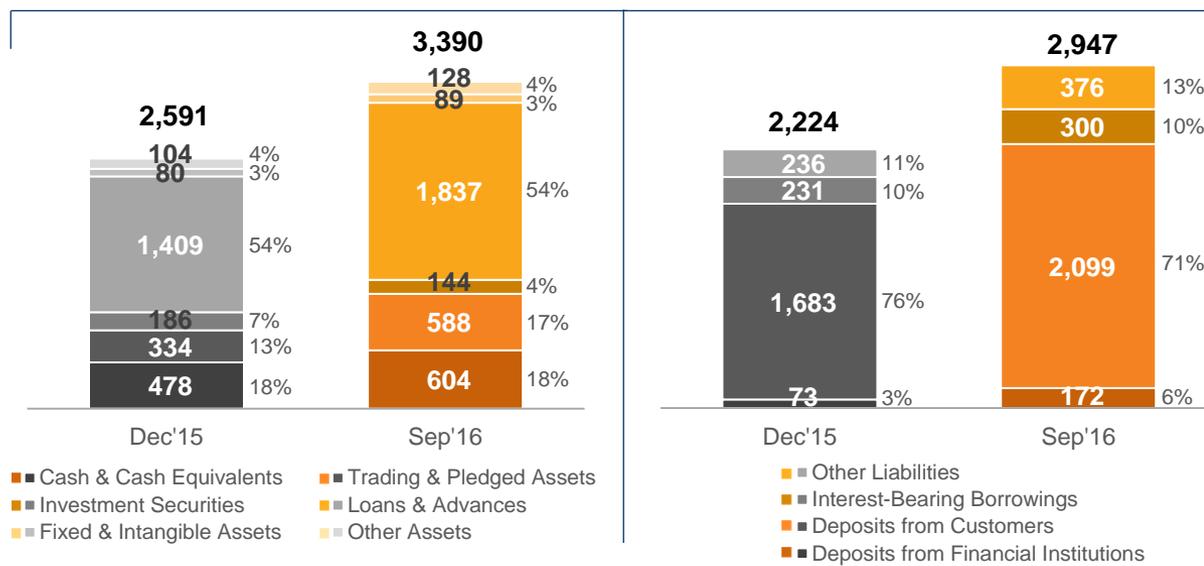
Breakdown of Impairment Charges (₺'bn)



Balance Sheet Snapshot

Asset Mix (₺'bn)

Total Liabilities (₺'bn)



- Total assets up 31% to ₺3.39trn as at Sep'16 (Dec'15: ₺2.59trn)
- Key drivers:
 - 30% growth in loans and advances to ₺1.84trn in Sep'16 (Dec'15: ₺1.41bn) largely driven by the currency devaluation and on-lending loans to governments (already reflected in Q2'16)
 - Sizeable growth in trading and pledged assets to ₺588bn (+76% ytd, Dec'15: ₺334bn) primarily due to increased investment activity in higher-yielding government securities
- Customer deposits up 25% to ₺2.10trn as at Sep'16 from ₺1.68trn in Dec'15

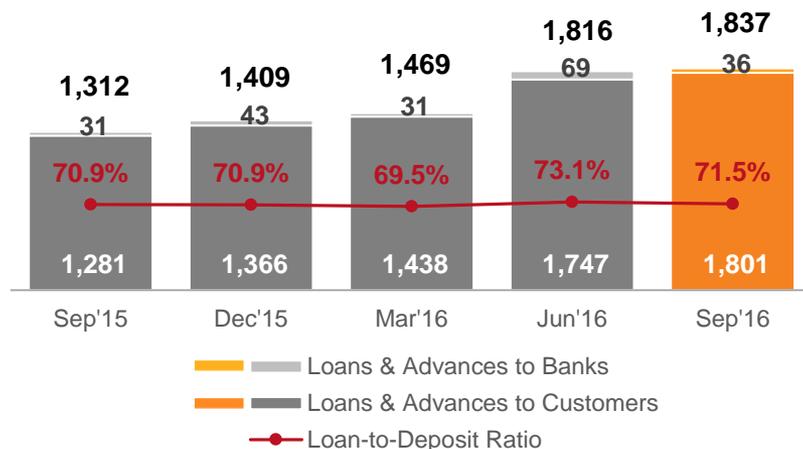


(1) NPL Ratio is calculated as Total Impaired Loans to Banks and Customers divided by Total Gross Loans in the period

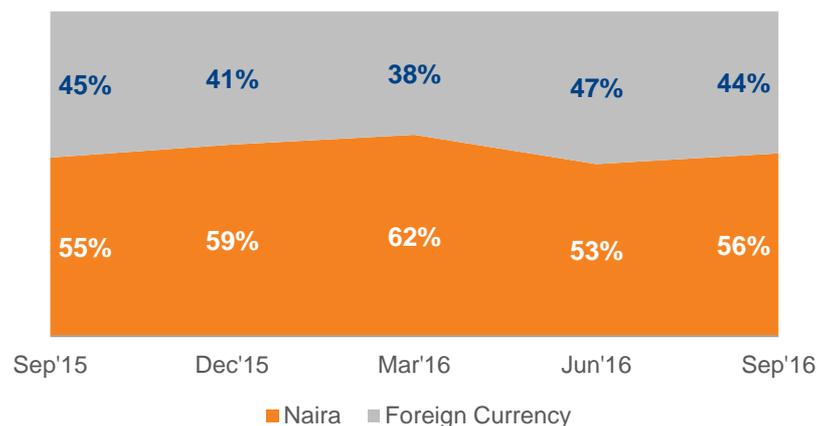
(2) NPL Coverage Ratio is calculated as Total Allowances for Impairment Losses in the period (including Regulatory Risk Reserve) divided by Total Non-Performing Loans

Loan Analysis

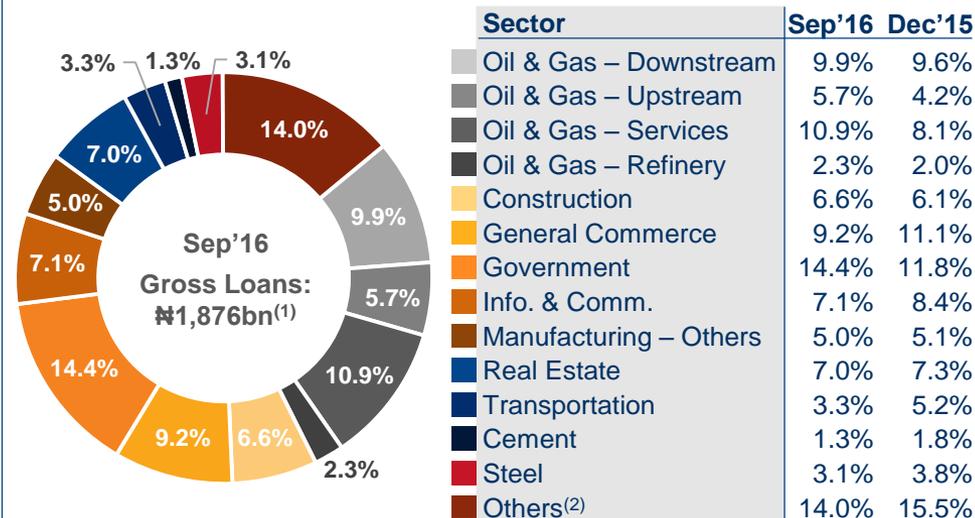
Loans and Advances (₦'bn)



Loans by Currency



Loan Distribution by Sector



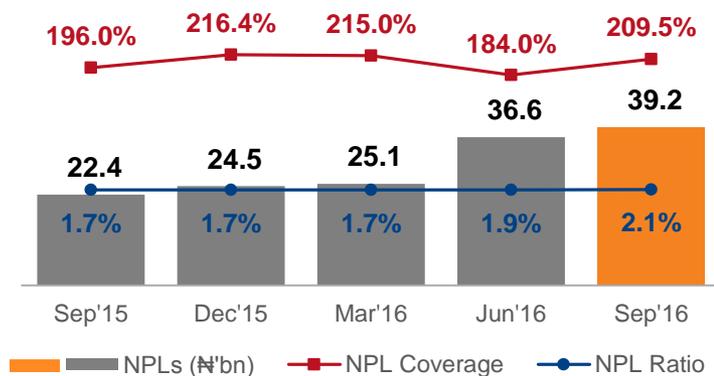
- Well-diversified loan portfolio, with continued focus on investment grade obligors
- Net loans and advances grew 30% to ₦1.84trn as at Sep'16 from ₦1.41trn in Dec'15. The Naira depreciation represents 16% of this growth, while government on-lending loans accounted for 8% of total loan growth. However, q/q growth was relatively marginal at 1.2%
- Loan-to-deposit ratio (inclusive of interest-bearing borrowings) stood at 71.5% as at Sep'16 (Dec'15: 70.9%)

(1) Stated Gross Loans figure includes Gross Loans & Advances to Banks as at 30 September 2016

(2) The following sectors are included in "Others": Agriculture, Capital Markets, Education, Finance & Insurance, General, Basic Metal Products, Conglomerates and Food Manufacturing

Asset Quality

NPL Analysis

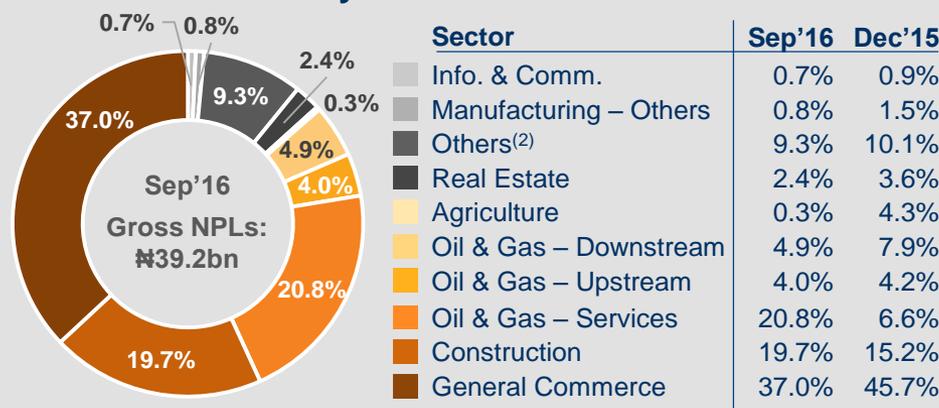


- Resilient asset quality metrics in the face of persistent macro headwinds
- NPL ratio of 2.1% in the period (Dec'15: 1.7%)
- Key drivers:
 - Impact of the Naira depreciation on existing FCY NPLs
 - Impaired loans in the oil and gas services and construction sectors
- NPL coverage ratio (including regulatory risk reserve) stood at 209.5% in the period (Dec'15: 216.4%)

NPL Ratio by Sector⁽¹⁾

	Sep'16	Dec'15
General Commerce	8.4%	7.0%
Construction	6.2%	4.2%
Oil & Gas – Services	4.0%	1.4%
Oil & Gas – Upstream	1.5%	1.7%
Oil & Gas – Downstream	1.0%	1.4%
Agriculture	1.0%	5.5%
Real Estate	0.7%	0.8%
Others ⁽²⁾	0.7%	0.6%
Manufacturing – Others	0.3%	0.5%
Info. & Comm.	0.2%	0.2%

NPL Distribution by Sector

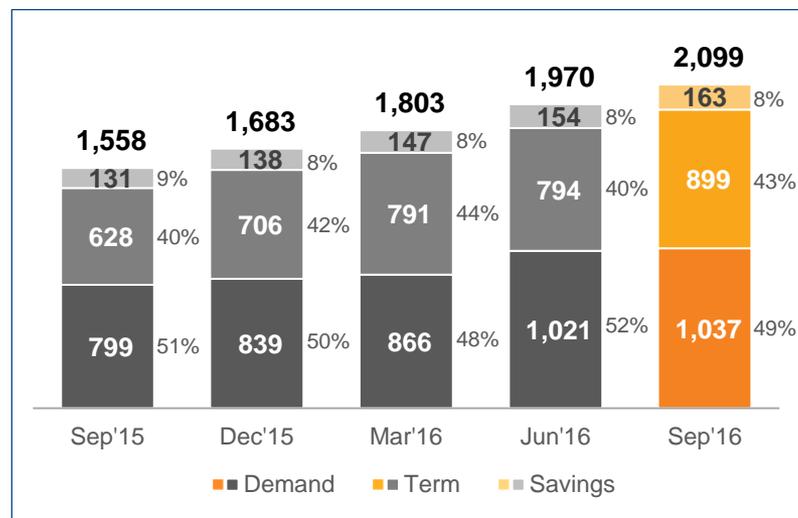


(1) Measures the portion of the total credit exposure by sector that is impaired. **Formula:** $NPL_{(Sector)} / Total\ Gross\ Loans_{(Sector)}$

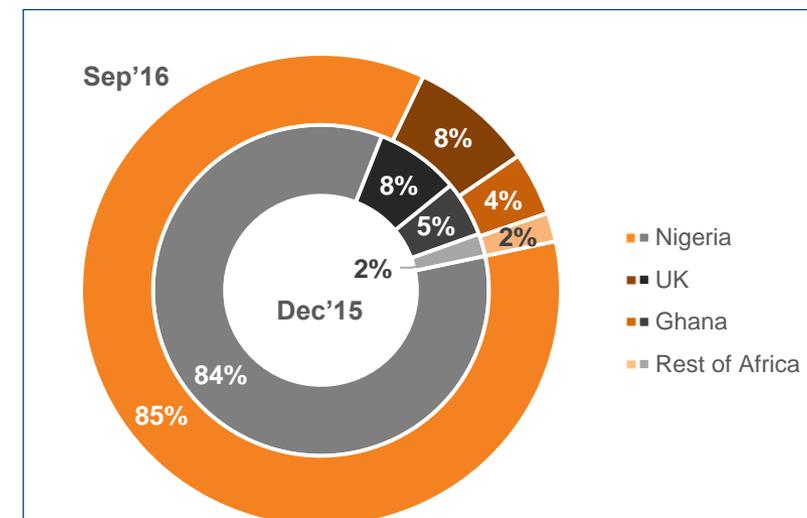
(2) The following sectors are included in "Others": General, Finance & Insurance, Basic Metal Products, Government, Food Manufacturing, Transportation and Storage

Deposit Analysis

Customer Deposits (₦'bn)



Total Deposits by Region



- Customer deposits up 25% to ₦2.10trn in the period (Dec'15: ₦1.68trn), reflecting the Bank's effort to maintain a robust funding base despite headwinds
- CASA⁽¹⁾ balances up 23% to ₦1.20trn as at Sep. 2016 from ₦977bn in Dec'15, accounting for 57% of total deposits
- Subsidiaries' contribution to Group deposits were stable from Dec'15 levels, with Access UK contributing the highest at 8%

(1) CASA: Current Accounts and Savings Accounts

Capital & Liquidity

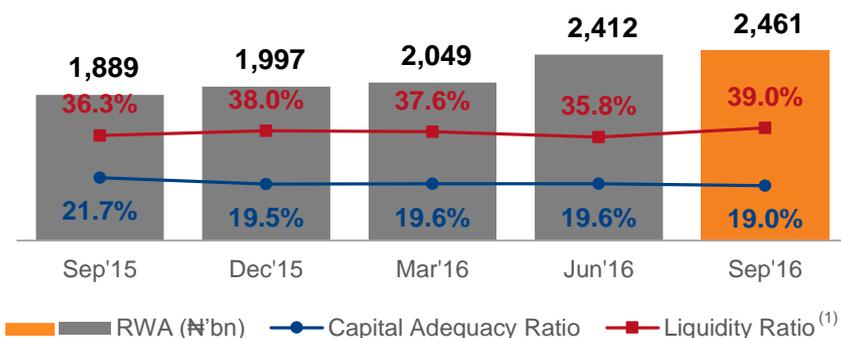
Capital Adequacy Computation – Basel II

Underlying in ₹'m	Sep'16	Dec'15	%Δ
Tier I Capital	351,311	302,637	16
Tier II Capital	115,733	86,770	33
Total Regulatory Capital	467,044	389,407	20
Credit Risk	2,100,988	1,694,884	24
Operational Risk	283,443	288,439	(2)
Market Risk	76,716	13,402	472
Risk-Weighted Assets	2,461,147	1,996,724	23
Capital Adequacy			
Tier I	14.3%	15.2%	
Tier II	4.7%	4.3%	
Total	19.0%	19.5%	

Funding Sources

Underlying in ₹'bn	Sep'16	Dec'15	%Δ
Customer Deposits	2,099	1,683	25
Deposits from Banks	172	73	136
Debt Securities Issued	240	150	60
Interest-Bearing Borrowings	300	231	29
Other Liabilities	136	86	59
Equity	443	368	20
Total Liabilities & Equity	3,390	2,591	31

- Maintained stable capital and liquidity metrics despite persistent macro headwinds
- Capital adequacy ratio (CAR) down 50bps to 19.0% as at Sep'16 from 19.5% as at Dec'15
- Liquidity ratio up 100 bps to 39.0% in the period (Dec'15: 38.0%)
- The Bank raised \$300m of senior unsecured notes in Oct'16. Proceeds will support the dollar funding needs of our customers, including but not limited to investment grade borrowers, existing oil and gas businesses, exporters and other dollar-generating businesses



(1) Calculated as Total Liquid Assets (cash and cash equivalents, treasury bills, trading assets and government bonds) divided by Total Deposits

SBU Performance Review

Business Segmentation



Corporate & Investment Banking

- Significant growth in collections to ₦305bn, achieving 169% of Q3'16 target
- Slowed business on the back of persistent FX scarcity and lower oil prices, thus making it difficult to meet FX demands for cross-border transactions



Commercial Banking

- Despite the ₦49bn loss in FCY deposits on the back of the TSA implementation, the Division still achieved over ₦93bn growth in customer deposits as at Sep'16
- Loan growth recorded in the period largely driven by rise in government intervention lending

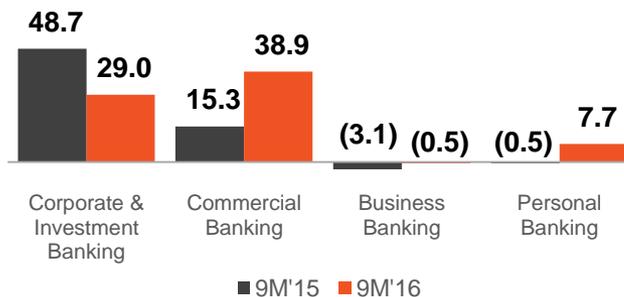
Business Banking

- Customer acquisition and reactivation up 48% to 51,424 accounts from 34,727 accounts in H1'16
- Achieved 102% of POS collections target, as vendor collections rose to ₦13.3bn on the back of 1,294 vendor sign-ons in the period

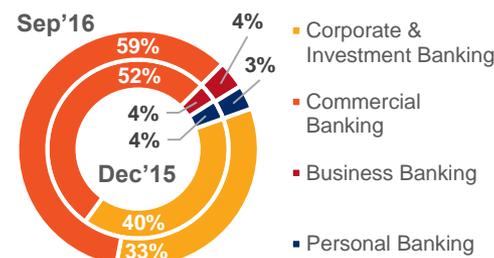
Personal Banking

- Improved dormancy levels to 17% in the period from 27% in FY'15
- The Division achieved a card activation rate of 63% during the period
- Improved franchise business, recording growth in average monthly collections to ₦35bn in the period from ₦20bn in FY'15

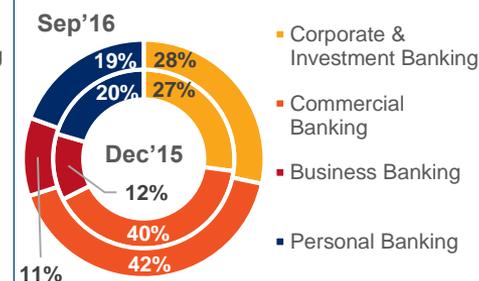
Profit Before Tax (₦'bn)



Loan Contribution

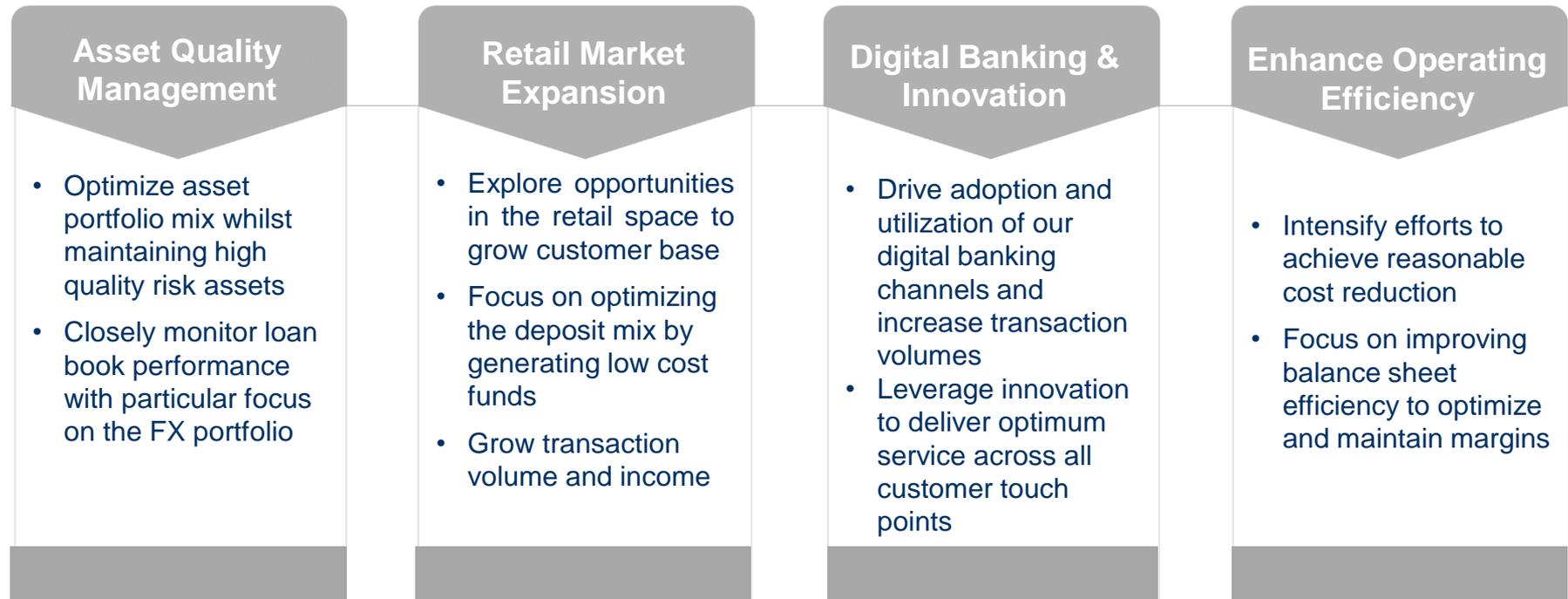


Deposit Contribution



Q4'16 Outlook

Key Imperatives for Q4'16



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access >>>



tomorrow /noun/

A mystical land where 99% of all human productivity, motivation and achievement is stored.

 **TAKE TOMORROW**