



Abbey Building Society Plc

A Growing Track Record of Lending

Akeem Akinfenwa

Abbey Building Society Plc

23 Karimu Kotun Street, Victoria Island, Lagos, Nigeria

Tel: +234-7411377

e-mail: a.akinfenwa@abbeybuildingsocietyplc.com or
info@abbeybuildingsocietyplc.com

Website: www.abbeybuildingsocietyplc.com

Outline



- Background & Country Specifics;
- Introduction –
 - About Abbey Building Society Plc;
- A 10 Years Financial Summary (2001 – 2011)
 - 10 Years Growth in Lending
 - 10 Years Track Record of Earnings
 - 10 Years Track Record of Balance Sheet Growth
 - 10 Years Record of Lending
 - % Contribution of Major Sources of Funding
 - Summary;
- How We Did it – Pre 2007
- How We Did it – 2007 – 2011
- Key Balance Sheet Relationship
- Challenges
- New Initiatives in Nigeria Mortgage & Housing Finance Sector

Background - Country Specifics



AFRICAN UNION FOR
HOUSING FINANCE



- Nigeria has an estimated population of 160 million people;
- About 10.7 million houses;
- This translates to an average occupancy of about 14.9 people/per household;
- In 2010, it was reported that 85% of the urban population live in rented accommodation, spending more than 40% of their income on rent;
- Of the rented accommodation in the urban centres, over 90% of the houses are self-built - mainly due to lack of mortgage financing;
- Less than 5% of houses in the urban centres have formal title registration;
- Informal housing is most prevalent as more than 80% of the population lives in settlements that are unplanned with poor living conditions.

Vision & Mission, Our Core Values & Discriminating Competencies (2012-2016)



• Our Vision

- *“to be the leading Nigerian mortgage bank”*

Our Mission

- *“to provide affordable housing finance to enable people own their houses”*

Our Core Values



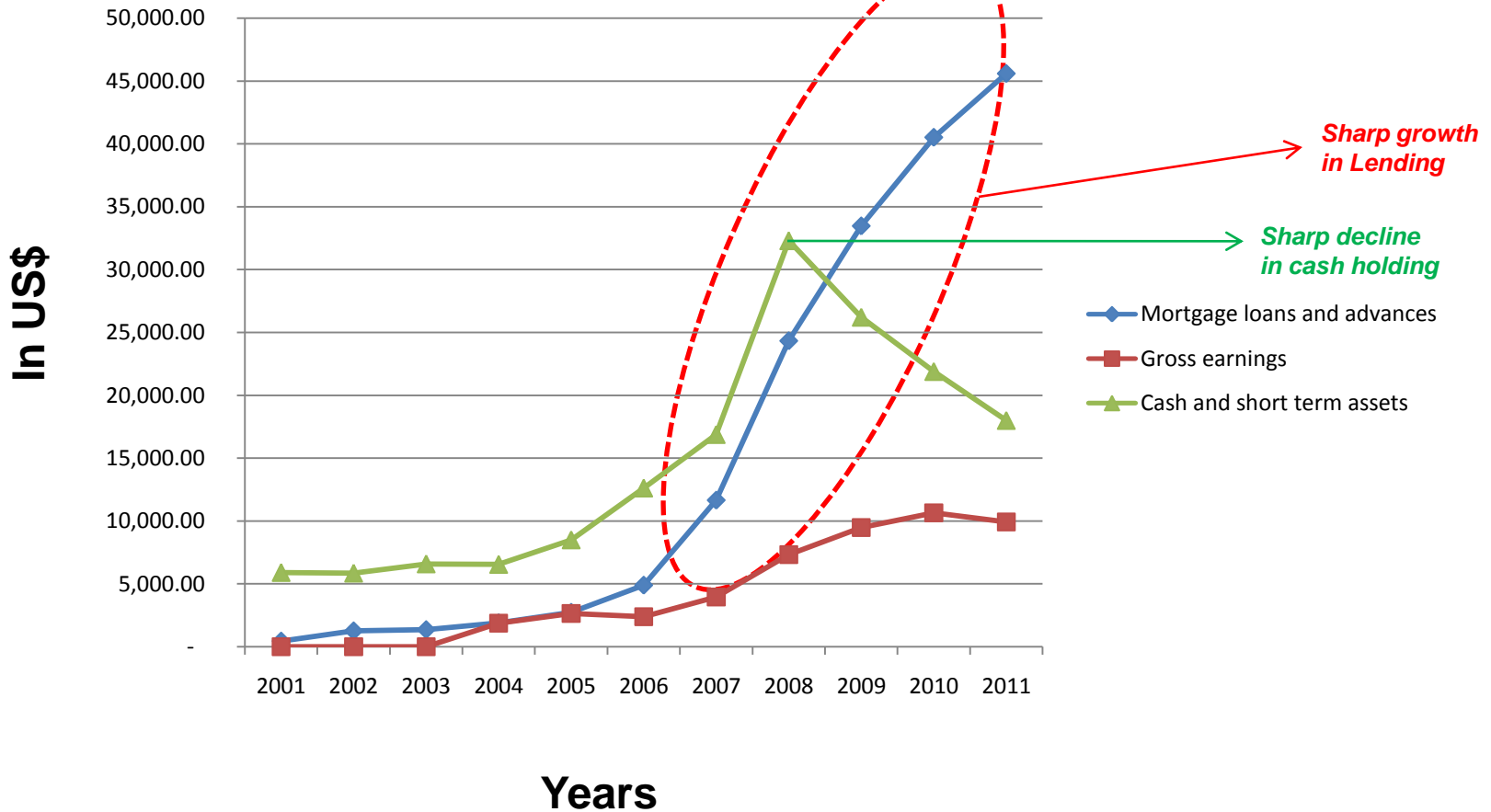
Our Discriminating Competencies

- Responsible Lending
- Innovativeness
- Best Industry Practice

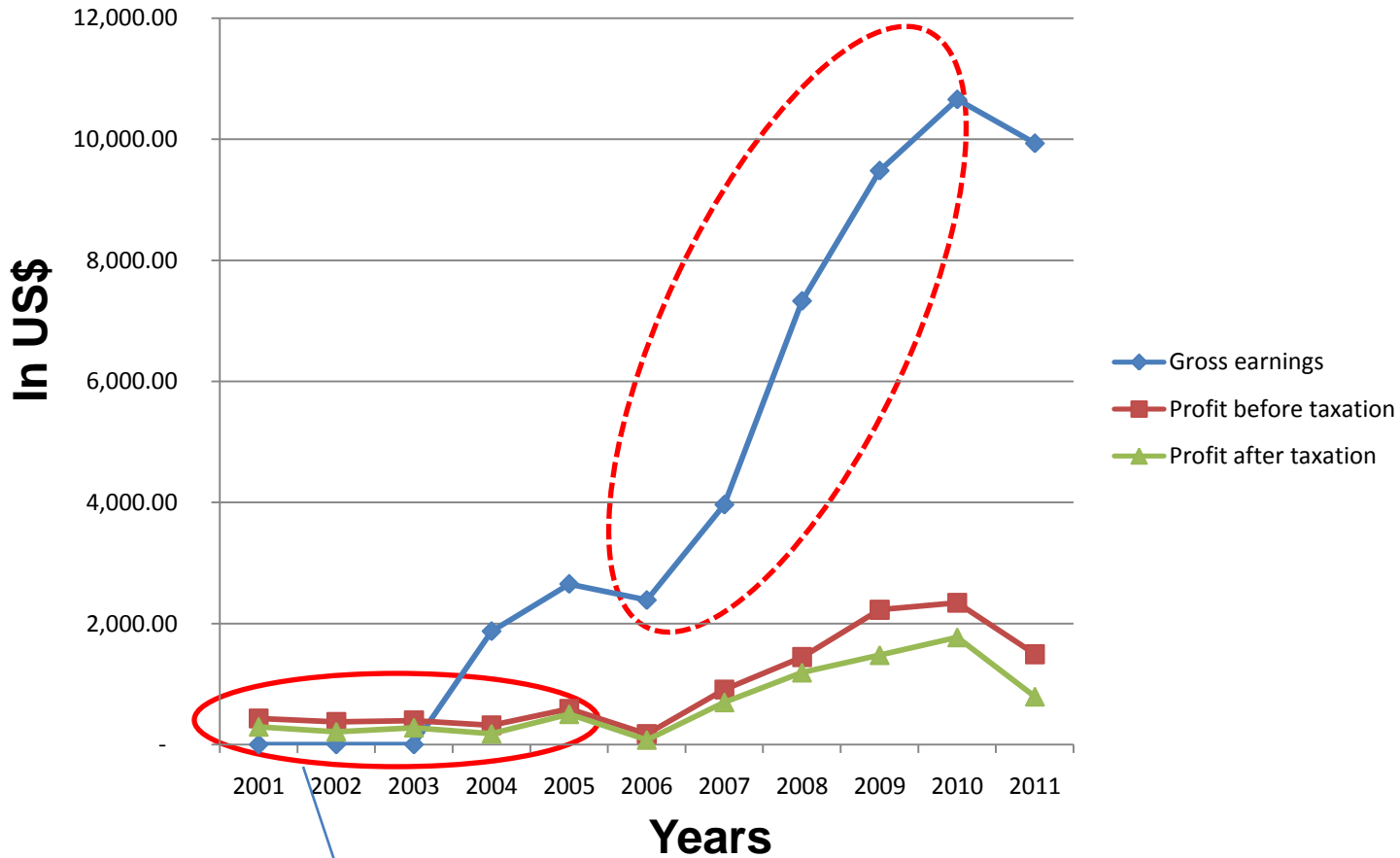


10 Year Growth in Lending

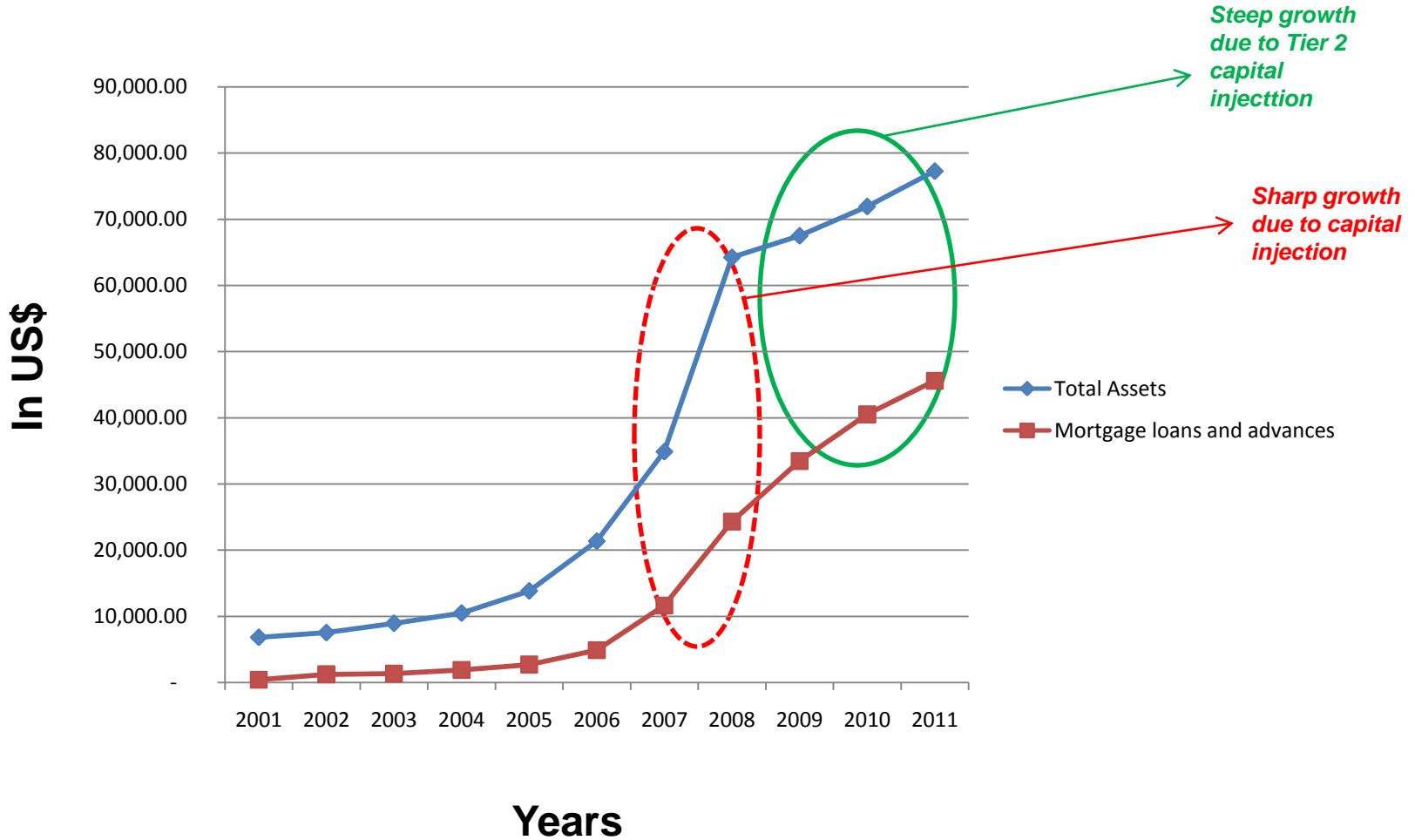
Growth in Mortgage, Short Term Funds & Earnings



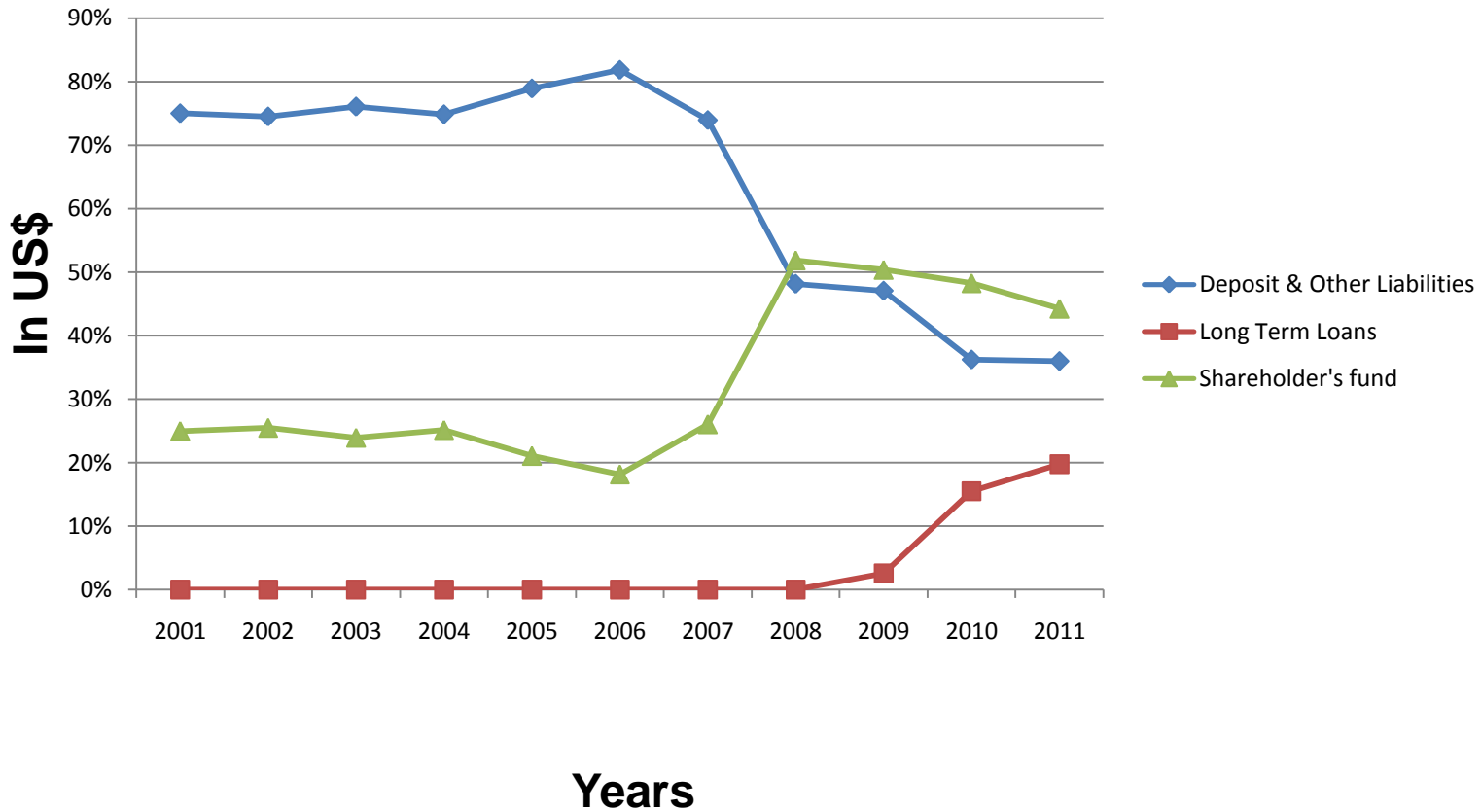
10 Years Track Records of Earnings



10 Year Track Record of Balance Sheet Growth



Percentage (%) Contribution of Major Sources of Funding



10 Years Record of Lending Growth



- Mortgage and housing finance related loan grew by about 10,000% in 10years (see graph)
- Tier 1 capital strengthened between 2007 and 2008 to provide a solid base for medium to long term mortgage;
- Tier 2 capital from foreign institutional investors enhanced lending from zero in 2008 to US\$15.2min 2011;

How Did We Do It – Pre 2007

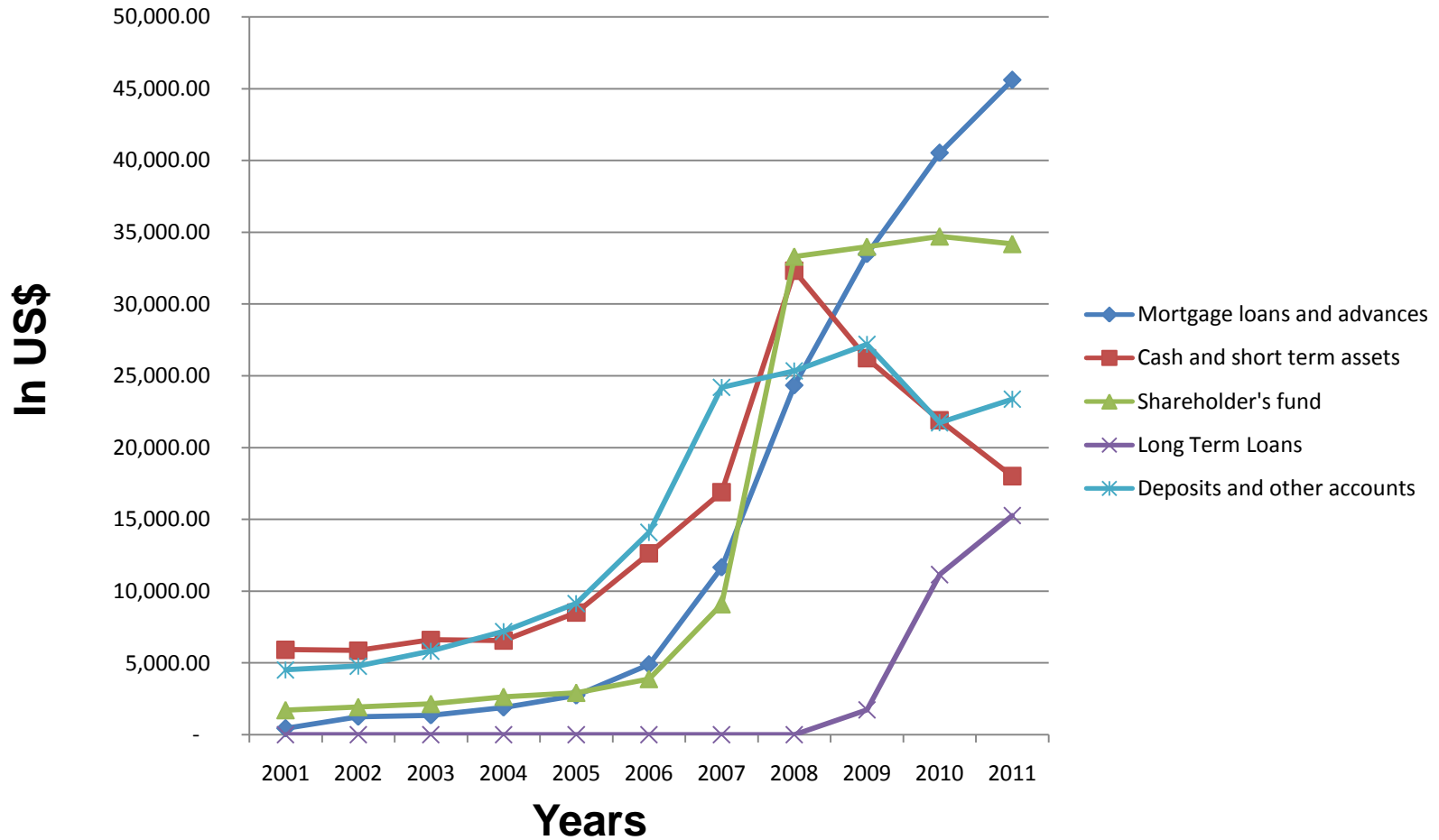
Strategy	Implication
<p>Cash is king – we matched deposits closely with cash and short term funds</p> <ul style="list-style-type: none"> History of bank failure in Nigeria has taught us a big lesson. We placed funds with commercial banks that were also relatively conservative like ABBEY; 	<ul style="list-style-type: none"> Lower interest income Low mortgage product offerings Great liquidity over and above industry standard Integrity with customers
<p>Matched lending to shareholders fund</p>	<ul style="list-style-type: none"> Propensity to lend medium to long term is assured Reduced risk of default to customers
<p>Preserved capital through a very strict lending policy;</p>	<ul style="list-style-type: none"> Ensures that Tier capital is protected; Risk of NPL is reduced; Lower interest income
<p>Few branches and an economical staffing level</p>	<ul style="list-style-type: none"> Scope economies Efficiency: Lower operating cost Focus on core
<p>Concentrated on niche market and strong referrals</p>	<ul style="list-style-type: none"> Ensures loan beneficiary has a stream of turnover that buoys deposit level Enhances ABBEY's expertise in customers area of business

How Did We Do It – 2007 - 2011



Strategy	Implication
Recapitalised the business <ul style="list-style-type: none"> • Private placement • Listed on the stock exchange • Attracted international investors 	<ul style="list-style-type: none"> • Africinvest, FMO, Shelter Afrique (US\$15.2m); • Medium to long term funding to finance mortgage and housing finance • Embrace international best practices and corporate governance
Reduced cash & short term investment	<ul style="list-style-type: none"> • Interest income from deposit placement dropped • Focus on mortgage and housing finance • Plough funds from placement with banks to mortgage and housing finance • Increase in revenue • NPL went up from an average of 0%- 3% over a 15year period to about 10%
Deepen revenue and profit around mortgage and housing finance	<ul style="list-style-type: none"> • Expand service and product offerings • Do more mortgages to individuals • Engagement of more expertise and personnel; • More visibility • Increase capital
Have a larger share of the customers wallet	<ul style="list-style-type: none"> • Offer one-stop-shop solution to our prime customers and their • Stop leakages of cash and deposits from our customers to commercial banks • E banking services – ATM, Cards, mobile, etc

Key Balance Sheet Relationship



Challenges

- Aside from the usual story of challenges of housing finance in Africa and Nigeria. The following pose a real threat to the business
 - Ratio of short term to long term deposit is high;
 - Reliance of Tier 2 capital for mortgage is becoming expensive – Forex provision, bank guarantee, etc
 - Defining what constitutes effective demand for housing in Nigeria;
 - Tenure and rate still pose a major challenges as it affects the overall cost of borrowing;
 - Developers dilemma in the face of high cost of fund and payback period for borrowed funds
 - Build to sell Vs Build to Let

New Initiatives in Nigeria Mortgage Sector



- Uniform Underwriting Standards
- Nigeria Mortgage Company
- Proposed (US1.25b) Mortgage Intervention Fund
- New prudential and operational guidelines for mortgage institutions in Nigeria;