ACCESS BANK PLC

2014 Full Year Results
Presentation to Investors & Analysts

March 2015

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Outline

- **Overview of Access Bank**
- Operating Environment
- FY 2014 Financial Performance Review
- SBU Financial Performance Review
- Outlook for 2015

The Bank at a Glance

Parent
Access Bank Plc is licensed by the Central Bank of Nigeria as an International Bank

Subsidiaries
7
Banking Subsidiaries

Number of Employees
3,502
Professional staff

Channels

366
Branches

1,066
ATMs

14,602
POS

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

Listings
Nigerian Stock Exchange
London Stock Exchange
(Eurobond)

Credit Rating nga

STANDARD & POOR'S RATINGS SERVICES	AA-
FitchRatings	A-
Agusto & Co	A+
GCR	A+

Awards & Recognition

Risk Management Award 2013

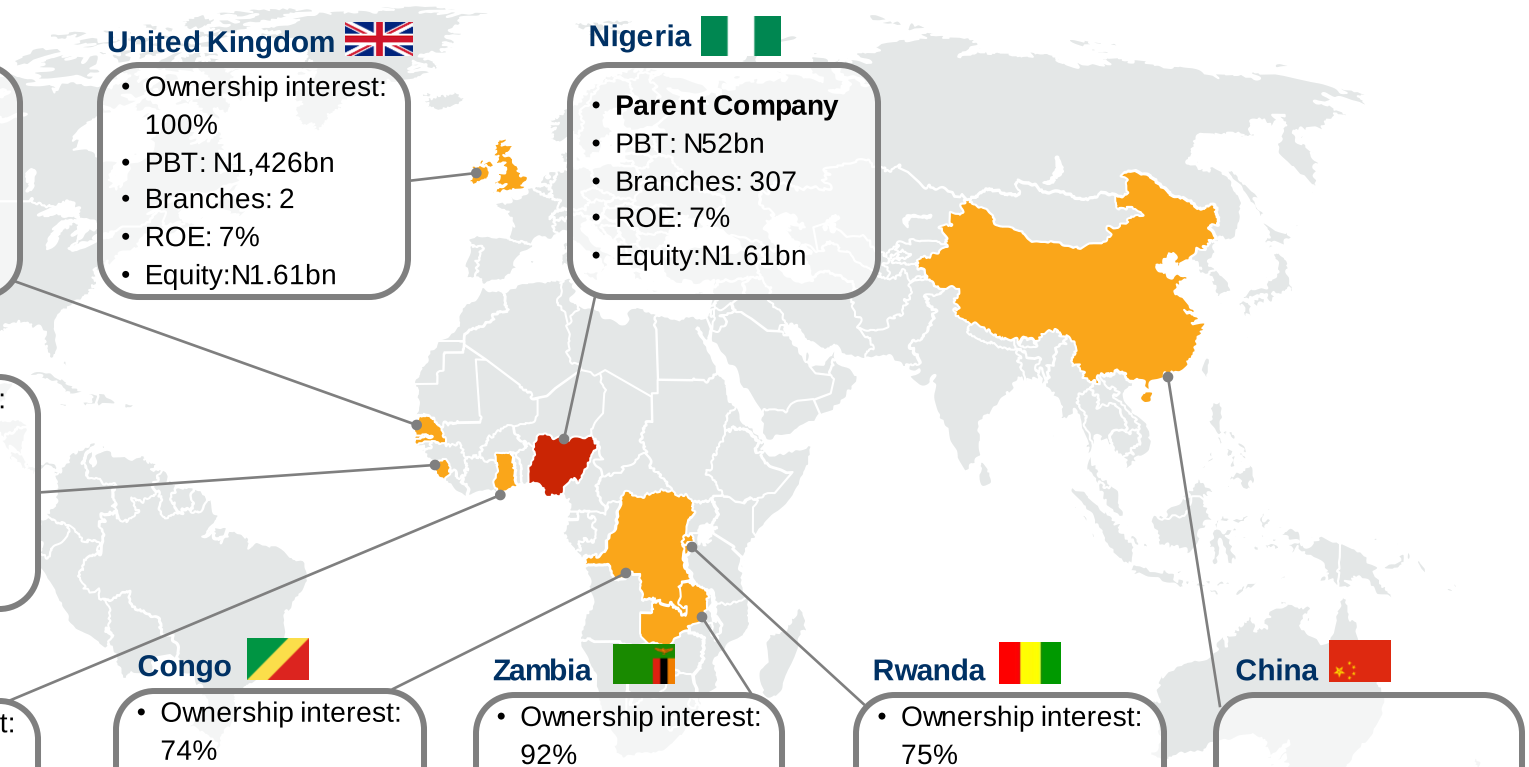
African Banker's Award 2013

M&A Winner in Africa 2012

FT FINANCIAL TIMES
IFC International Finance Corporation World Bank Group

FT/IFC Sustainable Bank of the Year 2011

Geographical Distribution



Sierra Leone

- Ownership interest: 97%
- PBT: N51mn
- Branches: 4
- ROE: 2.9%
- Equity:N1.2bn

United Kingdom

- Ownership interest: 100%
- PBT: N1,426bn
- Branches: 2
- ROE: 7%
- Equity:N1.61bn

Nigeria

- **Parent Company**
- PBT: N52bn
- Branches: 307
- ROE: 7%
- Equity:N1.61bn

Gambia

- Ownership interest: 64%
- PBT: N321mn
- Branches: 6
- ROE:16.9%
- Equity:N1.8bn

Ghana

- Ownership interest: 92%
- PBT: N7bn
- Branches: 33
- ROE: 29.8%
- Equity:N2.7bn

Congo

- Ownership interest: 74%
- PBT: N391mn
- Branches: 2
- ROE:8.9%
- Equity:N2.7bn

Zambia

- Ownership interest: 92%
- Loss: N526mn
- Branches: 5
- ROE: -16.4%
- Equity:N3.1bn

Rwanda

- Ownership interest: 75%
- PBT: N258mn
- Branches: 7
- ROE: 7%
- Equity: N2.3bn

China

- Rep Office

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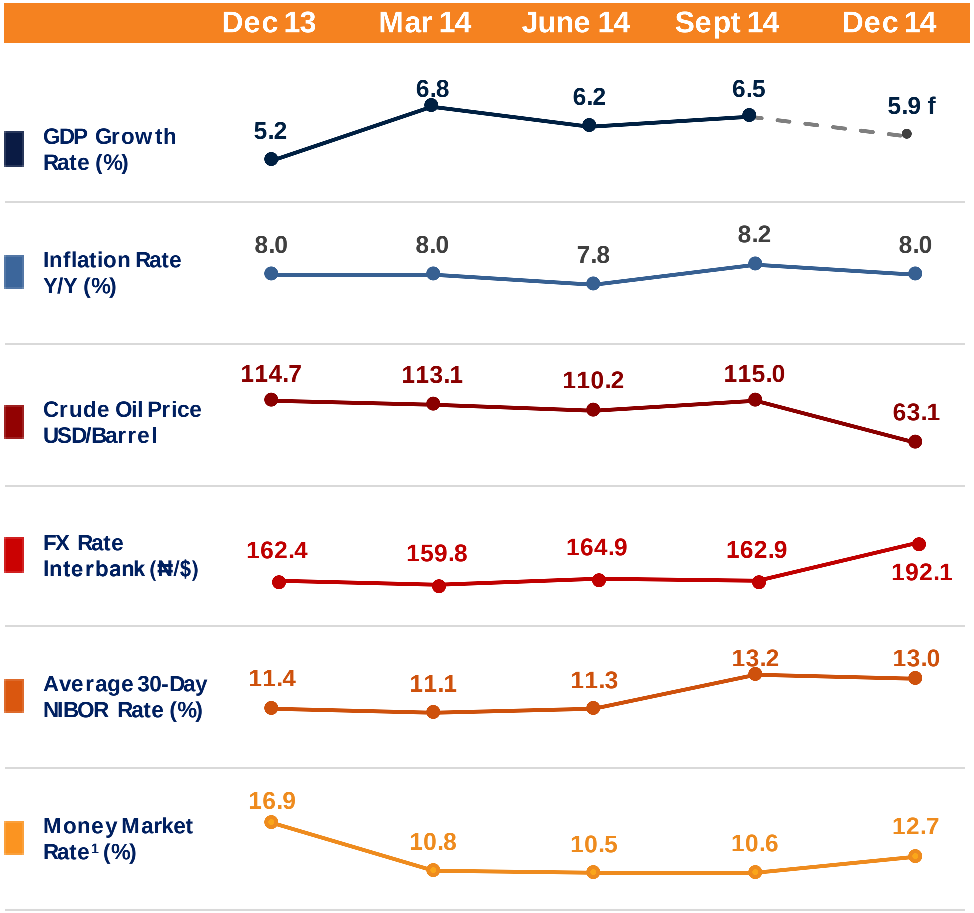
Domestic Operating Environment



Note: Call rate was used as an indicator for the Money Market Rate
Source: CBN, Nigerian Bureau of Statistics (NBS), Financial Derivatives, Trading Economics, BMI

The Nigerian Economy

- GDP increased to 6.5% in Q3'14, from 6.2% in Q2'14. The economy was projected to grow by 5.9% in Q4'14, with significant contributions from the telecoms and manufacturing sectors
- Inflation rate declined by 20bps in Q4'14 to 8.0%. The rise in headline inflation was contained by mild core inflation. Food inflation remained the key driver of headline inflation in 2014
- Average Bonny Light oil price declined to $63/barrel from $115/barrel in Sept due to increase in shale production in US leading to a supply glut in the international market
- FX rate at the interbank increased from N162.9 September to N192.1/$ due to the devaluation of naira and the slowdown in foreign inflows

Banking Industry

- Due to the pressure from the drop in crude oil price, Naira depreciated by 7.9% during Q4 2014, from N155.3/$ to N167.5/$ despite the Central Bank's effort to defend the naira
- CBN implemented an increase in the Monetary Policy Rate (MPR) from 12% to 13% and a further increase in CRR of private sector from 15% to 20% in November 2014 to reduce excess liquidity in the sector
- CBN released FX prudential guidelines, adjusted Bank's allowable Net open FX position and closed the RDAS windows resulting in a tacit devaluation in order to stabilize the naira by

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Key Messages

Improvement across key financial metrics	➤ Performance indicators improved across all financial metrics ➤ Net Interest Margin, Cost to Income Ratio, Return on Equity and Non performing loans ratio improved in 2014
Strong earnings growth	➤ Gross Earnings of N245 billion in 2014 up 19% from FY 2013, driven by strong loan growth in 2014
Improving cost efficiency	➤ Cost to Income Ratio (CIR) improved significantly to 62% in 2014 from 73% in 2013 on the back of revenue uplift and cost efficiency
Impressive loan growth	➤ Loans & Advances went up by 39% to N1.1 trillion in December 2014. Strong loan growth was largely driven by the significant increase in the FCY loan book, utilizing our US$400m subordinated notes raised in June 2014 as well as revaluation of the FCY component of the loan book
Improved assets quality	➤ NPL ratio reduced by 50bps from 2.7% in 2013 to 2.2% in 2014 as the loan book grew in target sectors while maintaining good portfolio quality
Maximizing shareholder value	➤ Anchored on strong loan growth, margin improvements and continued focus on operational efficiency, ROE increased notably by 170bps to 16.5% in 2014 (2013: N14.8%). ➤ Improved profitability as Earnings per Share increased by 19% to 188k in the period

Key Performance Highlights

1

Profitability

	2014	2013	%∆
Gross Earnings (N'm)	245,179	206,785	19
Operating Income (N'm)	168,278	138,548	21
Impairment Charges (N'm)	11,652	(6,164)	-289
PBT (N'm)	52,022	43,530	20
EPS (kobo)	188	158	19

2

Balance Sheet

	Dec 2014	Dec 2013	%∆
Total Assets (N'bn)	2,104	1,835	15
Shareholders' Fund (N'bn)	277	244	13
Customers' Deposits (N'bn)	1,454	1,331	9
Loans & Advances (N'bn)	1,123	811	39

3

Prudential & Performance Ratios

	2014	2013	∆
Capital Adequacy (%)	18.4	19.2	-0.8
Liquidity Ratio (%)	36.0	41.4	-5.4
Loans to Deposit (%)	71.4	57.8	+13.6
After tax ROAE (%)	16.5	14.8	+1.7
Cost to Income (%)	62.2	73.0	+10.8

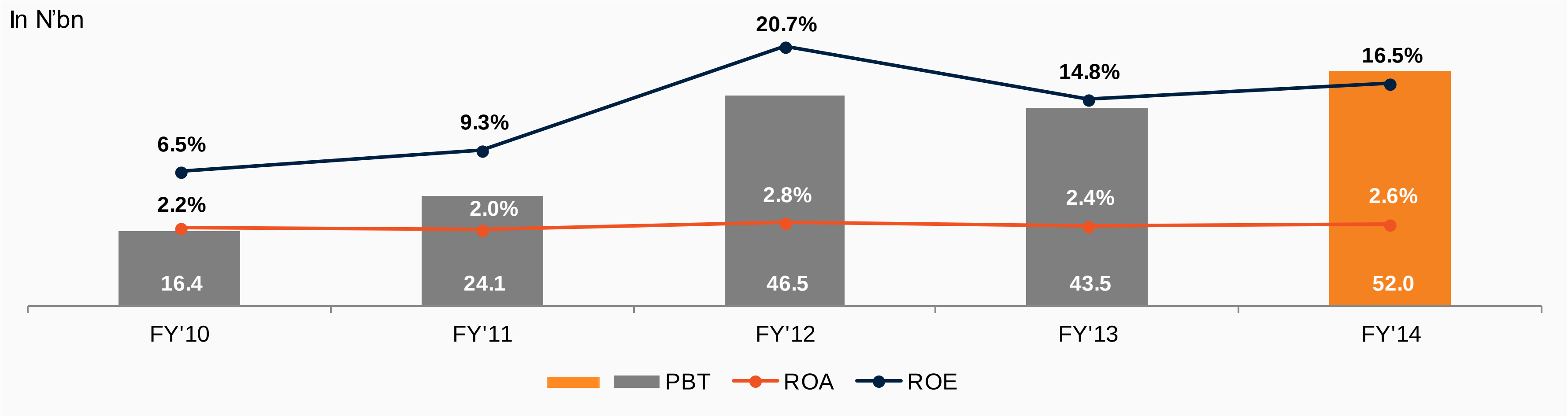
Statement of Comprehensive Income

Underlying in N'M	FY'14	FY'13	FY'12	y/y %∆
Gross Earnings	**245,179**	**206,785**	**207,134**	**19**
Interest Income	176,917	145,961	165,293	21
Interest Expense	76,901	68,237	65,059	13
Net Interest Income	**100,016**	**77,724**	**100,234**	**29**
Non-Interest Income	68,262	60,824	41,204	12
Operating Income	**168,278**	**138,548**	**141,438**	**21**
Impairment Charges	(11,652)	6,164	(10,791)	(289)
Operating Expenses	104,604	101,182	84,750	3
Profit Before Tax	**52,022**	**43,530**	**46,534**	**20**
Profit for the period	**43,063**	**36,031**	**44,839**	**20**

Comments

- Gross earnings increased y/y by 19% to N245.2bn (FY'13: N206.9bn)
- Interest income increased by 21% y/y to N176.9bn, largely driven by loan growth and improved yield on fixed income securities
- Interest expense increased by 13% to N77bn, reflecting the impact of the subordinated tier II note on the bank's funding cost
- Non-interest income grew by 12% to N68bn as a result of increased net gains in financial instruments classified as held for trading
- Operating income increased significantly by 21% to N168bn in 2014 largely due to strong contribution of interest income and non-interest income
- 20% growth in PBT in the period is not reflective of the full extent of the improvement in operating performance as 2013 benefited from one-off impairment write-back of N6.2bn

Profitability

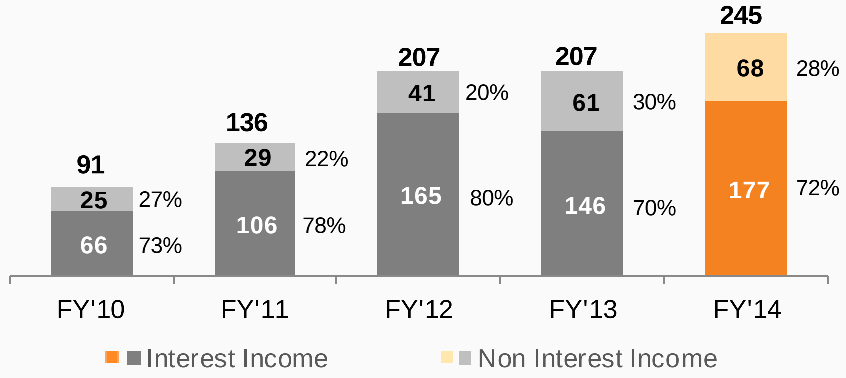


Comments

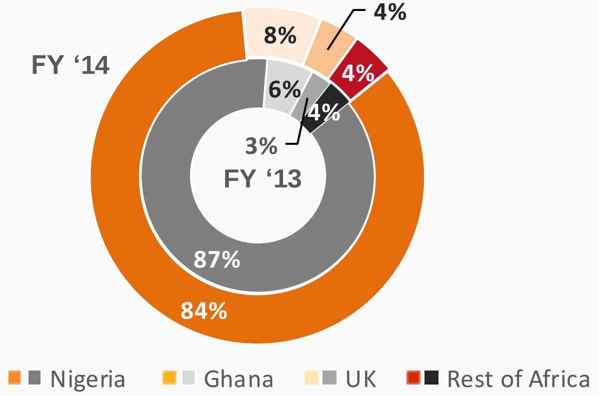
- PBT increased by 20% y/y to N52bn (2013: N43.5bn). Recorded growth is not reflective of the full extent of the improvement in operating performance as 2013 benefited from write-back of N6.2bn one-off impairment
- Profit After Tax (PAT) up 20% in 2014 at N43.1bn, compared with N36bn in 2013
- Growth drivers:
  - 21% growth in interest income driven by significant growth in loans and advances
  - 12% growth in non interest income driven by net gains in financial instruments (classified as 'held for trading')
  - Cost efficiency as operating expenses grew by 3% in 2014 compared with 19Y growth in 2013
- ROE improved by 170bps from 14.8% in 2013 to 16.5% in 2014
- A final dividend of 35 kobo per share, bringing the total dividend for 2014 to 60 kobo per share

Revenue

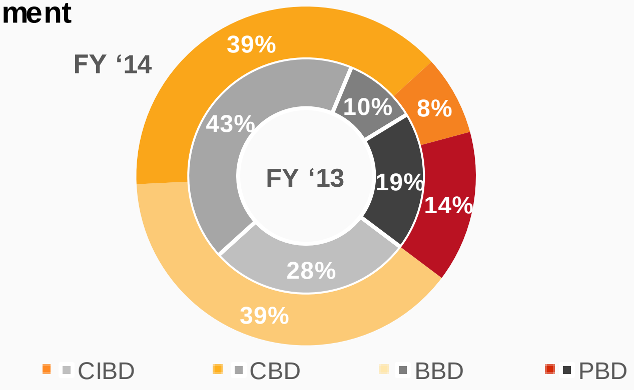
Gross Earnings YoY (N'bn)



Gross Earnings Distribution by Geography



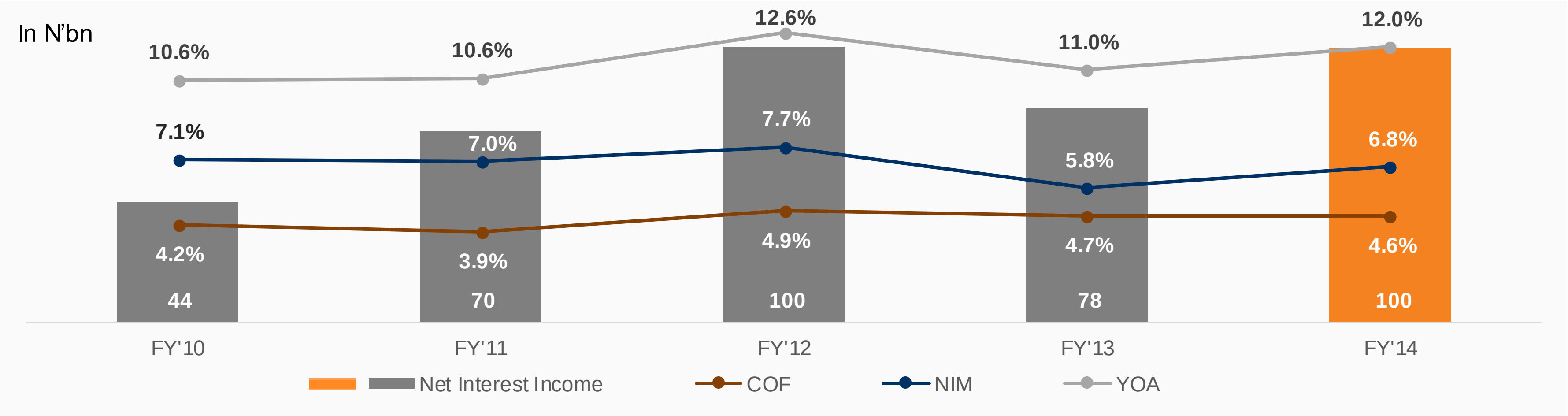
Gross Earnings Distribution by Business Segment



Comments

- Gross earnings increased by 19% from N207bn in 2013 to N245bn
- Significant growth in earnings was largely driven by 21% growth in interest income and 12% growth in non-interest income
- Earnings from Access bank UK and Ghana increased by 57% and 22% respectively
- Diversified earnings across all the subsidiaries

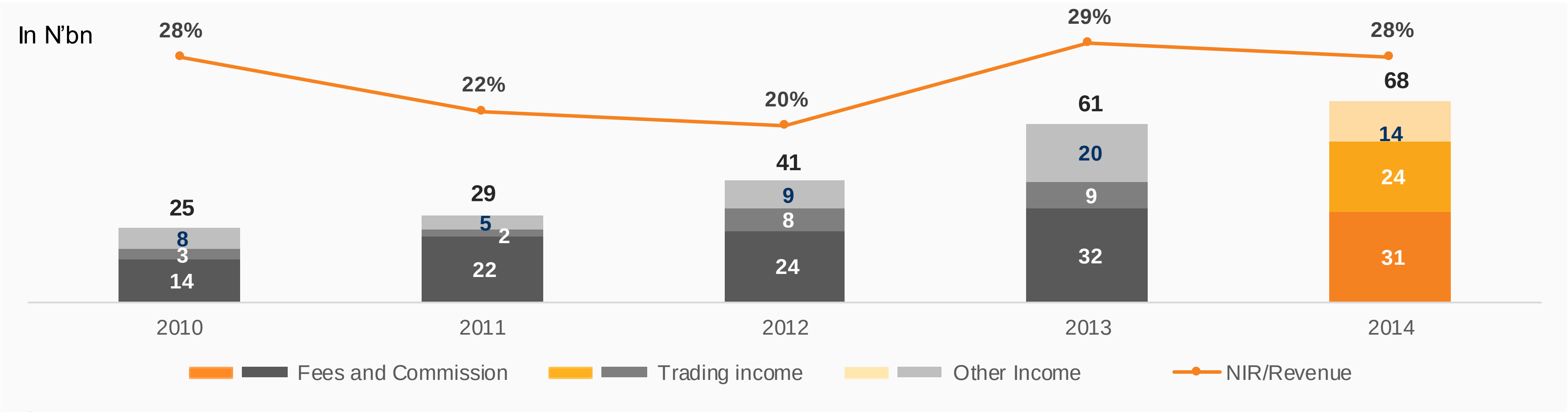
Net Interest Income



Comments

- Net Interest Income increased by 29% to N100bn in 2014 (2013: N78bn)
- Margin improvement as NIM increased by 100bps from 5.8% to 6.8% y/y
- Key drivers y/y:
  - Strong loan growth to high quality obligors in Bank's target sectors
  - 10bps decline in the funding cost y/y due to continued replacement of expensive funds with low cost deposits
  - Improved yield on the fixed income securities
  - Yield on Assets (YOA) improved by 100bps y/y to 12% in 2014 benefitting from assets re-pricing and improved yield on investment securities
- Interest expense increased by 13% to N77bn in 2014 due to :
  - Increase in the interest paid on the $400m subordinated tier II note issued by the bank in June 2014
  - Reduced market liquidity due to hike in CRR and increase in the MPR from 12% to 13% leading to increase in interest payment on deposits

Non-Interest Income



Comments

- Non interest income increased by 12% y/y to N68bn in 2014 (2013: N60.8bn) contributing 28% to the gross earnings (2013: 29%)
- Assets held for trading improved from N0.8bn in 2013 to N23.1 billion in 2014 driven by the gains on fair value valuation of the derivative instruments
- Strong FX trading income of N18.2bn from N6.7billion in 2013, exploit to our benefits the FX volatility in the last quarter of 2014

	N'Mn
Gain on fair valuation of derivative instruments*	22,768
Un-realised foreign exchange (loss)/gains on revaluation	(17,614)
Net impact	**5,154**

	N'Mn
Foreign exchange net trading income	18,178

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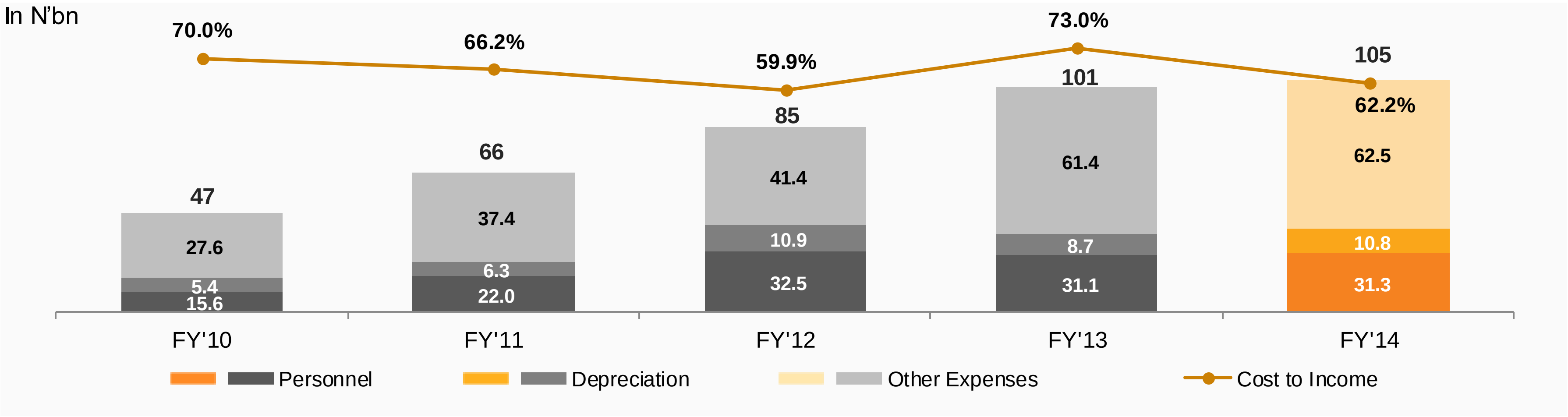
*Included in Other Incomes are: Mark-to-market gain on trading investments, Dividends on available-for-sale equity securities, Gain on disposal of equity investment, Rental Income & other income

Operating Expenses



Comments

- Significant improvement in the Cost to Income (CIR) from 73% in 2013 to 62% in 2014 on the back of revenue uplift
- Improved Cost to Income Ratio reflecting the benefits of cost management initiatives and improved earnings
- The bank will continue to optimize resource base while growing revenue

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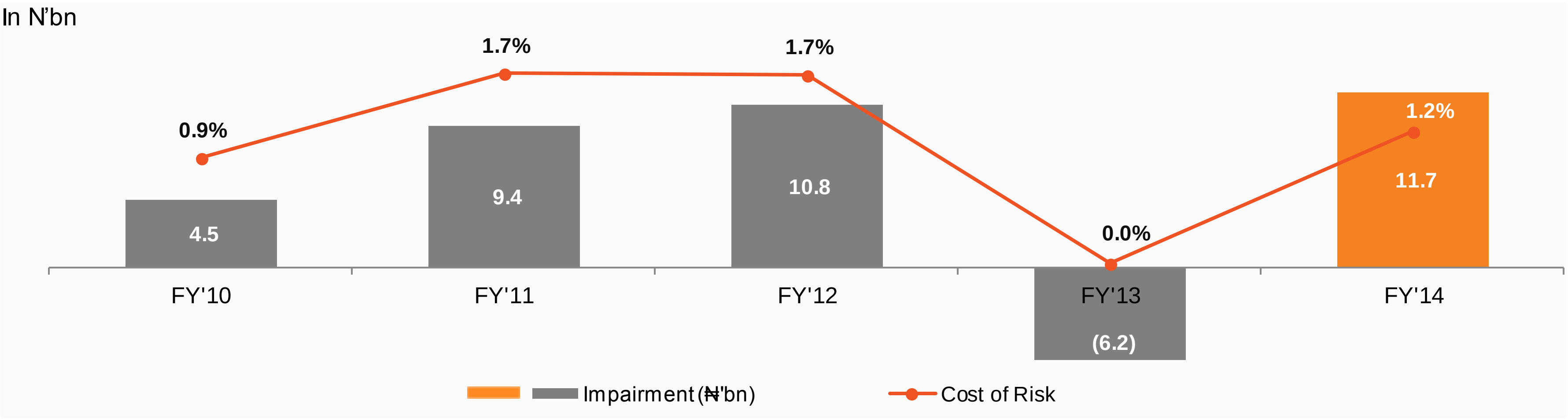
1. *Other operating expense includes: Professional fees, Insurance, General administrative expenses, Other premises and equipment costs etc*

Impairment Analysis



Comments

- Impairment charges increased to N11.7bn in 2014 in contrast with one off impairment write back of N6.2bn in 2013
- Cost of risk increased to 1.2% in 2014 due to collective impairment charge on new loans (N4.5bn) and specific impairment on Oil & Gas downstream and General Commerce sectors deriving from legacy loans
- The Bank will continue to monitor and improve quality of risk assets to minimize impairments loss

Group Statement of Financial Position

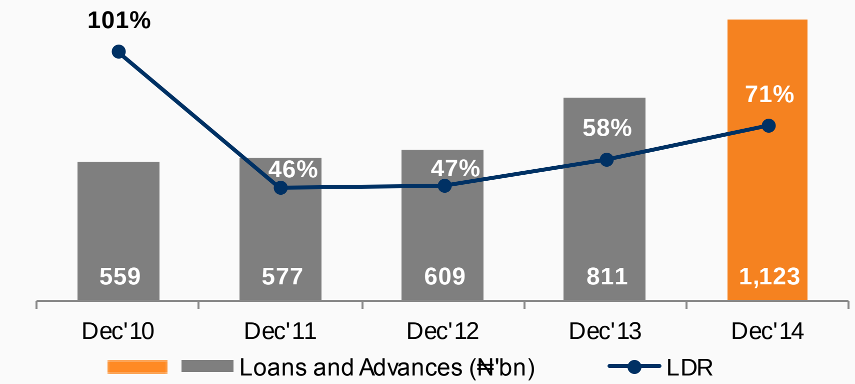
Underlying in N'B	Dec '14	Dec '13	y/y %∆	Dec '12	y/y %∆
Cash and Cash Equivalents	405	439	(8)	296	48
Trading & Pledged Assets	140	67	108	89	(24)
Loans & Advances	1,123	811	39	609	33
Investment Securities	270	354	(24)	447	(21)
Fixed Assets & Intangibles	75	71	6	68	4
Deferred Tax Assets	11	11	2	8	30
Other Assets	80	82	(3)	228	(64)
Total Assets	**2,104**	**1,835**	**15**	**1,745**	**5**
Deposits from Banks	119	72	65	105	(31)
Deposits from Customers	1,454	1,331	9	1,201	11
Interest Bearing loan	80	64	24	40	60
Debt Securities	138	56	148	55	2
Other liabilities	35	67	(48)	103	(35)
Total Liabilities	**1,827**	**1,591**	**15**	**1,504**	**6**
Equity	**277**	**244**	**13**	**241**	**1**
Total Equity & Liabilities	**2,104**	**1,835**	**15**	**1,745**	**5**

Comments

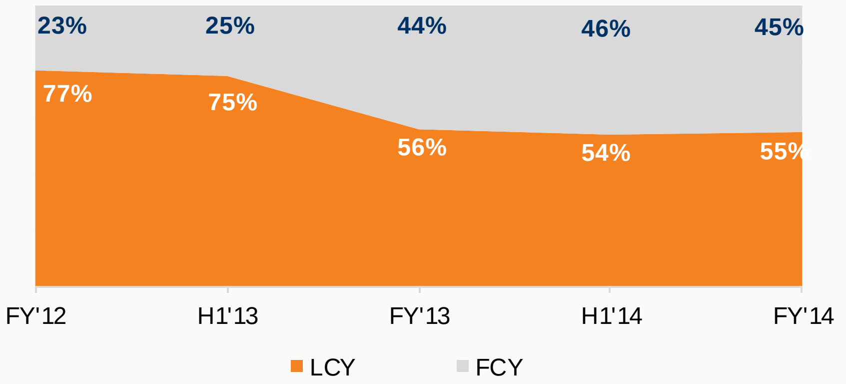
- Loans and advances grew by 39% to N1.1 trillion in December 2014, largely driven by the increase in FCY loan book, utilizing our US$400m subordinated notes
- Investment securities declined by 24% y/y due to the maturity of AMCON bonds which were redeemed in 2014
- Customer deposits grew by N123 billion to N1.45 trillion as at Dec, 2014 representing a 9% increase
- Debt securities grew by 148% y/y as a result of $400m subordinated bond issued in June 2014
- Total Assets increased by 15% y/y to N2.1 trillion in Dec. 2014

Asset Quality

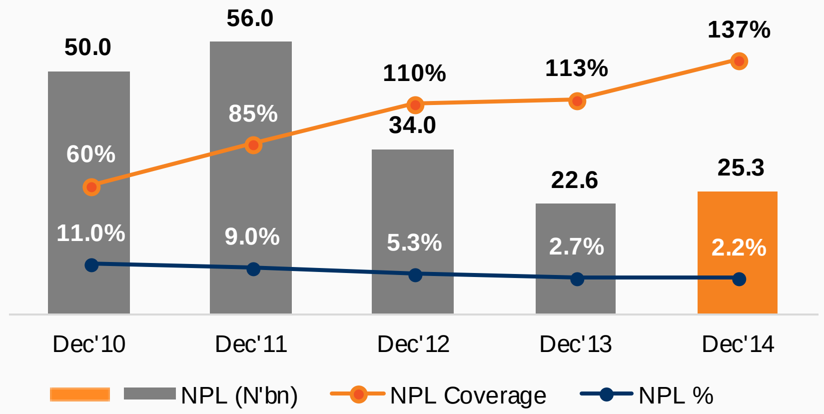
Loan & Advances (N'bn)



Loan Analysis by Currency (N'bn)



Assets Quality (N'bn)

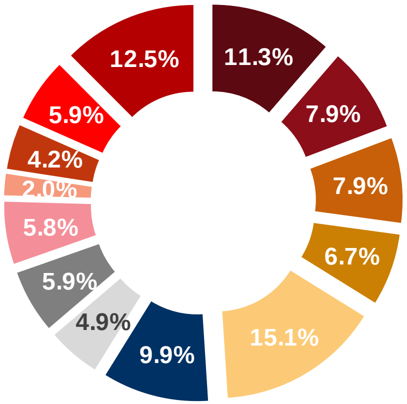


Comments

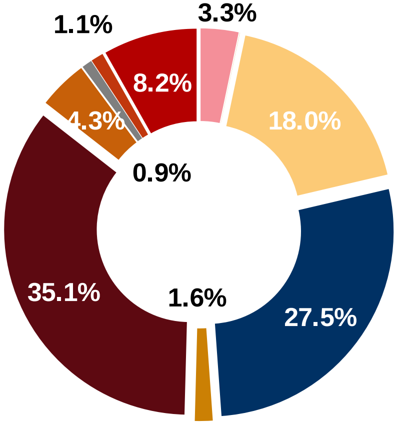
- Consistent improvement in overall loan portfolio as the loan book grew by 39% to N1.1trn in 2014; key sectors accounting for the growth including: Construction, General Commerce and Oil & gas Upstream
- Loan growth was driven by lending to high quality obligors with dollar receivables, thus mitigating exchange rate risk as well as revaluation of FCY portion of the loan book
- Sustained reduction in NPL ratio to 2.2% was driven by strong loan growth to quality obligors and enhanced monitoring of facility performance
- Coverage Ratio (with regulatory risk reserve) increased to 154% in 2014 adequate provisions are made on classified assets

Assets Diversification and Quality

Loan distribution by Sector



NPL distribution by Sector



Sector	Loans		NPL	
	2014	2013	2014	2013
🟫 Oil & Gas – Downstream	11.3%	17.5%	35.1%	29.8%
🟥 Oil & Gas – Upstream	5.6%	5.0%	-	-
🟧 Oil & Gas – Services	7.9%	6.2%	4.3%	-
🟧 Manufacturing	6.7%	5.9%	1.6%	3.5%
🟨 Gen. Commerce	15.1%	14.0%	18.0%	19.5%
🟦 Info & Com.	9.9%	10.0%	27.5%	29.4%
⬜ Government	4.9%	8.1%	-	-
⬛ Real Estate	5.9%	6.5%	0.9%	1.4%
🟥 Construction	5.8%	3.6%	3.3%	7.4%
🟧 Finance & Insurance	2.0%	1.6%	-	0.1%
🟥 Transportation	4.2%	1.9%	1.1%	-
🟥 Steel	5.9%	6.7%	-	-
🟥 Others[1]	14.8%	13.2%	8.2%	8.9%

Comments

- NPL reduced to 2.2% in Dec'14
- Top 3 sectors contributing to NPL are Oil & Gas downstream, Info. & Com. and General Commerce
- Significant reduction in the exposure to Oil & Gas downstream from 17.5% to 11.3% in December 2014
- The Bank remains focused on continuous mitigation of the exposure to unforeseen shocks by prioritizing asset quality through our diligent and systematic approach to risk management

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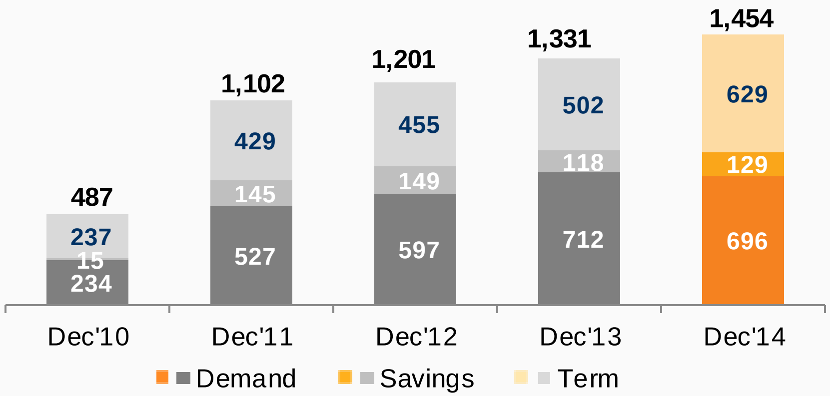
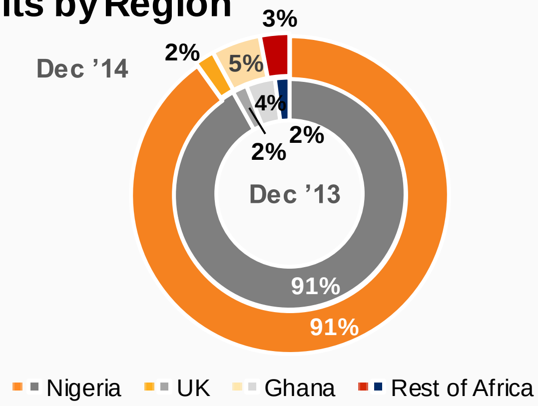
[1] Included in others are: Capital Market, Agriculture etc.

Deposit Mix

Customer Deposits (N'bn)



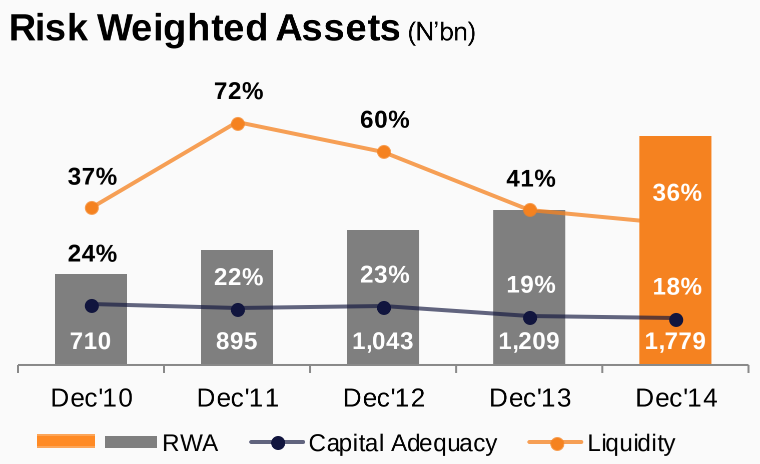
Deposits by Region



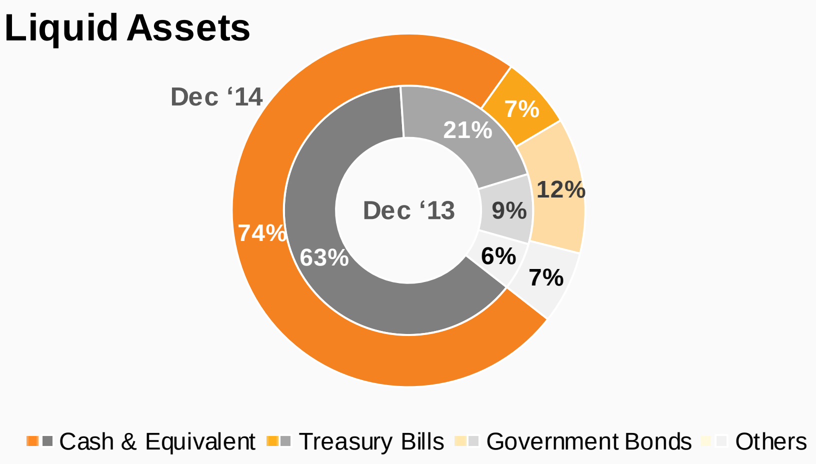
Comments

- Customer deposits increased by 9% y/y to N1.4trn in 2014 with low cost deposits contributing 57% of the total customer deposits
- Key drivers:
  - Growth in deposits primarily due to the enhanced segmentation and engagement strategy
  - Improved customer engagement of the retail and SME segments of the value chain
  - Low cost deposits from our enhanced personal banking business as the retail deposits grew by 30% to N511bn in 2014 (2013: N392bn)
  - 24% increase in FCY deposits largely driven by exchange rate devaluation
- Improved deposits contribution from subsidiaries with Ghana and Rest of Africa contributing 5% and 3% respectively in 2014

Capital Base



Risk Weighted Assets (N'bn)



Liquid Assets

Comments

- Liquidity ratio declined from 41% in 2013 to 36% in 2014 due to hike in CRR on public and private sector deposits
- Risk weighted assets (RWA) grew by 47% y/y, reflecting the bank's deliberate approach of optimizing balance sheet
- Capital Adequacy Ratio (CAR) of 18.4% (Dec, 2013: 19.2%). Capital Adequacy is well above the minimum requirement due to the necessary steps the bank has taken to enhance its capital in order to exploit market opportunities in key sectors of the economy despite the full implementation of Basel II reporting

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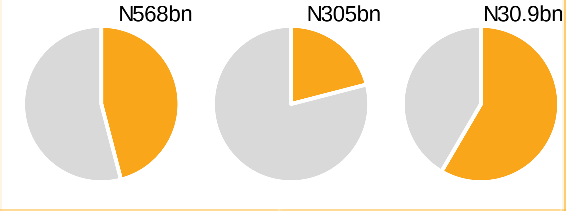
Business Segmentation

Segments focus | **Segment Highlights** | **Loans** | **Deposit** | **PBT**

Corporate & Investment Banking Division

- Multinational and well-structured large companies (turnover > N20 billion)
- Comprised of nine segments
  - Cement and Construction
  - Communications
  - Manufacturing
  - Financial Institutions
  - Oil & Gas
  - Transportation
  - Upstream Oil & Gas
  - Agriculture

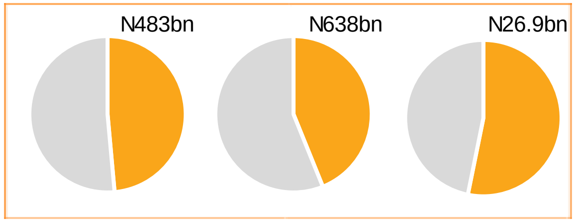
- Over 500 Customers
- Loans: N568bn
- Deposit: N305bn
- PBT:N30.9bn



Commercial Banking Division

- Incorporated companies with turnover of N1 billion and above
- Customers segment includes
  - Federal, State and Local government MDA's
  - Corporate and Investment Banking Value Chain
  - Asian Companies
  - Local corporates

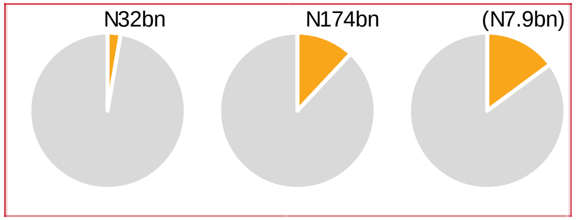
- Over 170,000 Customers
- Loans: N483bn
- Deposit: N638bn
- PBT:N26.9bn



Business Banking Division

- Companies and Small and Medium Enterprises ("SMEs") with annual turnover < N1 billion
- Products tailored to cater to small and other types of fairly unstructured businesses

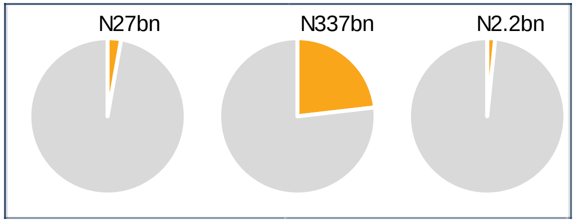
- Over 300,000 Customers
- Loans: N32bn
- Deposit: N174bn
- Loss:N7.9bn



Personal Banking Division

- The division focuses on the following classes of individuals:
  - Affluent professionals
  - Employees in the value chain
  - Informal traders
  - High Net-worth Individuals (HNI)
  - Ultra-High Net-worth Individuals (UHNI)
  - Students
  - Pensioners

- Over 4m Customers
- Loans: N27bn
- Deposit: N337bn
- PBT:N2.2bn



Outline

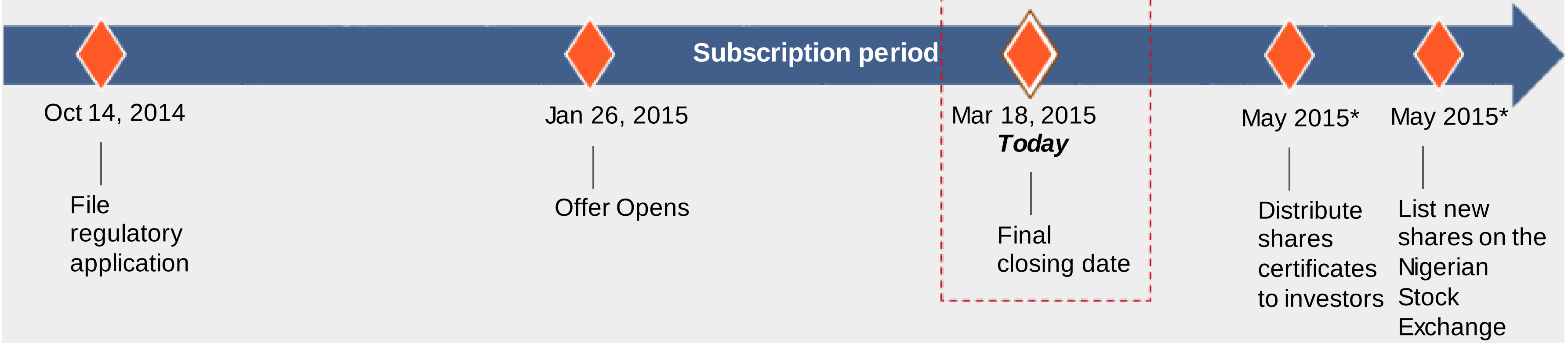
- Overview of Access Bank
- Operating Environment
- FY 2014 Financial Performance Review
- SBU Financial Performance Review
- **Outlook for 2015**

Assessment of 2014 targets

Metrics	2013	2014	2014 Targets	Status	Comments
ROE	15%	17%	20%	🔴	Even though ROE increased by 200bps to 17% in 2014, the bank did not achieve the projected ROE on the account of significant macro & industry specific headwinds in Q4’14
NIM	6%	7%	7%	🟢	The Bank achieved the NIM target of 7% which was driven by improved yield & re-pricing of assets
CIR	73%	62%	65%	🟢	Achieved the CIR target driven by significant revenue uplift and better cost efficiency
Loan growth	33%	39%	20%	🟢	Surpassed the targeted loan growth of 20% largely to top corporates in target sectors largely driven by the utilization of $400m Subordinated note
Deposit growth	11%	9%	25%	🔴	Deposits growth of 9% was limited by regulatory headwinds – hike in CRR, market liquidity tightening

Capital Raise Updates

Rights Issue Size: N52.6bn
Issue price per share: N6.90



Subscription period

Oct 14, 2014 – File regulatory application

Jan 26, 2015 – Offer Opens

Mar 18, 2015 *Today* – Final closing date

May 2015* – Distribute shares certificates to investors

May 2015* – List new shares on the Nigerian Stock Exchange

Tier 1 CAR (post offer): 18%
Total CAR (post offer): 23%

* Planned

2015 Objectives

Solid financial performance

- ROE of 18%
- Net Interest Margin of 7%
- Cost of Fund < 4.5%
- Continued focus on cost optimization as the bank seeks to achieve a CIR of <60% in 2015
- Profitability is expected to be driven by higher yield from assets allocation, increased volume of transaction and self liquidating short term facility to maximize fees

Sustainable and high quality business growth

- Focus on low cost deposits growth of 15% leveraging on the banks enhanced retail segments to improve funding cost and margins
- Achieve a projected loan growth of 10% by focusing on quality assets from the bank's target sector
- NPL below 3%

Enhancing the franchise & competitiveness

- Deploy an omni-channel platform to improve customer experience and access to channels
- Digitally integrate front-to-back processes to reduce transaction times, improve operational efficiency and reduce cost

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