access

# 2016 Financial Statement Analysis Report

SPEED SERVICE SECURITY

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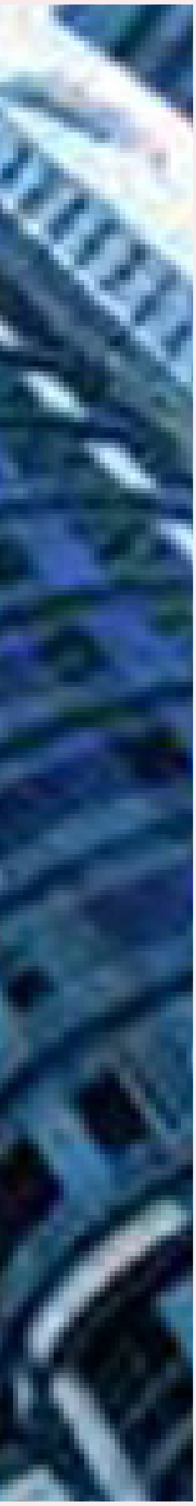


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# CEO'S OVERVIEW

HERBERT **WIGWE**

In 2016, the resilience of the Nigerian banking sector was again put to the test, as responsiveness and agility became key drivers of strong and sustainable performance in an increasingly unpredictable operating environment. The nation's political and regulatory landscape was equally challenging, as the declining macro spurred various regulatory responses to which banks were compelled to adapt. Nevertheless, our businesses have continued to post solid results, thus underscoring our strong fundamentals and validating the bold strategic choices we have made over the years.

Alongside the unavoidable currency devaluation in June, which amplified pressures on asset quality and cost of risk, banks also recorded weaker-than-expected earnings primarily due to increased lending rates and higher operating costs owing to the inflationary landscape. Low oil prices continued to take a toll on capital primarily due to increased provisioning and asset deterioration, particularly for banks with significant exposures to the upstream oil and gas and power sectors. While short-term access to foreign currency by businesses and individuals alike became increasingly difficult as the year progressed, the differential between the parallel and interbank marked record high. This stifled business productivity and ultimately increased the level of delinquent assets across the industry.

Despite the challenging economy, the Bank remained resilient in its pursuit of sustainable value creation for all its stakeholders. The strict adherence to our robust risk management practices resulted in healthy local and foreign currency liquidity levels. For capital, our successful $300 million senior debt raise and the subsequent ₦35 billion commercial paper (as part of a ₦100 billion program) has strengthened our balance sheet and provides us with the flexibility to take advantage of attractive opportunities in the downturn. Notably, the success of both these corporate actions reaffirms investor confidence in the Bank's capabilities to deliver long-term growth.

Overall, I am pleased with Access Bank's financial performance in 2016. The Group reported gross earnings of ₦381 billion, up 13 per cent from 2015. Profit before tax grew by 20 per cent to ₦90 billion from the previous year in line with our strategic growth plan. Revenue rose across all operating divisions with significant support from the retail business, posting ₦12 billion in profit before tax and contributing 11 per cent to Group profits. We grew total deposits by 36 per cent year-over-year, despite the increasingly competitive deposit market. Gross loans increased to ₦1.89 trillion largely on the back of the Naira devaluation and increased on-lending activities to boost economic activity. Asset quality remained stable with non-performing loans and cost of risk ratios at 2.1 per cent and 1.2 per cent, respectively. Our industry low ratios demonstrate the effectiveness of our risk management culture, prudent approach to lending and the benefit of our de-risking measures.

The Bank was rewarded with several prestigious national and international accolades throughout the year in recognition of our impressive performance. These awards include The Banker's Bank of the Year (Nigeria), Euromoney'sAfrica's Best Bank Transformation, EMEA Finance Best Bank (Nigeria), EMEA Finance Outstanding CSR of the Year (Pan-Africa) and the Karlsruhe Outstanding Business Sustainability award amongst others.

2017 marks the end of the rolling five-year strategy implemented in 2013. Plans for the next five-year phase are underway to position the Group not only as the world's most respected African bank but also as an emerging global player.To secure our strategic aspiration to be a high-performing diversified banking leader, we consider it vital to maintain our disciplined capital position and tightened risk tolerances. At Access, rigorous credit risk management remains a cornerstone of our business; therefore, we have committed key resources to bolster our risk management practices so as to ultimately enable improved asset quality and management. Today, Iam confident that our Bank is stronger and better positioned to deliver long-term value to our shareholders. As we come to the end of our third five-year transformation journey, our top priorities in the coming year will be to:

- Cement our position as a dominant corporate bank and establish ourselves as a formidable retail player
- Leverage digital technology and innovation to create value for our customers whilst unlocking new revenue streams
- Deliver seamless and superior customer experience across all our service touch points

As external forces continue to reshape our business, I am optimistic about the Bank's growth prospects. The Bankis in a position of strength for the future – we have a solid-franchise that allows us to continue to succeed during difficult economic times. We have a conservative risk profile that has placed us in a position of advantage amidst the economic storm and we are investing for long-term growth, which will allow us to capitalize on opportunities as we eventually emerge from the downturn.

## CFO'S OVERVIEW

SEYI **KUMAPAYI**

Access Bank's performance in 2016 underscores the strength and resilience of our franchise. We successfully captured income opportunities and managed risks in a year marked by negative economic growth, financial market volatility and heightened asset quality concerns. Our results attest to solid fundamentals underpinned by an effective strategy, a solid balance sheet and prudent risk management.

### 2016 Financial Performance

We recorded strong growth across the Group, with total revenues of ₦381.3 billion and profit before tax of ₦90.3 billion, accounting for 13 per cent and 20 per cent increase, respectively over the same period in 2015. Drivers include net interest income of ₦139.1 billion, reflecting a 32 per cent year-on-year increase on the back of decent core loan growth; and non-interest income of ₦133.5 billion (FY'15: ₦129.5 billion) comprising 66 per cent growth in fee and commission, on the back of the increased adoption of our electronic channel platforms.

Other drivers of growth include other income of ₦19.9 billion (up 185 per cent year-on-year) driven by gains on disposal of equity investment (₦16.2 billion), tapering the decline in net trading income of ₦58.6 billion (FY 2015: ₦89.2 billion).

During the period, our proactive approach to cost management ensured that operating expenses remained flat at ₦69.9 billion during the first half of the year. This however inched up 8 per cent at the end of the year to ₦160.3 billion, impacted by the currency devaluation and heightened inflation. The impact on our cost-to-income ratio (CIR) was however, tapered by stronger earnings, bringing about a 320 basis points reduction (FY 2016: 58.8 per cent).

## Balance Sheet

Net loans and advances stood at ₦1.86 trillion in December 2016, from ₦1.41 trillion as at December 2015. A combined devaluation and government on-lending contributed 24 per cent of the growth whilst core loan growth of 8 per cent remained within our 10 per cent guidance for the period. Customer deposits grew 24 per cent to ₦2.09 trillion (2015: ₦1.68 trillion), leading to increased market share and an enhanced deposit mix, driven by our expanded retail base and the optimisation of our value chain.

Capital ratios of 21 per cent (up 150 basis points year-on-year) remained in excess of the regulatory limit, reflecting a solid capital buffer; a result of our prudent approach to capital management over the last few years in anticipation of regulatory changes.

Asset quality remained resilient despite industry-wide decline. Our proactive risk management culture and de-risking measures led to a largely contained non-performing loan ratio of 2.1 per cent (2015: 1.7 per cent); cost of risk increased from 1.0 per cent to 1.2 per cent but remained largely within our guidelines. Coverage ratio of 169 per cent in 2016 (2015: 216 per cent) reflects our continued ability to adequately hedge against loan losses that may occur.

## Capital

Driven by increased retained earnings, capital adequacy ratio (CAR) improved by 200basis points to 21.0 per cent in Dec. 2016, well in excess of regulatory minimum for SIFIs (16 per cent).In addition, the issue of a $300 million Eurobond senior unsecured notes and ₦35 billion commercial paper provided the necessary headroom with which to take advantage of attractive market opportunities and stay flexible in the turbulent period.

## Looking Ahead

As market conditions remain challenging, we will remain vigilant to risks whilst staying nimble across our businesses to capture unique market opportunities on offer. We will continue to manage our capital and liquidity conservatively and strive for enhanced efficiency levels, without compromising standards or growth. With strong and secure fundamentals, we enter 2017 from a position of strength.

# EXECUTIVE DIRECTOR, RISK REVIEW

GREG **JOBOME**

## Introduction

The vision of Access Bank to be the world's most respected African bank is clearly demonstrated with the adoption of best-in-class standards in enterprise-wide risk management (ERM). The integrated risk management approach in the bank underpins the bank's products and services in every country where the Bank has its foothold.

Our unique approach to ERM continues to endear us to our stakeholders as we apply a bespoke risk management framework in identifying, assessing, monitoring, controlling and reporting the inherent and residual risks associated with the pursuit of our ambitions and ensuring they are achieved within our stated risk appetite and culture.

## Risk Management Framework

In 2016, the Bank, like others in the country, faced tough macro-economic challenges. This was charracterised by the drop in global oil prices, foreign exchange scarcity, devaluation of local currencies, economic recession, unabated inflation rate increasesas well as political challenges in some of the countries where we operate.

We weathered these storms and remain resilient because of our approach to risk management during the period under review. We run a risk management framework that regularly subjects the Bank's exposures to a range of scenario analyses and stress tests across a wide variety of products, currencies, portfolios and customer segments. This enables us to anticipate emerging challenges and to take proactive steps to either mitigate the risks or position the Bank to benefit from the outlook.

Risk to us presents potential opportunities to grow and develop our business within the context of our clearly articulated and Board-driven risk appetite. Our approach to risk management is not limited to only considering downside impacts or risk avoidance.

Our ERM approach is designed consciously to be both comprehensive (covering all risk areas and geographies) as well as integrated (in reporting, IT systems, capital processes, etc.). This is effected through rigorous integrated reporting, dashboards with multi-level drill downs, etc. built on best practice risk philosophies including Committee of Sponsoring Organisations (COSO) principles, Basel among others. Our Internal Capital Adequacy Assessment Process (ICAAP), International Liquidity Adequacy Assessment Process (ILAAP) and Recovery and Resolution Plan triggers epitomise elements of these best risk practices.

## Risk Based Performance during the period

The Bank continued its journey of deepening its risk practices and successfully completed a number of ERM and risk culture enhancing mechanisms. These include;

- Full enhancement and automation of our risk-based performance management system
- Implementation of an Internal Liquidity Adequacy Assessment Process (ILAAP)
- Roll out of a Recovery and Resolution Plan (RRP) and dash board-linked triggers
- Entrenchment of our standardized scenario analysis template
- Creation of a Portal for Risk and Information Sharing and Management (PRISM) as part of our Risk Culture enhancement
- Automated Balance Sheet Management application

The above enhancements enabled a closer alignment between our strategy, risk and performance management processes. This was particularly important in a year of recession, with potential for a range of credit and liquiditychallenges to arise. Our risk-embedded and forward-looking decision processes enabled us to appropriately enter, price, monitor and manage risk assets.

The result of the Bank's strategic decisions and a combination of risk management actions was a non-performing loans ratio of 2.1% and a cost of risk of 1.2%, supported by a robust capital adequacy ratio of 21%, in keeping with our approach of always exceeding standards set by our various regulators. We also achieved a cost of funds of 4.3% and a liquidity ratio of 43%. These were in line with ensuring our moderate risk appetite.

## Risk Management Objectives

At the core of Access Bank's enterprise-wide risk management is a drive for value creation for shareholders and all stakeholders in a sustainable manner. Value is added to shareholders when our processes allow us to demonstrate sustainable, risk-adjusted returns in excess of our cost of capital. We aim to do this in a manner that is integrated with the sustainability principles that protect our stakeholders.

To drive the attainment of our objectives, we apply a comprehensive set of limit/thresholds based on our defined risk appetite metrics, as well as the use of risk-based incentive/performance and the deployment of our ERM framework across all risk areas and processes. All of these are within our "three lines of defence" model, and underpinned by clearly articulated risk behaviours and culture. The Bank's risk culture statement is formally stated and shared amongst all staff. Our risk culture statement is that:

**At Access Bank, we embrace a moderate risk appetite, whilst delivering strategic objectives. We anticipate the risks in our activities and reward behaviour that aligns with our core values, controls and regulations. Challenges are discussed in an open environment of partnership and shared responsibility.**

**In summary, we aim to:**

- Identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost
- Protect against unforeseen losses and ensure stability of earnings
- Maximize earnings potential and opportunities

Maximize share price and protect stakeholders

- Enhance credit ratings and depositor, analyst,
- investor and regulator perception
- Conduct a risk culture that encourages all staff to identify risks and associated opportunities and to
- respond to them with cost effective actions.

Operate in a manner that protects the Bank's reputation whilst complying with relevant regulations

- and standards.

## Key Risks and Definitions

Below are some of the risk types that our ERM Framework and robust practices are deployed to manage:

**Credit risk** - Credit risk refers to the risk that a borrower may not repay a loan and that the lender may lose the principal of the loan or the interest associated with it.

**Operational risk** - Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events.

**Market risk** - Market Risk is the risk that the value of on/off-balance sheet positions will be adversely affected by movements in equity prices, interest rates, currency exchange rates and commodity prices.

**Liquidity risk** – Liquidity risk is the risk that a bank may be unable to meet short term financial obligations.

**Compliance risk** - Compliance risk is exposure to legal and regulatory penalties, financial forfeiture and material loss an organisation faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

**Strategic risk** – Strategic risk is defined as current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

**Reputational risk** – Reputational risk is the risk that a company will lose potential business because its character or quality has been called into question.

**Outlook for 2017** – As we enter the next phase of our strategic plan, we retain our moderate risk appetite while we continue to operate within regulatory limits. We will continue to jealously protect our asset quality, liquidity and capital as we make progress in our risk culture journey.

Our expectation is that 2017 is a year that will herald economic recovery in that GDP is expected togrow, as economic recovery plans are implemented. We shall continue to strengthen our risk management framework and consolidate our progress on the implementation of Basel II and III with the adoption of more advanced capital computation methods.

### Risk governance structure

The Bank's risk governance structure ensures that risk management is embedded in every activity of the Bank and practices such that processes align with the principles governing the ERM Framework. Risk governance ensures that the Bank achieves growth and profitability within appropriate risk/control boundaries. The chart below depicts the bank's risk governance structure and how different levels of governance interact for policy/strategy setting, monitoring/control and implementation.

Overall the Bank embraces a three-line-of-defence in management of risk. Each business function owns the risk inherent in its core business and is primarily responsible for identification and mitigation. Risk Management as a function provides a framework for operationalizing risk mitigants and strenghthening risk management practice in the institution. The third line of defence (The Audit fuction) provides an enhancement of the this practice.

# BUSINESS REVIEW


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# GROUP PERFORMANCE HIGHLIGHTS

| Profitability | FY 2016 | FY 2015 | Change |
|---|---|---|---|
| (in thousands of Naira) | | | |
| Gross Earnings | 381,320,783 | 337,404,230 | 13% |
| Operating Income | 272,605,211 | 234,831,994 | 16% |
| Profit Before Tax | 90,339,456 | 75,038,117 | 20% |
| Profit for the Period | 71,439,347 | 65,868,773 | 8% |
| Earnings per Share (₦) | 2.50 | 2.65 | -6% |
| Dividend per Share (₦) | 0.65 | 0.55 | 18% |
| Cost-to-Income (%) | 58.8 | 62.0 | (3.2) |

| Balance Sheet | Dec 2016 | Dec 2015 | Change |
|---|---|---|---|
| (in thousands of Naira) | | | |
| Loans and Advances | 1,854,662,174 | 1,408,564,741 | 32% |
| Total Assets | 3,483,865,564 | 2,591,330,151 | 34% |
| Customer Deposits | 2,089,197,286 | 1,683,244,320 | 24% |
| Shareholders' Fund | 454,494,580 | 367,801,467 | 24% |

| Prudential Ratios | FY 2016 | FY 2015 | Change |
|---|---|---|---|
| Return on Average Equity (%) | 17.4 | 20.4 | (3.0) |
| Return on Average Assets (%) | 2.4 | 2.8 | (0.4) |
| Capital Adequacy (%) | 21.0 | 19.5 | 1.5 |
| Liquidity (%) | 43.6 | 38.0 | 5.6 |
| Loan-to-Deposit (%) | 74.0 | 70.9 | 3.1 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| In thousands of Naira | Group Dec 2016 | Group Dec 2015 | y/y Δ | Bank Dec 2016 | Bank Dec 2015 | y/y Δ |
|---|---|---|---|---|---|---|
| **Gross Earnings** | **381,320,783** | **337,404,230** | | **331,000,972** | **302,061,975** | **10%** |
| | | | **13%** | | | |
| **Net Interest Income** | **139,147,760** | **105,381,650** | | **116,017,406** | **90,045,956** | **29%** |
| Interest income | 247,286,635 | 207,802,768 | **32%** | 210,794,456 | 184,047,834 | 15% |
| Interest expense | (108,138,875) | (102,421,118) | 19% | (94,777,050) | (94,001,878) | 1% |
| | | | 6% | | | |
| **Non-Interest Income** | **133,457,450** | **129,450,344** | | **120,206,516** | **118,014,141** | **2%** |
| Fee and commission income | 55,440,500 | 33,463,887 | **3%** | 45,992,484 | 25,892,284 | 78% |
| Fee and commission expense | (576,697) | (151,118) | 66% | - | - | |
| Net fee and commission income | 54,863,803 | 33,312,769 | 282% | 45,992,484 | 25,892,284 | 78% |
| Net gains on investment securities | 55,051,078 | 62,738,014 | 65% | 54,968,917 | 62,699,600 | -12% |
| Net foreign exchange income / (loss) | 3,597,591 | 26,501,682 | -12% | (94,434) | 23,205,265 | -100% |
| Other operating income | 19,944,978 | 6,897,879 | -86% | 19,339,549 | 6,216,992 | 211% |
| | | | 189% | | | |
| **Operating Income** | **272,605,211** | **234,831,994** | | **236,223,922** | **208,060,097** | **14%** |
| Net impairment charge | (21,952,819) | (14,224,715) | **16%** | (17,641,128) | (13,287,613) | 33% |
| Income after Impairment Charges | 250,652,391 | 220,607,279 | 54% | 218,582,794 | 194,772,484 | 12% |
| | | | 14% | | | |
| **Operating Expenses** | **(160,312,935)** | **(145,569,162)** | | **(138,003,219)** | **(129,594,571)** | **6%** |
| Personnel expenses | (51,795,538) | (42,346,952) | **10%** | (42,153,587) | (35,699,471) | 18% |
| Prepaid rent expenses | (2,810,090) | (1,739,857) | 22% | (1,632,376) | (1,405,716) | 16% |
| Depreciation | (9,106,886) | (8,615,137) | 62% | (7,774,591) | (7,762,291) | 0.2% |
| Amortization | (2,186,905) | (1,483,193) | 6% | (1,854,437) | (1,324,075) | 40% |
| Other operating expenses | (94,413,516) | (91,384,023) | 47% | (84,588,226) | (83,403,018) | 1% |
| | | | 3% | | | |
| **Profit before Tax** | **90,339,456** | **75,038,117** | | **80,579,577** | **65,177,914** | **24%** |
| Income tax | (18,900,109) | (9,169,344) | **20%** | (16,553,441) | (6,253,169) | 165% |
| Profit for the Period | 71,439,347 | 65,868,773 | 106% | 64,026,136 | 58,924,745 | 9% |
| Profit attributable to: | | | 8% | | | |
| Owners of the bank | 71,117,024 | 65,332,540 | | 64,026,136 | 58,924,745 | 9% |
| Non-controlling interest | 322,322 | 536,233 | 9% | - | - | |
| **Profit for the Period** | **71,439,347** | **65,868,773** | -40% | **64,026,136** | **58,924,745** | **9%** |
| | | | **8%** | | | |

Business Review

In the past five years, the Group's cost-to-income ratio (CIR) has shown consistent improvement primarily driven by stronger operating income, which grew at a CAGR of 17.8 per cent between 2012 and 2016 and totalled ₦272.6 billion at the end of 2016. In 2016, the Group's CIR notably improved to 58.8 per cent – a favourable drop from a five-year high of 73.0 per cent in 2013. Higher operating income recorded in 2016 was principally due to a 32 per cent year-on-year increase in net interest revenue (NIR) to ₦139.1 billion (2015: ₦105.4 billion), which accounted for 51 per cent of total operating income in the period.

Over time, the Bank has made significant investments in its systems, infrastructure and technology in order to set a solid foundation for advanced long-term growth of its retail franchise and the transformation to a fully digital bank. In 2015, the Group intensified efforts to maximize its exposure in the market place by leveraging existing and new strategic partnerships to deepen its brand awareness. The Group has also made considerable investments in the enhancement of its data mining capabilities to enable it leverage big data as a strategic tool for enhanced customer intimacy, intelligent marketing and the creation of new products and services for customers.

These investments, majority of which are one-off as well as other fundamental overheads, drove operating costs to ₦145.6 billion in 2015, growing 39 percent year-on-year from ₦104.6 billion in 2014. This represents the largest year-on-year growth since 2012. The following table highlights the key expense drivers in 2015 and their corresponding justifications.

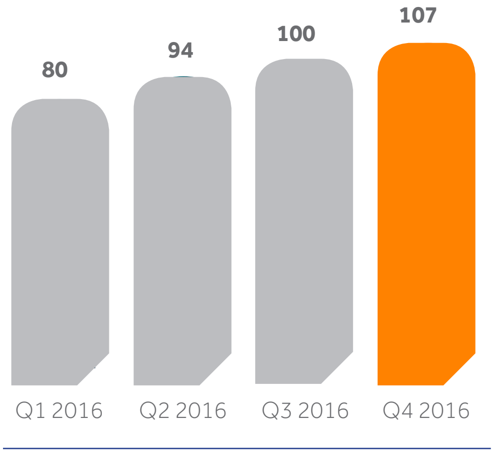
# SUMMARIZED STATEMENT OF CASH FLOWS

| In thousands of Naira | Group<br>December 2016 | Group<br>December 2015 | Bank<br>December 2016 | Bank<br>December 2015 |
|---|---|---|---|---|
| Profit before income tax and discontinued operations | 90,339,456 | 75,038,117 | 80,579,577 | 65,177,914 |
| Income tax paid | (8,007,140) | (6,259,617) | (5,222,302) | (4,125,701) |
| **Net cash generated in operating activities** | **(28,996,913)** | **(177,659,623)** | **(159,246,260)** | **(181,246,613)** |
| **Net cash generated from investing activities** | **52,895,595** | **108,491,858** | **64,934,254** | **88,530,645** |
| **Net cash provided by financing activities** | **85,158,509** | **151,022,818** | **80,382,590** | **156,072,111** |
| **Net increase / (decrease) in cash and cash equivalents** | **109,057,190** | **81,855,052** | **(13,929,416)** | **63,356,144** |
| Cash and cash equivalents at end of year | 343,075,964 | 234,044,111 | 149,467,972 | 163,405,749 |
| Cash and cash equivalents at beginning of year | 234,044,111 | 152,748,398 | 163,405,749 | 100,897,058 |
| Effect of exchange rate fluctuations on cash held | (25,338) | (559,339) | (8,360) | (847,452) |
| **Net increase / (decrease) in cash and cash equivalents** | **109,057,190** | **81,855,052** | **(13,929,416)** | **63,356,144** |

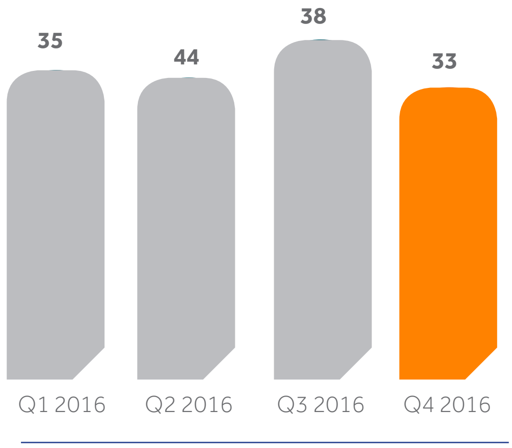
# INCOME STATEMENT ANALYSIS

# INCOME STATEMENT ANALYSIS

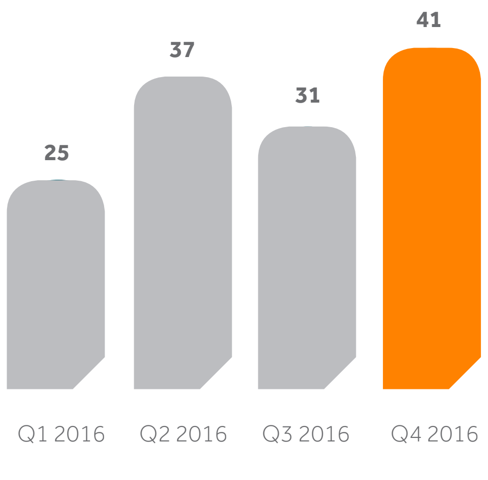
### Gross Earnings (₦'Bn)



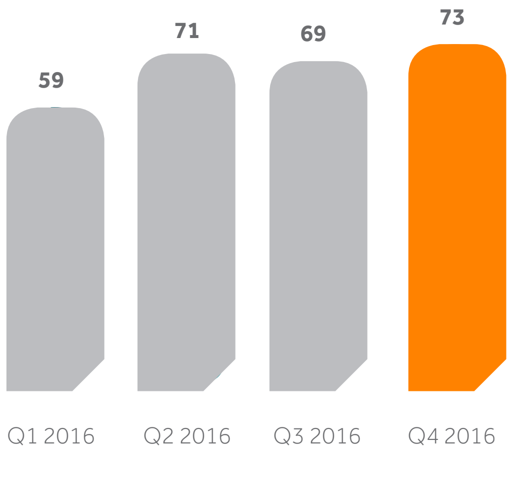

### Net Interest Income (₦'Bn)



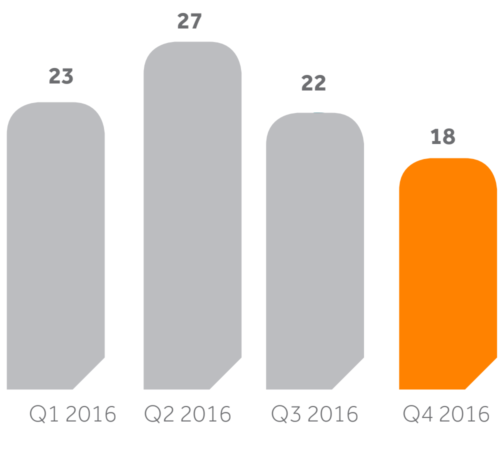

### Non-Interest Income (₦'Bn)




### Operating Income (□'Bn)




### Profit Before Tax (₦'Bn)



# 2016 QUARTERLY STATEMENT OF COMPREHENSIVE INCOME

| In millions of Naira | Q4 2016 | Q3 2016 | q/q Δ | Q2 2016 | Q1 2016 |
|---|---|---|---|---|---|
| **Gross Earnings** | **106,853** | **100,399** | **6%** | **93,799** | **80,270** |
| **Interest Income:** | **66,076** | **68,918** | **-4%** | **56,856** | **55,437** |
| Cash and Cash Equivalents | (759) | 2,167 | -135% | (138) | 659 |
| Loans and Advances to Banks and Customers | 55,043 | 54,316 | 1% | 46,684 | 44,431 |
| Investment Securities | 11,792 | 12,435 | -5% | 10,310 | 10,347 |
| **Interest Expense** | **(33,302)** | **(30,995)** | **7%** | **(23,028)** | **(20,814)** |
| **Net Interest Income** | **32,774** | **37,923** | **-14%** | **33,828** | **34,623** |
| **Net Fee & Commission Income:** | **9,626** | **9,663** | **-0.4%** | **19,662** | **15,816** |
| Fee and Commission Income | 9,835 | 9,973 | -1% | 19,719 | 15,913 |
| Fee and Commission Expense | (209) | (310) | -33% | (57) | (97) |
| Net Trading Income | 16,058 | 20,610 | -22% | 19,114 | 2,867 |
| Other Operating Income | 14,884 | 897 | 1558% | (1,889) | 6,053 |
| **Non-Interest Income** | **40,568** | **31,170** | **30%** | **36,887** | **24,736** |
| **Operating Income** | **73,342** | **69,093** | **6%** | **70,714** | **59,359** |
| Impairment Charges | (9,617) | (2,124) | 353% | (7,789) | (2,423) |
| **Operating Income after Impairment** | **63,725** | **66,969** | **-5%** | **62,925** | **56,936** |
| **Total Operating Expenses:** | **45,390** | **44,988** | **1%** | **35,582** | **34,353** |
| Personnel Expenses | 15,846 | 13,882 | 14% | 11,258 | 10,810 |
| Depreciation and Amortization | 3,194 | 2,984 | 7% | 2,618 | 2,497 |
| Other Operating Expenses | 26,350 | 28,122 | -6% | 21,705 | 21,046 |
| Share of Profit of Equity Accounted Investee | - | - | - | - | - |
| **Profit/(Loss) Before Income Tax** | **18,335** | **21,981** | **-17%** | **27,440** | **22,583** |
| Income Tax Expense | (3,992) | (4,372) | -9% | (7,372) | (3,164) |
| **Profit/(Loss) After Tax** | **14,344** | **17,609** | **-19%** | **20,068** | **19,419** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| In thousands of Naira | Group December 2016 | Group December 2015 | y/y Δ | Bank December 2016 | Bank December 2015 | y/y Δ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and balances with banks | 713,889,105 | 478,409,336 | 49% | 517,997,249 | 405,998,636 | 28% |
| Investment under management | 14,871,247 | 10,403,608 | 43% | 14,871,247 | 10,403,608 | 43% |
| Non-pledged trading assets | 44,629,579 | 52,298,422 | -15% | 44,629,579 | 52,298,422 | -15% |
| Derivative financial assets | 156,042,984 | 77,905,020 | 100% | 155,772,662 | 77,852,349 | 100% |
| Loans and advances to banks | 45,203,002 | 42,733,910 | 6% | 104,006,574 | 60,414,721 | 72% |
| Loans and advances to customers | 1,809,459,172 | 1,365,830,831 | 32% | 1,594,562,345 | 1,243,215,309 | 28% |
| Pledged assets | 314,947,502 | 203,715,397 | 55% | 314,947,502 | 200,464,624 | 57% |
| Investment securities | 229,113,772 | 186,223,126 | 23% | 161,200,642 | 155,994,798 | 3% |
| Other assets | 63,255,054 | 83,014,503 | -24% | 50,594,481 | 78,623,381 | -36% |
| Investment in subsidiaries | - | - | - | 59,239,252 | 45,439,246 | 30% |
| Property and equipment | 84,109,052 | 73,329,927 | 15% | 71,824,472 | 65,900,384 | 9% |
| Intangible assets | 6,939,555 | 6,440,616 | 8% | 5,173,784 | 4,977,908 | 4% |
| Deferred tax assets | 1,264,813 | 10,845,612 | -88% | - | 10,180,832 | -100% |
| | 3,483,724,837 | 2,591,150,308 | 34% | 3,094,819,789 | 2,411,764,218 | 28% |
| Asset classified as held for sale | 140,727 | 179,843 | -22% | 140,727 | 179,843 | -22% |
| **Total Assets** | **3,483,865,564** | **2,591,330,151** | **34%** | **3,094,960,516** | **2,411,944,061** | **28%** |
| **Liabilities** | | | | | | |
| Deposits from financial institutions | 167,356,583 | 72,914,421 | 130% | 95,122,188 | 63,343,785 | 50% |
| Deposits from customers | 2,089,197,286 | 1,683,244,320 | 24% | 1,813,042,872 | 1,528,213,883 | 19% |
| Derivative financial liabilities | 30,444,501 | 3,077,927 | 889% | 30,275,181 | 2,416,378 | 1153% |
| Current tax liabilities | 5,938,662 | 7,780,824 | -24% | 5,004,160 | 6,442,311 | -22% |
| Other liabilities | 113,571,240 | 69,355,947 | 64% | 107,538,941 | 64,094,358 | 68% |
| Deferred tax liabilities | 3,699,050 | 266,644 | 1287% | 3,101,753 | - | - |
| Debt securities issued | 316,544,502 | 149,853,640 | 111% | 243,952,418 | 78,516,655 | 211% |
| Interest-bearing borrowings | 299,543,707 | 231,467,161 | 29% | 372,179,785 | 302,919,987 | 23% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Retirement benefit obligations | 3,075,453 | 5,567,800 | -45% | 3,064,597 | 5,567,800 | -45% |
| **Total Liabilities** | **3,029,370,984** | **2,223,528,684** | **36%** | **2,673,281,895** | **2,051,515,157** | **30%** |
| **Equity** | | | | | | |
| Share capital and share premium | 212,438,802 | 212,438,802 | 0% | 212,438,802 | 212,438,802 | 0% |
| Retained earnings | 105,773,771 | 51,730,369 | 104% | 100,346,802 | 49,459,102 | 103% |
| Other components of equity | 130,034,979 | 99,732,330 | 30% | 108,893,017 | 98,531,000 | 11% |
| **Total Equity attributable to owners of the Bank** | 448,247,552 | 363,901,501 | 23% | 421,678,621 | 360,428,904 | 17% |
| Non-controlling interest | 6,247,028 | 3,899,966 | 60% | - | - | - |
| **Total Equity** | **454,494,580** | **367,801,467** | **24%** | **421,678,621** | **360,428,904** | **17%** |
| **Total Liabilities and Equity** | **3,483,865,564** | **2,591,330,151** | **34%** | **3,094,960,516** | **2,411,944,061** | **28%** |

# STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

# STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

## Interest Income

| In millions of Naira | Loans & Advances | Investment Securities | Cash & Cash Equivalents | Total |
|---|---|---|---|---|
| FY 2012 | 104.0 | 58.5 | 2.7 | 165.3 |
| FY 2013 | 97.5 | 46.7 | 1.7 | 146.0 |
| FY 2014 | 136.4 | 37.3 | 3.2 | 176.9 |
| FY 2015 | 159.8 | 44.4 | 3.7 | 207.8 |
| FY 2016 | 200.5 | 44.9 | 1.9 | 247.3 |

## Interest Expense

In millions of Naira

| | Total |
|---|---|
| FY 2012 | 65.1 |
| FY 2013 | 68.2 |
| FY 2014 | 76.9 |
| FY 2015 | 102.4 |
| FY 2016 | 108.1 |

## Net Interest Income

In millions of Naira

| | Total |
|---|---|
| FY 2012 | 100.2 |
| FY 2013 | 77.7 |
| FY 2014 | 100.0 |
| FY 2015 | 105.4 |
| FY 2016 | 139.1 |

The Group's net interest income has shown progressive improvement over the past five years, growing 32 per cent year-on-year to close at ₦139.1 billion for the year ended 2016 (2015: ₦105.4 billion). This growth was primarily driven by higher income earned on the Bank's assets in the period, with the most significant contribution stemming from income on loans and advances. Income on the Group's loan portfolio increased by 25 per cent to ₦200.5 billion in 2016 from ₦159.8 billion in 2015 on the back of an expanded loan book. (Sizeable growth in loans and advances of 32 per cent recorded in the year was principally driven by the currency devaluation which took effect in June 2016).

In addition, interest expense also contributed to the positive growth in net interest income, as the Bank has recorded slower expense growth since 2012, inching up marginally by 6 per cent to ₦108.1 billion in 2016 (2015: ₦102.4 billon). During the year, the Bank intensified its resolve to achieve an optimal deposit mix by activating a bank-wide low-cost deposit drive. This effort resulted in a 19 per cent growth in current and savings account (CASA) balances to ₦1.2 trillion as at December 2016 from ₦976.9 billion in 2015. Growth in CASA balances largely offset the impact of the higher interest rate environment on the Bank's cost of funds, which improved by 110 basis points to 4.3 per cent in the period (2015: 5.2 per cent) the lowest since 2012. Consequently, net interest margin improved from 6.0 per cent as at December 2015 to 6.2 per cent in 2016 – trailing behind its record high of 7.7 per cent in 2012 by 150 basis points.

Based on the current structure of the Bank's balance sheet, the Bank is negatively gapped in the less-than-3-month bucket and positively gapped within the 12-month maturity bucket. Therefore, a rise in interest rates over the coming months would have a positive impact on net interest income, while a decline in interest rates by as little as 1 per cent could result in a 3 per cent decline in net interest income. It is important to note, however, that if the latter scenario should occur, the 3 per cent drop is negligible and is still within the Bank's interest rate limits.

## NON-INTEREST INCOME

| In millions of Naira | Net Fee & Comm. Income | Net Trading Income | Other Operating Income | Total |
|---|---|---|---|---|
| FY 2012 | 24.3 | 7.5 | 9.4 | 41.2 |
| FY 2013 | 31.5 | 9.4 | 19.9 | 60.8 |
| FY 2014 | 30.8 | 24.0 | 13.5 | 68.3 |
| FY 2015 | 33.3 | 89.2 | 6.9 | 129.5 |
| FY 2016 | 54.9 | 58.6 | 19.9 | 133.5 |

The Bank has made great stride in diversifying its revenue sources over the years in order to reinforce its capacity to deliver sustainable economic returns to its shareholders in spite of an increasingly volatile operating landscape. This resolve has led to strong non-interest income evolution, with non-interest income growing at a compound annual growth rate (CAGR) of 34.2 per cent between 2012 and 2016. In 2016, non-interest income accounted for 35 per cent of total Group revenue, while net fee and commission income contributed 41 per cent to total non-interest income – a marked improvement from its 2015 performance of 26 per cent. Higher income in the year largely reflects the positive impact of the Bank's digital banking strategy, which drove the adoption and utilization of the Bank's alternative retail channels to record levels. In 2016 alone, for instance, over 23 million transactions were conducted via mobile and internet banking, which represents a 207 per cent increase from 2015 transaction volumes. In addition, the transaction value across all the Bank's ATMs hit a record-high of ₦747 billion in 2016.

In 2007, Access Bank acquired 176,470,588 units of shares of Stanbic IBTC Holdings ("Stanbic") for the sole purpose of dividend and capital appreciation. The Bank subsequently increased its stake in the company to a total value of ₦141 million in 2009, which translated to 17.65 per cent of the firm's equity at that time. Following the release of new guidelines for licensing and regulation of financial non-holding companies by the Central Bank of Nigeria (CBN) in 2010, Access Bank commenced disinvesting from all its non-banking subsidiaries – Stanbic inclusive. Complete divestment from Stanbic was successfully concluded in the fourth quarter of 2016, and translated to a gain of ₦16.2 billion, thereby boosting other operating income in the period (up 189 per cent from ₦6.9 billion in 2015).

## Fee & Commission Income

| In millions of Naira | Credit-related Fees & Commission | Channels & Other E-business Income | Commission on FX-denominated Transactions | Commission on Bills & Letters of Credit | Other Fee & Commission Income(1) | Total |
|---|---|---|---|---|---|---|
| FY 2013 | 10.0 | 1.6 | 0.7 | 2.7 | 16.7 | 31.7 |
| FY 2014 | 12.1 | 2.3 | 1.3 | 2.8 | 12.3 | 30.8 |
| FY 2015 | 15.0 | 3.9 | 1.9 | 3.4 | 9.1 | 33.5 |
| FY 2016 | 17.9 | 21.3 | 2.8 | 2.9 | 10.5 | 55.4 |

*(1) Other Fee & Commission Income includes Account Maintenance Charge & Handling Commission, Commission on Bills & Letters of Credit, Commission on Collections, Commission on Other Financial Services, Commission on Virtual Products and Retail Account Charges*

Fee and commission income grew 65 per cent year-on year, closing at ₦55.4 billion in 2016 (2015: ₦33.5 billion). Channels and other e-business income was the leading contributor to the strong performance posted in the year, growing over 5 times its 2015 value to close at ₦21.3 billion (2015: ₦3.9 billion). This line represents total revenue from the Bank's alternative retail and corporate e-channels, including but not limited to, mobile and internet banking, PayWithCapture, AccessMoney, and the Bank's range of credit and debit cards. Therefore, this performance further underscores the benefits of the Bank's extensive digital strategy and increased investment in innovation and technology over the past couple of years.

## Net Trading Income

| In millions of Naira | Net Gains on Investment Securities | Net Foreign Exchange Income / (Loss) | Total |
|---|---|---|---|
| FY 2012 | 0.1 | 7.4 | 7.5 |
| FY 2013 | 1.9 | 7.5 | 9.4 |
| FY 2014 | 23.4 | 0.6 | 24.0 |
| FY 2015 | 62.7 | 26.5 | 89.2 |
| FY 2016 | 55.0 | 3.6 | 58.6 |

Today, Access Bank is one of the largest liquidity providers in the Nigerian interbank market, as well as a contributor to the NIBOR, NITTY and NIFEX benchmarks. Over the years, the Bank has demonstrated capacity in the Nigerian financial markets, ranking first on the Financial Market Dealers Quotation OTC markets league table in 2016 – an improvement from second position in 2015. In the foreign markets, the Bank is also a strong liquidity provider and contributor to the NIFEX benchmark. From 2014 till now, when the Nigerian foreign exchange market experienced extreme FX volatility which culminated in a shut-down of the market, Access Bank Plc. through our well trained and experienced sales team have been able to help our clients access foreign exchange to cover their exposure. Given the shortage of FX in the local market, the team was able to structure forward and swap contracts to enable customers open fresh letters of credit and continue their business operationsin the most cost efficient manner, thereby saving millions of U.S. Dollars considering the alternative at the parallel market.

To mitigate the risks in its derivative activities, the Bank developed a framework for managing derivatives that identified potential risks arising from the Bank's activities. Potential risks include:

**Liquidity Risk:** We maintain and monitor a liquidity buffer. The liquidity buffer represents available liquidity covering our swap funding obligations as at when due with minimum distortions to our liquidity level and ratios. This enables the banks to cushion the impact of the swap maturities as at when due. This buffer is monitored through a metric known as a Swap Risk Margin as outlined below:

**(a) Swap Risk Margin:** This is presented as a fixed margin above the regulatory minimum that is maintained through out the life of the swap transaction. To implement the margin the Bank, a minimum of 50 per cent of the Naira liquidity from each swap transactions is invested and kept in liquid assets. This acts as a "Chinese Wall Buffer" to mitigate potential funding risk at maturity

b) The Swap Maturity Profile is monitored against the Bank's liquid asset maturity profile. This is to ensure a mini mum matching in the various tenor buckets of the Bank's swap transactions. The Bank strives to meet at least 40 per cent coverage of maturing swaps in each bucket

c) The Liquid Assets Holdings is also monitored to ensure that it exceeds the sum of net projected swap cash out flows for the next 60 days whilst maintaining the minimum liquidity ratio of 30 per cent

**Concentration Risk:** The derivatives also exposes the Bank to concentration risk. To mitigate this and ensure that the Bank's derivative activities are within its composite risk rating, we maintain derivative limits as follows:

a) Total derivatives held should not exceed 85 per cent of derivative/ total foreign currency (FCY) assets at any time

b) The Swaps with the sovereign is limited to USD 2 billion

c) Futures with customers are limited to USD 1billion

**Model Risk:** This is the risk of errors in estimates caused by inadequacies in the valuation model or its implementation. To mitigate this risk, the Bank applies conservatism in input and output estimates. This is done by discounting the results of the derivative valuation.

**Risk Charge for Derivative Activities:** The new CBN guideline for Capital Adequacy Ratio (CAR) computation states that all over-the-counter (OTC) derivative transactions held in the banking and trading books which gives rise to pre settlement counterparty requires a charge on capital for credit risk.

However, transactions with Sovereign authorities are excluded from the computation.The credit equivalent amount are calculated using the two methods:

a) Original exposure method
b) Current exposure method

The Bank adopted the current exposure method as Risk-Weighted Assets (RWAs).

# OPERATING EXPENSES

| In millions of Naira | Personnel | Depreciation & Amortization | Other Operating Expenses | Total |
|---|---|---|---|---|
| FY 2012 | 32.5 | 10.9 | 41.4 | 84.8 |
| FY 2013 | 31.1 | 8.7 | 61.4 | 101.2 |
| FY 2014 | 31.3 | 10.8 | 62.5 | 104.6 |
| FY 2015 | 42.3 | 10.1 | 93.1 | 145.6 |
| FY 2016 | 51.8 | 11.3 | 97.2 | 160.3 |

## Key Expense Drivers

| Expense Line | y/y Δ | Rationale |
|---|---|---|
| Personnel Expenses | ↑ 35% | • Enhanced staff strength to fill manning gaps at branches so as to boost retail market penetration and improve branch profitability |
| Consultancy & IT Expenses | ↑ 73% | • Investments (largely one-off) in systems and technology improvements (e.g. Flexcube upgrade and channels expenses) to increase automation and enhance service delivery<br>• Tax consultancy and legal services fees |
| Advertisements & Marketing Expenses | ↑146% | • Increased advert placements and marketing activities to drive product adoption (e.g. PayWithCapture) and enhance brand equity |
| Insurance | ↑207% | • Largely one-off; recognition of gain from Risk Retention Scheme in 2014 |
| Business Travel Expenses | ↑ 97% | • Spike in business travel costs owing largely toincreased interna tional training travel, as well as travel for business development purposes by Executive Management |
| Events, Charities & Sponsorships | ↑ 81% | • Growth was largely driven by one-off expenses for key events that resulted in increased brand awareness (e.g. 2015 Access Conference and PayWithCapture Launch) |
| Administrative Expenses | ↑ 76% | • Increased cost of operations primarily driven by the widening infrastructure gap (e.g. prolonged power outages, fuel scarcity, etc.) |

In contrast, operating costs grew 10 per cent year-on-year to ₦160.3 billion in 2016. The following table details the key expense drivers in 2016 and their corresponding justifications.

## Key Expense Drivers

| Expense Line | y/y Δ | Rationale |
|---|---|---|
| Personnel Expenses | 22% | • Growth was driven by adjustment in staff salaries in the second half of the year |
| Administrative Expenses | 42% | • Resultant effect of inflation and the currency devaluation on the price of goods and services |
| Regulatory Costs | 19% | • NDIC and AMCON charges increased largely as a result of balance sheet growth |

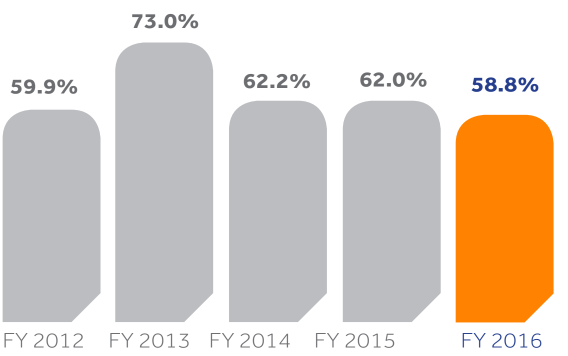
# COST MANAGEMENT AT ACCESS BANK PLC.

Cost management has become increasingly pivotal to the Bank's sustained growth and profitability, particularly following the merger with Intercontinental Bank Plc. in 2012. Over the past few years, Access Bank Plc. has transitioned to the closed-loop approach to cost management. This has helped to achieve increased visibility on all operating expenses – across business units, categories and geographies to a detailed level – and to explore how money can be spent more wisely to add value and drive growth.

Today, the Bank creates spend visibility to achieve alignment of procurement and finance, leveraging consistent data. The Bank also implements zero-based budgeting, enabling all expense control units to start from zero each year, thus removing unnecessary cost and creating a detailed forecast. More importantly, Access Bank continues to deploy thorough communication of its cost management philosophy to all employees to ensure 100 per cent buy-in from all stakeholders. This has resulted in a gradual change in the Bank's cost management culture.

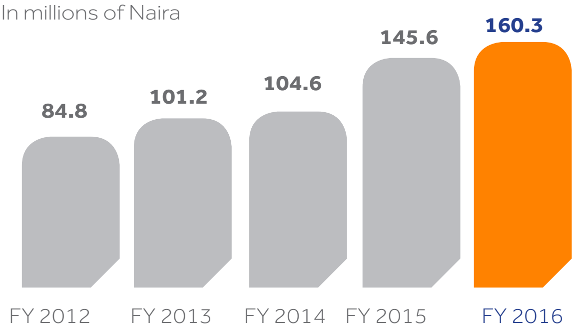
In 2016, the Bank actively executed cost management initiatives in a bid to rationalize overhead expenses, optimize the Bank's cost profile and enhance value for money. Such initiatives include the daily power shutdown of the Group's head office between 8PM and 6:30AM. Not only did this initiative drive significant savings on diesel costs in the year, but it also challenged employees to be more productive during regular working hours. Access Bank also conducted an extensive value for money audit and rationalized existing and potential partnerships. These initiatives also drove the revision and, in some cases, termination of retainer contracts with agencies and vendors, as well as the rationalization of the Bank's software application portfolio to eliminate redundancies. The sizeable cost savings generated from these initiatives in the period largely muted the rise in operating expenses, which was inevitably exacerbated by the currency devaluation and heightened inflation. The following table shows the key cost reductions recorded in the year.

## Cost-to-Income Ratio



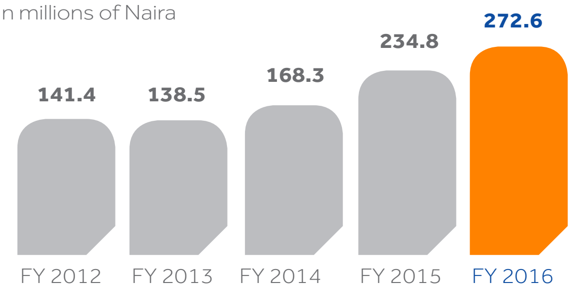

## Operating Expenses

In millions of Naira




## Operating Income

In millions of Naira




Statement of Comprehensive Income Report

### Key Cost Reductions

in millions of Naira

| Expense Line | FY 2015 | FY 2016 | CHANGE | % Reduction |
|---|---|---|---|---|
| Advertising & Marketing Expenses | 6,525 | 4,211 | (2,314) | -35% |
| Communication Expenses | 3,636 | 2,523 | (1,113) | -31% |
| Events, Charities & Sponsorships | 3,694 | 2,619 | (1,075) | -29% |

While the Bank would rather cut expenses outrightly, Management understands that expenditure also enables the attainment of the Bank's goals. Investments must be made; staff must be paid; commodities and services must be purchased to keep our business running and in a position to make profit. Looking ahead, the Bank will continue to explore and implement innovative methods of achieving increased value across all facets of its business at cost-optimal levels.

## IMPAIRMENT CHARGES

| In millions of Naira | Collective Impairment Charges on Loans | Specific Impairment Charges on Loans | Impairment Allowance on Financial Assets | Total |
|---|---|---|---|---|
| FY 2012 | 9.3 | (1.4) | 2.1 | 10.0 |
| FY 2013 | (7.7) | 2.8 | (1.3) | (6.2) |
| FY 2014 | 4.5 | 6.5 | 0.7 | 11.7 |
| FY 2015 | 7.2 | 3.6 | 3.4 | 14.2 |
| FY 2016 | 2.7 | 17.9 | 1.3 | 21.9 |

The Group's impairment charges have risen moderately over the last five years, at a CAGR of 16.8 per cent, to close at ₦21.9 billion in 2016 (2015: ₦14.2 billion). Year-on-year impairment growth was primarily driven by significant growth in additional specific impairment charges on loans and advances to customers. Specific impairment charges increased by ₦7.7 billion during the period, as a result of proactive provisions on exposures (particularly oil and gas exposures), given the industry-wide asset quality deterioration. Impairment allowance on financial assets declined year-on-year as a result of a significant decline in accounts receivables, receivables on e-business channels, receivables from disposal of non-current assets and receivables from AMCON.

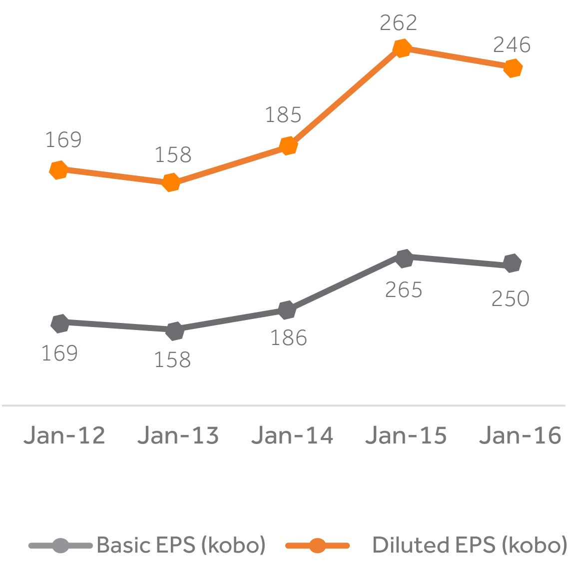
### Impairment Charges Quarterly

| In millions of Naira | Collective Impairment Charges on Loans | Specific Impairment Charges on Loans | Impairment Allowance on Financial Assets | Total |
|---|---|---|---|---|
| Q1 2016 | 1.3 | 0.8 | 0.3 | 2.4 |
| Q2 2016 | 2.5 | 4.7 | 0.6 | 7.8 |
| Q3 2016 | 0.8 | 1.3 | 0.04 | 2.1 |
| Q4 2016 | (1.9) | 11.1 | 0.4 | 9.6 |

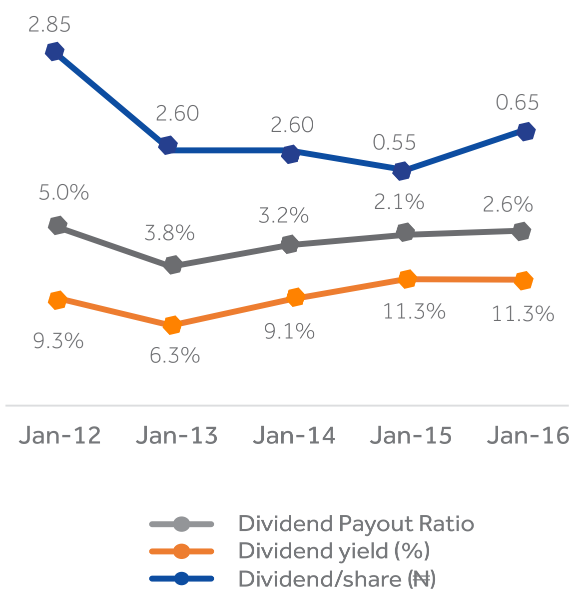
The Bank recorded total impairment charges of ₦2.4 billion in the first quarter of 2016, witnessing a year-on-year decline of 38 per cent, a result of prudent risk asset management. However, total impairment charges in the second quarter of 2016 grew by ₦7.8 billion to ₦10.2 billion as a result of increased collective impairment on a larger loan book, and prudent specific impairment across various sectors in addition to the impact of Naira depreciation on dollar-denominated non-performing loans. For the third quarter, impairment performance remained stable, with a total impairment charge of ₦2.4 billion, increasing by 23.5 per cent largely due to prudent provisioning on the loan book on the back of persistent macro headwinds. In the fourth quarter of 2016, total impairment increased by ₦9.6 billion demonstrating proactive provisions on oil and gas exposure, given the industry-wide asset quality deterioration.

## EARNINGS AND DIVIDEND PERFORMANCE

**Earning per Share**




**Dividend per Share**

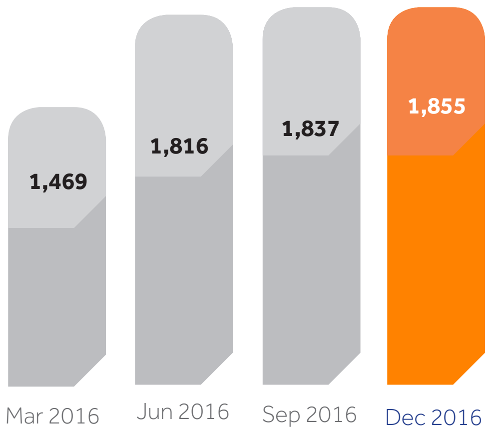



Earnings per share (EPS) has remained strong over the last five years, growing from ₦1.69 in 2012 to ₦2.50 in 2016 largely on the back of increased interest and non-interest revenues. Following the rights issue offer in 2015, total shares outstanding rose to 28,927,971,631 ordinary shares; this has been included in the calculations of the basic and diluted earnings per share for both 2015 and 2016.

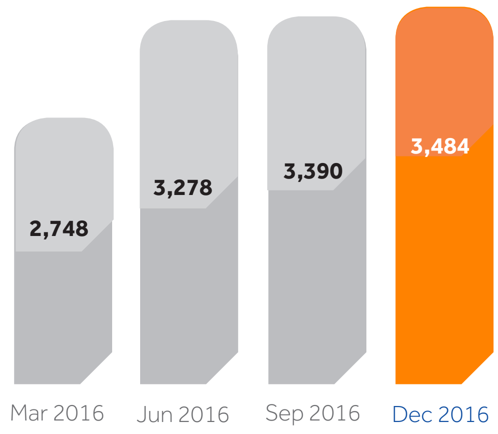
Whilst we maintain a residual and regular dividend policy, dividend yields have increased over the period, from 9.3 per cent in 2012 to 11.3 per cent in 2016. This reflects our consistency in delivering sustainable value to shareholders. The declining dividend payout ratio, however, demonstrates Management's commitment to ensure the Group's solid capital base. This capital retention strategy is focused on adequately positioning the Group to explore growth opportunities in the near and long-term, as well as to absorb shocks arising from persistent macroeconomic headwinds.

# STATEMENT OF FINANCIAL POSITION ANALYSIS

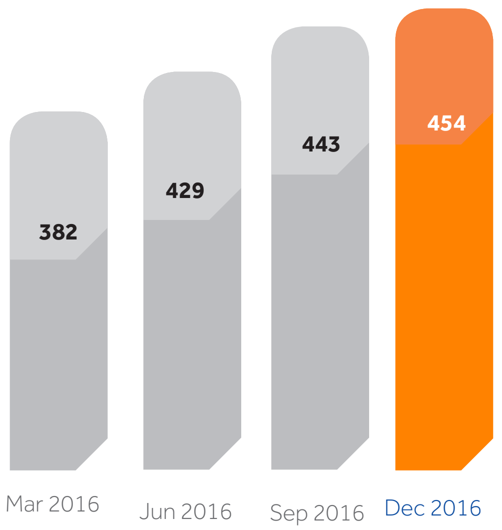
## Loans And Advances (₦'Bn)



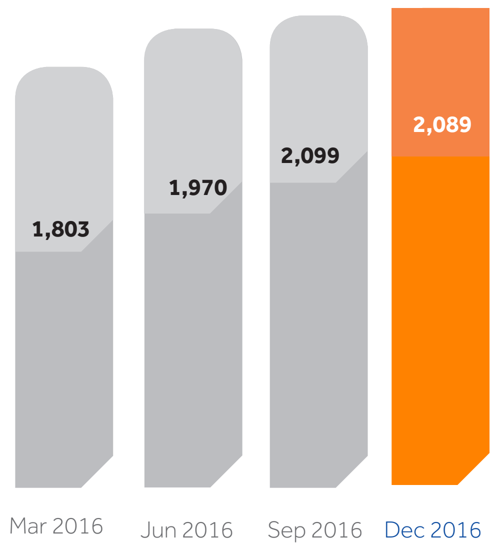

## Total Assets (₦'Bn)




## Customer Deposits (₦'Bn)




## Total Equity (₦'Bn)



# 2016 QUARTERLY STATEMENT OF FINANCIAL POSITION

| In millions of Naira | Dec 2016 | Sep 2016 | q/q Δ | Jun 2016 | Mar 2016 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Cash and Cash Equivalents:** | **713,889** | **603,595** | **18%** | **612,253** | **506,587** |
| Cash and balances with other banks | 115,380 | 97,254 | 19% | 121,937 | 114,647 |
| Money market placements | 119,826 | 124,895 | -4% | 147,628 | 37,843 |
| Restricted deposits and unrestricted | 478,683 | 381,446 | 25% | 342,688 | 354,097 |
| balances with central banks | 515,620 | 587,635 | -12% | 448,506 | 351,820 |
| Trading and Pledged Assets | 229,114 | 144,271 | 59% | 206,197 | 204,853 |
| Investment Securities | 1,854,662 | 1,837,140 | 1% | 1,815,923 | 1,468,505 |
| **Loans and Advances:** | **1,809,459** | **1,800,939** | **0%** | **1,746,863** | **1,437,882** |
| Loans and Advances to Customers | 45,203 | 36,201 | 25% | 69,059 | 30,623 |
| Loans and Advances to Banks | 91,049 | 89,236 | 2% | 87,129 | 82,036 |
| Fixed and Intangible Assets | 1,265 | 687 | 84% | 4,987 | 10,587 |
| Deferred Tax Assets | 78,267 | 127,049 | -38% | 102,593 | 123,409 |
| Other Assets | 3,483,866 | 3,389,611 | 3% | 3,277,587 | 2,747,797 |
| **Total Assets** | | | | | |
| **Liabilities** | | | | | |
| **Total Deposits** | **2,256,554** | **2,270,935** | **-0.6%** | **2,179,406** | **1,850,346** |
| Deposits from Financial Institutions | 167,357 | 172,374 | -3% | 208,983 | 46,959 |
| **Deposits from Customers:** | **2,089,197** | **2,098,561** | **-0.4%** | **1,970,424** | **1,803,387** |
| Demand | 984,151 | 1,037,317 | -5% | 1,021,491 | 866,197 |
| Savings | 179,070 | 162,362 | 10% | 154,448 | 146,517 |
| Term and Call | 925,977 | 898,881 | 3% | 794,486 | 790,673 |
| Derivative Financial Liabilities | 30,445 | 30,438 | 0.02% | 48,090 | 3,476 |
| Debt Securities Issued | 316,545 | 239,702 | 32% | 212,485 | 149,660 |
| Interest-Bearing Borrowings | 299,544 | 299,619 | 0.0% | 304,070 | 263,028 |
| Other Liabilities | 126,284 | 106,082 | 19% | 104,919 | 98,807 |
| **Total Liabilities** | **3,029,371** | **2,946,776** | **3%** | **2,848,970** | **2,365,317** |
| **Equity** | **454,495** | **442,836** | **3%** | **428,617** | **382,481** |
| **Total Liabilities and Equity** | **3,483,866** | **3,389,611** | **3%** | **3,277,587** | **2,747,797** |

# STATEMENT OF FINANCIAL POSITION ANALYSIS

## Asset Mix

| In millions of Naira | Dec 2012 | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 |
|---|---|---|---|---|---|
| Cash and balances with banks | | | | | |
| Pledged and non-pledged trading | 405,292 | 439,460 | 405,015 | 478,409 | 713,889 |
| assets | 88,857 | 67,288 | 115,484 | 256,014 | 359,577 |
| Derivative financial assets | 31 | 102 | 24,867 | 77,905 | 156,043 |
| Loans and advances | 608,638 | 810,750 | 1,122,900 | 1,408,565 | 1,854,662 |
| Investment securities | 447,282 | 353,811 | 270,211 | 186,223 | 229,114 |
| Fixed and intangible assets | 68,039 | 70,902 | 75,253 | 79,771 | 91,049 |
| Other assets | 127,333 | 93,153 | 90,630 | 104,444 | 79,532 |
| **Total assets** | **1,745,472** | **1,835,466** | **2,104,360** | **2,591,330** | **3,483,866** |

## Sources of Funding

| In millions of Naira | Dec 2012 | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 |
|---|---|---|---|---|---|
| Deposits from financial institutions | 96,893 | 72,148 | 119,045 | 72,914 | 167,357 |
| Deposits from customers | 1,201,482 | 1,331,419 | 1,454,419 | 1,683,244 | 2,089,197 |
| Debt securities issued | 54,686 | 55,828 | 138,481 | 149,854 | 316,545 |
| Interest-bearing borrowings | 48,370 | 64,339 | 79,816 | 231,467 | 299,544 |
| Other Liabilities | 102,756 | 67,250 | 35,188 | 86,049 | 156,729 |
| Equity | 241,285 | 244,482 | 277,411 | 367,801 | 454,495 |
| **Total liabilities and equity** | **1,745,472** | **1,835,466** | **2,104,360** | **2,591,330** | **3,483,866** |

# CREDIT QUALITY BY CLASS

| Group<br>In thousands of Naira | Loans and advances to individuals | | Loans and advances to corporates | | Loans and advances to banks | | Off balance sheet | |
|---|---|---|---|---|---|---|---|---|
| | **December 2016** | **December 2015** | **December 2016** | **December 2015** | **December 2016** | **December 2015** | **December 2016** | **December 2015** |
| Carrying amount | 60,772,694 | 52,778,622 | 1,748,686,478 | 1,313,052,209 | 45,203,003 | 42,733,910 | 1,480,116,562 | 972,849,949 |
| **Neither past due nor impaired:** | | | | | | | | |
| Grade 1: | - | - | 140,577,674 | 164,056,674 | 44,515,864 | 42,095,369 | 697,527,499 | 471,082,538 |
| Grade 2: | - | - | 620,986,103 | 527,102,950 | - | - | 254,394,923 | 232,900,691 |
| Grade 3: | 58,049,748 | 51,287,214 | 883,334,381 | 594,623,897 | 648,871 | 631,423 | 525,564,741 | 268,407,881 |
| Grade 4: | 1,630,027 | 15,970 | 85,410,961 | 19,720,718 | - | - | 2,629,399 | 229,419 |
| Grade 5: | - | 98,939 | 3,335,377 | 1,655,959 | - | - | - | - |
| **Gross amount** | **59,679,775** | **51,402,123** | **1,733,644,496** | **1,307,160,198** | **45,164,735** | **42,726,792** | **1,480,116,562** | **972,620,529** |
| Impairment | (616,914) | (465,739) | (19,158,011) | (15,241,871) | (9,006) | - | - | - |
| **Carrying amount** | 59,062,861 | 50,936,384 | 1,714,486,485 | 1,291,918,327 | 45,155,729 | 42,726,792 | 1,480,116,562 | 972,620,529 |
| **Past due but not impaired:** | | | | | | | | |
| Grade 6: | 658,807 | 182,541 | 4,099,130 | 351,679 | - | - | | |
| Grade 7: | 852,431 | 953,436 | 1,067,363 | 1,033,145 | 61,654 | 12,043 | | |
| Grade 8: | 690,396 | 1,050,093 | 5,034,436 | 7,971,888 | - | - | | |
| **Gross amount** | **2,201,634** | **2,186,070** | **10,200,929** | **9,356,712** | **61,654** | **12,043** | | |
| Impairment | (557,599) | (475,439) | (618,041) | (2,025,081) | (14,380) | (9,086) | | |
| **Carrying amount** | 1,644,035 | 1,710,631 | 9,582,888 | 7,331,631 | 47,274 | 2,957 | | |
| **Past due and impaired:** | | | | | | | | |
| Grade 6: Impaired | 405,200 | 203,207 | 5,727,631 | 4,991,809 | | | | |
| Grade 7: Impaired | 23,012 | 18,240 | 5,845,857 | 5,091,934 | | | | |
| Grade 8: Impaired | 193,016 | 160,784 | 27,243,913 | 13,950,562 | | | | |
| **Gross amount** | **621,228** | **382,231** | **38,817,401** | **24,034,305** | | | | |
| Allowance for Impairment | (555,430) | (250,624) | (14,200,296) | (10,232,054) | | | | |
| **Carrying amount** | **65,798** | **131,607** | **24,617,105** | **13,802,251** | | | | |

# AGEING ANALYSIS OF CREDIT QUALITY

| | Group | | Bank | |
|---|---|---|---|---|
| In thousands of Naira | Loans to individuals | Loans to corporates and banks | Loans to individuals | Loans to corporates and banks |
| **31 December 2016** | | | | |
| **Past due but not impaired:** | | | | |
| Past due up to 30 days | 658,807 | 4,099,130 | 137,463 | 727,602 |
| Past due up to 30 - 60 days | 852,431 | 1,067,363 | 833,271 | 757,098 |
| Past due up to 60 - 90 days | 690,396 | 5,034,436 | 627,308 | 529,504 |
| **Total** | 2,201,634 | 10,200,929 | 1,598,042 | 2,014,204 |
| **Past due and impaired:** | | | | |
| Past due up to 91 - 180 days | 405,200 | 5,727,631 | 405,200 | 5,684,031 |
| Past due up to 180 - 360 days | 23,012 | 5,845,857 | - | 3,582,551 |
| Above 360 days | 193,016 | 27,243,913 | - | 21,875,146 |
| **Total** | 621,228 | 38,817,401 | 405,200 | 31,141,728 |
| **31 December 2015** | | | | |
| **Past due but not impaired:** | | | | |
| Past due up to 30 days | 182,541 | 351,679 | 182,542 | 351,680 |
| Past due up to 30 - 60 days | 953,436 | 1,045,188 | 953,436 | 1,045,188 |
| Past due up to 60 - 90 days | 1,050,093 | 7,971,845 | 1,050,092 | 7,959,845 |
| **Total** | 2,186,070 | 9,368,712 | 2,186,070 | 9,356,713 |
| Past due and impaired: | | | | |
| Past due up to 91 - 180 days | 203,207 | 4,991,809 | 154,959 | 4,927,701 |
| Past due up to 180 - 360 days | 18,240 | 5,091,934 | - | 4,559,254 |
| Above 360 days | 160,784 | 13,950,562 | 142,257 | 10,212,735 |
| **Total** | 382,231 | 24,034,305 | 297,216 | 19,699,690 |

# CREDIT CONCENTRATION BY SECTOR

**Group**

| 31 December 2016<br>In thousands of Naira | Corporate | Commercial | Bank | Retail | Government | Others | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | - | - | - | - | - |
| Non-pledged trading assets | - | - | - | - | - | - | - |
| Loans and advances to banks | - | - | 45,203,002 | - | - | - | 45,203,002 |
| Loans and advances to customers | | | - | | | | - |
| Auto Loan | - | - | - | 4,450,747 | - | - | 4,450,747 |
| Credit Card | 27,496 | 12,500 | - | 3,939,240 | - | - | 3,979,236 |
| Finance Lease | 2,404,390 | 1,259,848 | - | 312,384 | 11,275 | - | 3,987,897 |
| Mortgage Loan | 5,323,073 | 416,377 | - | 24,431,400 | 49,707 | - | 30,220,557 |
| Overdraft | 47,606,024 | 120,886,294 | - | 6,758,959 | 38,428 | - | 175,289,705 |
| Personal Loan | - | - | - | 18,072,072 | - | - | 18,072,072 |
| Term Loan | 418,496,135 | 396,250,334 | - | 8,006,467 | 265,966,313 | - | 1,088,719,249 |
| Time Loan | 236,078,483 | 246,004,748 | - | 2,380,302 | 276,175 | - | 484,739,708 |
| Pledged assets | - | - | - | - | - | - | - |
| Investment securities | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - |
| **Total** | **709,935,601** | **764,830,101** | **45,203,002** | **68,351,571** | **266,341,898** | **-** | **1,854,662,173** |
| Credit risk exposures relating to other credit commitments at gross amount are as follows: | | | | | | | |
| Transaction related bonds and guarantees | 136,220,145 | 48,419,939 | 1,611,634 | - | - | - | 186,251,718 |
| Guaranteed facilities | 85,363,987 | 14,068,722 | 150,000 | - | - | - | 99,582,709 |
| Clean line facilities for letters of credit and other commitments | 455,062,823 | 17,865,294 | 254,694,494 | 2,771,057 | 463,888,468 | - | 1,194,282,136 |
| **Total** | **676,646,955** | **80,353,955** | **256,456,128** | **2,771,057** | **463,888,468** | | **1,480,116,563** |

| 31 December 2015<br>In thousands of Naira | Corporate | Commercial | Bank | Retail | Government | Others | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | 442,533,996 | - | - | - | 442,533,996 |
| Non-pledged trading assets | - | - | 63,645 | - | 52,170,798 | - | 52,234,443 |
| Loans and advances to banks | - | - | 42,733,910 | - | - | - | 42,733,910 |
| Loans and advances to customers | | | | | | | - |
| Auto Loan | 193,144 | 3,155,221 | - | 2,149,761 | 20,922 | - | 5,519,048 |
| Credit Card | 6,564 | 264,721 | - | 2,580,135 | - | - | 2,851,420 |
| Finance Lease | 983,460 | 829,448 | - | - | - | - | 1,812,908 |
| Mortgage Loan | 4,266,174 | 1,895,685 | - | 17,903,280 | - | - | 24,065,139 |
| Overdraft | 74,793,376 | 117,756,480 | - | 4,466,895 | 1,302,179 | - | 198,318,930 |
| Personal Loan | - | - | - | 20,183,608 | - | - | 20,183,608 |
| Term Loan | 332,372,252 | 277,769,051 | - | 4,702,425 | 164,362,411 | - | 779,206,139 |
| Time Loan | 165,686,382 | 164,171,032 | - | 792,518 | 3,223,707 | - | 333,873,639 |
| Pledged assets | - | - | - | - | 203,715,397 | - | 203,715,397 |
| Investment securities | 3,580,595 | - | 8,174,641 | - | 129,875,560 | - | 141,630,796 |
| Other assets | 21,410,324 | 798,290 | 7,949,203 | 5,340,515 | 94,159,686 | 30,811,349 | 160,469,367 |
| **Total** | **603,292,271** | **566,639,928** | **501,455,395** | **58,119,137** | **648,830,660** | **30,811,349** | **2,409,148,740** |
| Credit risk exposures relating to other credit commitments at gross amount are as follows: | | | | | | | |
| Transaction related bonds and guarantees | 40,597,349 | 180,530,181 | - | - | - | - | 221,127,530 |
| Guaranteed facilities | 12,764,903 | 78,944,392 | - | 23,484 | 2,403,148 | - | 94,135,927 |
| Clean line facilities for letters of credit and other commitments | 101,837,487 | 161,274,499 | 105,881,006 | - | 288,593,500 | - | 657,586,492 |
| **Total** | **155,199,739** | **420,749,072** | **105,881,006** | **23,484** | **290,996,648** | - | **972,849,949** |

The following sectors are included in "Others assets": Other assets, Investment under management and Derivative financial instruments

The Bank's asset quality was maintained within reasonable levels in the face of severe macro headwinds:

- NPL ratio for the financial period was maintained within the FY guidance as a result of the effective execution of the Bank's proactive risk management framework and strict adherence to the risk acceptance criteria

- Stress tests are conducted regularly on the Bank's loan book to identify vulnerabilities. As such, proactive steps are taken to identify assets with weakness and proffer remedial actions

- The increase in the volume of impaired assets was driven by the Bank's decision to declassify certain facilities in the oil and gas services sector, whose cash flow projections had become impaired due to delay in payment of receivables

- Full recovery has already commenced on these exposures, including the option of disposal of the security

The Group recorded an increase in Government exposure of over 50% to ₦266 billion from ₦169 billion as at December 2015. This growth was principally driven by additional disbursements of the concessionary on-lending loans to some State Governments. Retail loans also grew 29% to ₦68 billion as at December 2016 from ₦53 billion in 2015. This growth primarily reflects the benefits of the Bank's retail expansion drive, with in creased emphasis on financial inclusion in line with the CBN's drive to accelerate the growth and development of the Nigerian economy. Loan growth in the Corporate and Commercial loan segment stood at 28.9% in the year. This growth is largely due to the currency devaluation and other strategic commitments.

The Bank recorded the lowest NPLs in the industry largely due to the proactive management of its loan book, leading to the avoidance of seemingly risky exposures, particularly to the power sector and selective lending in the downstream oil and gas sectors. The Group's exposures in the downstream oil and gas sector are secured with lien on products purchased and are mostly short-cycled and self-liquidating. They also have priority in the allocation of FX by CBN. In the oil and gas services sector, however, the Bank's exposure is to customers that have secured contract with IOCs.

In addition, foreign currency exposures were adequately hedged through swaps and forward contracts, whilst unhedged positions particularly in the trade book were aggressively wound down through pay-down and conversion to LCY. However, the increase in the volume of impaired loans to ₦39.4 billion from ₦24.5 billion in December 2015 was driven by the Bank's proactive steps to impair certain facilities in the oil and gas services and construction sectors. The cash flow projections for these obligors had become impaired due to delay in payment of receivables. Full recovery has already commenced on these exposures including the option of disposal of the security.

In 2016, the volume of the Bank's non-performing loans (NPLs) in the oil and gas services sector grew to ₦204.2 billion from ₦117.1 billion as at December 2015. The receivables for some of the Bank's assets in this sector became impaired in the period primarily due to the volatile macroeconomic environment. This translated to an uptick in the NPL ratio to 8.3% in 2016 from 1.4% in 2015.

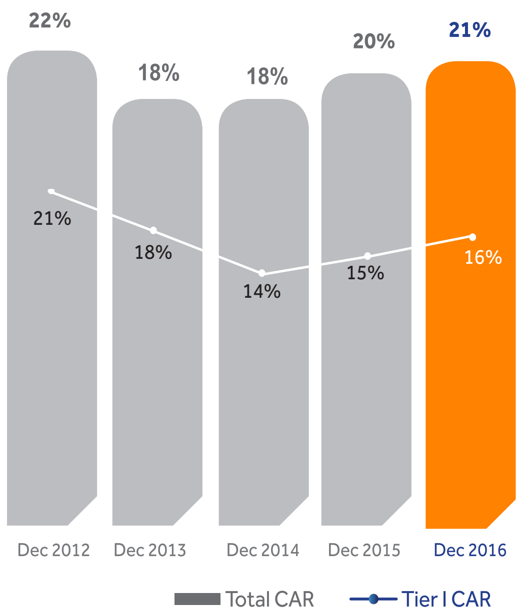
The distribution of the Bank's NPLs by sector reveals that the oil and gas services and general commerce sectors Have the highest volumes, accounting for 69% of total NPL volumes in 2016. However, general commerce NPLs as a percentage of total NPLs declined to 26.2% (₦10.3 billion) from 45.7% (₦11.3 billion) as at December 2015, benefitting from the write-off of certain impaired loans as well as recoveries. This also trans lated to an NPL ratio of 5.4% (+160 basis points y/y, 2015: 7.0 percent).

# CAPITAL MANAGEMENT

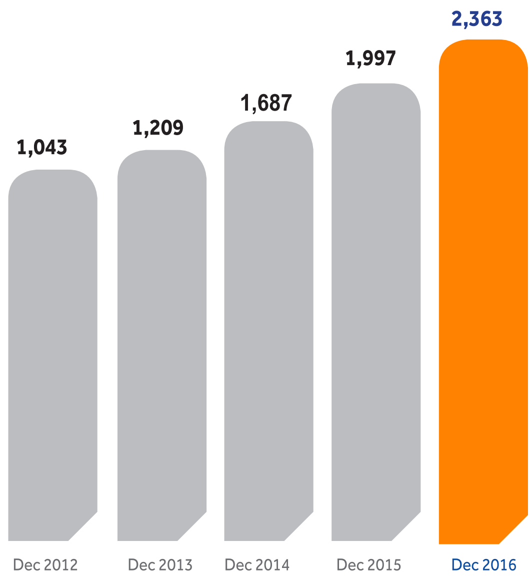
| Group | December 2016 | December 2015 | December 2014 | December 2013 | December 2012 |
|---|---|---|---|---|---|
| In thousands of Naira | | | | | |
| Tier I capital | | | | | |
| Ordinary share capital | 14,463,986 | 14,463,986 | 11,441,460 | 11,441,460 | 11,441,460 |
| Share premium | 197,974,816 | 197,974,816 | 161,036,211 | 161,036,211 | 165,186,795 |
| Retained earnings | 105,773,771 | 51,730,369 | 34,139,453 | 22,232,374 | 17,856,630 |
| Other reserves | 130,034,979 | 99,732,330 | 67,262,761 | 48,003,894 | 38,700,374 |
| Non-controlling interests | 6,247,028 | 3,899,966 | 3,530,843 | 1,768,110 | - |
| | **454,494,580** | **367,801,467** | **277,410,728** | **244,482,049** | **233,185,259** |
| Add / (Less): | | | | | |
| Fair value reserve for available-for-sale securities | (23,240,250) | (13,268,889) | (9,881,402) | (6,237,939) | (2,037,660) |
| Foreign currency translational reserves | (11,992,025) | 5,570,719 | 3,710,648 | 4,815,485 | (1,452,962) |
| Other reserves | (1,211,978) | (554,898) | (295,419) | (112,783) | - |
| **Total Tier I** | **418,050,326** | **359,548,399** | **270,944,555** | **242,946,812** | **229,694,637** |
| Add / (Less): | | | | | |
| 50% investments in subsidiaries | - | - | - | - | - |
| Deferred tax assets | (1,264,813) | (10,845,612) | (10,881,984) | (10,687,635) | (8,113,973) |
| Regulatory risk reserve | (35,914,937) | (39,625,042) | (21,205,031) | (13,074,748) | - |
| Intangible assets | (6,939,555) | (6,440,616) | (5,592,991) | (3,659,072) | (3,404,945) |
| **Adjusted Tier I** | **373,931,021** | **302,637,129** | **233,264,549** | **215,525,357** | **218,175,719** |
| Tier II capital | | | | | |
| Debt securities issued | 97,600,000 | 78,516,655 | 66,853,428 | - | - |
| Fair value reserve for available-for-sale securities | 23,240,250 | 13,268,889 | 9,881,402 | 6,237,939 | 2,037,660 |
| Foreign currency translational reserves | 11,992,025 | (5,570,719) | (3,710,648) | (4,815,485) | 1,452,962 |
| Other reserves | 1,211,978 | 554,898 | 295,419 | 112,783 | 8,099,594 |
| 50% investments in subsidiaries | - | - | - | - | - |
| **Total Tier II** | **134,044,254** | **86,769,723** | **73,319,601** | **1,535,237** | **11,590,216** |

| | | | | | |
|---|---|---|---|---|---|
| **Total regulatory capital** | **507,975,275** | **389,406,852** | **306,584,150** | **217,060,594** | **229,765,935** |
| Credit risk | | | | | |
| Operational risk | | | | | |
| Market risk | | | | | |
| **Risk-weighted assets** | **2,363,034,251** | **1,996,724,469** | **1,686,979,582** | **1,209,463,253** | **1,043,455,144** |
| **Capital ratios** | | | | | |
| Total regulatory capital expressed as a percentage of total risk-weighted assets | 21% | 20% | 18% | 18% | 22% |
| Total tier I capital expressed as a percentage of risk-weighted assets | 16% | 15% | 14% | 18% | 21% |

## Capital Ratios




## Total RWAs






Total Tier I capital grew by an average of 15 per cent year-on-year from 2012 to 2016, with the most significant growth of 30 per cent realised in 2015 following a highly subscribed rights issue of ₦41.7 billion. Prior to 2014, the Group did not have any holding of Tier II capital. However in June 2014, the Bank raised a $400million Eurobond which qualified as Tier II capital. Tier II capital has progressively increased since 2014 (up 46 per cent) largely due to the depreciation of the Naira over the last couple of years, which resulted to FX revaluation gains.

The strict implementation of our robust risk management framework has ensured that we remain strong in terms of capital adequacy. This places us in a good position to maximise shareholder value despite macro headwinds. In 2015, the Bank recorded a significant boost in its capital strength to an excess of ₦380 billion from 2013 levels. Despite prevalent macro headwinds in 2015, the Bank was tenacious in its bid to raise equity capital via a Rights Issue so as to achieve sufficient capital headroom to support the attainment of its longer-term objectives. The Offer successfully concluded in July 2015, and yielded a capital injection of ₦41.8 billion for the Bank. In 2016, the Bank also executed two successful corporate actions; a $300 million Eurobond issue and the issue of a ₦35 billion commercial paper (as part of a ₦100 billion program) to provide adequate liquidity buffer under stressed conditions.

The success of these corporate actions in an inauspicious time given the operating environment, reaffirmed investor confidence in the Bank's capabilities to deliver long-term growth. Accordingly, the Bank's credit ratings remained solid in the year, receiving an upgrade by Fitch Ratings to "A" from "A-", in spite of persistent macroeconomic challenges.We believe that even though these actions come with some incremental costs, they remain critical to ensuring a sustainable banking institution.In 2016, the Bank disposed of an equity investment whose carrying value at the time stood at ₦670 million. Though the impact on capital adequacy is an uptick of approximately 100 basis points, the impact on risk-weighted assets (RWAs) is minimal primarily due to the insignificant amount of the carrying value.

The Group's capital adequacy ratio (CAR) remained resilient at 21 per cent as at December 2016, which is 600 basis points above the regulatory minimum of 15 per cent. We have conducted stress tests on the impact of potential further devaluations up to levels as high as ₦400/$, ₦450/$ and ₦500/$. The results show that the Bank's total CAR will remain above the minimum regulatory requirement at these levels with a CAR of 15.4 per cent at ₦500/$. However, the Bank will continue to closely monitor the performance of its risk assets and take proactive steps as the operating landscape evolves.

# STRATEGIC BUSINESS UNITS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# STRATEGIC BUSINESS UNITS

## CORPORATE & INVESTMENT BANKING

Serves multinationals and well-structured companies with annual gross turnover in excess of ₦10bn

**Segment Focus:**

- Telecommunications
- Cement & Construction
- Upstream Oil & Gas
- Downstream Oil & Gas
- Transportation
- Manufacturing
- Agriculture
- Financial Institutions

## BUSINESS BANKING

Serves small and medium enterprises (SMEs) with annual gross turnover less than ₦1bn

**Segment Focus:**

- Distributors & Dealers
- Importers & Exporters
- Oil & Gas
- Educational Institutions
- Hospitality
- Travel Agencies
- Contractors
- Commerce/Distributive Trade
- Religious Organizations
- Professional Associations & Firms
- Healthcare Providers

## COMMERCIAL BANKING

Serves corporates, organizations with annual gross turnover between ₦1bn and ₦10bn, as well as federal entities Structured around:

**Regions:**
North ▪ East ▪ West ▪ South

- Lagos
- Abuja

**Sectors:**
Public Private

**Segment Focus:**

- Federal, State & Local Government MDAs
- Corporate & Investment Banking Value Chain
- Asian Corporates
- Local Corporates

## PERSONAL BANKING

**Segment Focus:**

- Ultra High-Net-Worth Individuals
- High-Net-Worth Individuals
- Affluent Professionals
- Employees in the Value Chain
- Students
- Pensioners

# SUMMARY OF OPERATING SEGMENTS FINANCIAL STATEMENTS 2016

| 31 December 2016<br>In thousands of Naira<br>Revenue: | Corporate & Investment Banking | Commercial Banking | Business Banking | Personal Banking | Unallocated Segments | Total Continuing Operations | Total |
|---|---|---|---|---|---|---|---|
| Derived from external customers | 141,391,638 | 145,070,057 | 29,336,906 | 65,522,183 | - | 381,320,783 | 381,320,783 |
| Derived from other business segments | (897) | (2,251) | 1,063 | 2,084 | - | 0 | 0 |
| Total Revenue | 141,390,741 | 145,067,806 | 29,337,969 | 65,524,267 | - | 381,320,783 | 381,320,783 |
| Interest income | 75,569,180 | 116,850,109 | 22,723,799 | 32,143,548 | - | 247,286,635 | 247,286,635 |
| Interest expense | (34,336,528) | (38,120,846) | (7,001,693) | (9,671,208) | (19,008,600) | (108,138,875) | (108,138,875) |
| Impairment losses | (9,374,089) | (10,448,863) | (1,238,648) | (891,219) | - | (21,952,819) | (21,952,819) |
| Profit / (loss) on ordinary activities before taxation | 49,900,180 | 47,314,951 | 424,158 | 11,708,767 | (19,008,600) | 90,339,456 | 90,339,456 |
| Other segment information: | (274,962) | (1,032,404) | (1,841,726) | (1,966,237) | - | (5,115,330) | (5,115,330) |
| Depreciation and amortization | | | | | | | |
| **Assets & Liabilities** | | | | | | | |
| Loans and advances to customers | 702,318,575 | 1,028,136,471 | 66,283,947 | 57,923,181 | - | 1,815,922,751 | 1,815,922,751 |
| Tangible segment assets | 1,303,757,470 | 1,886,823,131 | 121,643,467 | 106,299,895 | - | 3,418,523,963 | 3,418,523,963 |
| Unallocated segment assets | - | - | - | - | 65,341,601 | 65,341,601 | 65,341,601 |
| Total Assets | 1,303,757,470 | 1,886,823,131 | 121,643,467 | 106,299,895 | 65,341,601 | 3,483,865,564 | 3,483,865,564 |
| Deposits from customers | 480,494,494 | 970,978,683 | 243,016,286 | 394,707,823 | - | 2,089,197,286 | 2,089,197,286 |
| Segment liabilities | 403,586,009 | 1,589,922,017 | 287,432,752 | 321,708,123 | - | 2,602,648,902 | 2,602,648,902 |
| Unallocated segment liabilities | - | - | - | - | 426,722,082 | 426,722,082 | 426,722,082 |
| Total liabilities | 403,586,009 | 1,589,922,017 | 287,432,752 | 321,708,123 | 426,722,082 | 3,029,370,984 | 3,029,370,984 |
| Net assets | 900,171,462 | 296,901,114 | (165,789,285) | (215,408,229) | (361,380,481) | 454,494,580 | 454,494,580 |

## SUMMARY OF OPERATING SEGMENTS FINANCIAL STATEMENTS

| **31 December 2015**<br>In thousands of Naira | **Corporate & Investment Banking** | **Commercial Banking** | **Business Banking** | **Personal Banking** | **Unallocated Segments** | **Total Continuing Operations** | **Total** |
|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | |
| Derived from external customers | 142,760,590 | 119,234,984 | 28,183,640 | 47,225,016 | - | 337,404,230 | 337,404,230 |
| Derived from other business segments | (32,954) | 18,809 | 5,723 | 8,422 | - | - | - |
| Total Revenue | 142,727,636 | 119,253,793 | 28,189,363 | 47,233,438 | - | 337,404,230 | 337,404,230 |
| Interest income | 72,223,695 | 86,725,818 | 19,618,182 | 29,235,074 | - | 207,802,768 | 207,802,768 |
| Interest expense | (34,401,407) | (36,412,832) | (7,314,258) | (11,821,664) | (12,470,957) | (102,421,118) | (102,421,118) |
| Impairment losses | (9,218,707) | (2,558,182) | (442,433) | (2,005,393) | - | (14,224,715) | (14,224,715) |
| Profit / (loss) on ordinary activities before taxation | 60,008,361 | 31,758,802 | (5,097,804) | 839,717 | (12,470,957) | 75,038,119 | 75,038,119 |
| Other segment information: | | | | | | | |
| Depreciation and amortization | (549,825) | (2,036,605) | (3,633,139) | (3,878,760) | - | - | (10,098,330) |
| **Assets & Liabilities** | | | | | | | |
| Loans and advances to customers | 552,849,791 | 716,514,393 | 47,951,257 | 48,515,390 | - | 1,365,830,831 | 1,365,830,831 |
| Tangible segment assets | 1,010,348,609 | 1,310,332,904 | 87,691,344 | 88,723,007 | - | 2,497,095,864 | 2,497,095,864 |
| Unallocated segment assets | - | - | - | - | 94,234,287 | 94,234,287 | 94,234,287 |
| Total Assets | 1,010,348,609 | 1,310,332,904 | 87,691,344 | 88,723,007 | 94,234,287 | 2,591,330,151 | 2,591,330,151 |
| Deposits from customers | 457,760,677 | 678,870,157 | 202,449,439 | 344,164,047 | - | 1,683,244,320 | 1,683,244,320 |
| Segment liabilities | 480,542,909 | 712,656,760 | 212,525,120 | 361,292,703 | - | 1,767,017,492 | 1,767,017,492 |
| Unallocated segment liabilities | - | - | - | - | 456,511,195 | 456,511,195 | 456,511,195 |
| Total liabilities | 480,542,909 | 712,656,760 | 212,525,120 | 361,292,703 | 456,511,195 | 2,223,528,687 | 2,223,528,687 |
| Net assets | 529,805,700 | 597,676,144 | (124,833,776) | (272,569,696) | (362,276,908) | 367,801,464 | 367,801,464 |

# KEY PERFORMANCE INDICATORS

| 2016 | Corporate & Investment Banking | Commercial Banking | Business Banking | Personal Banking |
|---|---|---|---|---|
| Net Interest Margin | 5.9% | 7.7% | 23.7% | 38.8% |
| Yield on Asset | 10.8% | 11.4% | 34.3% | 55.5% |
| Cost of Funds | 7.3% | 4.6% | 3.1% | 2.6% |
| Loans-to-Deposit | 146% | 106% | 27% | 15% |
| **2015** | | | | |
| Net Interest Margin | 6.8% | 7.0% | 25.7% | 35.9% |
| Yield on Asset | 13.1% | 12.1% | 40.9% | 60.3% |
| Cost of Funds | 7.5% | 5.4% | 3.6% | 3.4% |
| Loans-to-Deposit | 121% | 106% | 24% | 14% |
| Cost-to-Income | | | | |

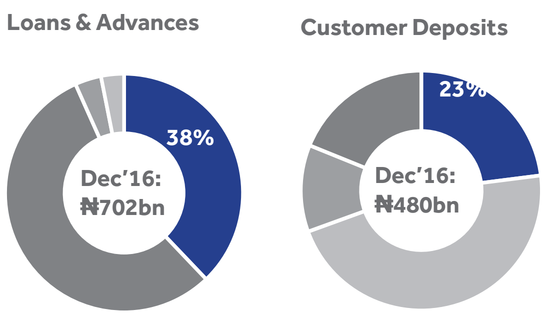
# CORPORATE & INVESTMENT BANKING

Corporate and Investment Banking delivered strong earnings of ₦141 billion during 2016 with interest income up 5 per cent to ₦76 billion reflecting improved earnings on account of a larger loan book. This growth resulted in improved contribution of the core business to the division's performance, 53 per cent in 2016 from 51 per cent in 2015. Non-interest revenue of ₦66 billion driven by derivative transactions as well as strong client participation in the FMDQ futures market introduced during the year. Total collections in 2016 grew by 147 per cent to ₦3.3 billion from ₦1.3 billion in 2015. Relatively high funding costs and the requisite to hold higher levels of high quality assets impacted net interest margin of 5.9 per cent from 6.8 per cent in 2015. Impairments remained flat reflecting strong risk management and quality of the asset book despite the impact on the macro on key sectors of the division. Deposits and current accounts from customers grew 5 per cent, driven by increased market share of our clients business, particularly in the Telecommunications and FMCG sectors sector, as well as devaluation impact on foreign currency deposits.



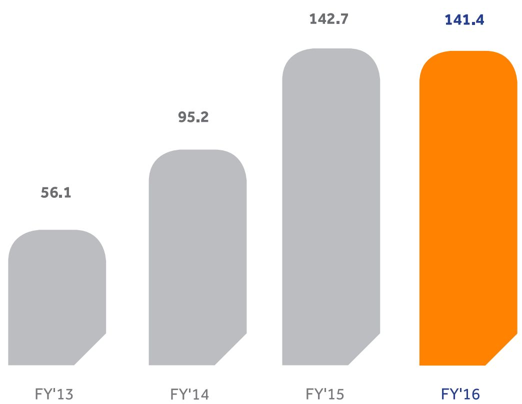
| Key Ratios % | 2016 | 2015 |
|---|---|---|
| Net Interest Margin | 5.9 | 6.8 |
| Yield on Asset | 10.8 | 13.1 |
| Cost of Funds | 7.3 | 7.5 |
| Loans-to-Deposit | 146 | 121 |

## Contribution to Group Performance




## Revenue Analysis

In thousands of Naira

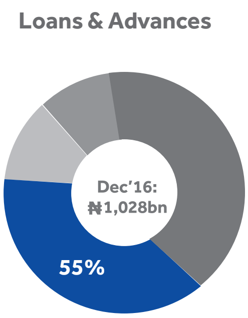


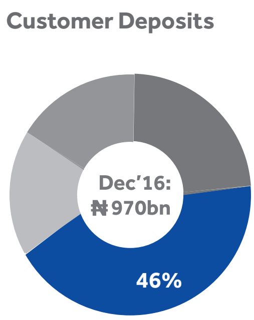
# COMMERCIAL BANKING

Solid performance in 2016, compared to 2015, largely due to strong focus on the intermediation of government intervention funds and market share acquisition in corporates. The Division recorded strong earnings growth of 22 percent to ₦145 billion by FY'16, becoming the most profitable business division during the period. Interest income growth of 35 percent to ₦116 billion was primarily due to a 43 percent increase in earning assets, driven mainly by growth in high quality assets and government interventions. Higher impairments during the period reflected proactive measures to classify exposures that could potentially come under stress given the industry asset quality deterioration. Customer deposits increased 43 percent ₦971 billion driven by deepened relationships with state government (bail-out funds) and customer engagement. Persistent FX unavailability resulted in a slowdown of customers' businesses, leading to significantly lower trade-related transactions and ultimately, private sector revenue growth.

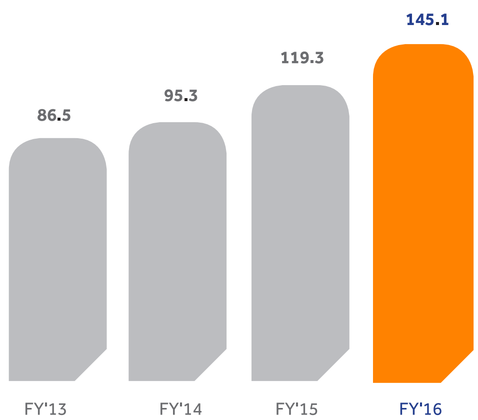
| Key Ratios % | 2016 | 2015 |
|---|---|---|
| Net Interest Margin | 7.7 | 7.0 |
| Yield on Asset | 11.4 | 12.1 |
| Cost of Funds | 4.6 | 5.4 |
| Loans-to-Deposit | 106 | 106 |

## Contribution To Group Performance




## Revenue Analysis (₦'bn)

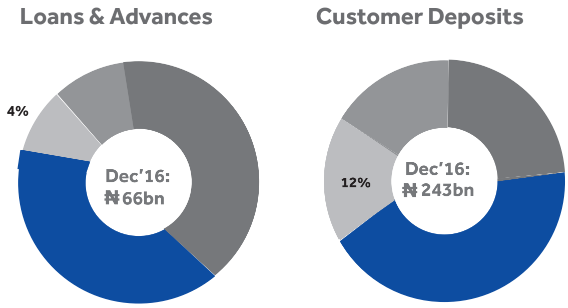


# BUSINESS BANKING

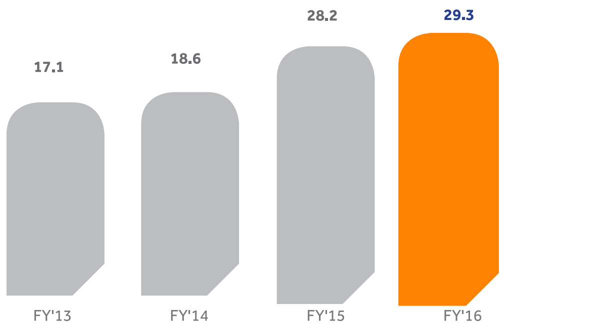
Business Banking recorded earnings of ₦29 billion up 4 per cent when compared with ₦28 billion in 2015. Interest income of ₦23 billion contributed 77 per cent to the Division's total revenues whilst non-interest income driven by 35 per cent increase in income from transactional products and services. The division recorded profits of ₦424 million in FY'16, having returned to profitability in H1'16 from a loss position of ₦5.1 billion in FY'15. Margin compression of 200 basis points resulted mainly from significantly higher growth in the division's assets. Improved balance sheet efficiency, however, reduced cost of funds by 50 basis points to 3.1 per cent from 5.1 per cent in December 2015, as customer deposits grew 20 per cent to ₦243 billion on the back of value chain optimization of larger corporate relationships.

| Key Ratios % | 2016 | 2015 |
|---|---|---|
| Net Interest Margin | 23.7 | 25.7 |
| Yield on Asset | 34.3 | 40.9 |
| Cost of Funds | 3.1 | 3.6 |
| Loans-to-Deposit | 27 | 24 |

## Contribution to Group Performance




## Revenue Analysis (₦'bn)

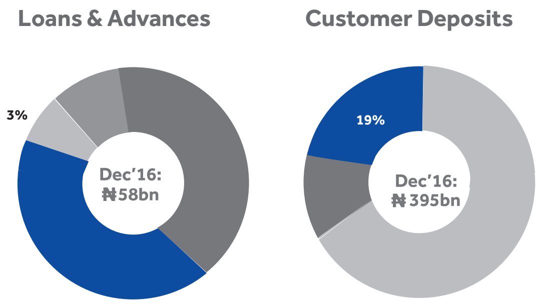


# PERSONAL BANKING

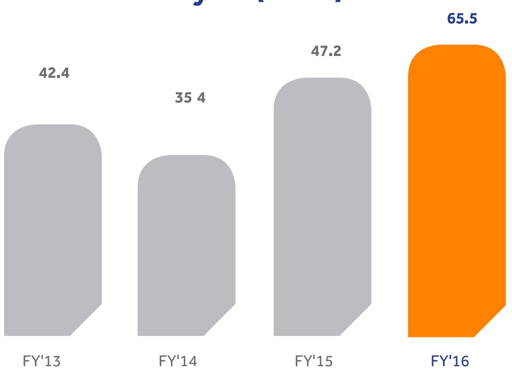
Personal Banking reported strong growth in earnings, up 39 per cent to ₦65 billion in 2016 compared with ₦47 billion in 2015. Interest income of ₦32 billion reflected a 10 per cent growth from ₦29 billion in 2015. Non-interest income grew by 85 per cent with strong contribution from commission and fee income of ₦22 billion (up 68 per cent) driven by increased utilization of the Bank's alternative channels. Card products increased headline earnings by 27 per cent to ₦65 billion during the year. Credit impairment charges were up 44 per cent impacted by the deteriorating macro-economic environment. The Division's deepened relationships with state governments led to increased collections from internally generated revenues and acquisition of salary mandates from the state governments, ultimately serving as a significant revenue source during the period.

| Key Ratios % | 2016 | 2015 |
|---|---|---|
| Net Interest Margin | 38.8 | 35.9 |
| Yield on Asset | 55.5 | 60.3 |
| Cost of Funds | 2.6 | 3.4 |
| Loans-to-Deposit | 15 | 14 |

## Contribution to Group Performance




## Revenue Analysis (₦'bn)



United Kingdom | Ghana | Rwanda | R.D. Congo | Zambia | Gambia | Sierra Leone

# BANKING SUBSIDIARIES

# CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

| In thousands of Naira<br>Condensed Income Statement for the period ended 31 Dec. 2016 | Access Bank UK | Access Bank Ghana | Access Bank Rwanda | Access Bank (R.D. Congo) | Access Bank Zambia | Access Bank Gambia | Access Bank Sierra Leone |
|---|---|---|---|---|---|---|---|
| Operating income | 8,563,021 | 18,801,271 | 2,734,273 | 2,489,687 | 1,742,976 | 930,033 | 949,130 |
| Operating expenses | (4,223,554) | (10,518,589) | (2,214,927) | (2,036,649) | (1,429,535) | (639,171) | (716,827) |
| Net impairment on financial assets | - | (3,697,655) | (648,310) | (1,095) | (309,215) | (106,733) | (71,390) |
| Profit before tax | 4,339,467 | 4,585,027 | (128,964) | 451,942 | 4,226 | 184,129 | 160,913 |
| Taxation | (867,924) | (2,560,585) | (15,851) | (15,897) | (21,186) | (19,587) | (4,298) |
| **Profit for the Period** | **3,471,543** | **2,024,443** | **(144,815)** | **436,046** | **(16,960)** | **164,543** | **156,616** |

**Financial Position as at 31 December 2016**

**Assets**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 206,090,386 | 53,060,292 | 12,843,280 | 4,081,910 | 7,748,129 | 1,850,741 | 3,189,614 |
| Derivative financial instruments | - | - | 152,386 | - | - | - | - |
| Loans and advances to banks | 105,115,705 | - | - | - | - | - | - |
| Loans and advances to customers | 90,553,072 | 93,656,210 | 12,888,097 | 11,764,621 | 4,580,996 | 1,011,580 | 442,252 |
| Pledged assets | - | - | - | - | - | - | - |
| Investment securities | 23,316,244 | 30,800,861 | 1,390,502 | - | 2,211,138 | 6,332,347 | 4,082,549 |
| Other assets | 1,668,759 | 8,262,701 | 354,956 | 746,564 | 2,484,113 | 197,067 | 476,667 |
| Property and equipment | 98,390 | 8,039,370 | 733,065 | 1,425,053 | 734,526 | 845,655 | 408,520 |
| Intangible assets | 320,219 | 436,493 | - | 85,669 | 100,736 | 102,207 | 39,440 |
| Deferred tax assets | - | 1,014,466 | - | - | 432,094 | - | 168,936 |
| **Total Assets** | **427,162,776** | **195,270,393** | **28,362,286** | **18,103,816** | **18,291,733** | **10,339,596** | **8,807,979** |

**Financed by:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Deposits from banks | 261,480,316 | 14,677,731 | - | 2,171,148 | 1,245,861 | - | 787,165 |
| Deposits from customers | 119,243,361 | 146,112,643 | 22,459,781 | 10,524,795 | 12,947,085 | 6,389,283 | 5,637,268 |
| Derivative liability | 51,382 | - | - | - | - | - | - |
| Debt securities issued | - | - | - | - | - | - | - |
| Retirement benefit obligations | 841 | 9,920 | - | - | 95 | - | - |
| Current income tax liability | 607,272 | 1,843,534 | (126,448) | 63,564 | - | 7,331 | - |
| Other liabilities | 1,998,068 | 1,498,809 | 614,869 | 834,620 | 642,039 | 686,957 | 477,233 |
| Contingent settlement provisions | - | 159,393 | 1,848,571 | - | - | - | - |
| Deferred tax liability | - | 303,345 | 211,019 | - | - | 82,932 | - |
| Equity | 43,781,536 | 30,665,017 | 3,354,495 | 4,509,689 | 3,456,653 | 3,173,092 | 1,906,313 |
| **Total** | **427,162,776** | **195,270,393** | **28,362,286** | **18,103,816** | **18,291,733** | **10,339,596** | **8,807,979** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net cashflow from investing activities | (17,961,436) | (7,188,778) | 108,505 | (490,831) | - | (2,784,760) | - |
| Net cashflow from financing activities | 9,579,150 | 7,080,739 | 908,018 | - | - | - | - |
| Increase / (decrease) in cash and cash equivalents | 147,608,099 | 3,084,064 | 431,681 | (2,272,755) | - | (757,387) | - |
| Cash and cash equivalent, beginning of year | 45,245,533 | 30,593,847 | 7,808,703 | 4,796,124 | 9,360,900 | 1,568,257 | 1,144,498 |
| Effect of exchange rate fluctuations on cash held | - | - | - | - | - | - | - |
| **Cash and cash equivalent, end of year** | **192,853,632** | **33,677,911** | **8,240,384** | **2,523,368** | **9,360,900** | **810,869** | **1,144,498** |

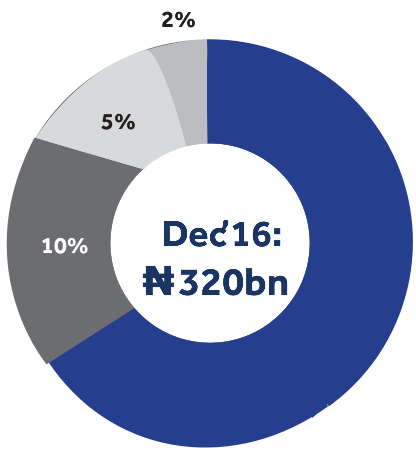
## CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

| In thousands of Naira | Access Bank UK | Access Bank Ghana | Access Bank Rwanda | Access Bank (R.D. Congo) | Access Bank Zambia | Access Bank Gambia | Access Bank Sierra Leone |
|---|---|---|---|---|---|---|---|
| Income Statement | | | | | | | |
| Operating income | 5,929,949 | 14,248,052 | 1,746,767 | 1,755,209 | 1,346,817 | 1,081,310 | 724,805 |
| Operating expenses | (3,354,724) | (7,107,573) | (1,561,741) | (1,490,186) | (1,279,419) | (533,547) | (635,919) |
| Net impairment on financial assets | - | (787,888) | 24,123 | - | (24,158) | (235,348) | (16,540) |
| Profit before tax | 2,575,225 | 6,352,591 | 209,149 | 265,023 | 43,240 | 312,415 | 72,346 |
| Taxation | (521,483) | (2,189,931) | (108,885) | - | (28,989) | (17,326) | (26,355) |
| **Profit for the Period** | **2,053,742** | **4,162,660** | **100,264** | **265,023** | **14,251** | **295,089** | **45,991** |
| | | | | | | | |
| **Financial Position as at 31 December 2015** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances with banks | 45,245,533 | 34,911,799 | 7,637,323 | 5,171,427 | 4,375,250 | 1,762,148 | 2,133,665 |
| Pledged assets | - | - | - | - | - | 3,250,773 | - |
| Derivative financial instruments | 63,528 | - | - | - | - | - | - |
| Loans and advances to banks | 86,554,437 | - | - | - | - | - | - |
| Loans and advances to customers | 42,761,574 | 62,251,287 | 6,669,073 | 6,262,020 | 3,100,601 | 824,185 | 746,783 |
| Investment securities | 4,181,497 | 18,313,343 | 2,008,702 | - | 2,042,227 | - | 3,763,874 |
| Other assets | 714,834 | 3,604,904 | 239,902 | 559,934 | 1,252,686 | 124,350 | 262,785 |
| Property and equipment | 292,135 | 4,780,307 | 42,002 | 916,619 | 425,257 | 619,042 | 354,179 |
| Intangible assets | 29,644 | 276,988 | 307,609 | 32,550 | 44,055 | 59,861 | 30,994 |
| Deferred tax assets | - | 266,434 | - | - | 277,836 | - | 120,510 |
| **Total Assets** | **179,843,182** | **124,405,062** | **16,904,611** | **12,942,550** | **11,517,912** | **6,640,359** | **7,412,790** |
| | | | | | | | |
| **Financed by:** | | | | | | | |
| Deposits from banks | 103,782,307 | 13,714,385 | - | - | 583,834 | - | - |
| Deposits from customers | 50,042,098 | 88,548,465 | 13,440,311 | 8,904,983 | 9,426,433 | 4,103,594 | 5,033,441 |

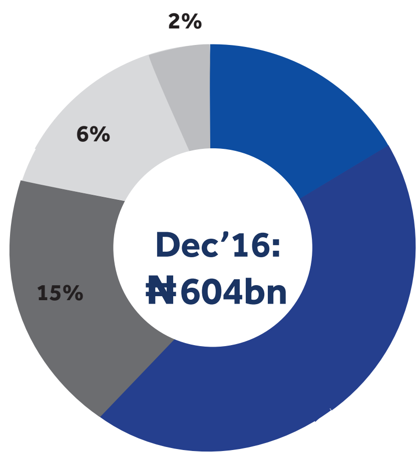
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Derivative liability | 672,406 | - | - | - | - | - | - |
| Debt securities issued | - | - | - | - | - | - | - |
| Retirement benefit obligations | - | - | - | - | - | - | 8,471 |
| Current income tax liability | 482,483 | 756,851 | (5,372) | 23,834 | 28,989 | - | - |
| Other liabilities | 1,837,532 | 2,701,530 | 937,044 | 672,699 | (481,930) | 438,292 | 942,628 |
| Borrowings | - | 55,186 | - | - | - | - | - |
| Deferred tax liability | - | 149,719 | 61,570 | - | - | 55,355 | - |
| Equity | 23,026,356 | 18,478,926 | 2,471,058 | 3,341,034 | 1,960,586 | 2,043,118 | 1,428,250 |
| **Total** | **179,843,182** | **124,405,062** | **16,904,611** | **12,942,550** | **11,517,912** | **6,640,359** | **7,412,790** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net cashflow from investing activities | 17,935,552 | (2,660,525) | 761,628 | (122,315) | (442,024) | (119,630) | (786,315) |
| Net cashflow from financing activities | 4,400,100 | (830,053) | 583,202 | - | - | - | - |
| Increase / (decrease) in cash and cash equivalents | 25,849,261 | 2,343,374 | 1,318,540 | 1,284,155 | 1,565,905 | 423,797 | (486,379) |
| Cash and cash equivalent, beginning of year | 19,396,272 | 28,250,473 | 6,490,163 | 3,511,969 | 7,794,994 | 1,144,460 | 1,630,878 |
| Effect of exchange rate fluctuations on cash held | - | - | - | - | - | - | - |
| **Cash and cash equivalent, end of year** | **45,245,533** | **30,593,847** | **7,808,703** | **4,796,124** | **9,360,899** | **1,568,257** | **1,144,498** |

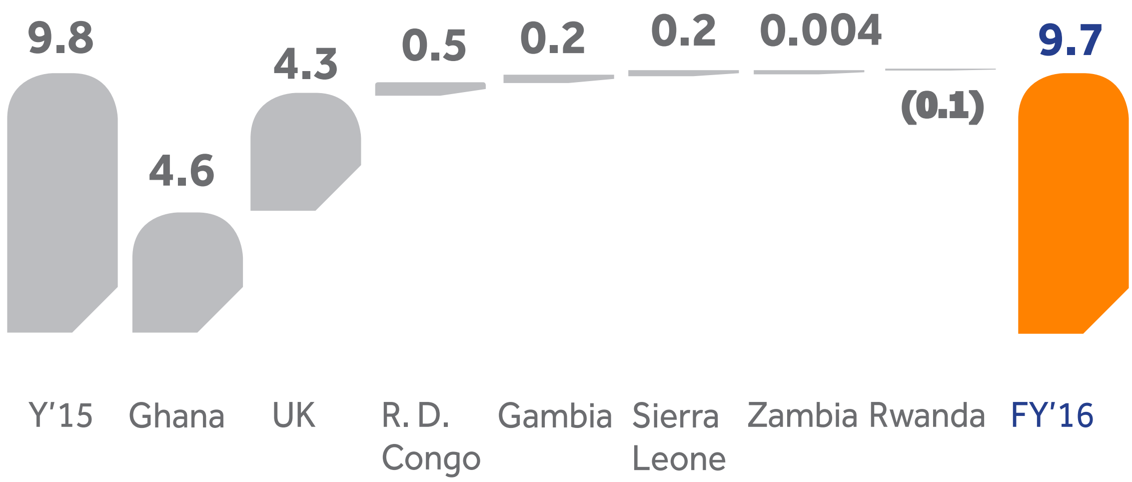
**Loans by Geography**




**Deposits by Geography**




**Profit Before Tax ( ₦billion)**



Subsidiaries continued to deliver solid performance in 2016 following from previous years. By year-end 2016, subsidiaries contributed over 10 per cent to Group profitability, 18 per cent to Group deposits (2015: 9 per cent) and 8 per cent to total loans and advances (2015: 8 per cent). This reflects the resilience of our business model despite the challenging economies during the period.

Key African economies were characterised by rising inflation, exchange rate pressures, lower capital markets and political uncertainties stemmed from presidential elections in Ghana, Congo, Zambia and Gambia, monetary and fiscal policies and regulations which impacted business activities. In spite of these, all subsidiaries recorded profit before tax in 2016 with the exception of Rwanda. The loss position of Rwanda resulted from increased impairments during the period.  Expanded subsidiary balance sheet with total deposits and loans up 103 per cent and 53 per cent respectively, reflecting increased penetration in subsidiary markets.

The group continued to focus on building its deposit base as a key component of the funding mix. Deposits from UK and Ghana operations (2016: 21 per cent versus 2015: 13 per cent) provided a diversity of stable sources of funding for the group during the period. Whilst we will continue to grow across our operations in Africa, we will maintain our culture of banking only quality and profitable assets. We are also making remarkable progress towards our medium-term vision for our African subsidiaries, which contributed a tenth of total revenues, as we continue to leverage innovative offerings to grow our share of the respective markets.

Key subsidiary developments during the period include:

- The UK subsidiary which is a major driver of the Group's trade business further expanded operations in 2016, opening a branch in Dubai

- Ghana raised $6 million in October 2016) via an initial public offering, representing a 6 per cent stake in the local unit. This would enable increased lending and enhance capacity to seize business opportunities for growth

- Higher transactional volumes and customer activities in cash deposits and increased usage of e-payments channels across subsidiaries particularly R. D Congo and Ghana

**OUR SERVICE MANTRA**

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