ACCESS BANK PLC

Consolidated financial statements for the year ended 31 March 2008.

Contents

Consolidated balance sheet

As at 31 March

In thousands of Nigerian Naira	*Note*	2008	2007
Assets			
Cash and cash equivalents	17	566,718,251	148,903,870
Trading assets	18	13,793,382	2,466,122
Pledged assets	19	8,730,532	12,363,167
Derivative financial instruments	20	2,452,313	-
Loans and advances to customers	21	256,004,878	111,337,034
Investments in equity accounted investee	23	584,758	257,169
Investment securities	24	140,979,182	30,427,955
Property and equipment	25	14,972,310	8,937,545
Intangible assets	26	375,929	231,812
Other assets	28	29,734,109	12,315,426
Total assets		1,034,345,644	327,240,100
Liabilities			
Deposits from banks	29	69,872,040	65,175,285
Deposits from customers	30	355,389,876	211,314,669
Current tax liabilities		2,659,923	1,751,833
Deferred tax liabilities	27	223,810	748,763
Other liabilities	31	414,247,851	16,272,650
Interest bearing loans and borrowings	32	7,853,332	3,290,749
Debt securities issued	33	12,035,838	-
Total liabilities		862,282,670	298,553,949
Equity			
Share capital and share premium	34	154,118,401	23,766,467
Retained earnings	34	(830,955)	(6,964,999)
Other reserves	34	18,719,391	11,884,683
Total equity attributable to equity holders of the Bank		172,006,837	28,686,151
Minority interest	34	56,137	-
Total equity		172,062,974	28,686,151
Total liabilities and equity		1,034,345,644	327,240,100

The notes on pages 5 to 83 are an integral part of these consolidated financial statements.

Consolidated income statement

For the year ended 31 March *In thousands of Nigerian Naira*	***Note***	**2008**	**2007**
Interest income	8	24,030,296	12,873,997
Interest expense	8	(7,646,845)	(2,332,497)
Net interest income		16,383,451	10,541,500
Net fee and commission income	9	13,569,385	9,444,286
Net trading income	10	8,407,431	4,092,499
Net income from other financial instruments carried at fair value	20	2,452,313	-
Other operating income	11	789,940	791,253
		25,219,069	14,328,038
Operating income		41,602,520	24,869,538
Net reversal of impairment/ (impairment loss on financial assets)	12	1,462,400	(5,752,589)
Personnel expenses	13	(8,361,031)	(3,447,680)
Operating lease expenses		(575,594)	(320,859)
Depreciation and amortisation		(2,176,676)	(1,589,977)
Other operating expenses	14	(12,453,697)	(7,824,040)
		19,497,922	5,934,393
Share of profit of equity accounted investee	23	255,089	183,314
Profit before income tax		19,753,011	6,117,707
Income tax expense	15	(2,590,171)	(1,942,132)
Profit for the period		**17,162,840**	**4,175,575**
Attributable to:			
Equity holders of the Bank		17,191,415	4,175,575
Minority interest	34	(28,575)	-
Profit/(loss) for the period		17,162,840	4,175,575
Earnings per share - basic	16	1.92	0.65
- diluted	16	1.90	0.65

The notes on pages 5 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

For the year ended 31 March *In thousand of Nigerian Naira*	***Note***	**2008**	**2007**
Foreign currency translation differences for foreign operations		(22,709)	-
Fair value (losses)/gains on available-for-sale investments recognized in equity		(770,859)	1,364,894
Taxation on items recognised directly in equity	27	231,258	(409,468)
Net (expense)/income recognised in equity		(562,310)	955,426
Profit for the year		17,162,840	4,175,575
Total recognised income for the year		16,600,530	5,131,001
Attributable to:			
Equity holders of the Bank		16,629,105	5,131,001
Minority interest		(28,575)	-
Total recognised income for the year		16,600,530	5,131,001

The notes on pages 5 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March

In thousand of Nigerian Naira	*Note*	2008	2007
Cash flows from operating activities			
Profit after tax		17,162,840	4,175,575
Adjustments for:			
Taxation expense	15	2,590,171	1,942,132
Depreciation and amortization	*25, 26*	2,176,676	1,589,977
Gain on disposal of property and equipment		(13,332)	(361,056)
Share of profit of equity accounted investee	23	(255,089)	(183,314)
Assets written off	25	1,398	-
Foreign currency translation reserve		(129,013)	-
Impairment on financial assets	*22*	(1,592,979)	5,694,707
		19,940,672	12,858,021
Change in trading assets		(11,327,260)	(2,466,122)
Change in pledged assets		3,632,635	579,976
Change in derivative financial instrument		(2,452,313)	-
Change in loans and advances to customers		(159,215,131)	(68,317,920)
Change in other assets		(17,571,932)	359,240
Change in deposits from banks		4,696,755	47,436,279
Change in deposits from customers		144,075,206	96,773,275
Change in other liabilities and provisions		397,975,202	7,792,208
Change in interest bearing loans and borrowings		4,562,583	1,638,368
Income tax paid		(1,975,776)	(672,386)
Interest received	8	24,030,296	12,873,997
Interest paid	8	(7,646,845)	(2,332,497)
Net cash from operating activities		398,724,092	106,522,439
Cash flows from investing activities			
Net proceeds from sale of investment securities		(112,196,397)	5,247,965
Acquisition of property and equipment	25	(8,155,137)	(5,823,038)
Acquisition of investment in associate	23	(72,500)	(2,500)
Proceeds from the sale of property and equipment		64,432	536,330
Acquisition of intangible assets	26	(252,920)	(92,605)
Net cash used in investing activities		(120,612,522)	(133,848)
Cash flows from financing activities			
Proceeds from issue of share capital	34	130,351,934	-
Debt securities issued	33	12,035,838	-
Dividends paid	34	(2,791,263)	-
Net cash from financing activities		139,596,509	-
Net increase in cash and cash equivalents		417,708,079	106,388,591
Cash and cash equivalents at 1 April		148,903,870	42,502,829
Effect of exchange rate fluctuations on cash held		106,303	12,450
Cash and cash equivalents at 31 March	17	566,718,252	148,903,870

The notes on pages 5 to 83 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Reporting entity

Access Bank Plc ("the Bank" or ''the Company") is a company domiciled in Nigeria. The address of the Bank's registered office is Plot 1665 Oyin Jolayemi street, Victoria Island, Lagos. The consolidated financial statements of the Bank for the year ended 31 March 2008 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in investment, corporate, commercial and retail banking.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared in addition to the Group's statutory financial statements, which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP). These are the Group's first consolidated financial statements prepared in accordance with IFRS, and IFRS 1 *First-time adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 41. This note includes reconciliations of equity and profit or loss for comparative periods reported under Nigerian GAAP (previous GAAP) to those reported for this period under IFRS.

The financial statements were authorised for issue by the directors on 2 April 2009.

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira which is the Bank's functional currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for cash-settled share based payment arrangements are measured at fair value.

Notes to the consolidated financial statements

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 5.

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and in preparing an opening IFRSs balance sheet at 1 April 2006 for purposes of the transition to IFRSs.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the consolidated financial statements

(ii) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further loses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(ii) *Special purpose entities*

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the execution of specific borrowings or lending transactions or the provision of certain benefits to employee. The financial statements of special purpose entities are included in the Group's consolidated financial statements, where the substance of the relationship is that the Group controls the special purpose entity.

(iii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised gains or losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Notes to the consolidated financial statements

(ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at each reporting date. The income and expenses of foreign operations, are translated to Nigerian Naira at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 April 2006, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(c) Interest

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on derivative financial instruments, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial statements and carried at fair value in the income statement.

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Notes to the consolidated financial statements

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Rental income from investment property leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(f) Net income from other financial instruments at fair value

Net income from other financial instruments at fair value relates to non-qualifying financial assets and liabilities designated as at fair value through profit or loss and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income depending on the underlying classification of the equity instrument.

(h) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Notes to the consolidated financial statements

(i) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(j) Financial assets and liabilities

(i) *Recognition*

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) *De-recognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial

Notes to the consolidated financial statements

asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(iii) *Offsetting*

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(iv) *Sale and repurchase agreements*

Securities sold subject to repurchase agreements ('repos') remain on the balance sheet; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

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Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(v) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) *Fair value measurement*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments. For these financial instruments, inputs into models are market observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

(vii) *Identification and measurement of impairment*

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost)

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with similar risk characteristics. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(k) Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

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(l) Trading assets

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(m) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(n) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Investment securities

Investment securities are initially measured at fair value and subsequently accounted for depending on their classification as held for trading, held-to-maturity, or available-for-sale.

Notes to the consolidated financial statements

(i) *Held-to-maturity*

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) *Available-for-sale*

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Gains or losses arising from changes in the fair values of available for sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

(p) Property and equipment

(i) *Recognition and measurement*

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Notes to the consolidated financial statements

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The estimated useful lives for the current and comparative period are as follows:

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	50 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicles	4 years
Capital work in progress	Not depreciated

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) *De-recognition*

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(q) Intangible assets

(i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries.

Acquisitions prior to 1April 2006

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 April 2006, its date of transition to IFRSs. In respect of acquisitions prior to 1 April 2006, goodwill represents the amount recognised under the Group's previous accounting framework, Nigerian GAAP.

Acquisitions on or after 1April 2006

For acquisitions on or after 1 April 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Notes to the consolidated financial statements

Acquisitions of minority interests
Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(ii) *Software*
Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years. This is reassessed annually.

(r) Leased assets – lessee
Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Other leases are operating leases and are not recognised on the Group's balance sheet.

Notes to the consolidated financial statements

(s) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(t) Deposits, debt securities issued

Deposits and debt securities issued are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Notes to the consolidated financial statements

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(u) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(v) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

(w) Employee benefits

(i) *Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

(ii) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the consolidated financial statements

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) *Share-based payment transactions*
The Group operates a cash-settled share based compensation plan (share appreciation rights (SAR)) for its personnel.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(x) Share capital and reserves

(i) *Share issue costs*
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) *Dividend on ordinary shares*
Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

(iii) *Treasury shares*
Where the Bank or any member of the Group purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(iv) *Earnings per share*
The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.
Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Notes to the consolidated financial statements

(y) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(aa) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2010 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). This standard will have no effect on the Group's reported total profit or equity. The impact of presentation of the Group's operating segments under the management approach is currently being determined.

- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements is not expected to have any impact on the consolidated financial statements.

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2010 consolidated financial statements, is not expected to have any impact on the consolidated financial statements.

Notes to the consolidated financial statements

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.

- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

  – The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  – Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  – Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  – Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  – Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

Notes to the consolidated financial statements

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2001 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment

Notes to the consolidated financial statements

4. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management framework

The Group's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation.

The Board of Directors and Management are committed to establishing and sustaining tested practices in risk management at par with leading international banks. For these purposes, the Board has established a centralized Risk Management and Compliance Division, with responsibility to ensure that the risk management processes are implemented in compliance with policies approved by the Board of Directors.

The Board of Directors determines the Bank's goals in terms of risk by issuing a risk policy. The policy both defines acceptable levels of risk for day-to-day operations, as well as the willingness of the Group to incur risk, weighed against the expected rewards. The risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk areas of credit, market, liquidity and operational risks.

The evolving nature of Risk Management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In the light of this, the Group's Enterprise Risk Management Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways:

Notes to the consolidated financial statements

- Continuous self evaluation and monitoring by the Risk Management and Compliance Division in conjunction with Internal Audit; and

- Independent evaluation by external auditors, examiners or consultants.

The Chief Risk and the Chief Compliance Officers have the primary responsibility for risk management and for the review of the ERM Framework. All amendments to the Group's Enterprise Risk Management Framework require Board approval.

The Risk Management division has the responsibility to enforce the risk policy of the Group by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary. To ensure that the decision-making process within the Group is regulated and that the boundaries set by the Board of Directors and regulatory authorities are complied with, Risk Management regularly reviews and reports risk exposures, usage of limits and any special concerns to senior management and the Board of Directors.

The Risk Management Framework is divided into three functional departments: Credit Risk Management, Market Risk Management and Operational Risk Management.

(b) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Extension of credit in the Group is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for creation and management of the risk assets portfolio. The Plan also sets out the roles and responsibilities of different individuals and committees in the credit process.

In recognition of the fact that the Group's main asset is its loan assets portfolio, to maintain and further improve a healthy portfolio it is imperative to scrutinize all applications and weed out potential problem loans during the application phase, as well as constantly monitor the current loan portfolio. While it is not the Group's policy to extend credit only to the best-rated borrowers, it is of the utmost importance that the pricing of credit reflects both the risk and the cost incurred. This means that a detailed assessment of individual customers, their financial positions, and the collateral in question is a pre requisite for granting credit.

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The goal of the Group is to apply sophisticated credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculate capital requirements. The development, implementation and application of these models are guided by the Group's Basel II strategy. The pricing of each credit granted reflect the risk taken.

The Group's credit process requires periodic rigorous review of the quality of the loan portfolio to facilitate early problem recognition and remediation, with a view to keeping specific loan-loss provisions to a minimum by pro-active risk management. The Criticized Assets Committee performs a quarterly review of loans with emerging signs of weakness; the Management Credit Committee performs a quarterly review of the quality of the loan portfolio; and the Board Credit Committee also reviews the loan portfolio on a quarterly basis. These are additional to daily reviews performed by Credit Risk Management.

Credit Process

The Group's credit process starts with credit initiation at the level of the relationship manager, through approval by applicable credit approval authority and finally to loan management. The process is replicated at the Head Office and in the subsidiaries. The highest authority in the credit process is the Board of Directors, supported by the Board Credit Committee and the Management Credit Committee in that order. Individuals are also assigned credit approval authorities in line with the Bank's criteria for such delegation set out in its Credit Risk and Portfolio Management Plan. The principle of central management of risk and decision authority is maintained by having the subsidiarys' CEO as a member of the Management Credit Committee at each subsidiary. The maximum amount of credit that may be approved at each subsidiary is also limited, with amounts above that limit being approved at the Head Office.

This structure gives the Group the possibility to incorporate much needed local expertise, but at the same time manage risk on a global level. Local credit committees of the Bank's subsidiaries are thus able to grant credits, but the sum total of the exposure of the applicant and financially related counterparties is limited, most commonly by the subsidiary's capital. All applications that would lead to exposures exceeding the set limit are referred to the appropriate approval authority in the Head Office.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analyzed in greater detail by the account manager, with further detailed review by Credit Risk Management. The concurrence of Credit Risk Management must be obtained for any credit extension. If it passes the detailed analysis it is then submitted to the appropriate approval authority for the size of facilities.

Notes to the consolidated financial statements

The standard credit evaluation process is based both on quantitative figures from the financial statements and on an array of qualitative factors. In this case, factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the company in question and its management.

The credit rating of the counterparty plays a fundamental role in the final decision of the committee as well as in the terms offered for successful loan applications. If the client accepts the terms offered, then the loan becomes part of the loan portfolio, where long-term monitoring takes place with regard to limits and the credit quality of the client. In particular, the client is re-rated using the standard credit rating at least once a year. The loan is placed under special credit monitoring if weakened credit quality or other signs become evident, such as breach of loan covenants or a missed payment. If conditions improve the loan may be removed from the special monitoring, but in some cases the loan may eventually end in foreclosure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Exposure to credit risk

		Loans and advances to customers		**Investment securities**	
In thousands of Nigerian Naira	***Note***	**2008**	**2007**	**2008**	**2007**
Carrying amount	21,24	256,004,878	111,337,034	140,979,181	30,427,955
Individually impaired					
Grade 6: Impaired		4,093,473	7,594,171	491,188	491,188
Gross amount		4,093,473	7,594,171	491,188	491,188
Allowance for impairment		(3,226,248)	(7,017,596)	(162,580)	(157,355)
Carrying amount		867,225	576,575	328,608	333,833
Collectively impaired					
Grade 1-3: Low-fair risk		180,247,239	87,516,005	-	-
Grade 4: Watch list		762,795	920,067	-	-
Grade 5-6: Impaired		4,528,345	1,596,307	-	-
Gross amount		185,538,379	90,032,379	-	-
Allowance for impairment		(821,317)	(1,401,113)	-	-
Carrying amount		184,717,062	88,631,266	-	-
Neither past due nor impaired					
Grade 1-3: Low-fair risk		70,420,591	22,129,193	140,650,573	30,094,122
Carrying amount		70,420,591	22,129,193	140,650,573	30,094,122
Total Carrying amount	21,24	256,004,878	111,337,034	140,979,181	30,427,955

Notes to the consolidated financial statements

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and graded 6 in the Group's internal credit risk grading system.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Credit determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets.

	Loans and advances to customers		**Investment securities**	
In thousands of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**
31 March 2008				
Grade 6: Individually impaired	4,093,473	867,225	491,188	328,608
31 March 2007				
Grade 6: Individually impaired	7,594,171	576,575	491,188	333,833

Notes to the consolidated financial statements

Credit Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2008.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans and advances to customers		**Investment securities**	
In thousands of Nigerian Naira	**2008**	**2007**	**2008**	**2007**
Against individually impaired				
Property	1,390,950	978,150	-	-
Others	424,500	175,000	-	-
Against collectively impaired				
Property	145,546,468	26,137,598	-	-
Debt securities	4,044,800	349,895	-	-
Equities	22,949,911	1,648,977	-	-
Others	51,192,866	12,324,598	-	-
Against neither past due nor impaired				
Property	17,309,732	50,823,873	-	-
Debt securities	205,791	820,973	-	-
Equities	716,000	2,081,000	-	-
Others	10,117,623	3,367,863	-	-
Total	253,898,641	98,707,927	-	-

Notes to the consolidated financial statements

(vi) Credit Concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances to customers		Investment securities	
In thousands of Nigerian Naira	**2008**	**2007**	**2008**	**2007**
Carrying amount	256,004,878	111,337,034	140,979,182	30,427,955
Concentration by sector				
Corporate	248,447,276	108,652,600	140,979,182	30,427,955
Retail	7,557,602	2,684,434	-	-
	256,004,878	111,337,034	140,979,182	30,427,955
Concentration by location				
Nigeria	254,754,266	111,337,034	139,968,294	30,221,425
Rest of Africa	1,250,612	-	1,010,888	206,530
	256,004,878	111,337,034	140,979,182	30,427,955

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between the Group's assets and liabilities.

The Group monitors the cumulative gap as a + or – 20% of the total Risk Assets and the gap as a + or – 20% of total deposit liabilities.

Active management of liquidity through the framework of limits and control presented above is only possible with proper monitoring capabilities. The monitoring process focuses on funding portfolios,

Notes to the consolidated financial statements

the forward Balance Sheet and general indicators. Where relevant, information and data are compared against limits that have been established.

The Group Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by Risk Management.

Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Group. Other general indicators are monitored in the marketplace, including credit spreads, credit default swap spreads, credit rating watch status and market news. Liquidity risk is reported to the Board of Directors on a quarterly basis.

Contingency funding plan

The Group monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. To monitor liquidity and funding, the Group Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations. The worksheet is an integral component of the contingency funding plan. Although it is unlikely that a funding crisis of any significant degree could materialize, it is important to evaluate this risk and formulate contingency plans should one occur. Both short term and long-term funding crises are addressed in the contingency funding plan.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator (The Central Bank of Nigeria).

Details of the reported Group ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	2008	**2007**
At 31 March	162%	54%
Average for the period	75%	49%
Maximum for the period	171%	74%
Minimum for the period	40%	40%

Notes to the consolidated financial statements

(iii) Residual contractual maturities of financial liabilities

The table shows the undiscounted cash flows on the Group's financial liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

In thousands of Nigerian Naira	***Note***	**Carrying amount**	**Gross nominal inflow /(outflow)**	**Less than 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**
31 March 2008								
Deposit from banks	29	69,872,040	70,498,915	46,444,244	11,877,556	12,177,115	-	-
Deposits from customers	30	355,389,876	357,020,423	276,931,155	73,691,733	703,011	321,399	5,373,125
Interest bearing loans and borrowings	32	7,853,332	7,974,354	-	-	-	-	7,974,354
Debt securities issued	33	12,035,838	14,039,457	-	-	3,825,491	3,612,400	6,601,566
		445,151,086	449,533,149	323,375,399	85,569,289	16,705,617	3,933,799	19,949,045
31 March 2007								
Deposits from banks	29	65,175,285	66,401,271	66,401,271	-	-	-	-
Deposits from customers	30	211,314,669	212,044,831	159,784,535	51,212,134	931,013	117,149	-
Interest bearing loans and borrowings	32	3,290,749	4,308,937	-	-	-	-	4,308,937
		279,780,703	282,755,039	226,185,806	51,212,134	931,013	117,149	4,308,937

Notes to the consolidated financial statements

Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. Broadly speaking, the Group concerns itself with three main components under market risk:

- Equity price risk is the risk loss due to adverse change in equity market prices.
- Interest rate risk is the risk that the financial value of the Group's assets and liabilities will be altered by fluctuations in interest rate
- Foreign exchange risk is the risk of loss due to adverse changes in foreign exchange rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market Risk Policy, Management & Control

The Group's strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk. The main type of market risk are the price risk of listed and unlisted securities, both stocks and bonds, interest rate risk, currency risk or other market variables influenced by market forces.

The investments are usually made with the strategy of the Group in mind and primarily in financial service companies.

The Group's Risk Management keeps firm track of the market risk embedded in market investments at the Group level and monitors the total estimated market risk against the market risk limits set by the Bank's Board of Directors. All derivative positions need prior approval from the Risk Management division.

Each trading unit within the Group adheres to the general rules set out by the Board of Directors. Moreover, each trading unit has its own set of working procedures and rules that further specify their targets, limits and scope in trading.

The position limits, or any changes to them, are proposed by the Group's Head of Treasury and then accepted by the Group's Head of Risk Management and reviewed by the Group's Chief Executive Officer who has a say in limit decisions. The size of each position limit is based on, among other factors, underlying liquidity, the Group's risk appetite as well as legal limitations on individual positions imposed by authorities in Nigeria.

Notes to the consolidated financial statements

Measurement Methods

Risk measures are generated by proprietary systems that utilize the counterparty, market data and trade databases generated and used by the Group's trade systems. Additionally, the risk management systems are enhanced by various third party solutions. The models employed in evaluating these measures include position-based models, volatility-based models, i.e. based on the volatility of market variables and their related covariance, and scenario-based models, i.e. the frequency of a severe loss estimated by repeating random scenarios with certain statistical properties that have, in most cases, been estimated from historical data.

All trades and intraday profit or loss are reported continuously to the Group's Chief Risk Officer through a position-monitoring system. Intraday positions in different trading units within the Group are monitored, and the Group Chief Risk Officer is alerted if any deviations or exceptions are observed. The Group's Risk Management division sends a daily report on profit and loss and turnover to the Group Chief Risk Officer, the Head of Trading and the Group's Chief Executive Officer.

The Group's market risk management division sends a monthly risk assessment report to the Head of Trading, the Group's Chief Executive Officer, and the Bank's Board of Directors, which details volatility-based, and scenario-based measures such as stress tests based on current exposures.

Interest Rate Risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rated assets and liabilities, the Group is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and 90 day NIBOR and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies. Interest-rate risk is monitored centrally with duration report and yield-curve stress tests for each currency. This shows interest rate risk by currency and maturity. Trading interest rate risk refers to exposures on the trading book where positions are marked-to-market and profit or loss is recognized immediately, while banking interest rate risk refers to exposure on the banking book where profit or loss is realized over the lifetime of the exposure.

Notes to the consolidated financial statements

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Assets and Liabilities Management Committee is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

Notes to the consolidated financial statements

4. Financial risk management (continued)

Market Risks

			Repricing period				
In thousands of Nigerian Naira	***Note***	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**
31 March 2008							
Cash and cash equivalents	17	566,718,251	407,796,228	68,339,567	34,715,221	55,867,235	-
Loans and advances to customers	21	256,004,878	89,414,385	73,448,153	24,617,486	17,838,679	50,686,175
Investment securities	24	140,979,182	32,134,181	18,701,715	19,044,179	9,380,639	61,718,468
Trading assets		13,793,382	1,455,080	5,555,859	1,735,730	2,796,927	2,249,786
		977,495,693	530,799,874	166,045,294	80,112,616	85,883,480	114,654,429
Deposits from banks	29	69,872,040	46,444,244	5,966,296	5,811,500	11,650,000	-
Deposits from customers	30	355,389,876	215,916,069	132,262,068	1,267,765	576,849	5,367,125
Other borrowed Funds	32	7,853,332	-	-	-	-	7,853,332
Debt securities issued	33	12,035,838	-	-	-	-	12,035,838
		445,151,086	262,360,313	138,288,364	7,079,265	12,226,849	25,256,295
31 March 2007							
Cash and cash equivalents	17	148,903,870	148,903,870	-	-	-	-
Loans and advances to customers	21	111,337,034	64,678,700	21,644,290	4,245,438	4,990,167	15,778,439
Investment securities		30,427,955	3,617,445	12,530,413	8,749,303	5,530,794	-
Trading assets		2,466,122	2,466,122	-	-	-	-
		293,134,981	219,666,137	34,174,703	12,994,741	10,520,961	15,778,439
Deposits from banks	29	65,175,285	65,175,285	-	-	-	-
Deposits from customers	30	211,314,669	159,234,328	51,035,788	927,807	116,746	-
Other borrowed funds	32	3,290,749	-	-	-	-	3,290,749
		279,780,703	224,409,613	51,035,788	927,807	116,746	3,290,749

Notes to the consolidated financial statements

Exposure to other market risks – non-trading portfolios (continued)
The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

Exposure to market risks – trading portfolios
The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to.

Foreign exchange risk
The Bank's foreign exchange risk is considered at a Group level since an effective overview of such risk is a critical element of the Group's asset/liability risk management. The Board of directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in foreign currency.

The net total currency balance should not exceed 20% of the capital base, which is also a requirement of the Central Bank of Nigeria.

Notes to the consolidated financial statements

Foreign currency risk.

Foreign currency concentrations risk as at 31 March 2008

	US Dollar N'000	Euro N'000	Pound N'000	Naira N'000	Others N'000	Total N'000
Cash and balances with central banks	12,054,306	1,681,696	1,206,347	549,431,266	2,344,636	566,718,251
Loans and advances to customers	72,807,590	183,820	-	181,759,557	1,253,911	256,004,878
Trading assets	-	-	-	13,779,477	13,905	13,793,382
Derivative financial instruments	-	-	-	2,452,313	-	2,452,313
Investment securities	-	-	-	139,968,294	1,010,888	140,979,182
Investment in associates investee	-	-	-	584,758	-	584,758
Pledged assets	-	-	-	8,730,532	-	8,730,532
Other assets	-	-	-	25,739,009	3,995,100	29,734,109
Total financial assets	84,861,896	1,865,516	1,206,347	922,445,206	8,618,440	1,018,997,405
Deposits from banks	43,216,907	1,232,626	33,627	11,650,710	13,738,170	69,872,040
Deposit from customers	3,843,296	888,256	374,407	350,129,005	154,912	355,389,876
Other borrowed funds	-	7,853,332	-	-	-	7,853,332
Debt securities issued	12,035,838	-	-	-	-	12,035,838
Other liabilities	-	-	-	414,247,543	308	414,247,851
Total financial liabilities	59,096,041	9,974,214	408,034	776,027,258	13,893,390	859,398,937

Notes to the consolidated financial statements

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. The Group's definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks. Major sources of operational risk include: operational processes, information technology challenges, outsourcing activities, service providers, strategic framework, mergers and acquisitions, fraud and forgery, regulatory compliance, social and environmental factors.

The Group's operational risk strategy is to minimize the impact that operational risk can have on shareholders' value. The Group's strategy is to:

- reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings;
- minimize the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Group's long term growth, cash flow management and balance sheet protection; and
- eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

Managing Operational Risk

In order to create and promote a culture that emphasizes effective operational management and adherence to operating controls, there are three distinct levels of operational risk governance structure in Group.

Level 1 refers to the oversight function carried out by the Board of Directors, Board Risk Committee and the Executive Management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.

Level 2 refers to the management function carried out by Operational Risk Management Group. It has direct responsibility for formulating and implementing the Group's operational risk management framework including methodologies, policies and procedures approved by the Board.

Level 3 refers to the operational function carried out by all Business Units and Support Functions in the Group. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks.

Notes to the consolidated financial statements

Internal audit provides independent assessment and evaluation of the Group's Operational Risk Management Framework. This periodic confirmation of the existence and utilization of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Group's Operational Risk Management Framework.

Capital management

Regulatory capital
In all the countries where Access Bank operates, banks are required to hold a minimum capital level determined by the regulators. Access Bank and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Group as a whole.

In implementing current capital requirements, Central Bank of Nigeria requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

  The qualifying tier 2 capital cannot exceed tier 1 capital; there also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

  Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

  The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain

Notes to the consolidated financial statements

a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

In thousands of Nigeria naira	*Note*	**2008**	**2007**
Tier 1 capital			
Ordinary share capital	*34*	8,071,252	3,489,081
Share premium	*34*	146,047,149	20,277,386
Retained earnings	*34*	(830,955)	(6,964,999)
Other reserves		18,719,391	11,884,683
Minority interests	*34*	56,137	-
Shareholders' fund		172,062,974	28,686,151
Less:			
Fair value reserve on available-for-sale securities	34	383,896	923,497
Intangible assets	*26*	375,929	231,812
Total Tier 1 Capital		171,303,149	27,530,842
Tier 2 capital			
Fair value reserve for available for sale securities	34	383,896	923,497
Collective allowances for impairment	*22*	1,866,228	4,215,660
Total		2,250,124	5,139,157
Total regulatory capital		**173,553,273**	**32,669,999**
Risk-weighted assets		**506,011,562**	**184,954,917**
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		34.30%	17.66%
Total tier 1 capital expressed as a percentage of risk-weighted assets		33.85%	14.89%

Notes to the consolidated financial statements

Capital allocation
The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

5. Use of estimates and judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(j)(vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance,

Notes to the consolidated financial statements

assumptions are made to define the way interest losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3(j)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The fair value of share appreciation rights is measured by estimating the potential liability of the scheme. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification
The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(l).

- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 7.

Notes to the consolidated financial statements

Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets, excluding goodwill
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Notes to the consolidated financial statements

6 Segment reporting

Segment information is presented in respect of the Group's business segments which represents the primary segment reporting format and is based on the Group's management and reporting structure. Business segments charge and earn interest among one another on a transfer pricing arrangement to reflect the allocation of assets and liabilities.

Business segments

The Group operates the following main business segments:

Institutional Banking – The Institutional Banking Group provides bespoke comprehensive banking products and services to highly structured corporate organizations to meet the needs of this segment of the Group's customers.

Commercial Banking – The Commercial Banking Group has presence in all major cities in Nigeria. It provides commercial banking products and services to the middle and retail segments of the market.

Investment Banking – The Investment Banking Group provide innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers. The group is also responsible for formulation and implementation of financial market products for the Group's customers.

Geographical segments

The Group operates in two geographical regions being:

- Nigeria
- Rest of Africa

Notes to the consolidated financials statements
Business reporting
(a) Business segments

2008	**Institutional banking N'000**	**Commercial banking N'000**	**Investment banking N'000**	**Total N'000**
Revenue:				
Derived from external customers	22,908,008	19,988,682	6,607,764	49,504,454
Derived from other business segments	(2,919,555)	2,439,807	479,748	-
Total revenue	**19,988,453**	**22,428,489**	**7,087,512**	**49,504,454**
Interest expenses	(3,452,761)	(3,362,238)	(831,846)	(7,646,845)
	16,535,692	**19,066,251**	**6,255,666**	**41,857,609**
Expense:				
Operating expenses	7,871,267	11,216,635	2,302,420	21,390,322
Loan loss expenses	(434,886)	(1,027,514)	-	(1,462,400)
Depreciation and amortisation	430,916	1,705,731	40,029	2,176,676
Total cost	**7,867,297**	**11,894,852**	**2,342,449**	**22,104,598**
Segment results	**8,668,395**	**7,171,399**	**3,913,217**	**19,753,011**
Assets and liabilities:				
Total assets	432,357,039	513,927,978	88,060,627	1,034,345,644
Total liabilities	(335,876,684)	(468,121,107)	(58,284,879)	(862,282,670)
Net assets	**96,480,355**	**45,806,871**	**29,775,748**	**172,062,974**
Capital expenditure				

Notes to the consolidated financials statements

(a) Business segments (continued)

2007	Institutional banking N'000	Commercial banking N'000	Investment banking N'000	Total N'000
Revenue:				
Derived from external customers	14,485,681	9,439,725	3,459,943	27,385,349
Derived from other business segments	(3,010,527)	2,883,349	127,178	-
Total segment revenue	**11,475,154**	**12,323,074**	**3,587,121**	**27,385,349**
Interest expenses	(1,021,278)	(898,644)	(412,575)	(2,332,497)
	10,453,876	**11,424,430**	**3,174,546**	**25,052,852**
Expense:				
Operating expenses	3,780,544	6,705,843	1,106,192	11,592,579
Impairment on loans and advances	4,569,567	1,181,350	1,672	5,752,589
Depreciation and amortisation	614,249	948,788	26,940	1,589,977
Total segment cost	**8,964,360**	**8,835,981**	**1,134,804**	**18,935,145**
Segment results	**1,489,516**	**2,588,449**	**2,039,742**	**6,117,707**
Assets and liabilities:				
Total assets	106,501,714	134,506,007	86,232,379	327,240,100
Total liabilities	(96,324,210)	(121,127,136)	(81,102,603)	(298,553,949)
Net assets	**10,177,504**	**13,378,871**	**5,129,776**	**28,686,151**
Capital expenditure				

Notes to the consolidated financial statements

(b) Geographical segments:

2008	**Nigeria N'000**	**Rest of Africa N'000**	**Total N'000**
External revenue	49,188,372	316,082	49,504,454
Total assets	1,030,572,544	3,773,100	1,034,345,644
Capital expenditure	7,363,984	791,153	8,155,137
2007			
External revenue	27,385,349	-	27,385,349
Total assets	327,240,100	-	327,240,100
Capital expenditure	4,576,094	-	4,576,094

Notes to the consolidated financial statements

7. Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

In thousands of Nigerian Naira	*Note*	Trading	Derivative	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 March 2008									
Cash and cash equivalents	17	-	-	-	-	-	566,718,251	566,718,251	563,923,094
Trading assets		13,793,382	-	-	-	-	-	13,793,382	13,793,382
Pledged assets	19	-	-	8,730,532	-	-	-	8,730,532	8,730,532
Derivative financial instruments		-	2,452,313	-	-	-	-	2,452,313	2,452,313
Loans and advances to customers	21	-	-	-	256,004,878	-	-	256,004,878	250,351,196
Investment securities	24	-	-	54,359,517	-	86,619,665	-	140,979,182	150,083,401
		13,793,382	2,452,313	63,090,049	256,004,878	86,619,665	566,718,251	988,678,538	989,333,918
Deposits from banks	29	-	-	-	-	-	69,872,040	69,872,040	69,916,198
Deposits from customers	30	-	-	-	-	-	355,389,876	355,389,876	358,275,513
Other borrowed funds	32	-	-	-	-	-	7,853,332	7,853,332	7,974,354
Debt securities issued	33	-	-	-	-	-	12,035,838	12,035,838	14,039,457
		-	-	-	-	-	445,151,086	445,151,086	450,205,522
31 March 2007									
Cash and cash equivalents	17	-	-	-	-	-	148,903,870	148,903,870	148,119,321
Trading assets		2,466,122	-	-	-	-	-	2,466,122	2,466,122
Pledged assets	19	-	-	12,363,167	-	-	-	12,363,167	12,930,975
Loans and advances to customers	21	-	-	-	111,337,034	-	-	111,337,034	111,490,378
Investment securities	24	-	-	24,953,546	-	5,474,409	-	30,427,955	31,182,954
		2,466,122	-	37,316,713	111,337,034	5,474,409	148,903,870	305,498,148	306,189,750
Deposits from banks	29	-	-	-	-	-	65,175,285	65,175,285	65,143,880
Deposits from customers	30	-	-	-	-	-	211,314,669	211,314,669	212,318,555
Other borrowed funds	32	-	-	-	-	-	3,290,749	3,290,749	3,289,458
		-	-	-	-	-	279,780,703	279,780,703	280,751,893

Notes to the consolidated financial statements

8. Net interest income

In thousands of Nigerian Naira	**2008**	**2007**
Interest income		
Cash and cash equivalents	1,555,660	184,765
Loans and advances to banks and customers	22,474,636	12,689,232
Total interest income	24,030,296	12,873,997
Interest expense		
Deposits from banks	1,555,485	41,804
Deposits from customers	2,553,130	1,958,343
Other borrowed funds	1,071,429	332,350
Debt securities issued	2,466,801	-
Total interest expense	7,646,845	2,332,497

Interest income for the year ended 31 March 2008 includes N1,759,640 (2007: N2,454,333) accrued on financial assets which has been impaired.

9. Fees and commission income

In thousands of Nigerian Naira	**2008**	**2007**
Fee and commission income		
Corporate banking credit related fees & commissions	6,342,394	5,011,228
Other fees and charges	7,226,991	4,433,058
Total fee and commission income	13,569,385	9,444,286

Corporate banking credit related fees and commissions are charged to corporate customers. They exclude any other fees used in calculating the adjusted effective interest rate on the principal facility to which they were charged.

Notes to the consolidated financial statements

10. Net trading income

In thousands of Nigerian Naira	**2008**	**2007**
Fixed income securities	8,497,519	3,474,436
Foreign exchange	(90,088)	618,063
	8,407,431	4,092,499

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

11. Other operating income

In thousands of Nigerian Naira	**2008**	**2007**
Dividends on available-for-sale equity securities	228,450	191,447
Rental income	456,791	150,475
Others	104,699	449,331
	789,940	791,253

12. (Net reversal of impairment)/impairment loss on financial assets

In thousands of Nigerian Naira	**2008**	**2007**
(Net reversal of impairment)/impairment losses on loans and advances		
-specific impairment	513,268	2,073,510
-portfolio impairment	(2,349,432)	3,464,644
Impairment loss on available for sale assets	5,225	22,626
Impairment loss on other assets	237,961	133,927
Impairment loss on bank balances	130,578	57,882
	(1,462,400)	5,752,589

13. Personnel expenses

In thousands of Nigerian Naira	**2008**	**2007**
Wages and salaries	4,019,559	2,093,318
Contributions to defined contribution plans	97,626	52,509
Cash-settled share based payments	2,794,160	(46,238)
Other staff costs	1,449,686	1,348,091
	8,361,031	3,447,680

Notes to the consolidated financial statements

13. Personnel expenses (continued)

Cash settled share-based payments

The Bank operates a Staff Investment Trust (SIT) scheme which is a cash-settled share based compensation plan (share appreciation rights (SARs) for its personnel. Eligible employees have the option to join the scheme and are then allotted shares based on the net asset value of the scheme. The personnel are entitled to share appreciation rights after spending five years in the Bank. On exit from the service of the Bank, the Bank has the right to purchase these shares from the employees. The amount of the cash payment is determined based on the term of the scheme as follow:

Years as eligible employee	*Cash payments*
Less than five years	Net asset value
More than five years	Higher of market price and Net asset value at the time of leaving the scheme.

Details of SARs granted at the balance sheet date to its key personnel are provided below:

In thousands	Number of shares	
	2008	**2007**
SARs granted to senior management employees	147,472	10,897

In thousands of Nigerian Naira	**2008**	**2007**
Expense arising from SARs granted	2,218,285	17,363
Liabilities for cash-settled share based payments	2,335,908	117,623

14. Other operating expenses

In thousands of Nigerian Naira	**2008**	**2007**
Other premises and equipment costs	798,866	508,529
Insurance	1,301,911	727,717
Professional fees	1,105,592	608,429
Travelling	596,594	389,378
General administrative expenses	8,650,734	5,589,987
	12,453,697	7,824,040

Notes to the consolidated financial statements

15. Income tax expense
Recognised in the income statement

In thousands of Nigerian Naira	**2008**	**2007**
Current tax expense		
Current year	2,659,924	1,725,110
Prior years under-provision	223,942	-
	2,883,866	1,725,110
Deferred tax expense		
Origination and reversal of temporary differences	(293,695)	217,022
Total income tax expense	2,590,171	1,942,132

Reconciliation of effective tax rate

In thousands of Nigerian Naira		**2008**		**2007**
Profit before income tax		19,753,011		6,117,707
Income tax using the domestic corporation tax rate	30.0%	5,925,903	30.0%	1,835,312
Non-deductible expenses	1.5%	290,944	20.0%	1,216,564
Education tax levy	1.3%	248,844	2.7%	162,891
Capital gains tax	-	-	0.6%	33,453
Investment allowance	(0.5)%	(99,221)	(0.5)%	(29,068)
Tax exempt income	(20.3)%	(4,000,241)	(21.0)%	(1,277,020)
Prior year under provision	1.1%	223,942	-	-
Total income tax expense in income statement	13.1%	2,590,171	(31.8)%	1,942,132

Income tax recognised directly in equity

In thousands of Nigerian Naira		**2008**	**2007**
Available-for-sale securities	27	(231,258)	409,468

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2008 was based on the profit attributable to ordinary shareholders of ₦17,162,840,000 (2007: ₦4,175,575,000) and weighted average number of ordinary shares outstanding during the year ended 31 March 2008 of 8,956,782,000 (2007: 6,453,645,000).

Weighted average number of ordinary shares

	Number of ordinary shares	
In thousands of Nigerian Naira	**2008**	**2007**
Issued ordinary shares as at 1 April	6,978,162	13,956,322
Share reconstruction	-	(6,978,160)
Weighted effect of shares issued during the year	2,291,084	-
Effect of share based payments	(312,464)	(524,517)
Weighted average number of ordinary shares	8,956,782	6,453,645

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2008 was based on the profit attributable to ordinary shareholders of ₦17,162,840,000 (2007: ₦4,175,575,000) and weighted average number of ordinary shares outstanding after adjusting for the effect of all dilutive potential ordinary shares of 9,035,776 (2007: Nil), calculated as follow:

Weighted average number of ordinary shares (diluted)

	Number of ordinary shares	
In thousands of Nigerian Naira	**2008**	**2007**
Weighted average number of ordinary shares (basis)	8,956,782	6,453,645
Effect of convertible debt securities issued	78,994	-
Weighted average number of ordinary shares (diluted)	9,035,776	6,453,645

Notes to the consolidated financial statements

17. Cash and cash equivalents

In thousands of Nigerian Naira	**2008**	**2007**
Cash and balances with banks	362,725,124	23,803,569
Unrestricted balances with central bank	9,352,988	22,825,290
Money market placements	194,640,139	102,275,011
	566,718,251	148,903,870

18. Trading assets

In thousands of Nigerian Naira	**2008**	**2007**
Government bonds	2,249,786	2,466,122
Treasury bills	11,543,596	-
	13,793,382	2,466,122

19. Pledged assets

Financial assets that may be repledged or resold by counterparties

In thousands of Nigerian Naira	**2008**	**2007**
Treasury bills	8,730,532	12,363,167
	8,730,532	12,363,167

These transactions have been conducted under terms that are usual and customary to standard lending and securities borrowing activities. There were no financial assets pledged as collateral for liabilities.

20. Derivative financial instruments

In thousands of Nigerian Naira	**2008**	**2007**
Forward exchange contract		
Forward exchange assets	14,039,420	-
Forward exchange liability	(11,623,000)	-
Fair value gain	2,416,420	-
Cross currency swap		
Swap assets	11,562,172	-
Swap liability	(11,526,279)	-
Fair value gain	35,893	-
Net income from other financial instrument carried at fair value		
Forward exchange contract	2,416,420	-
Cross currency swap	35,893	-
Forward exchange contract	2,452,313	-

Notes to the consolidated financial statements

21. Loans and advances to customers

In thousands of Nigerian Naira

2008

	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	7,711,358	(156,777)	(45,143)	(201,920)	7,509,438
Loans to corporate entities and other organizations	252,341,085	(3,069,471)	(776,174)	(3,845,645)	248,495,440
	260,052,443	(2,181,337)	(1,866,228)	(4,047,565)	256,004,878

In thousands of Nigerian Naira

2007

	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	3,405,197	(716,957)	(30,709)	(747,666)	2,657,531
Loans to corporate entities and other organizations	116,350,546	(6,300,639)	(1,370,404)	(7,671,043)	108,679,503
	119,755,743	(7,017,596)	(1,401,113)	(8,418,709)	111,337,034

22. Impairment allowance on loans and advances to customers

In thousands of Nigerian Naira	2008	2007
Specific impairment		
Balance at 1 April	(7,017,596)	(2,134,118)
Impairment loss for the year:		
Reversal/(charge) for the year	1,256,369	(4,888,057)
Write-offs	2,534,980	4,579
Balance at 31 March	(3,226,248)	(7,017,596)
Portfolio impairment		
Balance at 1 April	(1,401,113)	(751,016)
Impairment loss for the year:		
Reversal/(Charge) for the year	579,796	(650,097)
Balance at 31 March	(821,317)	(1,401,113)

Notes to the consolidated financial statements

23. Investment in equity accounted investee

In thousands of Nigerian Naira	**2008**	**2007**
(a) Cost		
Balance, beginning of year	72,500	70,000
Additional investment during the year	72,500	2,500
Balance, end of year	145,000	72,500
Share of profit in equity accounted investee		
Balance, beginning of year	184,669	1,355
Share of profit for the year	255,089	183,314
Balance, end of year	439,758	184,669
Net investment	584,758	257,169

This represents the Group's 29% (2007: 29%) equity investment in Marina Securities Limited.

(b) A summary of financial information for Marina Securities Limited, not adjusted for the percentage ownership held by the Group is as follows:

Year	2008	2007
Ownership	29%	29%
Current assets	13,052,366	15,535,145
Non-current assets	686,058	464,165
Total assets	13,788,424	15,990,310
Current liabilities	11,296,854	14,754,464
Non-current liabilities	459,007	348,985
Total liabilities	11,755,861	15,103,449
Revenue	2,709,063	1,659,233
Expenses	1,401,311	808,517
Profit	1,307,752	850,716
Tax	(428,135)	(218,600)
Profit after tax	879,617	632,116

Notes to the consolidated financial statements

24. Investment securities

In thousands of Nigerian Naira	**2008**	**2007**
Investment securities	140,979,182	30,427,955
Available-for-sale investment securities comprise:		
Treasury bills	79,259,076	-
Equity	7,523,169	2,449,763
Less: specific allowance impairment	(162,580)	(157,355)
	86,619,665	2,292,408
Held to maturity investment securities comprise:		
Treasury bills	3,278,254	24,871,846
Bonds	51,081,263	3,263,701
	54,359,517	28,135,547

Specific allowance for impairment

In thousands of Nigerian Naira	**2008**	**2007**
Balance at 1 April	(157,355)	(134,729)
Charge for the year	(5,225)	(22,626)
Balance at 31 March	(162,580)	(157,355)

Notes to the consolidated financial statements

25. Property and equipment

In thousands of Nigerian Naira	**Buildings**	**Furniture & Equipment**	**Motor vehicles**	**Work in Progress**	**Total**
Cost					
Balance at 1 April 2006	1,523,523	5,967,785	1,546,414	604,518	9,642,240
Additions	2,372,027	1,338,938	865,129	1,246,944	5,823,038
Disposals	(125,441)	(92,810)	(288,969)	-	(507,220)
Transfers	73,071	30,525	6,820	(110,416)	-
Balance at 31 March 2007	3,843,180	7,244,438	2,129,394	1,741,046	14,958,058
Balance at 1 April 2007	3,843,180	7,244,438	2,129,394	1,741,046	14,958,058
Additions	1,394,228	3,371,034	1,424,276	1,965,599	8,155,137
Disposals	-	-	(142,008)	-	(142,008)
Transfers	120,541	64,528	4,660	(189,729)	-
Write offs	-	(1,398)	-	-	(1,398)
Balance at 31 March 2008	5,357,949	10,678,602	3,416,322	3,516,916	22,969,789
Depreciation and impairment losses					
Balance at 1 April 2006	359,399	3,701,498	772,280	-	4,833,177
Charge for the year	136,487	969,880	412,915	-	1,519,282
Disposals	(19,928)	(78,901)	(233,117)	-	(331,946)
Balance at 31 March 2007	475,958	4,592,477	952,078	-	6,020,513

Notes to the consolidated financial statements

Depreciation and impairment losses					
Balance at 1 April 2007	475,958	4,592,477	952,078	-	6,020,513
Charge for the year	157,256	1,310,079	600,538	-	2,067,873
Disposals	-	-	(90,892)	-	(90,892)
Write offs	-	(15)	-	-	(15)
Balance at 31 March 2008	633,214	5,902,541	1,461,724	-	7,997,479
Carrying amounts					
Balance at 31 March 2006	1,164,124	2,266,287	774,134	604,518	4,809,063
Balance at 31 March 2007	3,367,222	2,651,961	1,177,316	1,741,046	8,937,545
Balance at 31 March 2008	4,724,735	4,776,061	1,954,598	3,516,916	14,972,310

Notes to the consolidated financial statements

26. Intangible assets

In thousands of Nigerian Naira

	Purchased software
Cost	
Balance at 1 April 2006	537,029
Additions	92,605
Balance at 31 March 2007	629,634
Balance at 1 April 2007	629,634
Additions	252,920
Balance at 31 March 2008	882,554
Amortization	
Balance at 1 April 2006	327,127
Amortisation for the period	70,695
Balance at 31 March 2007	397,822
Balance at 1 April 2007	397,822
Amortisation for the period	108,803
Balance at 31 March 2008	506,625
Carrying amounts	
Balance at 31 March 2006	209,902
Balance at 31 March 2007	231,812
Balance at 31 March 2008	375,929

Notes to the consolidated financial statements

27. Deferred tax assets and liabilities
Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira

	Assets	Liabilities	Net	Assets	Liabilities	Net
		2008			2007	
Property, equipment, and software	-	(1,455,118)	(1,455,118)	-	(868,334)	(868,334)
Available-for-sale securities	-	(164,527)	(164,527)	-	(395,784)	(395,784)
Share based payment	869,222	-	869,222	30,975	-	30,975
Allowances for loan losses	298,036	-	298,036	420,335	-	420,335
Others	228,577	-	228,577	64,045	-	64,045
Net tax assets (liabilities)	1,395,835	(1,619,645)	(223,810)	515,355	(1,264,118)	(748,763)

Notes to the consolidated financial statements (Continued)

27. Deferred tax assets and liabilities
Movements in temporary differences during the year

In thousands of Nigerian Naira	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
2008				
Property, equipment and software	(868,334)	(586,784)	-	(1,455,118)
Available-for-sale securities	(395,785)	-	231,258	(164,527)
Allowances for loan losses	420,335	(122,299)	-	298,036
Share-based payments	30,975	838,247	-	869,222
Others	64,046	164,531	-	228,577
	(748,763)	293,695	231,258	(223,810)
2007				
Property and equipment, and software	(449,589)	(418,745)	-	(868,334)
Available-for-sale securities	13,684	-	(409,468)	(395,784)
Allowances for loan losses	250,477	169,858	-	420,335
Share-based payments	44,846	(13,871)	-	30,975
Others	18,309	45,736	-	64,045
	(122,273)	(217,022)	(409,468)	(748,763)

28. Other assets

In thousands of Nigerian Naira	2008	2007
Accounts receivable and prepayments	5,370,124	4,565,712
Prepaid operating lease (see (i))	122,827	63,994
Restricted deposits with central bank (see (ii))	19,246,059	7,685,720
Deposit for subsidiaries:		
Access Bank Rwanda (see (iii))	1,578,825	-
Access Bank Burundi (see (iv))	526,274	-
Omni Finance Limited (see (v))	1,890,000	-
Access Homes and Mortgages Limited (see (vi))	1,000,000	-
	29,734,109	12,315,426

(i) This represents up- front payments for the operating leases of own use property which are amortised on a straight line basis over the period of the lease.

(ii) This represents ₦65,518,000 (2007: ₦65,518,000) restricted with Central Bank of Nigeria in respect of investments in Small and Medium Scale Enterprise Equity Investment Scheme (SMEEIS) and ₦19,180,541,000 (2007: ₦3,876,543,000) cash reserve requirement with CBN. The cash reserve requirement represents mandatory 5% cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

(iii) This represents the Group's deposit in respect of its acquisition of 75% interest in Access Bank Rwanda. The investment was approved by the Rwandan regulatory authorities subsequent to year end.

Notes to the consolidated financial statements

(iii) This represents the Bank's deposit in respect of its acquisition of 75% interest in Access Bank Burundi. The investment was yet to be approved by the Burundian regulatory authorities as at date of approval of these financial statements.

(iv) This represents the Bank's deposit in respect of its acquisition of 88% interest in Omni Finance Limited, a bank based in Cote d'ivoire. The investment was approved by the Ivorian regulatory authorities subsequent to year end.

(v) This represents the amount deposited with Central Bank of Nigeria (CBN) for the purpose of setting up Access Homes and Mortagages Limited representing 100% equity interest. Whilst CBN has approved the investment, the Company was yet to be registered as at year end.

29. Deposits from banks

In thousands of Nigerian Naira	**2008**	**2007**
Money market deposits	23,427,796	58,525,971
Other deposits from banks	46,444,244	6,649,314
	69,872,040	65,175,285

30. Deposits from customers

In thousands of Nigerian Naira	**2008**	**2007**
Retail customers:		
Term deposits	8,416,720	2,743,615
Current deposits	67,044,616	41,236,684
Savings	6,650,423	3,910,732
Corporate customers:		
Term deposits	184,969,651	98,946,014
Current deposits	82,935,341	57,567,959
Savings	5,373,125	6,909,665
	355,389,876	211,314,669

31. Other liabilities

In thousands of Nigerian Naira	**2008**	**2007**
Cash-settled share-based payment	3,315,557	121,053
Short term employee benefits	339,843	19,367
Financial guarantee contracts issued	584,024	99,916
Creditors and accruals	6,000	3,500
Certified cheques	22,634,681	3,762,595
Deferred income	703,238	272,267
Share proceeds collection account (See (i))	384,303,984	-
Other current liabilities	2,360,524	11,993,952
	414,247,851	16,272,650

i. This represents share proceeds collected by the Bank in its capacity as a receiving bank for a public offer. The balance was remitted to the issuer subsequent to year end.

Notes to the consolidated financial statements

32. Interest bearing loans and borrowings

In thousands of Nigerian Naira	*Note*	2008	2007
Due to IFC (See (i))		1,743,450	-
Due to EIB (See (ii)		3,435,301	3,290,749
Due to Belgian Investment Company		348,690	-
Due to African Development Bank		2,325,891	-
		7,853,332	3,290,749

i. The amount of ₦1,743,450,000 (USD 15,000,000) represents unsecured, subordinated convertible loan granted to the Bank by IFC (International Finance Corporation) for a period of 8 years commencing June 2006 at an interest rate of 7.5%. In addition, IFC has an option to convert up to 25% of the outstanding loan into ordinary shares of Access Bank on or before 8 June 2008.

ii. The balance relates to ₦658,213,000 (USD 5,663,018), ₦215,856,000 (USD 1,857,143) and ₦86,986,000 (USD 748,397) availed to the Bank by European Investment Bank (EIB) under a global on-lending arrangement.

The amount of ₦658,213,000 (USD 5,663,018) was granted to the Bank by EIB; and is repayable over 8 years and commencing July 2005 at an interest rate of 6.08% per annum.

The amount of ₦215,856,000 (USD 1,857,143) represents the outstanding balance on the tranche granted to the Bank by EIB at an interest rate of 7.9% per annum for a period of 7 years commencing June 2006.

The amount of ₦86,986,000 (USD 748,397) represents the outstanding balance on the tranche granted to the Bank by EIB at an interest rate of 7.86% per annum for a period of 7 years commencing December 2006.

33. Debt securities issued

In thousands of Nigerian Naira	2008	2007
Due to Access Bank Bond holders (see (i))	12,035,838	-

i. This represents the Bank's 14% naira denominated redeemable convertible bond with a 3 year tenor to expire in December 2009. Interest is payable semi-annually in arrears starting from the 15th day of the 6th month after the financial close. The bonds are convertible to ordinary shares of the Bank at the instance of the bondholders based on a pre-determined conversion formula. In the event of a partial conversion or non-conversion, the amount of the convertible bond outstanding shall be redeemed in four equal semi annual instalments with the final repayment date being the 15th day of the 18th month after the financial close.

Notes to the consolidated financial statements

34. Capital and reserves

(a) Reconciliation of movement in capital and reserves

Attributable to equity holders of the Bank

In thousands of Nigerian naira	Share Capital	Share premium	Translation reserve	Other regulatory reserve	Treasury shares	Fair value reserves	Regulatory risk reserves	Capital reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 April 2006	(6,978,161)	(20,277,386)	-	(1,196,050)	190,647	31,929	(3,978,050)	-	6,536,597	(25,670,474)	-	(25,670,474)
Total recognised income and expense		-	-	-	-	(955,426)	-	-	(4,175,575)	(5,131,001)	-	(5,131,001)
Transfers for the year	-	-	-	(2,433,376)	-	-	(2,170,601)	-	4,603,977	-	-	-
Arising from share reconstruction	3,489,080	-	-	-	-	-	-	(3,489,080)	-	-	-	-
Own shares acquired	-	-	-	-	2,115,324	-	-	-	-	2,115,324	-	2,115,324
Balance at 31 March 2007	(3,489,081)	(20,277,386)	-	(3,629,426)	2,305,971	(923,497)	(6,148,651)	(3,489,080)	6,964,999	(28,686,151)	-	(28,686,151)
Balance at 1 April 2007	(3,489,081)	(20,277,386)	-	(3,629,426)	2,305,971	(923,497)	(6,148,651)	(3,489,080)	6,964,999	(28,686,151)	-	(28,686,151)
Total recognised income and expense		-	22,709	-	-	539,601	-	-	(17,191,415)	(16,629,105)	28,575	(16,600,530)
New issue	(4,582,171)	(125,769,763)	-	-	-	-	-	-	-	(130,351,934)	-	(130,351,934)
Transfers for the year	-	-	-	(4,911,317)	-	-	(3,354,791)	-	8,266,108	-	(84,712)	(84,712)
Own shares acquired	-	-	-	-	869,090	-	-	-	-	869,090	-	869,090
Dividends to equity holders	-	-	-	-	-	-	-	-	2,791,263	2,791,263	-	2,791,263
Balance at 31 March 2008	(8,071,252)	(146,047,149)	22,709	(8,540,743)	3,175,061	(383,896)	(9,503,442)	(3,489,080)	830,955	(172,006,837)	(56,137)	(172,062,974)

Notes to the Consolidated Financial Statements

(b) **Share capital**

The share capital comprises:

In thousands of Nigeria Naira	**2008**	**2007**
(i) Authorised - 18,000,000,000 Ordinary shares of 50k each (2007: 18,000,000,000 of 50k each)	9,000,000	9,000,000

In thousands of Nigeria Naira	**2008**	**2007**
(ii) Issued and fully paid - 16,142,501,847 Ordinary shares of 50k each (2007: 6,978,160,860 of 50k each)	8,071,251	3,489,081

In thousands of units		
On issue at 1 April	6,978,162	13,956,322
Issued during the year	9,164,342	-
Share reconstruction	-	(6,978,160)
On issue at 31 March	16,142,504	6,978,162

(c) **Share premium**

Share premium is the excess paid by shareholders over the nominal value for their shares.

(d) **Other regulatory reserves**

Other reserves include movements in the statutory reserves and the small scale industries reserve.

(i) In accordance with existing legislation, the Bank transfers 30% (2007: 30%) of its profit after taxation under Nigeria GAAP to statutory reserves.

(ii) The Bank has suspended further appropriation to SMEEIS (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN. In prior year, 10% of profit after taxation was transferred to SMEEIS reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005.

(e) **Treasury shares**

Treasury shares represent the Bank's shares of 322,544,604 (2007: 298,014,104) held by the Staff Investment Trust as at 31 March 2008.

Notes to the consolidated financial statements

(f) **Fair value reserve**
The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(g) **Regulatory risk reserve**
The regulatory risk reserve warehouses the difference between the impairment loss on loans and advances computed under the Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

(h) **Retained earnings**
Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(i) **Translation reserve**
Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

35. Dividends
The following dividends were declared and paid by the Group during the year ended 31 March:

In thousands of Nigerian Naira	**2008**	**2007**
Dividend declared and paid	2,791,263	-

After 31 March 2008 the following final dividends were proposed by the directors in respect of the year ended 31 March 2008. The dividends have not been provided for and there are no income tax consequences. The dividend proposed was based upon the Nigeria GAAP financial statements, which showed positive retained earnings of ₦5,773,392 as at 31 March 2008.

In thousands of Nigerian Naira	**2008**	**2007**
Proposed dividend	10,492,628	2,790,000

Notes to the consolidated financial statements

36. Leasing

(a) As Lessor:

The Group acts as lessor under operating leases and under finance lease, providing asset financing for its customers. Finance lease receivables are included within loans and advances to customers (see Note 21).

The Group's net investment in finance lease receivables was as follows:

In thousands of Nigerian Naira	**2008**	**2007**
Gross investment in finance leases, receivable:		
Less than one year	180,446	122,588
Between one and five years	2,736,644	1,078,423
Unearned future income on finance leases	(394,178)	(166,481)
Net investment in finance leases	2,522,912	1,034,530
The net investment in finance leases comprises:		
Less than one year	156,063	105,595
Between one and five years	2,366,849	928,935
	2,522,912	1,034,530

Operating lease receivables

The Group acts as lessor, whereby items of equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased to satisfy these leases are treated as equipment in the Group's financial statements and are generally disposed of at the end of the lease term.

The future minimum lease payments expected to be received under non-cancellable operating leases at 31 March 2008 were as follows:

In thousands of Nigerian naira	2008	2007
Less than one year	61,662	182,223
Between one and five years	732,811	385,265
	794,473	567,488

Notes to the consolidated financial statements

(b) As Lessee

Operating lease commitments

The Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals. There are no contingent rents payable.

37. Contingencies

(i) Litigation and claims

The Bank in its ordinary course of business is presently involved in some cases of litigation. The litigation claims against the Bank as at 31 March 2008 amount to N2,039,046,020 (2007: N6,492,072,609). These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought the advice of professional legal counsel, are of the opinion that based on the advice received, no significant liability will crystallize from these cases. No provisions are therefore deemed necessary for these claims.

(ii) Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Notes to the consolidated financial statements

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk.

In thousands of Nigerian naira

	2008	2007
Contingent liabilities:		
Guaranteed commercial papers and bankers acceptances	22,000,000	11,064,157
Transaction related bonds and guarantees	83,228,994	24,045,843
	105,228,994	35,110,000
Commitments:		
Clean line facilities for letters of credit	50,496,835	45,020,170

38. Related parties

Parent
The parent company, which is also the ultimate parent company, is Access Bank Plc.

Subsidiaries
Transactions between Access Bank Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

Associates
Related party transactions with Associate (Marina Securities Limited) were as follows:

	2008	2007
Professional fees	29,450,000	20,000,000
Retainership fees	27,000,000	-
Stock broking fees	9,000,000	-
	65,450,000	20,000,000

Transactions with key management personnel
The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Access Bank Plc.

Notes to the consolidated financial statements

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

Loans and advances:

In thousands of Nigerian naira	**2008**	**2007**
Secured loans	26,985,381	7,786,650
Other loans	9,119,251	4,740,524
Total loans and advances	36,104,632	12,527,174

Deposit liabilities

In thousands of Nigerian naira	**2008**	**2007**
Deposits	34,108,519	21,935,766

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. Impairment losses of ₦302,681,704 (2007: ₦318,896,799) have been recorded against balances outstanding during the period with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the year comprised:

In thousands of Nigerian Naira	**2008**	**2007**
Short-term employee benefits	541,770	211,836
Share based payment	2,218,285	17,363
	2,760,055	229,199

Notes to the consolidated financial statements

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Director	Transaction	2008	2007
Mr. Gbenga Oyebode (see (i))	Legal service	6,169,500	32,628,496
Dr. Cosmas Maduka (see (ii))	Supply of cars and computer equipment	254,206,000	144,400,000
Mr. Oritsedere Otubu (see (iii))	Insurance brokerage	351,446,831	122,096,895
Mrs. Mosun Bello (see (iv))	Consultancy and training programs	5,400,000	-

(i) The Group used the services of Aluko and Oyebode which is controlled by Mr. Gbenga Oyebode for legal services such as registration of trademark of transactions and others. Amounts were billed based on normal market rates for such services and are due and payable under normal payment terms.

(ii) The Group engaged the services of Coscharis group, a company that is controlled by Dr. Cosmas Maduka in the supply and servicing of motor vehicles. Amounts were billed based on normal market rates and are due and payable under normal payment terms.

(iii) The Group used the services of Sendford Insurance Brokers Limited, a company that is controlled by Mr. Oritsedere Otubu, in providing insurance services to the group. Amounts were billed at normal market rate and are due and payable under normal market terms.

(iv) The Group engaged the services of KRC Limited which is controlled by Mrs. Mosun Bello in consulting and training programs. Amounts are billed on the normal market rate and are due and payable under normal payment terms.

39. Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest 2008	Ownership interest 2007
Access Bank Gambia	Gambia	75%	75%
Access Bank Sierra Leone	Sierra Leone	85%	-
Special purpose entities:			
Staff Investment Trust	Nigeria	100%	100%

Notes to the consolidated financial statements

40. Subsequent events

There were no post balance sheet events requiring adjustment to, or disclosure in, these financial statements.

41. Explanation of transition to IFRSs

(a) Implementation of IFRSs

As stated in note 3 on significant accounting policies, these are the Group's first consolidated financial statements prepared in accordance with IFRSs. As the Group publishes comparative information for one year in its financial statements, the date of transition to IFRSs is effective 1 April 2006, which represents the start of the earliest period of comparative information presented. The opening balance sheet as at 1 April 2006 has been restated accordingly. The accounting policies as set out in note 3 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Comparative information at 31 March, 2007 was restated to take account of the requirements of all standards including IAS 32 - *Financial instruments: Presentation*, IAS 39 – *Financial instruments: Recognition and Measurement* and IFRSs 7- *Financial Instruments: Disclosures*.

The most significant IFRSs impact for the Group originated from the implementation of IAS 39 - *Financial instruments: Recognition and Measurement* which requires the valuation of financial assets and liabilities at fair values and impairment of financial assets to only be accounted for if there is objective evidence that a loss event has occurred after initial recognition but before the balance sheet date, IAS 27 - *Consolidated and Separate Financial Statements* and SIC 12 – *Consolidation*, *Special Purpose Entities* which requires the consolidation of the Group's interest in the Staff Investments Trust and IAS 1 *Presentation of Financial Statements*.

An explanation of how the transition from Nigerian GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the accompanying notes and tables.

Transitional arrangements

The Group adopted IFRSs effective 1 April 2006. The key principle of IFRS 1 – *First-time Adoption of International Financial Reporting Standards* for reporting entities with adoption date subsequent to 1 January 2006 is a full retrospective application of IFRSs. However, this statement provides exemption from retrospective application in certain instances due to costs and practical considerations.

The accounting policies as set out in note 3 have been applied in preparing the financial statements for the year ended 31 March 2008, the comparative information presented in these

Notes to the consolidated financial statements

financial statements for the year ended 31 March 2007 and in the preparation of an opening balance sheet at 1 April 2006 being the Group's transition date to IFRSs. These accounting policies have been applied consistently by Group entities.

In preparing its opening IFRSs balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Nigerian GAAP. An explanation of how the transition from Nigerian GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes accompanying the tables.

The financial position and financial performance for the year ended 31 March 2008 have also been reconciled with the results previously reported under Nigerian GAAP.

(b) Key impact analysis of IFRS on the financial position as at 31 March 2008, 2007 and 1 April 2006, date of transition are summarised below:

i. **IAS 32, 39 and IFRS 7 financial instruments**

Under IFRSs, financial assets and liabilities are required to be classified as held for trading, at fair value through profit or loss, fair value through equity, loans and receivables and held to maturity and other financial assets and liabilities. Financial instruments are measured based on their classification. Nigerian GAAP does not require such classification of financial instruments and measurement. The basis of valuation of individual instruments is provided in the accompanying statement of accounting policy.

Short term investments

Under Nigeria GAAP, investments with maturity profile not greater than one year are classified as short term investments while classification of investments under IFRS is dependent on the characteristics of the instruments and/or the management intent for holding the financial assets. The impact of the adoption of IFRS as at 31 March 2008 was reclassification of a total of N104,701,156,000 (2007: N39,011,418,000; 2006: N37,992,133,000) from short term investments to trading assets, pledged assets, and investments securities.

Trading assets

Under Nigerian GAAP, there is no requirement for separate disclosure of trading assets. IFRS requires that financial assets held for short term profit taking be separately disclosed in the financial statements. The effect of conversion to IFRS was a reclassification of N13,793,382,000 (2007: N2,466,122,000; 2006: nil) from short term investments to trading assets.

Notes to the consolidated financial statements

Pledged assets

Financial assets of the Group held by third parties as collateral under transactions such as repurchase agreements are required, under IFRS, to be separately disclosed on the consolidated financial statements as pledged assets. Nigerian GAAP does not have specific requirement for disclosure of pledged assets rather pledged assets were included as short term investments or long term investments depending on their maturity profile. The impact of conversion to IFRS as at 31 March 2008 was a reclassification of N8,730,532,000 (2007: N12,363,167,000; 2006: N12,943,143,000) from short term and long term investments to pledged assets.

Derivative financial instruments

Derivative financial instruments are accounted for under Nigerian GAAP by recognising future commitments underlying the derivative contract simultaneously as assets and liabilities and are not disclosed net as derivative in the financial statements.

The net impact of the adoption of IFRS as at 31 March 2008 was reclassification of N2,452,313,000 (2007: nil; 2006: nil) from other asset and other operating income to derivative financial assets and net income from other financial instruments carried at fair value respectively.

Loans and advances:

Under Nigerian GAAP, loans and advances are measured at cost net of impairment losses. A specific risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. A general reserve of at least 1% is made for all performing accounts to recognize losses in respect of risks inherent in any credit portfolio. Under IFRSs, an impairment loss can only be accounted for if there is objective evidence that a loss has occurred after the initial recognition but before the balance sheet date.

The difference in the measurement basis of impairment loss assessment between IFRSs and Nigerian GAAP increased the net assets of the Group as at 1 April 2006 by ₦3,978,050,000. In addition, for the year ended 31 March 2008, the adoption of the incurred but not reported model for impairment loss assessment on loans and advances resulted in an increase in the profit of the Group for the year ended by ₦5,172,434,000 (2007: (₦1,807,449,000)) and an increase net assets of the Group by ₦7,343,035,000 (2007: ₦2,170,601,000).

Notes to the consolidated financial statements

Advances under finance lease
Advances under finance lease are reported separately in the balance sheet under Nigerian GAAP. Under IFRS, a bank's credit portfolio is categorised as either loans and advances to customers or loans and advances to banks. The effect of conversion to IFRS was a reclassification of the total balance of N2,497,683,000 (2007: N1,024,185,000; 2006: N295,834,000) from advances under financial lease to loans and advances to customers.

Other facilities
Other facilities are funds obtained by Access Bank Plc from other financial institutions such as African Development Bank for on-lending to customers in line with stipulated mandate. Other facilities are reported separately in balance sheet under Nigerian GAAP financial statements.
IFRS requires classification of all credit portfolios into either loans and advances to customers or loans and advances to banks. The effect of conversion to IFRS as at 31 March 2008 was a reclassification of N5,096,061,000 (2007: N3,256,564,000; 2006: N1,634,579,000) from other facilities to loans and advances to customers.

Long term investments and investment securities
Investments in fixed income and equity instruments with maturity of more than one year are classified as long term investment under Nigerian GAAP. IFRS requires investment in financial instruments to be classified as available-for-sale or held-to-maturity.
The effect of transition to IFRS was reclassification of balance of long tem investments as at 31 March 2008 amounting to N61,449,110,000 (2007: N4,384,982,000; 2006: N5,974,873,000) to available-for-sale and held-to-maturity in investment securities balance.

Deposit from banks and customers
Under IFRS, deposit liabilities are classified as financial liability not held for trading and are measured at amortised cost.
The effect of transition to IFRS was a reclassification of N4,385,683,000 (2007: N6,497,595,000; 2006: N3,713,065,000) from deposit from banks and customers to other assets and other liabilities.
Interbank takings balance of N58,500,000,000 was also reclassified from other liabilities to deposit from banks as at 31 March 2007.

Due to banks
Deposits taken from other banks are reported as a separately under Nigerian GAAP while under IFRS all deposit liabilities are classified together. As a result of transition to IFRS, the balance of N69,402,840,000 (2007: N6,616,718,000; 2006: N7,210,170,000) was reclassified from due to banks to deposit from banks.

Notes to the consolidated financial statements

Other facilities

Other facilities are funds taken from foreign financial institutions such as African Development Bank for on-lending to domestic customers. Under Nigerian GAAP, other facilities are reported separately on the face of the balance sheet and are measured at face value.

Under IFRS, other facilities are classified as other borrowed funds and are measured at amortised cost. The effect of conversion to IFRS is the reclassification of the balance of N5,147,536,000 (2007: N3,289,458; 2006: N1,651,090,000) to other borrowed funds and re-measured at amortised cost which resulted in an increase in carrying amount of other borrowed funds by N89,629,000 (2007: N1,291,000; 2006: N1,291,000).

ii. **IAS 28 – Investments in associates**

Investment in associate investee

The effect of transition to IFRS was reclassification of the cost of investment in associate amounting to N145,000,000 (2007: N72,500,000; 2006: N70,000,000) from long term investments to investment in associate investee. Similarly, adjustments for share of profit from associate increased the carrying amount of investment in associate investee as at 31 March 2008 by N439,758,000 (2007: N184,669,000; 2006: N1,355,000).

Consolidation of investments in special purpose entity

Under *SIC 12- Consolidation of special purpose entities,* an entity shall be consolidated when the substance of the relationship between an entity and the special purpose entity is controlled by the entity. The Bank operates a Staff Investment Trust Scheme which is a cash-settled share based compensation plan. As at 1 April 2006 the Staff Investment Trust (also refer note 3a) Scheme was the only material entity not previously consolidated. The effect of consolidating the results of the Staff Investment Trust at 1 April 2006 was an increase in liabilities to employees and a decrease in retained earnings by N252,022,000 at this date. The effect of consolidating the financial position and performance of the Staff Investment Trust at 31 March 2008 was a decrease in net assets of the Group by N6,443,109,000 (2007: N2,584,828,000).

iii. **IFRS 1- First-time adoption of IFRSs**

Business combinations

Under IFRS, the Group has applied IFRS 3 to all business combinations that occurred with effect from 1 April 2006 (the date of transition to IFRS).

The goodwill arising from the business combination among Access Bank PLC, Marina International Bank Limited and Capital Bank International Limited was impaired in 2006 opening balance and the impaired goodwill was written off to opening retained earnings. The effect of the conversion is an adjustment of N6,592,434,000 to opening retained earnings as at 1 April 2006.

Notes to the consolidated financial statements

iv. **Property and equipments, equipment on lease and intangible assets (lessee)**

Leased assets

Under Nigerian GAAP, landed properties acquired under a 99 year lease agreement were capitalised as land and buildings and depreciated over a period of 50 years. Also, acquired software was capitalised as computer and office equipment under property and equipment, and depreciated over the estimated useful life of the asset.

IFRSs require that the land and building components should be evaluated separately for the purpose of lease classification. Generally, leasehold land are classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. In line with the IFRS requirements, the cost of land and accumulated depreciation has been reclassified from property, equipment and leases has been reclassified to other assets.

As at 31 March 2008, costs of leasehold land amounting to ₦153,272,000 (2007: N90,714,000; 2006: N84,714,000) and accumulated depreciation of N30,445,000 (2007: N27,220,000; 2006: N25,738,000) was reclassified to prepayment. The reclassification resulted in a decrease in the balance of property and equipment by ₦122,828,000 (2007: ₦63,494,000; 2006:₦58,976,000) . The depreciation charge was equivalent for amortisation charge and no impact on profit or general reserves resulted.

Intangible assets

IFRSs require that software should be classified as intangible assets. As at 31 March 2008, cost of purchase software amounting to ₦882,554,000 (2007: N629,634,000; 2006: N537,029,000) and accumulated depreciation of N506,625,000 (2007: N397,822,000; 2006: N327,127,000) was reclassified to intangible assets as cost of software purchase and accumulated amortisation. The reclassification resulted in a decrease in the balance of property and equipment by ₦375,929,000 (2007: ₦231,812,000; 2006:₦209,902) . The depreciation charge was equivalent for amortisation charge and no impact on profit or general reserves resulted.

The Group previously reported equipment under finance lease as a separate line item on the face of the balance sheet. These items were, under IFRSs reclassified, as property and equipment. The effect of the conversion is the reclassification of net book value of N1,363,474,000 (2007: N1,071,340,000; 2006: N1,124,780,000) from equipment on lease to property, plant and equipment. This had no impact on the income statement and reserves of the Group.

Notes to the consolidated financial statements

v. **IAS 12 Income taxes**

Adjustments in respect of the transition to IFRSs resulted in decrease in deferred taxation liabilities as at 31 March 2008 of ₦400,713,000 (2007: increase of N232,955,000; 2006: N158,919,000).

The effect of transition was also a decrease of N402,410,000 (2007:N17,594,000) in taxation expense and recognition of deferred tax credit and charge of N231,258,000 and N409,468,000 respectively in equity during the year.

vi. **Explanation of material adjustments to cash and cash equivalents at 31 March 2008 and 2007**

The net impact of application of IFRSs on cash and cash equivalents of the Group is a decrease in cash and cash equivalents at 31 March 2008 of ₦18,987,773,000 (2007: ₦9,529,381,000; 2006:N3,760,948,000). Apart from the reclassification of restricted cash to other assets, there was no material adjustment to the cash flow statements in respect of cashflows from operating activities, cash flows from investing activities and cash flows from financing activities as a result of the adoption of IFRSs.

(b) Explanation of material changes to income statement items

i. **Interest income and expense**

Under IFRSs, interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Under Nigerian GAAP, interest income and expense were recognised in accordance with the terms of the related facility on an accrual basis.

The effect of conversion to IFRS and accounting for interest income and expense using the effective interest rate method resulted to the deferral of management fees amounting to N430,971,000 (2007: N261,478,000).

In addition, the transition to IFRS resulted in recognition of interest income of N3,753,771,000 (2007: N3,946,391,000) on impaired loans and advances suspended under Nigerian GAAP.

Also, the consolidation of Staff Investment Trust resulted in the elimination of interest income amounting to N248,290,000 (2007: N88,725,000) on loans granted to the scheme.

Furthermore, a balance of N15,830,437,000 (2007: N6,078,233,000) representing income on treasury bills trading income included in interest income under Nigerian GAAP was reclassified to net trading income under IFRS.

Notes to the consolidated financial statements

ii. **Provision for risk assets, other assets and doubtful bank balances.**

Provision for risk assets, other assets and doubtful bank balances are reported separately under Nigerian GAAP. Impairment loss on financial assets, which includes impairment loss on risk assets, other assets and available-for-sale financial assets, are reported in aggregate under IFRS. The effect of transition to IFRS was a reclassification of ₦3,897,428,000 (2007:₦1,775,456,000) consisting of ₦3,528,889,000 (2007:₦1,583,647,000) and ₦368,539,000 (2007: ₦191,809,000) representing provision for risk assets and provision for other assets and doubtful balance respectively to impairment loss on financial assets. Total additional impairment charge of N3,977,133,000 was recognised as at 31 March 2007 and excess charge of N5,359,829,000 reversed as at 31 March 2008.

iii **Net fees and commission income**

Under Nigerian GAAP, net fees and commission income is recognised as other income. Under IFRS, net fees and commission income is recognised separately on the income statements. As a result, an amount of N13,569,385,000 (2007: N9,444,285,000) was reclassified from other income and recognised as net fees and commission under IFRS.

iv. **Net trading income**

Under Nigerian GAAP, net trading income is recognised as part of interest and discount income and other operating income. Under IFRS, net fees and commission income is recognised separately in the income statements. The effect of conversion is reclassification of N8,407,430,000 (2007: N4,092,499,000) from interest and discount income and other banking income under Nigerian GAAP to net trading income under IFRS.

v. **Other operating income**

Other banking income includes fees and commission income, trading income and other operating income. IFRSs require a separate disclosure of net fees and commission and net trading income in the income statement. The effect of conversion is the reclassification of ₦17,322,594,000 (2007: N10,196,301,000) recognised as other operating income under Nigerian GAAP to trading income, net income from other financial instruments carried at fair value and net fees and commission income under IFRS.

vi. **Personnel expenses**

Staff salaries and allowances were the only personnel costs that were recognised under the Nigerian GAAP. IFRSs require a separate disclosure of all staff related costs. When loans are granted below the market rate, IFRS requires that such below-the-market rate loans be fair valued and the difference between the fair value and the carrying amount be recognised in the profit and loss. The difference of N2,947,049,000 (2007: decrease N104,176,000) resulted from the fair value adjustment for staff loans and share based payment expenses.

Notes to the consolidated financial statements

Reconciliation of profit

In thousands of Niara

	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
		31-Mar-2007			31-Mar-2008	
Interest and discount income	16,893,897	(4,019,900)	12,873,997	40,676,744	(16,646,448)	24,030,296
Interest expense	(4,951,906)	2,619,409	(2,332,497)	(14,646,224)	6,999,379	(7,646,845)
Net interest income (Interest margin)	11,941,991	(1,400,491)	10,541,500	26,030,520	(9,647,069)	16,383,451
Provision for risk assets	(1,583,647)	1,583,647	-	(3,528,889)	3,528,889	-
Net interest margin	10,358,344	183,156	10,541,500	22,501,631	(6,118,180)	16,383,451
Net fees and commission income	-	9,444,285	9,444,285	-	13,569,385	13,569,385
Net trading income	-	4,092,499	4,092,499	-	8,407,431	8,407,431
Net income from other financial instruments carried at fair value	-	-	-	-	2,452,313	2,452,313
Other operating income (banking income)	10,987,554	(10,196,301)	791,253	17,322,594	(16,532,654)	789,940
	10,987,554	3,340,483	14,328,037	17,322,594	7,896,475	25,219,069
Operating income	21,345,898	3,523,639	24,869,537	39,824,225	1,778,295	41,602,520
Net impairment loss on financial assets	-	(5,752,589)	(5,752,589)	-	1,462,400	1,462,400
Provision for other assets and doubtful bank balances	(191,809)	191,809	-	(368,539)	368,539	-
Operating expenses	(13,110,924)	111,683	(12,999,241)	(20,610,004)	(2,701,905)	(23,311,909)
Personnel expenses	(3,551,856)	104,176	(3,447,680)	(5,413,982)	(2,947,049)	(8,361,031)
Depreciation and amortization	(1,591,459)	1,482	(1,589,977)	(2,179,901)	3,225	(2,176,676)
Other expenses	(7,967,609)	(177,289)	(8,144,898)	(13,016,121)	(13,170)	(13,029,291)
Share of profit in associate	-	183,314	183,314	-	255,089	255,089
Profit before income tax	8,043,165	(1,925,458)	6,117,707	18,845,682	907,329	19,753,011
Income tax expense	(1,959,726)	17,594	(1,942,132)	(2,992,581)	402,410	(2,590,171)
Profit for the year	6,083,439	(1,907,864)	4,175,575	15,853,101	1,309,739	17,162,840
Attributable to:						
Equity holders of the Group	6,083,439	(1,907,864)	4,175,575	15,881,676	1,309,739	17,191,415
Minority shareholder	-	-	-	(28,575)	-	(28,575)
	6,083,439	(1,907,864)	4,175,575	15,853,101	1,309,739	17,162,840
Basic earnings/(loss) per share (Naira)	**87**		**65**	**171**		**192**

Notes to the consolidated financial statements

Reconciliation of equity
In thousands of Naira

	Previous GAAP	**Effect of transition to IFRS**	**IFRS**	**Previous GAAP**	**Effect of transition to IFRS**	**IFRS**	**Previous GAAP**	**Effect of transition to IFRS**	**IFRS**
		1-Apr-2006			**31-Mar-2007**			**31-Mar-2008**	
Assets									
Cash and cash equivalents (short-term funds)	46,263,777	(3,760,948)	42,502,829	158,433,251	(9,529,381)	148,903,870	585,706,024	(18,987,773)	566,718,251
Short term investment	37,992,133	(37,992,133)	-	39,011,418	(39,011,418)	-	104,701,156	(104,701,156)	-
Trading assets	-	-	0	-	2,466,122	2,466,122	-	13,793,382	13,793,382
Pledged assets	-	12,943,143	12,943,143	-	12,363,167	12,363,167	-	8,730,532	8,730,532
Derivative financial instrument	-	-	-		-		-	2,452,313	2,452,313
Loans and advances to customers	54,111,173	4,987,595	59,098,768	107,750,578	3,586,456	111,337,034	245,836,040	10,168,839	256,004,879
Advances under finance leases	295,834	(295,834)	-	1,024,185	(1,024,185)	-	2,497,683	(2,497,683)	-
Other facilities	1,634,579	(1,634,579)	-	3,256,564	(3,256,564)	-	5,096,061	(5,096,061)	-
Investment in associate	-	71,355	71,355	-	257,169	257,169	-	584,758	584,758
Investment Securities	-	36,448,976	36,448,976	-	30,427,955	30,427,955	-	140,979,181	140,979,181
Long term investment	5,974,873	(5,974,873)	-	4,384,982	(4,384,982)	-	61,449,110	(61,449,110)	-
Property and equipment (Fixed assets)	3,953,161	855,902	4,809,063	8,161,511	776,034	8,937,545	14,107,593	864,718	14,972,311
Equipment on lease	1,124,780	(1,124,780)	-	1,071,340	(1,071,340)	-	1,363,474	(1,363,474)	-
Intangible assets	-	209,902	209,902	-	231,812	231,812	-	375,929	375,929
Deffered tax assets	-	-	-	-	-	-	-	-	-
Other assets	16,611,122	(3,790,079)	12,821,043	5,521,365	6,794,061	12,315,426	24,811,296	4,922,812	29,734,108
Goodwill	6,592,434	(6,592,434)	-	-	-	-	-	-	-
Total assets	174,553,866	(5,648,787)	168,905,079	328,615,194	(1,375,094)	327,240,100	1,045,568,437	(11,222,793)	1,034,345,644
Liabilities									
Deposits (banks and customers)	110,879,330	21,401,070	132,280,400	205,234,734	71,255,220	276,489,954	353,746,401	71,515,515	425,261,916
Due to banks	7,210,170	(7,210,170)	-	6,616,718	(6,616,718)	-	69,402,840	(69,402,840)	-
Other facilities	1,651,090	(1,651,090)	-	3,289,458	(3,289,458)	-	5,147,536	(5,147,536)	-
Current tax liabilities (taxation payable)	699,109	-	699,109	1,751,833	-	1,751,833	2,659,923	-	2,659,923
Deferred tax liabilities	281,192	(158,919)	122,273	515,808	232,955	748,763	624,523	(400,713)	223,810
Other liabilities	24,939,089	(16,458,646)	8,480,443	82,821,752	(66,549,102)	16,272,650	427,474,544	(13,226,693)	414,247,851
Other borrowed funds	-	1,652,381	1,652,381	-	3,290,749	3,290,749	14,652,005	(6,798,673)	7,853,332
Debt securities issued	-	-	-	-	-	-	-	12,035,838	12,035,838
Total liabilities	145,659,980	(2,425,374)	143,234,606	300,230,303	(1,676,354)	298,553,949	873,707,772	(11,425,102)	862,282,670
Equity									
Share capital and share premium	27,255,547	-	27,255,547	23,766,467	-	23,766,467	154,118,401	-	154,118,401
Retained earnings	442,289	(6,978,887)	(6,536,598)	(2,500,082)	(4,464,917)	(6,964,999)	5,773,392	(6,604,347)	(830,955)
Other reserves	1,196,050	3,755,474	4,951,524	7,118,506	4,766,177	11,884,683	11,968,872	6,806,656	18,775,528
Total equity attributable to equity holders of the Bank	28,893,886	(3,223,413)	25,670,473	28,384,891	301,260	28,686,151	171,860,665	202,309	172,062,974
Total liabilities and equity	174,553,866	(5,648,787)	168,905,079	328,615,194	(1,375,094)	327,240,100	1,045,568,437	(11,222,793)	1,034,345,644

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Independent Auditor's Report
To the members of Access Bank Plc

We have audited the accompanying consolidated financial statements of Access Bank Plc and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 March 2008, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated cash flow statement for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 1 to 83.

Directors' responsibility for the financial statements
The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects the consolidated financial position of Access Bank Plc and its subsidiaries ("the Group) as at 31 March 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory consolidated financial statements as described in Note 2(a) to the consolidated financial statements.

KPMG

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

ACCURACY & INTEGRITY

722939

2 April 2009
Lagos, Nigeria.