

**Access Bank Plc**

**Consolidated financial statements for the year ended 31 December 2011**

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## **CORPORATE GOVERNANCE**

### **Introduction**

Access Bank Plc ('Access Bank or the Bank') is committed to implementing the best practice standards of corporate governance. The Bank and its subsidiaries ('the Group') function under a governance framework that permits the Board to discharge its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformance with regulatory requirements and acceptable risk.

The Bank remains mindful of its obligations under the mandatory statutory relevant Corporate Governance codes like the Central Bank of Nigeria's ('CBN') Code of Corporate Governance for Banks in Nigeria Post Consolidation ('the CBN Code'), the Securities and Exchange Commission's Code of Corporate Governance ('the SEC Code') and the Post Listing Requirements of the Nigeria Stock Exchange. These, in addition to the Bank's in-house Board Charter collectively provide the basis for promoting sound corporate governance in the Bank. Our core values of excellence, ethics, and passion for customers, team work, trust and continuous learning are the bedrock upon which we continue to build our corporate behavior.

Our Board agenda in 2011 was driven largely by the need to provide strategic governance oversight over the business combination with Intercontinental Bank Plc; the de-risking of our subsidiaries portfolio and the need to fully understand and position our Bank vis-à-vis the strategic challenges and opportunities presented by the changes in the regulatory environment.

### **Performance evaluation**

The Bank's performance on Corporate Governance is continuously being monitored and reported. We carry out monthly internal reviews of compliance with CBN Code and submit our report to the CBN. Also ongoing reviews of the Bank's Compliance status with the SEC Code are carried out by the Risk Audit Unit and reported to the Board through the Risk Management Committee.

The Board has also established a system of independent annual evaluation of its own performance, that of its committees and individual directors. The evaluation is carried out annually by an independent consulting firm approved by the Board. In 2011, Accenture Limited was re-engaged to facilitate the board performance evaluation. The Board is comfortable that Accenture Limited provides an impartial and objective services notwithstanding its position as one of the Bank's strategy consultants.

The result of the Board performance evaluation is presented by the independent consultant and discussed by the Board during the Board meeting while the individual director's assessment is communicated and discussed by the Chairman. The cumulative results of the performance of the Board and individual directors are considered by the Governance and Remuneration Committee as a guide in deciding eligibility for reelection. The Board performance evaluation for the financial year ended December 31, 2011 considered eight key areas, namely: strategic management, provision of financial oversight, decision making and delegation of authority, accountability and reporting, board performance evaluation, succession planning, board culture and effectiveness, operations of Board Committees and Board Code of Ethics. During the evaluation exercise, survey responses were received from all 14 directors indicating 100% participation.

The result of the evaluation which was presented to the Board in January 2012 confirmed that the Board continues to operate a very high level of effectiveness and efficiency.

### **Appointment, retirement and re-election of Directors**

In accordance with its Articles of Association, one third of all non-executive directors (rounded down) are offered for re-election every year (depending on their tenure on the Board) together with Directors appointed by the Board since the last Annual General Meeting ('AGM'). In keeping with the requirement, Messrs Oritsedere Otubu and Emmanuel Chiejina will retire at this AGM and being eligible for re-election will be standing for re-election.

We subscribe to the recommendation in the SEC Code of Corporate Governance that Boards should consider the benefits of diversity including gender when making board appointments. We however believe that diversity is much more than the issue of gender, it is about ensuring that there is appropriate range of balance of skills, experience and background on the Board. As reported during the last AGM, Dr Adewunmi Desalu resigned his appointment as a non-executive director of the Bank in January 2011. The Board pursuant to the powers vested on it by the Articles of Association has appointed Mrs. Anthonia Olufeyikemi Ogunmefun as a non-executive director subject to all regulatory and shareholders' approvals. She brings on board her robust experience in financial and legal service industries in Nigeria and Canada and her corporate board experience as head of the Governance Committee of a major Canadian children care trust. As required by the Articles of Association, Mrs. Ogunmefun's appointment would be tabled before the shareholders at the AGM for approval. The Board in January 2012 appointed Mr. Victor Etuokwu as an Executive Director in charge of Transaction Service and Information Technology Division subject to regulatory and shareholders' approvals. Mr. Etuokwu brings on board two of decades successful career in the financial service industry which culminated in his appointment as the Managing Director of Intercontinental Bank Plc. This followed his successful leadership of the project leading to our acquisition of the 75% interest in the bank and subsequent merger of both institutions.

Following the receipt of all regulatory approvals, Mrs. Ogunmefun and Mr. Etuokwu will be standing for election as directors during the AGM.

### **Shareholders' Meeting**

Shareholders meetings are duly convened and held in line with the Bank's Articles of Association and existing statutory and regulatory regimes in an open manner, for the purpose of deliberating on issues affecting the Bank's strategic direction. This occurs through a fair and transparent process and also serves as a medium for promoting interaction between the Board, Management and Shareholders. Attendance at the Annual General Meeting is open to shareholders or their proxies, while proceedings at such meetings are usually monitored by members of the press, representatives of the Nigerian Stock Exchange, Central Bank of Nigeria and the Securities and Exchange Commission. The Board ensures that shareholders are provided with adequate notice of meetings. An Extraordinary General Meeting may also be convened at the request of the Board or Shareholders holding not less than 10% of the Bank's paid-up capital.

In 2011 financial year, the Bank held two Extraordinary General Meetings on 26 September 2011 and 30 December 2011. A Court Ordered meeting was also held on 30 December 2011. These meetings were held to obtain requisite shareholders' approvals for the business combination with Intercontinental Bank, the increase in the Bank's authorized share capital and amendment to the Memorandum and Articles of Association.

### **The Board**

The primary obligation of the Board of Directors is to advance the prosperity of the Bank by collectively directing the Bank's affairs, whilst meeting the appropriate interests of shareholders and stakeholders.

### **Composition and Role**

The Board is comprised fourteen members made up of eight non-executive directors and six executive directors the full details of which are set out below:

<b>Names</b>	<b>Designation</b>
Mr. Gbenga Oyebode	Chairman
Dr. Cosmas Maduka	Non-Executive Director
Mr. Oritsedere Samuel Otubu	Non-Executive Director
Dr. Babatunde Folawiyo	Non-Executive Director
Mr. Emmanuel Chiejina	Non-Executive Director (Independent)
Dr. Mahmoud Isa-Dutse	Non-Executive Director (Independent)
Mrs. Mosun Belo-Olusoga	Non-Executive Director
Mrs. Anthonia Olufeyikemi Ogunmefun	Non-Executive Director
Mr. Aigboje Aig-Imoukhuede	Group Managing Director/Chief Executive Officer
Mr. Herbert Wigwe	Deputy Group Managing Director
Mr. Taukeme Edwin Koroye	Executive Director
Mr. Okey Nwuke	Executive Director
Mr. Obeahon Ohiwerei	Executive Director
Mr. Ebenezer Olufowose	Executive Director

In line with best practice, there is separation of powers between the Chairman and Group Managing Director. The Board is able to reach impartial decisions as its Non-Executive Directors are a blend of independent and non-independent directors with no shadow or alternate Directors, which ensures that independent thought, is brought to bear on decisions of the Board. The effectiveness of the Board derives from the diverse range of skills and competences of the executive and non-executive directors who have exceptional degrees of banking, financial and broader entrepreneurial experiences.

The Board is responsible for ensuring the creation and delivery of sustainable value to the Bank's stakeholders through its management of the Bank's business. The Board is accountable to the shareholders and is responsible for the management of the Bank's relationship with its various stakeholders. The Board ensures that the activities of the Bank are at all times executed within the relevant regulatory framework. The Bank's Principles of Corporate Governance are a set of principles which have been adopted by the Board as a definitive statement of Corporate Governance and define the matters that have been reserved for the Board. Matters reserved for the Board include but are not limited to:

- defining the Bank's business strategy and objectives,
- formulating risk policies
- approval of quarterly, half yearly and full year financial statements
- approval of significant changes in accounting policies and practices
- appointment or removal of directors and Company secretary
- approval of major acquisitions, divestments of operating companies, disposal of capital assets or capital expenditure
- terms of reference and membership of Board Committee
- setting of annual board objectives and goals
- approval of allotment of shares
  
- remuneration of auditors and recommendation for appointment or removal of auditors
- succession Planning for key positions
- approval of the Group strategy, medium term and short term plans
- approval of the framework for determining the policy and specific remuneration of executive directors
- monitoring delivery of the strategy and performance against plan
- review and monitoring of the performance of the Group Managing Director and the executive team

- ensuring the maintenance of ethical standard and compliance with relevant laws.
- performance appraisal and compensation of Board members and senior executives
- ensuring effective communication with shareholders
- ensuring the integrity of financial information and reports

**Appointment Process Induction and Training of Board Members**

The Board appointment philosophy ensures alignment with all necessary legislation and regulation. The Governance and Remuneration Committee is responsible for both executive and non-executive directors succession planning and recommends new appointment to the Board. When making board appointment recommendation, the Committee takes cognizance of the existing range of skills, experience, background and diversity on the Board in the context of the strategic direction of the Bank before putting together the specification for the type of candidate sought. The Board also considers length of tenure recognizing that continued tenure brings company specific knowledge and understanding while new faces bring fresh perspective and ideas. We are comfortable that our Board include sufficient diversity to optimize its performance.

The Board ensures the regular training and education of board members on issues pertaining to their oversight functions. Regarding new directors, there is a personalized induction programme which includes one-on-one meeting with each of the executive directors and senior executive responsible for each of the Bank's key business areas. Such sessions focus on the challenges, opportunities and risks facing the business areas. The induction programme covers Group overview, review of businesses and review of the Group's enterprise functions. The Company Secretary provides the director with an overview of the Board processes and policies. We believe that a robust induction and continuing professional development will improve directors' performance. We ensure that directors have appropriate knowledge of the Bank and access to its operations. It is therefore mandatory for all directors to participate in periodic, relevant continuing professional development in order to update their knowledge and skill and keep them informed of new development in the Bank's businesses and operating environment. During the period under review directors attended the training courses as shown below:

<b>TRAINING</b>	<b>LOCATION</b>	<b>TIME /DATE</b>	<b>DURATION</b>
Credit Risk Master Class for Non-Executive Directors	Lagos	Jul-11	1 day
5 <sup>th</sup> Annual Banking and Finance Conference	Abuja, Nigeria	Sept. 27-28, 2011	2 days
Achieving Outstanding Performance	Insead France	Sept. 12-16 2011	5 days
2011 CBN/FITC Mandatory Continuing Education Programme for Bank Directors	Lagos, Nigeria	Oct. 11-13 2011	3 days
High Performing Board	London Business School	Oct. 19- 23 2011	6 days

**Delegation of Authority**

The ultimate responsibility for the Bank's operations rests with the Board. The Board retains effective control through well-developed Committee governance structure that provides in-depth focus on Board responsibilities. The Board delegates authority to the Group Managing Director to manage the affairs of the Group within parameters established by the Board from time to time.

The Board meets quarterly and emergency meetings are convened as may be required by circumstances. The Annual Calendar of Board and Committee meetings are approved in advance at the first meeting of the board in each financial year and all directors are expected to attend each meeting. Material decisions may be taken between meetings through written resolutions as provided for by the Bank's Articles of Association. The Annual Calendar of Board activities include a Board Retreat at an offsite location, to consider strategic matters and review the opportunities and challenges facing the institution. All directors are provided with Notices, Agenda and meeting papers in advance of each meeting and where a director is unable to attend a meeting he/she is still provided with the relevant papers for the meeting while such director reserves the right to discuss with the chairman matters he/she may wish to raise at the meeting. The directors are also provided with monthly updates on developments in the regulatory and business environment. The Board met eight times in the 2011 financial year.

### **Board Committees**

The Board carries out its oversight function through its standing committees each of which has a charter that clearly defines its purpose, composition, and structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board does not sit on any of the committees. The Board's four standing committees are the Board Risk Management Committee, the Board Audit Committee, the Board Governance and Remuneration Committee and the Board Credit & Finance Committee. The composition and responsibilities of the Committees are set out below:

Name	Board Audit Committee	Board Risk Management Committee	Board Credit & Finance Committee	Board Human Resources Committee
Mr. Gbenga Oyeboade <sup>1</sup>	-	-	-	-
Dr Cosmas Maduka <sup>1</sup>	-	-	C	-
Mr Oritsedere Otubu <sup>1</sup>	C	-	M	M
Dr.Mahmoud Isa-Dutse <sup>2</sup>	M	C	M	-
Mr. Emmanuel Chiejina <sup>2</sup>	-	M	M	C
Dr. Babatunde Folawiyo <sup>1</sup>	-	M	M	M
Mrs. Mosunmola Belo-Olusoga <sup>1</sup>	M	M	M	M
Mrs Anthonia Olufeyikemi Ogunmefun <sup>1</sup>	-	M	M	M
Mr. Aigboje Aig- Imoukhuede <sup>3</sup>	-	M	M	M
Mr. Herbert Wigwe <sup>3</sup>	-	M	M	M
Mr. Taukeme Koroye <sup>3</sup>	M	-	-	-
Mr. Okey Nwuke <sup>3</sup>	-	-	M	-
Mr. Obeahon Ohiwerei <sup>3</sup>	-	-	M	-
Mr Ebenezer Olufowose <sup>3</sup>	-	M	M	-

### **Keys**

- C Chairman of Committee
- M Member
- Not a member
- 1 Non- Executive
- 2 Independent Non-Executive
- 3 Executive

### **Board Credit and Finance Committee**

The Committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been recommended by the Management Credit Committee. It also acts as a catalyst for credit policy changes. The Committee oversees the administration and effectiveness of, and compliance with the Bank's credit policies through the review of processes and reports on the recommendation of the Management Credit Committee and any other means as it deems appropriate.

Dr. Cosmas Maduka chairs the Committee. Dr. Maduka is a Trustee and Board Member of the Human Development Fund of the United Nations Development Program. An astute businessman, Dr. Maduka has contributed immensely towards the socio economic growth and development of the nation. He is currently the President and Chairman of the Board of Directors of the Coscharis Group.

During the year under review the Committee engaged in strategic discussions and approved key initiatives including the approval of the standard operating procedure for Risk Based Pricing, approval of policy on directors and insider related facilities, approval of policy on object and real estate financing. In order to manage and monitor compliance with decision made during meetings, the Committee set action points assigned responsibilities and timelines which were reviewed at the subsequent meeting.

### **Board Governance and Remuneration Committee**

The Committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the Bank. Specifically, the Committee is responsible for determining and executing the processes for board appointments, recommending appropriate remuneration for directors (both executive and non-executive) and approving remuneration for all other members of staff. The Committee is responsible for reviewing and recommending the Bank's organizational structure to the Board for approval. The Committee is also responsible for reviewing the performance and effectiveness of Board of the Bank's subsidiaries on an annual basis. The Committee ensures that the Bank's human resources are maximized to support the long term success of the enterprise and to protect the welfare of all employees. The Board has defined a process to monitor the performance of the subsidiaries boards which implementation is scheduled to commence in 2012. The Committee met six times during the 2011 financial year.

The Committee is chaired by Mr. Emmanuel Chiejina. He Emmanuel is a graduate of Law from the University of Lagos and was called to Nigeria Bar in 1976. He spent an active part of his career with Elf Petroleum Nigeria Limited where he spent 27 years. He was executive director of Corporate Development and Services with responsibility for Human Resources. He retired as Deputy Managing Director in 2007 and has since been in active person business.

Key issues considered by the Committee during the period include promotion and appointment of top management staff, human resource integration plan for Intercontinental Bank Plc and review and approval human resources action in respect of a subsidiary.

### **Board Risk Management Committee**

The Committee assists the Board in fulfilling its oversight responsibility relating to establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements. In addition, it oversees the establishment of a formal written policy on the overall risk management system. The Committee also ensures compliance with established policies through periodic reviews of reports provided by management and ensures the appointment of qualified officers to manage the risk function. The Committee evaluates the Bank's risk policies on a periodic basis to accommodate major changes in internal or external environment. The Committee met five times during the 2011 financial year.

The Committee is chaired by Dr. Mahmoud Isa-Dutse. He has more than 20 years working experience in the Nigerian banking industry having retired as an Executive Director, United Bank for Africa Plc in 2002. He holds a doctorate degree in Corporate Governance from Manchester Business School. He also has Master of Business and Bachelor of Science degrees (Economics) from Wharton Business School and Ahmadu Bello University, Zaria respectively.



The key issues that occupied the attention of the Committee during the period were the business combination with Intercontinental Bank Plc; discussion on Internal Capital Assessment Plan; review and recommendation of risk management policies to the Board for approval and the review and approval of management action on Access Bank Cote d'Ivoire in the wake of the political instability in the country.

#### **Board Audit Committee**

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the Bank's financial statements and the financial reporting process; the independence and performance of the Bank's internal and external auditors; and the Bank's system of internal control and mechanism for receiving complaints regarding the Bank's accounting and operating procedures. The Bank's Chief Internal Auditor and Chief Compliance Officer have access to the Committee and make quarterly presentations to the Committee. Mr. Oritsedere Otubu chairs the Board Audit Committee. He holds a bachelors and masters degrees in Finance and Accounting respectively from Houston Baptist University, United States of America. He has several years of professional experience in the financial services industry. Other members of the Committee have relevant financial management and accounting background as required by the CBN Code. The Committee met six times during the 2011 financial year.

During the year, the Committee continued its review of the Internal Auditor's report on the Bank's subsidiaries and branches, the report of the Disciplinary Committee Proceedings and report of the Financial Control and Strategy report. Other key activities undertaken by the Committee include review of the Committee Charter and the commissioning of Akintola Williams Deloitte to carry out a quality assessment of the Bank's internal audit function to confirm the degree of compliance with the Institute of Internal Audit Standards for the Professional Practice of Internal Auditing.

#### **Attendance at Board Committee meetings**

For the period ended 31 December 2011, the Board Governance and Remuneration Committee and the Board Audit Committee held six meetings respectively, while the Board Risk Management Committee held five meetings and the Board Credit & Finance Committee held four quarterly meetings. Directors' attendances at these meetings are as shown below:

S/N	NAMES OF DIRECTORS	Meeting				
		BOD	BRMC	BCFC	BGRC	BAC
	<b>Number of meetings</b>	8	5	4	6	6
	<b>Attendance:</b>					
1	Mr Gbenga Oyebo	8	N/A	N/A	N/A	N/A
2	Mr Cosmas Maduka	7	N/A	4	N/A	N/A
3	Dr. Mahmoud Isa –Dutse	8	5	4	N/A	6
4	Mrs Anthonia Olufeyikemi Ogunmefun	5*	3*	2*	N/A	N/A
5	Mr. Oritsedere Otubu	7	N/A	3	6	6
6	Mr. Emmanuel Chiejina	7	N/A	3	5	N/A
7	Mr Babatunde Folawiyo	7	4	4	5	N/A
8	Mrs. Mosunmola Belo-Olusoga	8	5	4	6	N/A
9	Mr Aigboje Aig-Imoukhuede	8	5	3	5	N/A
10	Mr Herbert Wigwe	8	5	4	6	N/A
11	Mr. Taukeme Koroye	7	N/A	N/A	N/A	5
12	Mr. Okey Nwuke	6	N/A	4	N/A	N/A
13	Mr. Obeahon Ohiwerei	7	N/A	4	N/A	N/A
14	Mr. Ebenezer Olufowose	8	5	4	N/A	N/A

**Key**

BOD – Board of Directors  
BRMC – Board Risk Management Committee  
BCFC – Board Credit and Finance Committee  
BGRC – Board Governance and Remuneration Committee  
BAC – Board Audit committee meeting

\* - Appointed a Director of the Bank by a resolution of the Board passed on April 28, 2011, and thereafter appointed as a member of the BRMC, BCFC and BHRC on June 29, 2011.

**Executive committee**

The Executive Committee (EXCO) is made up of the Group Managing Director as Chairman, the Group Deputy Managing Director and all the Executive Directors as members. It is primarily responsible for the implementation of strategies approved by the Board and ensuring the efficient deployment of the Bank's resources.

**Management committees**

These are standing committees made up of senior management staff of the Bank. The Committees are also risk driven and are set up to identify, analyze and make recommendations on risks pertaining to the Bank's day to day activities. They ensure that risk limits set by the Board and the regulatory bodies are complied with and also provide input to the various Board Committees in addition to ensuring the effective implementation of risk polices. These Committees meet as frequently as risk issues occur and take actions and decisions within the confines of their respective powers. The management committees include: Management Credit Committee, Asset and Liabilities Committee, Enterprise Risk Management Committee, Criticised Assets Committee and IT Steering Committee.

**Statutory audit committee**

In compliance with Section 359 of the Companies and Allied Matters Act 1990, the Bank constituted a Standing Shareholders Audit Committee made up of three non-executive directors and three shareholders. The composition of the Committee is as set out below:

1	Mr Oluwatoyin Eleoramo	Shareholder	Chairman
2	Mr Alashi Steven Ola	Shareholder	Member
3	Mr Idaere Gogo Ogan	Shareholder	Member
4	Mr Oritsedere Otubu	Director	Member
5	Dr Cosmas Maduka	Director	Member
6	Mrs. Mosunmola Belo-Olusoga	Director	Member

**Succession planning**

Access Bank has a Succession Planning Policy which was approved by the Board at its 112th meeting held on 16 November 2007. Succession planning is aligned to the Bank's performance management process. The policy identifies key positions, including Country Managing Director positions for all Access Bank operating entities in respect of which there will be formal succession planning. The Bank's policy provides that potential candidates for the other positions shall be identified at the beginning of each financial year by the Group Human Resources Head, based on performance and competencies.

### **Code of ethics**

Access Bank has in place, a Code of Conduct which specifies expected behaviour of its employees and directors. The Code requires that each Bank employee shall read the Code and sign a confirmation that he has understood the content. In addition, there is an annual re-affirmation exercise. The Bank also has a Compliance Manual which provides guidelines for addressing violations/breaches and ensuring enforcement of discipline with respect to staff conduct. The Bank also has a Disciplinary Guide which provides sample offences/violations and prescribes disciplinary measures to be adopted in various cases. The Head of Human Resources is responsible for the design and implementation of the "Code of Conduct" while the Chief Compliance Officer is responsible for monitoring and ensuring compliance.

The Chief Compliance Officer issues at the commencement of each financial year, an Ethics & Compliance message to all staff within the Group. The Ethics & Compliance message reiterates the bank's policy of total compliance with all applicable laws, regulations, corporate ethical standards and policies in the conduct of the Bank's business. The message admonishes employees to safeguard the franchise and advance its growth in a sustainable manner while ensuring compliance with relevant policies, laws and regulations.

### **Dealing in Company Securities**

The Group implements a Non-Dealing Period Policy the purpose of which is to ensure that directors, members of the Audit Committee, employees and all other insiders do not abuse, or place themselves under the suspicion of abusing price sensitive information in relation to the Company's securities. In line with the policy affected persons are prohibited from trading on the Company's security during closed period. The Bank has put in place mechanism for monitoring on-going compliance with the policy.

### **Remuneration Report**

The Group has established clear policy guidelines for the determination and administration of compensation. In line with the policy guidelines, the Bank seeks to attract and retain the best talent in territory it operates. To achieve this, the Group seeks to position itself among the best performing and best employee rewarding companies in its industry in every market that it operates. This principle will act as a general guide for the determination of compensation in each country. The objective of the policy is to ensure that salary structure including short and long term incentives motivate sustained high performance and are linked to corporate performance. It is also designed to ensure that stakeholders are able to make reasonable assessment of the Bank's reward practices. It is the Group's policy to comply in full with all local tax policies in the countries of operation while seeking to take opportunities of legal tax avoidance.

Operating within the guidelines set by the principle above; compensation for country staff is set by the management of each country, based on the conditions in the local economic environment as well as the requirements of local labor laws. Each subsidiary is required to conduct annual compensation surveys or obtain compensation statistics in their local markets to arrive at specific compensation structures for the local market. Compensation is determined annually at the end of the financial year. All structural changes to compensation must be approved by the Group Office.

Total compensation provided to employees include guaranteed and variable portions. The specific proportion of each is defined at the country level. Guaranteed pay includes base pay and other guaranteed portions while variable pay may be both performance based and discretionary.

The Bank has put in place a performance bonus scheme which seeks to attract and retain high performing employees. Awards to individuals are based on the job level, business unit performance and individual performance. Other determinants of the size of individual award amount include pay level for each skill sets which may be influenced by relative dearth of skill in a particular area.

The Bank fully complies with the Pension Reform Act on the provision of retirement benefit to all employees at all levels. The Bank is currently in the process of establishing an Employee Performance Share Plan for the award of the units of the Bank's shares to its employees subject to terms and conditions as the Board of Directors may determine from time to time.

**Whistle Blowing Procedure**

Access Bank has a whistle-blowing policy which provides the procedure for reporting suspected breaches of the Bank's internal policies, laws and regulations. There is a special e-mail address and telephone hotline dedicated for whistle blowing. The Bank's website also provides an avenue for lodging whistleblower reports.

The Bank's Chief Compliance Officer (CCO) is responsible for monitoring and reporting on whistle blowing.

**The Company Secretary**

The company secretary has the primary duty of assisting the Board and management in developing and implementing good corporate governance standard. He ensures that there is timely and appropriate information dissemination within and to the Board. He is responsible for designing and implementing the induction programme for new directors and also the director's annual training curriculum.

**Statement of Compliance**

The Bank is a public limited liability and therefore subject to the jurisdiction of the SEC Code of Corporate Governance as well as the CBN Code. We have complied with the relevant provisions of the SEC Code except that in the case of any conflict between the provisions of the two codes regarding any matter, the Bank will defer to the provisions of the CBN Code as its primary regulator.



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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 financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows 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 13 to 162.

*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.



*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Access Bank Plc and its subsidiaries ("the Group") as at 31 December 2011, 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 to the consolidated financial statements.

KPMG

04 May 2012  
Lagos, Nigeria



## Consolidated statement of financial position

As at 31 December 2011

<i>In thousands of Naira</i>	<i>Notes</i>			<b>2011</b>	<b>2010</b>
<b>Assets</b>					
Cash and cash equivalents	5,	8,	19	191,518,474	123,957,778
Non pledged trading assets	5,	8,	20	10,812,122	30,969,755
Pledged assets	5,	8,	21	66,191,144	59,930,096
Derivative financial instruments	5,	8,	22	9,909	1,110,803
Loans and advances to banks	5,	8,	23	775,765	610,108
Loans and advances to customers	5,	8,	24	576,228,507	447,810,358
Insurance receivables	5,	8,	25	1,405,000	-
Investments in equity accounted investee			26	2,812,805	-
Investment securities	5,	8,	27	561,733,704	69,892,874
Trading properties			28	6,688,000	-
Investment properties			29	16,097,044	12,943,078
Property and equipment			30	67,647,817	25,312,051
Intangible assets			31	3,277,608	3,110,530
Deferred tax assets			32	2,930,928	2,458,597
Other assets			33	120,874,368	18,110,740
<b>Total assets</b>				<b>1,629,003,195</b>	<b>796,216,768</b>
<b>Liabilities</b>					
Deposits from banks	5,	8,	34	146,808,286	69,889,795
Deposits from customers	5,	8,	35	1,101,703,921	484,723,475
Derivative financial instruments	5,	8,	22	9,413	725,007
Current tax liabilities				9,747,004	3,492,485
Other liabilities			36	142,649,550	49,977,525
Claims payable	5,	8,	37	450,000	-
Liabilities on investment contracts	5,	8,	38	61,000	-
Liabilities on insurance contracts			39	2,703,000	-
Interest-bearing loans and borrowings	5,	8,	40	29,258,273	22,760,350
Contingent settlement provisions			41	3,548,000	-
<b>Total liabilities</b>				<b>1,436,938,447</b>	<b>631,568,637</b>

*Access Bank Plc and Subsidiary Companies*  
*Consolidated Financial Statements - 31 December 2011*  
*Together with Directors' and Auditor's Reports*

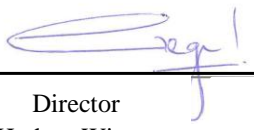
<i>In thousands of Naira</i>	<i>Notes</i>	<b>2011</b>	<b>2010</b>
<b>Equity</b>			
Share capital and share premium	42	155,104,963	155,104,963
Accumulated loss	42	(6,744,577)	(10,785,618)
Other components of equity	42	20,649,521	19,629,454
<b>Total equity attributable to owners of the Bank</b>		<b>169,009,907</b>	<b>163,948,799</b>
Non controlling interest	42	23,054,841	699,332
<b>Total equity</b>		<b>192,064,748</b>	<b>164,648,131</b>
<b>Total liabilities and equity</b>		<b>1,629,003,195</b>	<b>796,216,768</b>

Signed on behalf of the Board of Directors on 4 May 2012 by:


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 Director  
 Aigboje Aig-imoukhuede


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 Director  
 Herbert Wigwe

*The notes on pages 21 to 162 are an integral part of these consolidated financial statements.*



## Consolidated statement of comprehensive income

*For the year ended 31 December 2011*

<i>In thousands of Naira</i>	Notes	2011	2010
Interest income	10	107,609,276	69,241,406
Interest expense	10	(37,026,264)	(21,820,175)
<b>Net interest income</b>		<b>70,583,012</b>	<b>47,421,231</b>
Fee and commission income	11	22,966,003	12,989,167
Fee and commission expense		-	-
<b>Net fee and commission income</b>		<b>22,966,003</b>	<b>12,989,167</b>
Net trading income	12	2,758,884	6,839,166
Net loss from other financial instruments at fair value through profit or loss	22	-	(724,499)
Other operating income	13	4,367,201	2,298,833
		<b>7,126,085</b>	<b>8,413,500</b>
Underwriting profit		657,000	-
		<b>657,000</b>	<b>-</b>
<b>Operating income</b>		<b>101,332,100</b>	<b>68,823,898</b>
Net impairment loss on financial assets	14	(9,251,498)	(7,772,155)
<b>Net operating income after net impairment loss on financial assets</b>		<b>92,080,602</b>	<b>61,051,743</b>
Personnel expenses	15	(23,327,351)	(15,428,124)
Operating lease expenses		(1,992,319)	(1,538,743)
Depreciation and amortization	30 31	(6,594,698)	(5,694,397)
Other operating expenses	16	(37,678,892)	(25,806,248)
<b>Total expenses</b>		<b>(69,593,260)</b>	<b>(48,467,512)</b>
Share of loss of equity accounted investee	26	(10,000)	-
<b>Profit before income tax</b>		<b>22,477,342</b>	<b>12,584,231</b>
Income tax expense	17	(7,099,020)	(4,856,832)
<b>Profit for the year</b>		<b>15,378,322</b>	<b>7,727,399</b>

**Access Bank Plc and Subsidiary Companies**  
*Consolidated Financial Statements - 31 December 2011*  
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<i>In thousands of Naira</i>	Notes	2011	2010
<i>Other comprehensive income net of income tax:</i>			
Foreign currency translation differences for foreign operations		(108,232)	(636,917)
Fair value loss/gains on available-for-sale investments recognised in equity		(1,273,241)	322,612
Fair value gains/(losses) on property and equipment		15,509	(487,182)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(1,365,964)</b>	<b>(801,487)</b>
<b>Total comprehensive income for the year</b>		<b>14,012,358</b>	<b>6,925,912</b>
<b>Profit attributable to:</b>			
Owners of the Bank		14,499,229	7,903,841
Non-controlling interest		879,093	(176,442)
<b>Profit for the year</b>		<b>15,378,322</b>	<b>7,727,399</b>
Earnings per share - Basic (kobo)	18	86	44
Diluted (kobo)	18	86	44
<b>Total comprehensive income attributable to:</b>			
Owners of the Bank		13,133,265	7,102,354
Non-controlling interest		879,093	(176,442)
<b>Total comprehensive income for the year</b>		<b>14,012,358</b>	<b>6,925,912</b>

*The notes on pages 21 to 162 are an integral part of these consolidated financial statements.*

**Consolidated Statement of Changes in Equity**

For the year ended 31 December 2011

In thousands of Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Bonus Reserve	Contingency reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
Balance at 1 January 2011	8,944,126	146,160,837	5,147,247	17,227,756	(5,652,507)	3,489,080	(614,739)	-	-	32,618	(10,785,618)	699,332	164,648,132
<b>Total comprehensive income for the year:</b>													
Profit /(loss) for the year	-	-	-	-	-	-	-	-	-	-	14,499,229	879,093	15,378,322
<b>Other comprehensive income, net of tax</b>													
Foreign currency translation difference	-	-	-	-	-	-	-	-	-	(108,232)	-	-	(108,232)
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	(1,273,241)	-	-	-	-	-	(1,273,241)
Net change on revaluation of property and equipment	-	-	-	-	-	-	15,509	-	-	-	-	-	15,509
<b>Total other comprehensive (loss)/income</b>	-	-	-	-	-	-	<b>(1,257,732)</b>	-	-	<b>(108,232)</b>	-	-	<b>(1,365,964)</b>
<b>Total comprehensive (loss)/income</b>	-	-	-	-	-	-	<b>(1,257,732)</b>	-	-	<b>(108,232)</b>	<b>14,499,229</b>	<b>879,093</b>	<b>14,012,358</b>
<b>Transactions with equity holders, recorded directly in equity:</b>													
Capitalisation of bonus issue	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination	-	-	-	-	-	-	-	-	-	140,999	-	-	140,999
Transfers for the year	-	-	(993,672)	2,049,067	-	-	-	-	-	-	(1,055,395)	(36,675)	(36,675)
New issue from convertible debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Newly acquired subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	-	-	-	-	586,000	-	(586,000)	-	-
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	21,313,522	21,313,522
Translation reserve	-	-	-	-	-	-	-	-	-	-	-	9,803	9,803
Reversal of prior year losses in associate	-	-	-	-	-	-	-	-	-	-	-	-	-
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	189,766	189,766
Acquisition/disposal of own shares	-	-	-	-	603,635	-	-	-	-	-	-	-	603,635
Dividend to equity holders	-	-	-	-	-	-	-	-	-	-	(8,944,117)	-	(8,944,117)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-	127,324	-	127,324
<b>Total contributions by and distributions to equity holders</b>	-	-	<b>(993,672)</b>	<b>2,049,067</b>	<b>603,635</b>	-	-	-	<b>586,000</b>	<b>140,999</b>	<b>(10,458,188)</b>	<b>21,476,416</b>	<b>13,404,257</b>
<b>Balance at 31 December 2011</b>	<b>8,944,126</b>	<b>146,160,837</b>	<b>4,153,575</b>	<b>19,276,823</b>	<b>(5,048,872)</b>	<b>3,489,080</b>	<b>(1,872,471)</b>	-	<b>586,000</b>	<b>65,385</b>	<b>(6,744,577)</b>	<b>23,054,841</b>	<b>192,064,747</b>

**Consolidated Statement of Changes in Equity**

*For the year ended 31 December 2011*

*In thousands of Naira*

	Share capital	Share premium	risk reserve	regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Bonus Reserve	Contingency reserve	Foreign translation reserve	Retained earnings	controlling interest	Total Equity
Balance at 1 January 2010	8,131,024	146,160,837	1,882,931	15,261,865	(6,573,363)	3,489,080	(450,169)	813,102	-	669,535	(9,980,792)	858,291	160,262,341
Adjustment to opening	-	-	-	-	-	-	-	-	-	-	(363,135)	-	(363,135)
<b>Opening restated</b>	<b>8,131,024</b>	<b>146,160,837</b>	<b>1,882,931</b>	<b>15,261,865</b>	<b>(6,573,363)</b>	<b>3,489,080</b>	<b>(450,169)</b>	<b>813,102</b>	<b>-</b>	<b>669,535</b>	<b>(10,343,927)</b>	<b>858,291</b>	<b>159,899,206</b>
<b>Total comprehensive income for the year:</b>													
Profit /(loss) for the year	-	-	-	-	-	-	-	-	-	-	7,903,841	(176,442)	7,727,399
<b>Other comprehensive income, net of tax</b>													
Foreign currency translation difference	-	-	-	-	-	-	-	-	-	(636,917)	-	-	(636,917)
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	322,612	-	-	-	-	-	322,612
Net change on revaluation of property and equipment	-	-	-	-	-	-	(487,182)	-	-	-	-	-	(487,182)
<b>Total other comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(164,570)</b>	<b>-</b>	<b>-</b>	<b>(636,917)</b>	<b>-</b>	<b>-</b>	<b>(801,487)</b>
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(164,570)</b>	<b>-</b>	<b>-</b>	<b>(636,917)</b>	<b>7,903,841</b>	<b>(176,442)</b>	<b>6,925,912</b>
<b>Transactions with equity holders, recorded directly in equity:</b>													
Capitalisation of bonus issue	813,102	-	-	-	-	-	-	(813,102)	-	-	-	-	-
Transfers for the year	-	-	3,264,316	1,965,891	-	-	-	-	-	-	(5,230,207)	(16,876)	(16,876)
New issue from convertible debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Newly acquired subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	140,856	140,856
Translation reserve	-	-	-	-	-	-	-	-	-	-	-	(106,497)	(106,497)
Reversal of prior year losses in associate	-	-	-	-	-	-	-	-	-	-	332,027	-	332,027
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	920,856	-	-	-	-	-	-	-	920,856
Dividend to equity holders	-	-	-	-	-	-	-	-	-	-	(3,577,650)	-	(3,577,650)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-	130,298	-	130,298
<b>Total contributions by and distributions to equity holders</b>	<b>813,102</b>	<b>-</b>	<b>3,264,316</b>	<b>1,965,891</b>	<b>920,856</b>	<b>-</b>	<b>-</b>	<b>(813,102)</b>	<b>-</b>	<b>-</b>	<b>(8,345,532)</b>	<b>17,483</b>	<b>(2,176,986)</b>
<b>Balance at 31 December 2010</b>	<b>8,944,126</b>	<b>146,160,837</b>	<b>5,147,247</b>	<b>17,227,756</b>	<b>(5,652,507)</b>	<b>3,489,080</b>	<b>(614,739)</b>	<b>-</b>	<b>-</b>	<b>32,618</b>	<b>(10,785,618)</b>	<b>699,332</b>	<b>164,648,132</b>

## Consolidated statement of cash flows

*For the year ended 31 December 2011*

<i>In thousands of Naira</i>	<i>Notes</i>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Profit for the year		15,378,322	7,727,399
<i>Adjustments for:</i>			
Depreciation of property and equipment	30	5,972,390	5,452,780
Amortization of intangible assets	31	622,308	235,944
Gain on disposal of property and equipment		(482,058)	(73,266)
Profit on disposal of trading properties		(951,000)	
Reversal of impairment loss on investment property		(211,543)	315,698
Loss on disposal of investment properties	29	193,674	84,041
Impairment on financial assets		(9,251,498)	7,772,155
Property and equipment written off		1,915,833	18,657
Share of profit of equity accounted investee		10,000	-
Interest paid on borrowings and finance lease		104,220	186,525
Revaluation loss		-	724,499
Dividend received		(889,352)	(199,489)
Income tax expense	17	7,099,020	4,856,832
		<hr/> 19,510,316	<hr/> 27,101,775
Change in non-pledged trading assets		15,307,633	(19,406,562)
Change in pledged assets		208,418,366	(52,338,982)
Change in derivative financial instruments-assets		1,100,894	1,891,917
Change in loans and advances to banks and customers		40,289,073	(82,377,503)
Change in insurance receivables		(1,397,000)	
Change in other assets		30,661,532	(2,432,464)
Change in deposits from banks		(259,387,621)	26,672,954
Change in interest bearing loans and advances		6,497,923	19,383,405
Change in derivative financial instrument-liabilities		(715,594)	(1,108,320)
Change in deposits from customers		36,211,331	42,388,612
Change in claims payable		92,000	-
Change in liabilities on investment contracts		(672,000)	-
Change in liabilities on insurance contracts		(219,000)	-
Change in other liabilities		20,271,470	20,920,478
		<hr/> 115,969,323	<hr/> (19,304,690)
Income tax paid		4,579,351	(7,056,504)
<b>Netcash provided/(used in) by operating activities</b>		<hr/> <b>120,548,674</b>	<hr/> <b>(26,361,194)</b>

**Access Bank Plc and Subsidiary Companies**  
**Consolidated Financial Statements - 31 December 2011**  
**Together with Directors' and Auditor's Reports**

**For the year ended 31 December 2011**

*In thousands of Naira*

	<b>Notes</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from investing activities</b>			
Net sale/(purchase) of investment securities		(77,704,614)	3,630,770
Interest and dividends received		889,352	199,489
Acquisition of property and equipment	30	(4,533,213)	(3,416,798)
Proceeds from the sale of property and equipment		1,748,306	1,731,811
Acquisition of intangible assets	31	(484,227)	(772,205)
Acquisition of investment properties	29	(1,163,815)	(107,832)
Proceeds from disposal of investment properties		853,718	240,845
Proceeds on disposal of trading properties		2,276,000	-
Acquisition of trading properties		(1,135,000)	-
Acquisition of subsidiary, net of cash and cash equivalents acquired		35,353,000	-
<b>Net (cash used)/provided by investing activities</b>		<b>(43,900,493)</b>	<b>1,506,080</b>
<b>Cash flows from financing activities</b>			
Repayment of long term borrowings		-	(2,604,227)
Interest paid on long term borrowings		(104,220)	(186,525)
Dividends paid to owners	42	(8,944,117)	(3,577,650)
Increase in non-controlling interest		-	140,856
<b>Net cash used in financing activities</b>		<b>(9,048,337)</b>	<b>(6,227,546)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>67,599,844</b>	<b>(31,082,660)</b>
Cash and cash equivalents at beginning of year		123,957,778	155,076,424
Effect of exchange rate fluctuations on cash held		(39,148)	(35,986)
<b>Cash and cash equivalents at end of year</b>	<b>19</b>	<b>191,518,474</b>	<b>123,957,778</b>

*The notes on pages 21 to 162 are an integral part of these consolidated financial statements.*

### **1. Reporting entity**

Access Bank Plc (“the Bank”) is a company domiciled in Nigeria. The address of the Bank’s registered office is Plot 999c, Danmole Street, off Adeola Odeku/Idejo Street, Victoria Island, Lagos. The consolidated financial statements for the year ended 31 December 2011 are prepared for the Bank and its subsidiaries (together referred to as “the Group” and separately referred to as “Group entities”). The Group is primarily involved in investment, corporate, commercial and retail banking.

### **2. Statement of compliance with international financial reporting standards**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). They have been prepared in addition to the Group’s statutory financial statements (not included herein), which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

These financial statements were authorised for issue by the directors on 4 May 2012.

### **3. Basis of preparation**

#### **(a) Functional and presentation currency**

These consolidated financial statements are presented in Naira, which is the Bank’s functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

#### **(b) Basis of measurement**

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

- derivative financial instruments are measured at fair value.
- non-derivative 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.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

#### **(c) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRSs 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.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 5 and 6.

**(d) Changes in accounting policies**

**(i) Accounting for business combinations**

From 1 January 2011, the Group applied IFRS 3 *Business Combinations (2008)* in accounting for business combinations. Business combinations that occurred before 1 January 2011 had not been restated and accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows:

*Acquisitions on or after 1 January 2011*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.



*Acquisitions between 1 April 2006 and 1 January 2011*

For acquisitions between 1 April 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

*Acquisitions prior to 1 April 2006 (date of transition to IFRSs)*

As part of its transition to IFRSs, the Group did not elect to restate business combinations that occurred on or after 1 April 2006. In respect of acquisitions prior to 1 April 2006, goodwill represents the amount recognised under the Group's previous accounting framework, (Nigerian GAAP).

**(ii) Accounting for acquisition of non-controlling interests**

From 1 January 2011, the Group has applied IAS 27 *Consolidated and Separate Financial Statements (2008)* in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of a non-controlling interest in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

**(iii) IAS 24 Related Party Disclosures**

The amended IAS 24 standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. This amendment did not have a significant impact on the consolidated financial statements.

**(iv) IAS 32 Financial Instruments: Presentation – Classification of Rights Issues**

The amendment to IAS 32 changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment did not have a significant impact on the consolidated financial statements.

**(v) IFRIC 14 Prepayments of a minimum funding requirement (pension assets)**

The amendment of IFRIC 14 provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. This amendment did not have a significant impact on the consolidated financial statements.

**(vi) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this value cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. This amendment did not have a significant impact on the consolidated financial statements.

**(vii) IAS 17 Leases**

The Improvements to IFRSs 2009 amended IAS 17 to remove guidance stating that a lease of land normally would be classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Under the amendment, a land lease may be classified as a finance lease if substantially all risks and rewards are transferred to the lessee, even if at the end of the lease term title will not pass to the lessee.

Prior to 1 January 2011, land was classified as operating lease in other assets. However, based on the adoption of the amended standard, land has been accounted for as property using the cost model under IAS 16 i.e. cost less accumulated depreciation and impairment charges. Depreciation expense on land has been recognised in the consolidated financial statements using the straight line method over the unexpired life in a 99 year lease term.

*Impact of change in accounting policy*

This amendment, which is effective for annual periods beginning on or after 1 January 2010, has been applied by the Bank retrospectively in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors. The following table summarises the adjustments made to the condensed consolidated statement of financial position on implementation of the new accounting policy:

	31-Dec-10	Reclassification	Restated 31-Dec-10	Impact on retained earnings/profit or loss
<i>In thousands of Naira</i>				
Other assets	20,006,440	(1,895,700)	18,110,740	-
Property and equipment	23,807,982	1,895,700	25,703,682	-
	43,814,422	-	43,814,422	-

There was no effect on either the condensed consolidated interim statement of comprehensive income or retained earnings.

**(viii) Accounting for defined benefit plan**

During the year, the Bank introduced a non-contributory, unfunded lump sum defined benefit long term incentive plan for top executive management of the Bank from General Manager and above based on the number of years spent in these positions.

Depending on their grade, executive staff of the Bank upon retirement are entitled to certain benefits based on their length of stay on that grade.

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; the benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield determined by reference to market yields at the reporting date on high quality overnment bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. In line with IAS 8 *Accounting policies, changes in accounting estimates and errors*, this new accounting policy has been applied prospectively i.e. there is no prior period impact.

**4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by group entities, except as explained in note 3(d), which addresses changes in accounting policies.

Certain comparative amounts in the consolidated financial statements have been reclassified to conform with the current year's presentation (see note 3(d)(vii) and (i) below). An additional statement of financial position has not been presented as at the beginning of the earliest comparative period i.e. 1 January 2010, following the change in accounting policy, correction of an error or the reclassification of items because these items are judged not to be material to the financial statements as a whole.

The following items were reclassified from property and equipment to intangible assets in order to properly categorise it based on its nature:

(i) Property and equipment

<i>In thousands of Naira</i>	<u><b>December</b></u> <b>2011</b>
Balance previously reported	23,807,982
Reclassification from other assets (see note 3(d)(vii))	1,895,700
Reclassification to intangible assets (see note (ii) below)	(391,631)
<b>Balance as restated</b>	<b><u>25,312,051</u></b>

(ii) Intangible assets

<i>In thousands of Naira</i>	<u><b>December</b></u> <b>2011</b>
Balance previously reported	2,718,899
Reclassification to intangible assets (see note (i) above)	391,631
<b>Balance as restated</b>	<b><u>3,110,530</u></b>

**(a) Basis of consolidation**

**(i) Business combinations**

The Group has changed its accounting policy with respect to accounting for business combinations. See note 3(d)(i) for further details.

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

The accounting policies of subsidiaries have changed when necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(iii) Investment in associates (equity-accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statement include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, 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 equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**(iv) Special purpose entities**

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or,

by setting up an 'autopilot' mechanism; the Group has delegated these decision-making powers.

- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further assessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

**(v) Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

**(vi) Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments.

**(vii) Transactions eliminated on consolidation**

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. 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 into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are retranslated to the functional currency at exchange rates as 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 using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. 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, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Naira at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Naira at exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. Since 1 April 2006, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. However, if the operation is not wholly owned the relevant operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income and foreign currency translation reserve.

**(c) Interest**

Interest income and expense are recognised in profit or loss 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. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual 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 presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/expense.

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 other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the statement of comprehensive income.

**(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. 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.

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 through profit or loss**

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated 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 on trading equities are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

**(h) Lease payments**

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.

**(i) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is provided using the balance sheet 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 by the Bank 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 (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification**

See accounting policies 4(k), (l), (m) and (n).

**(iii) De-recognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its financial position, but retains either all or substantially all of the 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 financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, 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.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**(iv) Offsetting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position 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 under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

**(v) Sale and repurchase agreements**

Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; 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 money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

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.

**(vi) 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.

**(vii) Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (.i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

**(viii) Identification and measurement of impairment**

At each reporting 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.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, 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 addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and advances and held-to-maturity investments at both a specific asset and collective level. All individually significant loans and advances and held-to maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities (used cost) with similar characteristics.

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 cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The group writes off certain loans and advances and investment securities when they are determined to be uncollectible (see note 5(b))

**(ix) Designation at fair value through profit or loss**

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

**(k) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on 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 statement of financial position.

**(l) Trading assets and liabilities**

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 statement of financial position 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, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

**(m) 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 classified as a finance lease and a receivable equal to the net investment in the lease and recognised and 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 except where the Group chooses to carry the loans and advances at fair value through profit or loss.

**(n) Investment securities**

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

**(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. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassification that are so close to maturity that changes on the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassification after the Group has collected substantially all the asset's original principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

**(ii) Fair value through profit or loss**

The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss as described in accounting policy (j) (ii).

**(iii) 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.

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.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

**(o) Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. 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.

**(p) Investment properties**

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Group. An occupation of more than 15% of the property is considered substantial. Investment properties are carried in the balance sheet at their market value and revalued yearly on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Group's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account, is credited to profit and loss account to the extent that it offsets the previously recorded decrease. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account. Investment properties are disclosed separately from the property and equipment used for the purposes of the business.

**(q) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated 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.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other income in profit or loss.

**(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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease 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. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

Leasehold improvements	Over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicles	4 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. 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.

**(r) Intangible assets**

**(i) Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group has changed its accounting policy with respect to accounting for business combinations. See note 3(d)(i) for further details.

*Acquisitions of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

*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 since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(s) 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, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value.

**(t) 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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. 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.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

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.

**(u) Assets held for sale or distribution**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

**(v) Deposits and 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.

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.

**(w) 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.

**(x) 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.

**(y) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

**(ii) Termination benefits**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**(iii) Short-term employee benefits**

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

A liability 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.

**(iv) Share-based payment transactions**

The Bank operates a cash-settled share based compensation plan (i.e. share appreciation rights - SARs) for its management personnel. The management personnel are entitled to the share appreciation rights at a pre-determined price after spending five years in the Bank.

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.

**(z) Insurance contracts and investment contracts**

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

**(i) Short-term insurance contracts**

Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

**(ii) Deferred acquisition costs (DAC)**

Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

**(iii) Deferred income liability**

Deferred income liability on fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

**(iv) Liability adequacy test**

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Any deficiency is immediately recognised in the income statement.

**(v) Reinsurance**

Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly, resulting in a charge to the income statement.

**(aa) 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 the Bank's ordinary shares**

Dividends on the Bank's ordinary shares are recognised in equity when 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 or disposed. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

**(ab) Earnings per share**

The Group presents basic earnings per share (EPS) 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, which comprise share options granted to employees.

**(ac) Operating segment**

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**(ad) New standards and interpretations not yet adopted**

Standards issued but not yet effective up to the date of issuance of the Bank's consolidated financial statements are listed below. This listing comprises standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date with the knowledge of today. Access Bank intends to adopt the standards below when they become effective.

***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB is addressing impairments and hedge accounting. Exposure drafts have been issued. The completion of these projects is expected in 2012. The Bank is currently assessing the impact of both the first phase and the second phase on its financial statements.

***IFRS 10 Consolidated Financial Statements***

IFRS 10 replaces all of the consolidation guidance of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Consolidation is required when there is control that is defined as a combination of power, exposure to variability in returns and a link between the two. IFRS 10 is effective for annual periods beginning on or after 1 January 2013. The Bank is currently reviewing IFRS 10 and will assess the impact on its subsequent financial statements.

***IFRS 11 Joint Arrangements***

IFRS 11 overhauls the accounting for joint ventures and replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities. It uses the principles of control in IFRS 10 in defining joint control and whether joint control exists may change. The new standard does not allow proportional consolidation of joint ventures and the equity method must be applied. IFRS 11 is effective in annual periods beginning on or after 1 January 2013. No impact is expected as the Bank does not have any joint arrangements.

***IFRS 12 Disclosure of Interests in Other Entities***

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associated and structured entities. Changes include the requirement to disclose the judgements made to determine whether it controls another entity. IFRS 12 is effective in annual periods beginning on or after 1 January 2013. Early adoption of IFRS 10, 11 and 12 is permitted but is required to take place simultaneously. Only IFRS 12 can be early adopted without IFRS 10 and 11. IFRS 12 has not been early adopted but the Bank will assess the impact on its subsequent financial statements.

***IFRS 13 Fair Value Measurement***

IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosure on fair value measurements. It is applicable for all assets and liabilities that require a fair value based on IFRS. Disclosures for fair values are extended. The Bank will assess whether this new standard has any impact on existing fair value policies and disclosures. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The Bank has not early adopted IFRS 13.



### ***IAS 1 Presentation of Financial Statements***

IAS 1 addresses changes in the presentation of Other Comprehensive Income. The amended standard emphasizes that profit or loss and other comprehensive income should be grouped together, i.e. either as a single “statement of profit or loss and comprehensive income“, or as a separate “statement of profit or loss“ and a “statement of comprehensive income“. This latter option is the existing practice for the Bank. Access Bank will assess if it will continue this practice or convert to the other option included in the amended IAS 1. This standard is applicable for annual periods beginning on or after 1 July 2012, with early adoption permitted.

### ***IAS 12 Income taxes***

The amendments to IAS 12 provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment property. The amendment introduces a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. This standard is applicable for annual periods beginning on or after 1 January 2012, with early adoption permitted.

### ***IAS 19 Employee benefits***

The amended IAS 19 states that changes in the defined benefit obligation and fair value of plan assets are recognised in the period as they occur. The “corridor“ method is eliminated and actuarial gains and losses and unrecognised past service costs are recognised directly in Other comprehensive income. Because actuarial gains and losses are no longer deferred, affecting both the net defined benefit liability/asset and the amounts recognised in profit or loss are affected. The amended standard splits changes in defined benefit liabilities/assets in:

- Service cost (including past service costs, curtailments and settlements) – in profit or loss;
- Net interest costs (i.e. net interest on the net defined benefit liability) – in profit or loss;
- Remeasurement of the defined benefit liability/asset – in other comprehensive income.

The amended IAS 19 is effective for periods beginning on or after 1 January 2013. This amended standard is not expected to have any significant impact on the consolidated financial statements.

### ***IFRS 7 Financial Instruments: Disclosures***

In October 2010 IFRS 7 Financial Instruments: Disclosures has been amended to enhance the derecognition disclosure requirements for transfer transactions of financial assets. This amendment is effective for periods beginning on or after 1 July 2011. The Bank expects no significant impact from the adoption of the amendments on its financial position or performance in 2011.

### ***Improvements to IFRSs***

Amendments resulting from improvements to IFRSs to the following standards did not have a material impact on the accounting policies, financial position or performance of Access Bank during this financial year:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

## **5 Financial Risk Management**

### **(a) Introduction and overview**

“Access Bank Plc has a well-established risk governance structure and an experienced risk management team. Our risk management framework provides essential tools to enable us take timely and informed decisions to maximize opportunities and mitigate potential threats. Access Bank has taken pre-emptive actions to reshape the portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing in case of adverse scenarios or downturns.”

#### **The Group's approach to risk**

Risk is an inherent part of Access Bank Plc and its subsidiary companies' (“the Bank” or “the Group”) business activities. Access Bank's overall risk tolerance is established in the context of the Bank's earnings power, capital, and diversified business model. Effective risk management is critical to any Bank for achieving financial soundness.

In view of this, aligning risk management to the Bank's organizational structure and business strategy has become integral in our business. Access Bank's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. It is also intended to create a culture of risk awareness and personal responsibility throughout the Bank. The Group has taken pre-emptive action to reshape its credit portfolio, tighten underwriting standards and increase the frequency of risk monitoring and integrated stress testing. These actions will not immunize the Group from the effects of a cyclical downturn in its core markets, but should mitigate their impact.

Our position at the end of 2011 is marked by several key factors. The Group has low exposure to higher-risk asset classes, and has maintained vigilance and discipline in responding to the challenging environment. It also has a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior team. Access Bank has been disciplined in its management of risk. The Group has increased its focus on the inter-relationships between risk types and, where appropriate, underwriting standards have been tightened. It has also conducted periodic reviews of risk exposure limits and risk control so as to position itself against any adverse scenarios. To mitigate against higher level of market volatility and economic uncertainty, the Group regularly subjects its exposures to a range of stress tests across a wide variety of products, currencies, portfolios and customer segments.

The Bank's risk management architecture is carefully crafted to balance corporate oversight with well-defined risk management functions which fall into one of three categories where risk must be managed: lines of business, governance and control and corporate audit. The Board of Directors and management of the Bank are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international banks. We are convinced that the long-term sustainability of our Group depends critically on the proper governance and effective management of our business. As such, risk management occupies a significant position of relevance and importance in the Bank.

The Board of Directors determines Access Bank's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of Access Bank to assume risk, weighed against the expected rewards. The umbrella 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 actively managing these risks 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 core risk areas of credit, market and operational risks as well as for other key risks such as liquidity, strategic and reputational risk.

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 light of this, the Bank's ERM 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: via continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit; and through independent evaluation by external auditors, examiners and consultants.

The Chief Risk Officer has primary responsibility for risk management and the review of the ERM Framework and to provide robust challenge to the management teams based on quantitative and qualitative metrics. All amendments to the Bank's ERM Framework require Board approval. The risk management division is responsible for the enforcement of the Bank's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary. Overall, we view risk not only as a threat or uncertainty, but also as a potential opportunity to grow and develop the business, within the context of our clearly articulated and Board driven risk appetite. Hence our approach to risk management is not limited to considering downside impacts or risk avoidance; it also encompasses taking risk knowingly for competitive advantage. Access Bank approaches risk, capital and value management robustly and we believe that our initiatives to date have positioned the Group at the leading edge of risk management.

### **Risk and capital drive value**

The pursuit of value requires us to balance risk assumed against capital required. Hence, we have embarked on a journey, which requires us to undertake analysis involving optimizing the upside and minimizing the downside on an ongoing and rigorous basis. We believe that this process will add value for our shareholders, and provide security to our other capital providers and clients, as well as ensure overall sustainability in our business activities.

Every business activity in our Group requires us to put capital at risk, in exchange for the prospect of earning a return. In some activities, the level of return is quite predictable, whereas in other activities the level of return can vary over a very wide range, ranging from a loss to a profit. Accordingly, over the past year we have expended substantial energy on improving our risk and capital management framework, to focus on taking risks where we:

- Understand the nature of the risks we are taking, and what the range of outcomes could be under various scenarios, for taking these risks;
- Understand the capital required in order to assume these risks;
- Understand the range of returns that we can earn on the capital required to back these risks; and

- Attempt to optimize the risk-adjusted rate of return we can earn, by reducing the range of outcomes and capital required arising from these risks, and increasing the certainty of earning an acceptable return

Our objective of balancing risk, return and capital has led us to enhance substantially our risk management methodologies, in order to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve an optimal outcome. Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.

### **Enterprise-wide stress testing**

As a part of our core risk management practices, the Bank conducts enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic scenarios, including economic conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts to our risk profile, capital and liquidity. It generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business.

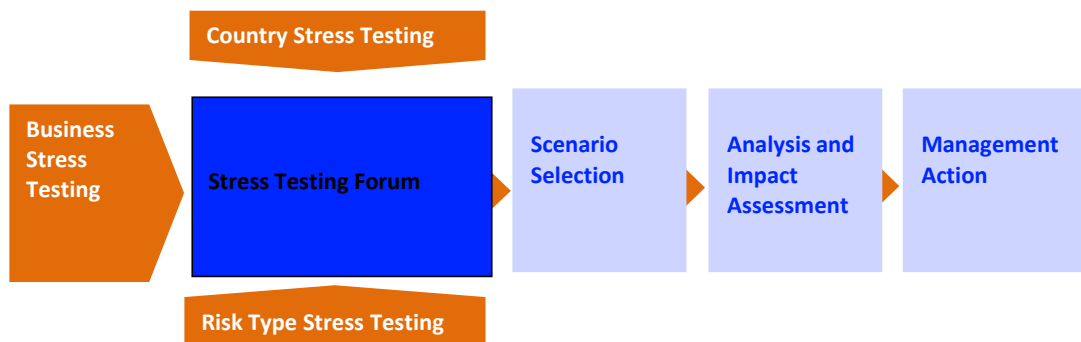
Stress testing and scenario analysis are used to assess the financial and management capability of Access Bank to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors. Scenario(s) are carefully selected by a group drawn from senior line of business, risk and finance executives. Impacts to each line of business from each scenario are then analyzed and determined, primarily leveraging the models and processes utilized in everyday management routines.

Impacts are assessed along with potential mitigating actions that may be taken in each scenario. Analysis from such stress scenarios is compiled for and reviewed through our Group ALCO, and the Enterprise Risk Management Committee and serves to inform and be incorporated, along with other core business processes, into decision making by management and the Board. The Bank would continue to invest in and improve stress testing capabilities as a core business process.

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### **Stress testing framework**

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Our stress testing framework is designed to:

- contribute to the setting and monitoring of risk appetite
- identify key risks to our strategy, financial position, and reputation
- examine the nature and dynamics of the risk profile and assess the impact of stresses on our profitability and business plans
- ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing
- inform senior management
- ensure adherence to regulatory requirements

### **Risk Management and the Acquisition Process in 2011**

The Bank recognized the significance of the risks inherent in the acquisition of Intercontinental Bank during the year. This necessitated a well structured and proactive approach to the management of risk in the acquisition process. The Bank leveraged on its experience in mergers and acquisition and ensured measures were put in place to minimize exposures to credit, market and operational losses in all phases of the merger process. The measures adopted both during the pre-merger and integration phases have resulted in well controlled acquisition and integration process with minimal operational losses.

## **(b) Risk Management Philosophy, Culture, Appetite and Objectives**

### **Risk Management Philosophy and Culture**

Risk management is at the core of the operating structure of the group. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

In 2011, our risk management process continued to achieve desired results despite a tough economic environment. However, the Group's risk management is continuously evolving and improving, given that there can be no assurance that all market developments, in particular those of extreme nature, can be fully anticipated at all times. Hence, executive management has remained closely involved with important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, as well as managing the risk portfolios.

Risk management is integral to the Group's decision-making and management process. It is embedded in the role and purpose of all employees via the organizational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions. Access Bank considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterize how the Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities. In this regard, the Bank's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

The Bank believes that enterprise risk management provides the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks. This will ensure that:

- Risk acceptance is done in a responsible manner;
- The executive and the Board of the Bank have adequate risk management support;

- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

The Bank identifies the following attributes as guiding principles for its risk culture.

a) Management and staff:

- Consider all forms of risk in decision-making
- Create and evaluate business-unit and Bank-wide risk profile to consider what is best for their individual business units/department and what is best for the Bank as a whole;
- Adopt a portfolio view of risk in addition to understanding individual risk elements;
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level;
- Accept that enterprise risk management is mandatory, not optional;
- Strive to achieve best practices in enterprise risk management;
- Document and report all significant risks and enterprise-risk management deficiencies;
- Adopt a holistic and integrated approach to risk management and bring all risks together under one or a limited number of oversight functions;
- Empower risk officers to perform their duties professionally and independently without undue interference;
- Ensure a clearly defined risk management governance structure;
- Ensure clear segregation of duties between market facing business units and risk management/control functions;
- Strive to maintain a conservative balance between risk and profit considerations; and
- Continue to demonstrate appropriate standards of behaviour in development of strategy and pursuit of objectives.

b) Risk officers work as allies and thought partners to other stakeholders within and outside the Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

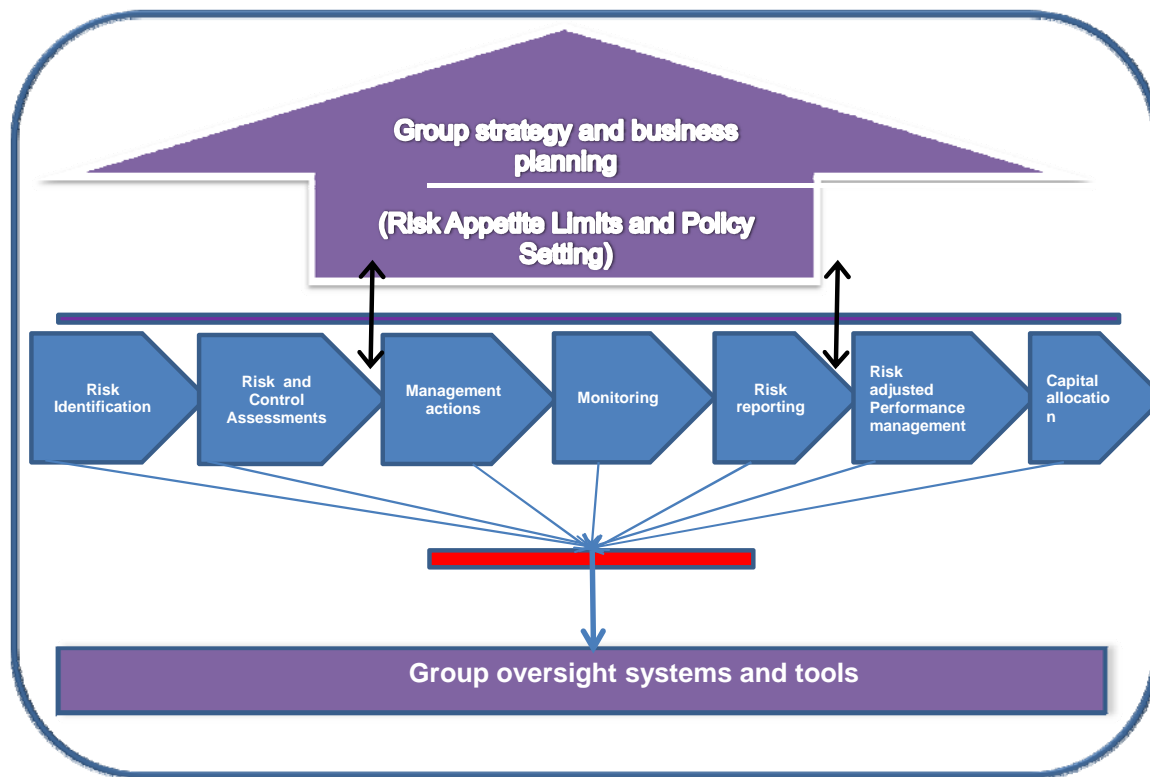
c) Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is based on consensus.

d) Risk management is governed by well-defined policies, which are clearly communicated across the Bank.

e) Equal attention is paid to both quantifiable and non-quantifiable risks.

f) The Bank avoids products and businesses it does not understand.

## **Risk management process**



### **Group risk oversight approach**

Our oversight starts with the strategy setting and business planning process. These plans help us articulate our appetite for risk, which is then set as risk appetite limits for each business unit to work within. The Bank's risk management and compliance division provides a central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored and controlled in order to minimize adverse outcomes.

The division is complemented by the financial control and regulatory/reputation risk group in the management of strategic and reputational risks respectively. The Chief Risk Officer coordinates the process of monitoring and reporting risks across the Bank. Internal audit has the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal control and makes appropriate recommendations where there are weaknesses.

### **Strategy and Business Planning**

Risk management is embedded in our business strategy and planning cycle. Testament to this is the inclusion of risk management as one of our strategic priorities. By setting the business and risk strategy, we are able to determine appropriate capital allocation and target setting for the Group and each of our businesses.

All business units are required to consider the risk implications of their annual plans. These plans include analysis of the impact of objectives on risk exposure. Throughout the year, we monitored business performance regularly focusing both on financial performance and risk exposure. The aim is to continue the process of integrating risk management into the planning and management process and to facilitate informed decisions.

Through ongoing review, the links between risk appetite, risk management and strategic planning are embedded in the business so that key decisions are made in the context of the risk appetite for each business unit.

### **Risk Appetite**

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Access Bank Group is willing to accept in pursuit of its strategy, duly set and monitored by the executive committee and the Board, and integrated into our strategy, business, risk and capital plans. Risk appetite reflects the Group's capacity to sustain potential losses arising from a range of potential outcomes under different stress scenarios.

The Bank defines its risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. Our risk appetite can be expressed in terms of how much variability of return the Bank is prepared to accept in order to achieve a desired level of result. It is determined by considering the relationship between risk and return. We measure and express risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise our group-level risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (eg credit, market and asset and liability management risks).

The Bank's risk profile is assessed through a 'bottom-up' analytical approach covering all of the Group's major businesses, countries and products. The risk appetite is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

In 2011, the risk appetite metrics were tracked against approved triggers and exceptions were reported to management for prompt corrective actions. Key issues were also escalated to the Enterprise Risk Management committee and the Board risk Management committee.

### **Risk management objectives**

The broad risk management objectives of the Bank are:

- To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost;
- To protect against unforeseen losses and ensure stability of earnings;
- To maximize earnings potential and opportunities;
- To maximize share price and stakeholder protection;
- To enhance credit ratings and depositor, analyst, investor and regulator perception; and
- To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions.



**Scope of risks**

The scope of risks that are directly managed by the Bank is as follows:

- Credit risk
- Operational risk
- Market and liquidity risk
- Legal and compliance risk
- Strategic risk
- Reputational risk
- Capital risk

These risks and the framework for their management are detailed in the enterprise risk management framework.

**Responsibilities and functions**

The responsibilities of the Risk Management and Compliance Division, the Financial Control and Strategy Group, Regulatory/Reputation Risk Group with respect to risk management are highlighted below:

***Risk Management and Compliance Division***

- a) Champion the implementation of the ERM Framework across the Bank and subsidiaries
- b) Develop risk policies, principles, process and reporting standards that define the Bank's risk strategy and appetite in line with the Bank's overall business objectives
- c) Ensure that controls, skills and systems are in place to enable compliance with the Bank's policies and standards
- d) Facilitate the identification, measurement, assessment, monitoring and control of the level of risks in the Bank
- e) Collect, process, verify, monitor and distribute risk information across the Bank and other material risk issues to senior management, the Board and regulators
- f) Monitor compliance with bank-wide risk policies and limits
- g) Provide senior management with practical, cost effective recommendations for improvement of risk management
- h) Act as a key contact for senior management who may wish to request ad hoc reviews/investigations
- i) Ensure that laws, regulations and supervisory requirements are complied with including consequence management
- j) Champion the implementation of Basel II
- k) Promote risk awareness and provide education on risk
- l) Provide assurance on compliance with internal and external policies with respect to risk management

**Financial Control and Strategy**

- a) Prepare and monitor the implementation of the Bank’s strategic plan
- b) Conduct strategic and operational review of the Bank’s activities
- c) Conduct regular scanning of the Bank’s operating environment
- d) Coordinate and monitor the Bank’s rating exercises by external rating agencies
- e) Prepare business intelligence reports for the Bank’s management
- f) Prepare periodic management reports on subsidiaries and associates
- g) Perform competitive analysis in comparison with industry peers
- h) Conduct strategic/operational review of branches

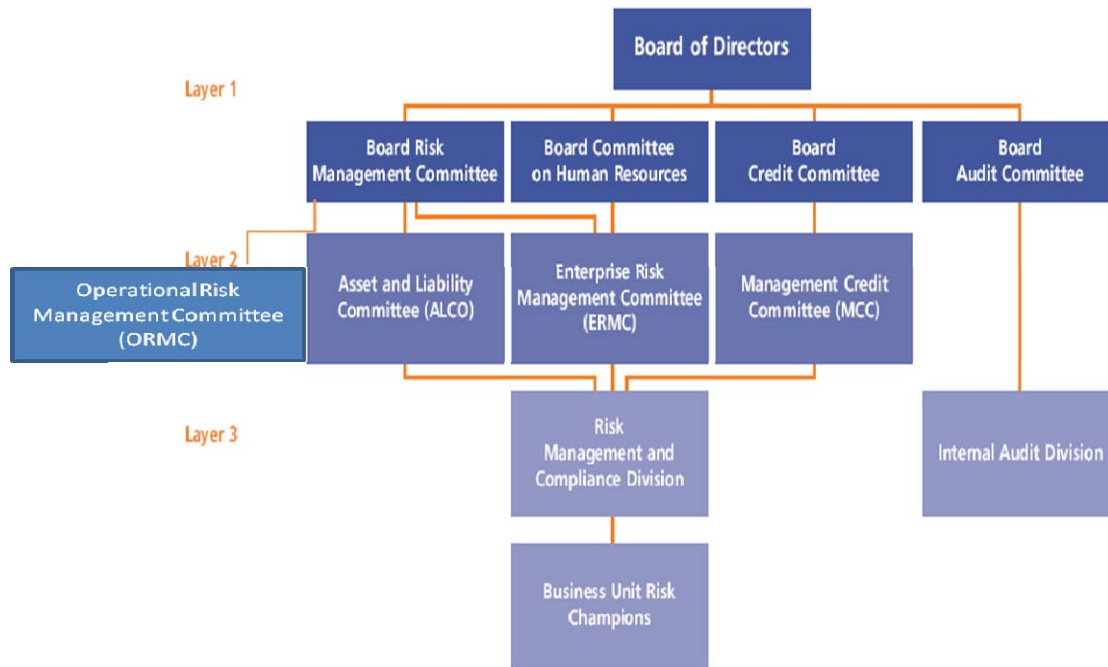
**(c) Risk Management Governance Framework**

The framework details Access Bank’s risk universe and governance structure comprising three distinct layers:

- 1 The enterprise-wide risk management and corporate governance committee forums
- 2 The executive management committees
- 3 Risk management responsibilities per risk area

**Risk Management Governance Structure**

Access Bank’s Risk Management Governance Structure is depicted below:



**Roles of the Board of Directors**

The board of directors’ role as it relates to risk management is divided into six areas: general; credit; market; compliance; operational and reputational risks.

Specific roles in these areas are further defined below:

**General**

- a) Develop a formal enterprise-risk management framework
- b) Review and approve the establishment of a risk management function that would independently identify, measure, monitor and control risks inherent in all risk-taking units of the Bank
  
- c) Ratify the appointment of qualified officers to manage the risk management function
- d) Approve and periodically review the Bank's risk strategy and policies
- e) Approve the Bank's risk appetite and monitor the Bank's risk profile against this appetite
- f) Ensure that the management of the Bank has an effective ongoing process to identify risk, measure its potential impact and proactively manage these risks
- g) Ensure that the Bank maintains a sound system of risk management and internal control with respect to:
  - Efficiency and effectiveness of operations
  - Safeguarding of the Banks assets (including information)
  - Compliance with applicable laws, regulations and supervisory requirements
  - Reliability of reporting
  - Behaving responsibly towards all stakeholders
- h) Ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually
- i) Ensure that management maintains an appropriate system of internal control and review its effectiveness
  
- j) Ensure risk strategy reflects the Bank's tolerance for risk
- k) Review and approve changes/amendments to the risk management framework
- l) Review and approve risk management procedures and control for new products and activities
- m) Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management

**Credit risk**

- a) Approve the Bank's overall risk tolerance in relation to credit risk based on the recommendation of the chief risk and compliance officer
- b) Ensure that the Bank's overall credit risk exposure is maintained at prudent levels and consistent with the available capital through quarterly review of various types of credit exposure
  
- c) Ensure that top management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function
- d) Ensure that the Bank implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk
- e) Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place
- f) Appoint credit officers and delegate approval authorities to individuals and committees

***Operational risk***

- a) Oversee the overall governance of the Bank's operational risk management process
- b) Set the Bank's operational risk strategy and direction in line with the Bank's corporate strategy
- c) Approve the Bank's operational risk management framework
- d) Periodically review the framework to ensure its relevance and effectiveness
- e) Ensure that senior management is performing their risk management responsibilities
- f) Ensure that the Bank's operational risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff

***Market and liquidity risk***

- a) Define the Bank's overall risk appetite in relation to market risk
- b) Ensure that the Bank's overall market risk exposure is maintained at levels consistent with the available capital
- c) Ensure that top management as well as individuals responsible for market risk management possess sound expertise and knowledge to accomplish the risk management function
- d) Approve the Bank's strategic direction and tolerance level for liquidity risk
- e) Ensure that the Bank's senior management has the ability and required authority to manage liquidity risk
- f) Approve the Bank's liquidity risk management framework
- g) Ensure that liquidity risk is identified, measured, monitored and controlled

***Compliance risk***

- a) Approve the Bank's code of conduct and ethics;
- b) Monitor the Bank's compliance with laws and regulations, its code of conduct and ethics and Corporate governance practices
- c) Ensure that the Bank has a process for ensuring new and changed legal and regulatory requirements are identified monitored and reflected in Bank processes
- d) Approve the compliance structure, mechanisms and processes established by management to ensure compliance with current laws, regulations and supervisory requirements
- e) Ensure the Bank has a compliance culture that contributes to the overall objective of risk management

***Operational risk***

Oversee the overall governance of the Bank's operational risk management process;  
Set the Bank's operational risk strategy and direction in line with the Bank's corporate strategy;  
Approve the Bank's operational risk management framework;  
Periodically review the framework to ensure its relevance and effectiveness;  
Ensure that senior management is performing their risk management responsibilities; and  
Ensure that the Bank's operational risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff.

***Reputational risk***

- a) Set an appropriate tone and guidelines regarding the development and implementation of effective reputation risk management practices, including an explicit statement of a zero tolerance policy for all unethical behaviour.
- b) Approve the Bank's framework for the identification, measurement, control and management of reputational risk.

- c) Monitor the Bank's compliance with its reputational risk management policies and recommend sanctions for material breaches of internal policies.
- d) Review all exception reports by external parties such as regulators and auditors; ensure that appropriate sanctions are applied to erring officers; demand from management appropriate explanations for all exceptional items; ensure that management puts in place effective and remedial actions and reports on progress to the Board on an ongoing basis.
- e) Ensure that Board members do not compromise their fit and proper status with regulators. They shall ensure that only board members who do not tarnish the Bank's image and reputation remain as members.
- f) Ensure that only fit and proper persons are appointed to senior management positions in the Bank.

**Board committees**

The Board carries out its oversight function through its standing committees each of which has a charter that clearly defines its purpose, composition, structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board does not seat on any of the Committees. The Board's four standing committees are: the Board Risk Management Committee, the Board Audit Committee, the Board Human Resources Committee and the Board Credit & Finance Committee.

The management committees are: The Executive Committee (EXCO), Enterprise Risk Management Committee (ERMC), Management Credit Committee (MCC), Group Asset & Liability Committee (Group ALCO), and Operational Risk Management Committee (ORMC).

The roles and membership of the committees are as follows:

Committee	Key Objective	Membership
<b>Board Risk Management Committee</b>	The primary role of the committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to risk management.	3 Non-Executive Directors appointed by the Board of Directors The Group Managing Director The Group Deputy Managing Director Executive Directors as appointed.
<b>Board Audit Committee</b>	The committee assists the Board in ensuring the independence of the internal audit function of the Bank.	2 Non-Executive Directors appointed by the Board of Directors The Group Managing Director The Group Deputy Managing Director Executive Directors as appointed.

Committee	Key Objective	Membership
<b>Board Credit &amp; Finance Committee</b>	The committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been approved by the Management Credit Committee. It also acts as a catalyst for credit policy changes.	5 Non-Executive Directors appointed by the Board of Directors  The Group Managing Director The Group Deputy Managing Director Executive Directors as appointed.  One of the non-Executive Directors shall be Chairman of the Committee.
<b>Board Human Resources Committee</b>	The committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the directors and employees of the Bank.	4 Non-Executive Directors appointed by the Board of Directors  The Group Managing Director The Group Deputy Managing Director
<b>The Executive Committee (EXCO)</b>	The committee is primarily responsible for the implementation of strategies approved by the Board and ensuring the efficient deployment of the Bank's resources.	Group Managing Director as - Chairman, Group Deputy Managing Director All the Executive Directors
<b>Enterprise risk management committee (ERMC)</b>	The Bank's enterprise risk management committee is responsible for managing all risks with the exception of credit, market and liquidity risks. The risks within the committee's purview include (but are not limited to) strategic, reputational, compliance and operational risks.	The Group Managing Director (Chairman) The Group Deputy Managing Director All Executive Directors Chief Risk Officer Chief Compliance Officer Chief Financial Officer All ERM Division Heads Head, Corporate Affairs Head, Legal Department Head, Information Technology

Committee	Key Objective	Membership
<b>Management Credit Committee (MCC)</b>	This committee is responsible for managing credit risks in the Bank. The membership of the committee is as follows:	Group Managing Director/Chief Executive Officer – Chairman  Group Deputy Managing Director – Vice Chairman  All Executive Directors Group Head, Credit Risk Management Team Leaders, Credit Risk Management Group Heads, Commercial Bank  Group Heads, Institutional Bank  Group Heads, Operations & IT  Group Head, Compliance Group Head, Internal Audit Head of Legal (or his/her nominee as approved by the GMD/CEO)  Other Group Heads
<b>Group Asset &amp; Liability Committee (Group ALCO)</b>	The Group Alco is responsible for the optimum management of the Bank's balance sheet and taking relevant decisions as well as recommending to the Board of Directors' prudent asset/liability management policies and procedures that enable the Bank to achieve its goals while operating in full compliance with all relevant laws and regulations.	The Group Managing Director/Chief Executive Officer – Chairman The Group Deputy Managing Director The Group Executive Directors  Chief Risk Officer Country Managing Directors Country Treasury Heads The Group Treasurer; Head, Financial Control – Domestic Head, Financial Control – International Head, Group Asset & Liability Management Head, Group Market Risk Head, Credit Risk

Committee	Key Objective	Membership
<b>Operational Risk Management Committee (ORMC)</b>	The committee is responsible for the effectiveness of the operational risk management function within the Bank. All decisions and deliberations of the committee are reported to the Board Risk Management Committee.	Group Managing Director/Chief Executive (GMD) - Chairman  Group Deputy Managing Director;  All Division Heads / Executive Directors  Chief Risk Officer Head, Operational Risk Management Group  Chief Information Officer Head, Group compliance and Internal Control  Head, Group Internal Audit Head, Group HR  Other Group Heads or persons to be designated by the committee from time to time

Without prejudice to the roles of these committees, the full Board shall retain ultimate responsibility for risk management.

**Specific roles of the Board and management committees**

The Board’s risk management oversight roles and responsibilities are delegated to the following committees:

***Board risk management committee***

The primary role of the committee is to report to the board and provide appropriate advice and recommendations on matters relevant to risk management. Specifically, the committee performs the following functions:

- a) Oversee the establishment of a formal written policy on the Bank’s overall risk management framework. The policy defines risks and risk limits that are acceptable and unacceptable to the Bank. It provides guidelines and standards to administer the acceptance and ongoing management of all risks.
- b) Ensure that adequate policies are in place to manage and mitigate the adverse effects of both business and control risks in its operations.
- c) Ensure compliance with established policy through periodic review of reports provided by management, internal and statutory auditors and the supervisory authorities.
- d) Approve the appointment of qualified officers to manage the risk function.
- e) Oversee the management of all risks except credit risk in the Bank.
- f) Re-evaluate the risk management policy of the Bank on a periodic basis to accommodate major changes in internal or external factors.
- g) Evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:
  - important judgments and accounting estimates



- business and operational risks in the areas of credit, market and operations
  - specific risks relating to outsourcing
  - consideration of environmental, community and social risks
- h) Evaluate the adequacy of the Bank's risk management systems and the adequacy of the Bank's control environment with management, and the internal and external auditors.
- i) Evaluate the Bank's risk profile, the action plans in place to manage risks, and monitors progress against plan to achieve these actions.
- j) Review the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk
- k) Approve the provision of risk management services by external providers

***Board audit committee***

The committee assists the board in ensuring the independence of the internal audit function of the Bank and that it performs the following functions:

- a) Oversee the development of a procedure for the receipt, retention and treatment of complaints received by the Bank, regarding accounting, internal accounting controls, unethical activity/breach of the corporate governance code or audit matters, including a means for the Bank's stakeholders (employees, customers, suppliers, applicants and others) to submit such complaints in a confidential and anonymous manner.
- b) Investigate any matter brought to its attention within the scope of its duties with the authority to retain counsel or other advisors, if in its judgment that is appropriate, at the expense of the Bank.
- c) Submit meeting minutes and, as appropriate, discuss the matters deliberated upon at each Committee meeting with the board of directors.
- d) Annually review and reassess its responsibilities, functions, pre-approval policy for audit and non-audit services, and charter, making changes as necessary, and conduct an annual performance evaluation of its activities.
- e) Ensure that the Bank provides adequate funding, as determined by the committee, to the committee for payment and compensation for advisers engaged by the committee, and payment of ordinary administrative expenses incurred by the committee in carrying out its duties.
- f) Review the proposed audit plan(s) and review the results of internal audits completed since the previous committee meeting as well as the focus of upcoming internal audit projects.
- g) Approve the appointment and termination of the Chief Internal Auditor based on the recommendations of the Bank's executive management.
- h) Evaluate the process the Bank has in place for monitoring and assessing the effectiveness of the internal audit function.
- i) Monitor the progress of the internal audit programme and considers the implications of internal audit findings on the control environment.
- j) Monitor the implementation of agreed action plans by management.
- k) Review reports from the internal auditors detailing their key findings and agreed management actions.
- l) Review the appropriateness of the qualification of the internal audit personnel and work resources.
- m) Review the internal audit reporting lines and independence.

***Board credit committee***

The board credit committee under delegated authority is responsible for the following:

- a) Facilitate the effective management of credit risk by the Bank.
- b) Approve credit risk management policies, underwriting guidelines and standard proposals on the recommendation of the management credit committee.
- c) Approve definition of risk and return preferences and target risk portfolio.
- d) Approve the Bank's credit rating methodology and ensure its proper implementation.
- e) Approve credit risk appetite and portfolio strategy.
- f) Approve lending decisions and limit setting.
- g) Approve new credit products and processes.
- h) Approve assignment of credit approval authority on the recommendation of the management credit committee.
- i) Approve changes to credit policy guidelines on the recommendation of the management credit committee.
- j) Approve credit facility requests and proposals within limits defined by Access Bank Plc's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities.
- k) Recommend credit facility requests above stipulated limit to the board.
- l) Review credit risk reports on a periodic basis.
- m) Approve credit exceptions in line with board approval.
- n) Make recommendations to the board on credit policy and strategy where appropriate.

***Board committee on human resources***

The board committee on human resources has responsibility for the following:

- a) Ensure the right calibre of executive management is attracted, retained, motivated and rewarded.
- b) Make recommendations on the remuneration of the Chairman, non-executive directors and executive directors to the board for ratification.
- c) Approve remuneration levels for senior management and other Bank personnel.
- d) Review and approves remuneration policies and strategy.
- e) Monitor the Bank's people-risk universe.

***Roles of senior management in risk management***

The following management committees are directly responsible for risk management oversight:

***Enterprise risk management committee***

The committee has the following responsibilities for all risks within its purview:

- a) Formulate policies
- b) Monitor implementation of risk policies
- c) Review risk reports for presentation to the board/board committees
- d) Implement board decisions across the Bank

***Management credit committee***

The committee has the following responsibilities:

- Review credit policy recommendations for board approval.
- Approve individual credit exposure in line with its approval limits.
- Agree on portfolio plan/strategy for the Bank.
- Review monthly credit risk reports and remedial action plan.

- Coordinate the Bank's response to material events that may have an impact on the credit portfolio .

The committee is assisted by the credit risk management function, whose responsibilities are to:

- Establish and maintain effective credit risk management environment in the Bank.
- Review proposals in respect of credit policies and standards and endorse to the board of directors for approval.
- Define the Bank risk and return preferences and target risk portfolio.
- Monitor on an ongoing basis the Bank's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance.
- Define credit approval framework and assign credit approval limits in line with Bank policy.
- Review defined credit product programs on recommendation of the head of the credit risk management and endorse to the board of directors for approval.
- Review credit policy changes initiated by management and endorse to the board of directors for approval.
- Ensure compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities.
- Approve credit facility requests within limits defined by Access Bank's credit policy guideline (CPG), and within the statutory requirements set by the regulatory/ supervisory authorities.
  
- Review and endorse credits approved by SBU heads.
- Review and recommend to the board credit committee, credits beyond their approval limits.
- Review periodic credit portfolio reports and assess portfolio performance.
- Approve exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limit.

***Group Asset & Liability Committee (GROUP ALCO)***

The Group ALCO is responsible for the optimum management of the Bank's balance sheet and taking relevant decisions as well as recommending to the Board of Directors' prudent asset/liability management policies and procedures that enable the Bank to achieve its goals while operating in full compliance with all relevant laws and regulations.

***Purpose***

The purpose of the Group ALCO is to:

- monitor and control all market, liquidity risk and interest rate risk across the Access Bank Plc and its subsidiaries (hereinafter called the Group) in accordance with the risk appetite set by the Board of Directors;
- review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;
- approve Market Risk, Liquidity Risk and Banking Book Interest Rate Risk Policies for each of the banking subsidiaries;
- review and note the impact of internal and external factors on the net interest margin; and
- recommend to the Board, policies and guidelines under which the Bank will manage the matters listed below, and in so doing protect the Bank's capital base and reputation:
- balance sheet growth:
  - deposits, advances and investments;
  - Non earning assets
  - foreign exchange activities and positions; and
  - market and liquidity management.
  - Capital management

***Responsibilities and authorities***

- The ultimate responsibility for the proper management of the Bank's assets and liabilities lies with the Board of Directors.
- The Board of Directors may delegate that responsibility to Group ALCO and Group ALCO, through this mandate, is responsible for the establishment of appropriate policies and limits across the Group.
- Group ALCO is responsible for the implementation and monitoring of these policies and for the development of appropriate procedures and guidelines for adoption at Country ALCOs and specific ratification by the subsidiaries' Board of Directors.
- Country ALCO is responsible for providing the information input to Group ALCO to enable it to perform its function.
- Country ALCO is responsible for proposing amendments to Policies for approval and ratification by Group ALCO, such amendments having been first approved at the Country ALCO.
- Group ALCO reports to the Board of Directors through the Board Risk Management Committee detailing strategies, risk positions since the last report received. Any excesses during the year under review must be supported by details quoting the relevant authority for the excess i.e. Central Bank, ALCO etc.
- Group ALCO will delegate limits/authorities to line management to enable the smooth functioning of the Bank's day to day operations.
- In the event of a vote, majority will prevail with the Group ALCO chairman casting the deciding vote in the event of a tie.

**Other responsibilities include:**

***Prudent management of market risk:***

- To ensure the levels of market risk assumed by the Bank are effectively and prudently managed in accordance with the Market Risk Policy.
- To approve market risk limits and triggers in accordance with the risk appetite set by Group ALCO and the Group's Concentration Risk Policy
- To note compliance with all market risk limits and triggers, and ensure actions to address breaches are promptly executed and reported to authorised bodies.
- To manage all forms of market risk by firstly using the Alco's mandate to set exposure levels and stop-loss limits, and secondly, if necessary, by hedging any form of market risk.
  
- To review and approve all policies and procedures relating to market risk management.

***Prudent management of liquidity risk:***

- To ensure the levels of tactical and strategic liquidity risk assumed by the Bank are effectively and prudently managed in accordance with the Liquidity Risk Policy.
- To approve liquidity risk limits and guidelines in accordance with the risk appetite set by Group ALCO.
- To note compliance with all liquidity risk guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies.
- To ensure appropriate steps are taken where there is deterioration in liquidity.
- To approve funding and liquidity management strategies based on forecast balance sheet growth.
- To ensure the provision of standby funding facilities is kept within prudent levels.
- To review and approve all policies, procedures and contingency plans relating to liquidity risk management.
- To approve liquidity stress scenarios and associated contingency plans.

***Prudent management of interest rate risk:***

- To ensure that the level of interest rate risk assumed by the Bank is effectively and prudently managed.
- To note compliance with all guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies.
- To approve limits and guidelines in accordance with the risk appetite set by Group ALCO and the Group Market Risk.
- To approve the subsidiaries' market risk and hedging strategies on a case-by-case basis, or explicitly delegate the approval of such strategies to the Country ALCO.

***Prudent margin management:***

- To review and note the impact of internal and external factors on the Bank's current and forecasted net interest margin.
- To review and approve funds transfer pricing principles, methodologies and rates.
- To review and approve policies and procedures relating to margin management.

***General:***

- To monitor adherence to regulatory requirements.
- To delegate to the Group Asset and Liability Management team the responsibility of dealing with trigger, guideline or limit breaches across the Group on a day-to-day basis.

Roles of senior management in risk management

The roles of senior management as it relates to risk management are as:

- a) Implement risk strategy approved by the board of directors.
- b) Develop policies and procedures for identifying, measuring and controlling risks identified in the Bank's risk universe.
- c) Provide appropriate resources to evaluate and control all identified risks.
- d) Review risk reports on a regular and timely basis.
- e) Review periodic risk reports for operational and other risks separate from credit and market risks.
  
- f) Provide all reports required by the Board and its committees for the effective performance of risk management oversight functions.

***Operational Risk Management Committee (ORMC)***

The committee is responsible for the effectiveness of the operational risk management function within the Bank. All decisions and deliberations of the committee are reported to the Board Risk Management Committee.

*The committee is comprised of the following members:*

- Group Managing Director/Chief Executive (GMD) - Chairman
- Group Deputy Managing Director;
- All Division Heads / Executive Directors
- Chief Risk Officer
- Head, Operational Risk Management group
- Chief Information Officer
- Head, Group compliance and Internal Control
- Head, Group Internal Audit
- Head, Group HR
- Other Group Heads or persons to be designated by the committee from time to time

*The committee has the following responsibilities:*

- Review and recommend the Operational Risk Management (ORM) framework and any amendments or enhancements to the Board of Directors (BOD) for approval.
- Oversee the implementation of the Operational risk management framework across the enterprise.
  
- Review methodologies and tools for identification, assessment, monitoring and control of operational risks and maintaining the loss event databases.
- Ensure operational risk exposures are within the risk tolerance limits set under the policy.
- Review the reports from the Group Operational Risk Management (ORM) unit, business lines and their respective risk profiles to concur on areas of highest priority and put in place the related mitigation strategies.
- Ensure adequate resources are allotted at various levels to manage operational risk across the enterprise.
- Ensure adequate communication to the functional departments and emphasize on, the importance of operational risk management and assure adequate participation.
- Co-ordinate an ongoing appropriate awareness and education programme on operational risk in the Bank from top to bottom through the implementation of an enterprise wide operational risk approach.
  
- Set guidelines for identifying operational risk in all new products and processes.

***Roles of risk champions in the business units***

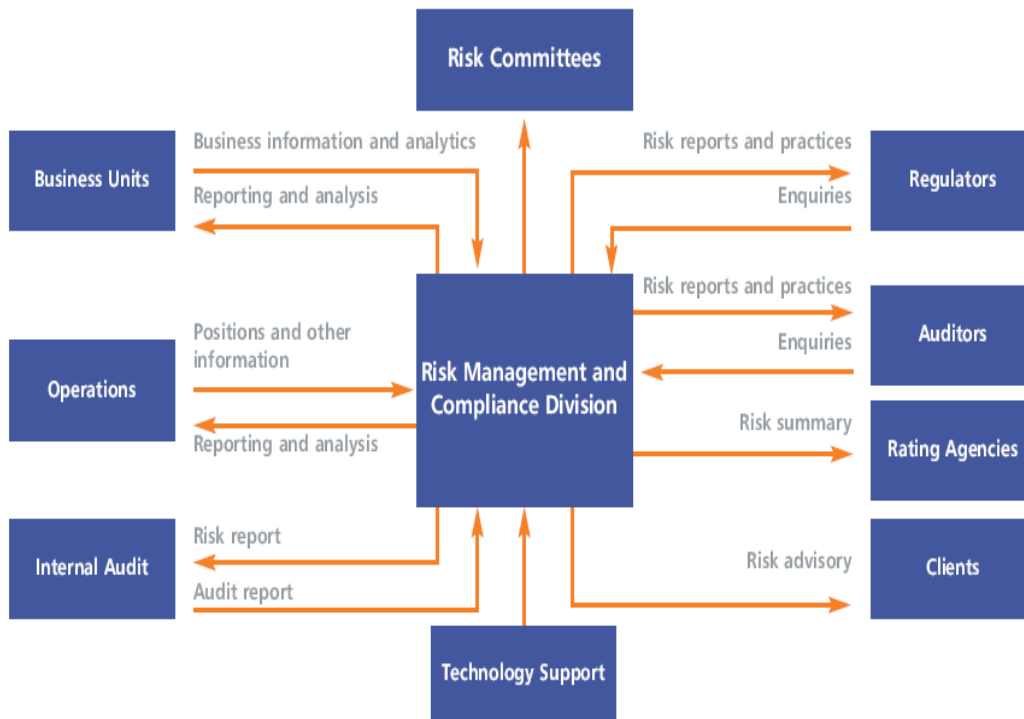
- Coordinate all risk management activities in the business unit, including compliance with risk policies and procedures.
- Provide on-the-job training on risk management to other staff.
- Liaise with risk management and compliance division to obtain new systems, approaches and methods for managing risks and advise staff within the unit appropriately.
- Coordinate the gathering of risk-related information, while ensuring the completeness and accuracy of the risk information gathered, analyse the information and periodically report to the group head and the risk management department in the agreed format.
- In conjunction with other managers in the business unit, articulate risk management/optimisation strategies for managing risks, prepare a risk mitigation plan and communicate these to the risk management and compliance division.
- Monitor and report on the effectiveness of risk mitigation plans in reducing risk incidence in the unit.

***Risk management and compliance division – relationship with other units***

The relationships between risk management and compliance division (RMCD) and other units are highlighted below:

- RMCD sets policies and defines limits for other units in the Bank.
- RMCD performs bank-wide risk monitoring and reporting.
- Other units provide relevant data to RMCD for risk monitoring and reporting and identify potential risks in their line of business and RMCD provides a framework for managing such risks.
  
- RMCD and market facing units collaborate in designing new products.
- RMCD and internal audit co-ordinate activities to provide a holistic view of risks across the Bank.
  
- RMCD makes recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports.
- Information technology support group provides relevant user support to the RMCD function in respect of the various risk management software.

**Risk management and compliance division – relationship with other units**





**Key risks and uncertainties in 2011**

<b>Risk Type</b>	<b>Definition</b>	<b>Features</b>	<b>Key developments in 2011</b>	<b>Risk mitigation</b>
Credit risk	The risk of loss arising from the failure of a client or counterparty to fulfil its obligations to the Group.	<ul style="list-style-type: none"> <li>•Potential risk to earnings and capital.</li> <li>•Significant correlation between credit risk and the macroeconomic environment.</li> <li>•Concentration risk – potential for large material losses.</li> </ul>	<ul style="list-style-type: none"> <li>- Improved risk asset quality as evidenced in the reduction of NPL ratio.</li> <li>- Significant growth of the bank's risk asset portfolio as a result of the business combination with Intercontinental Bank Plc.</li> <li>- Sale of risk assets to AMCON to improve the quality of risk assets.</li> </ul>	<ul style="list-style-type: none"> <li>- Increased investment in recovery functions.</li> <li>- Creation of a stand-alone Credit Monitoring Unit to reduce incidence of default.</li> <li>- Deployment of a credit risk management solution for end to end management of credit risk along its entire value chain.</li> <li>- Increased training for credit risk management staff.</li> </ul>
Market risk	The risk that the value of an asset or liability may change as a result of a change in market risk factors.	<ul style="list-style-type: none"> <li>•Potential for large material losses from complicated treasury products.</li> <li>•Potential for losses due to volatilities and stress events.</li> </ul>	The market witnessed volatile interest rates, due to the increases in the MPR which led to cautioned position taking for the fixed income market. The FX market was characterised by the CBN managing the official exchange rate and the spread between official and parallel markets, which led to increased volatility in the interbank and parallel markets.	Market and associated risks were identified, modelled and mitigated using the bank's various stress test policies. The bank has also adopted the integrated stress test approach and the Basel International Liquidity Management Standards.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events.	<ul style="list-style-type: none"> <li>•Frequent small losses that can become surprisingly high.</li> <li>•Infrequent material losses with high impact.</li> </ul>	The economic environment, rising level of external threats (e.g. fraud, Security) coupled with massive expansion in branch network and number of personnel exposed the Bank to operational risks.	<p>Diligent implementation of our enhanced policy standards and control frameworks across the expanded business and branch network. Material events are escalated to Divisional and Group Executives.</p> <p>Additional resources were also allocated to the risk management functions.</p>

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<b>Risk Type</b>	<b>Definition</b>	<b>Features</b>	<b>Key developments in 2011</b>	<b>Risk mitigation</b>
Funding and liquidity risk	The risk of being unable to meet short term obligations as they fall due.	<ul style="list-style-type: none"> <li>• May disrupt the business model and disrupt the Group's activities.</li> <li>•Significantly correlated with credit risk losses.</li> </ul>	Gradual creation of risk assets and re-opening of credit markets, increased market focus on building up liquidity reserves, and market-wide liquidity provided to the banking system as the central bank commenced liquidity tightening measures.	We have built up a significant liquidity reserve remained consistently within our in-house/regulatory limits, and reduced our customer funding gap. In 2011 special programs were launched to enhance deposit mobilization especially from retail
Regulatory risk	The risks arising from changes in law, guidelines and other regulatory enforcement.	<ul style="list-style-type: none"> <li>•Compliance with laws and regulations.</li> <li>•Potential for fines and/or restrictions in business activities.</li> </ul>	Several circulars were issued by regulators during the year in line with the ongoing reforms in the banking industry	We have a proactive engagement strategy with the CBN and other regulators, driven by a well developed Regulatory Developments framework, which assigns Senior Executive responsibility for all material risks. New regulations and compliance plan are discussed in management and board committee risk
Other risk (Reputation, Strategic e.t.c)	The risk of failure to comply with applicable financial services regulatory rules and regulations. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment	<ul style="list-style-type: none"> <li>•Expose the Group to penalties and reputation damage.</li> <li>•Failure to meet expectations of stakeholders.</li> </ul>	<p>Though the expansion program puts the bank in public view during the year, there was no Major negative publicity or reputational risk event during the year as the bank complied with all regulations and adhered to its core value of ethics and professionalism.</p> <p>In the financial services industry, strategic risk is high due to changing customer expectation and regulatory environments.</p>	<p>Close monitoring of all reputational risk event drivers, adherence to the principle of zero tolerance for regulatory breaches and active engagement of all stakeholders- customers, investors, regulators, staff, etc.</p> <p>Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Executive management team. Significant strategic actions, such as material acquisitions or capital actions, are approved by the Board.</p>

**(d) Credit Risk Management**

Credit risk is the current or potential risk to earnings and capital arising from the failure of an obligor of the Bank to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk). Credit risk arises anytime the Bank commits its funds with the result that capital or earnings are dependent on borrower's performance.

The Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. The Plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process. Extension of credit in Access Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio.

We recognise the fact that our main asset is our loan portfolio. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Bank is to apply sophisticated but realistic 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 calculation of capital requirements. The development, implementation and application of these models are guided by the Bank's Basel II strategy.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, Access Bank implements a consistent pricing model for loans to its different target markets. The client's interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet prudential guidelines set forth by the Central Bank of the countries where we operate, both for loans for which specific provisions exist as well as for the portfolio of performing loans. Access Bank's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Criticized Assets Committee performs a quarterly review of loans with emerging signs of weakness; the Management Credit Committee and the Board Credit Committee also perform reviews of the quality of our loan portfolio on a quarterly basis. These are in addition to daily reviews performed by our Credit Risk Management department.

***Principal Credit Policies***

The following are the principal credit policies of the Bank:

- ***Extension of credit:*** Every extension of credit must be approved by at least three officers; one of whom must be from Independent Credit Risk Management. The final approving officer must have a credit limit for the total facilities extending to the obligor (or group of related obligors).
- ***Special Approvals:*** Extension of credit to certain sectors may require unique approvals or prohibited altogether.
- ***Credit Analysis Policy:*** There are consistent standards of credit analysis across the Access Bank Group for approval of credit facilities.
- ***Annual Review of facilities:*** All extension of credits must be reviewed at least once every 12 months.
- ***Industry Limits:*** The Access Bank Group utilizes industry limits to maintain a diversified portfolio of risk assets.
- ***Problem Recognition:*** There are uniform and consistent standards for recognition of credit migration and remediation across the Access Bank group.

### ***Credit process***

The Bank's credit process starts with portfolio planning and target market identification. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, loans are disbursed to beneficiaries. On-going management of loans is undertaken by both relationship management teams and our Credit Risk Management Group. The process is applied at the Head Office and in the subsidiaries.

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 the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of facilities

The standard credit evaluation process is based both on quantitative figures from the Financial Statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. 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.

## **1 Credit risk measurement**

### ***Risk Rating Methodology***

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. Access Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

In Access Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings ('ORRs') and Facility Risk Ratings ('FRRs') throughout the Bank and to provide guidelines for risk rating for retail and non – retail exposures in the Bank.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). These models are currently based on expert judgment for Retail and Non-Retail Exposures. Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach are being gathered.

All Access Bank businesses that extend credit are subject to the Risk rating policy.

### ***Credit Risk Rating Models***

The following are the credit risk rating models deployed by Access Bank.

#### **(i) For Retail Exposures:**

Obligor Risk Rating (ORR) Models have been developed for:

1. Personal Loans
2. Credit Cards
3. Auto Loans
4. Mortgage Loans

Facility Risk Rating (FRR) Models have been developed for:

1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

#### **(ii) For Non – Retail Exposures:**

Obligor Risk Rating (ORR) Models have been developed for:

1. Sovereign (Approach to rating Sovereign Exposures using External ratings)
2. Bank and NBFIs
3. Corporate

- Manufacturing Sector
  - Trading Sector
  - Services Sector
  - Real Estate Sector
4. Small and Medium Enterprises (SME) Without Financials
- Facility Risk Rating (FRR) Models have been developed for
1. Loss Given Default (LGD)
  2. Exposure at Default (EAD)

***Risk Rating Process***

In Access Bank, all businesses must have a documented and approved Risk Rating Process for deriving risk ratings for all obligors and facilities (including those covered under Credit Programs). The Risk Rating Process is the end-to-end process for deriving ORRs and FRRs and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs and FRRs. Risk rating process of each business must be in compliance with the Bank's Risk rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating Process is the joint responsibility of the Business Manager and Independent Credit Risk Manager associated with each business. The process must be documented and must be approved by the Management Credit Committee.

The Risk Rating Process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Independent Credit Risk Manager for the business, must be re-approved.

***Responsibilities of Business Units and Independent Credit Risk Management***

In Access Bank, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR and FRR using approved methodologies as set out in this policy, however independent credit risk management may also perform this function.

Notwithstanding who derives the risk rating, Independent Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Access Bank Risk Rating Policy; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current

Credit Risk Management has the final authority if there is a question about a specific rating.

***Risk Rating Scale and external rating equivalent***

Access Bank operates a 12-grade numeric risk rating scale. The risk rating scale runs from 1 to 8. Rating 1 represents the best obligors and facilities and rating 8 represents the worst obligors and facilities. The risk rating scale incorporates sub-grades and full grades reflective of realistic credit migration patterns.

The risk rating scale and the external rating equivalent is detailed below

Access Bank Risk Rating	S&P Long term equivalent	Grade
1	AAA	Investment Grade
2+	AA	
2	A	
2-	BBB	
3+	BB+	Standard Grade
3	BB	
3-	BB-	
4	B	Non Investment Grade
5	B-	
6	CCC	
7	C	
8	D	

## 2 Credit Risk Control & Mitigation policy

### *Authority Limits on Credit*

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee. 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 the Bank. The maximum amount of credit that may be approved at each subsidiary is limited, with amounts above such limit being approved at the Head Office.

This structure gives Access Bank 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.

The credit approval limits of the principal officers of the Group are shown in the table below:

Authority	Approval Limit
Board of Directors	Limited to 20% of Shareholders' funds unimpaired by losses
Board Credit Committee	N6,000,000,000
Management Credit Committee	N 500,000,000
Group Managing Director	N 200,000,000
Group Deputy Managing Director	N 150,000,000
Group Executive Director	N 75,000,000
Managing Directors of the Bank's subsidiaries	N 25,000,000

Credit approval limits by risk rating is shown in the table below:

ACCESS BANK RATING	CREDIT RATING BY S&P's	EXPOSURE LIMIT	BOARD OF DIRECTORS	BOARD CREDIT COMMITTEE	MANAGEMENT CREDIT COMMITTEE
1	AAA	N25,000,000,000	Single Obligor	N20,000,000,000	N10,000,000,000
2 <sup>+</sup>	AA	N25,000,000,000	Single Obligor	N20,000,000,000	N7,500,000,000
2	A	N15,000,000,000	N15,000,000,000	N10,000,000,000	N2,000,000,000
2 <sup>-</sup>	BBB	N15,000,000,000	N5,000,000,000	N2,000,000,000	N1,000,000,000
3 <sup>+</sup>	BB <sup>+</sup>	N1,000,000,000	More than N1,000,000,000	N1,000,000,000	N500,000,000
3	BB	N500,000,000	Above N1,000,000,000	Above N500,000,000	N500,000,000
3 <sup>-</sup>	BB <sup>-</sup>	N100,000,000	Above N500,000,000		Above N100,000,000
4	B		Above N500,000,000		
5	B <sup>-</sup>		Above N500,000,000		

#### **Collateral Policies**

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In Access Bank, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Bank is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant as incorporated in the guidance note of BCBS on "Principles for the Management of Credit Risk" (September 2000, Paragraph 34) are be taken into consideration while using a credit risk mitigant to control credit risk.

*"Bank can utilize transaction structure, collateral and guarantees to help mitigate risks (both identified and inherent) in individual credits but transactions should be entered into primarily on the strength of the borrower's repayment capacity. Collateral cannot be a substitute for a comprehensive assessment of the borrower or the counterparty, nor can compensate for the insufficient information. It should be recognized that any credit enforcement actions (e.g. foreclosure proceedings) can eliminate the profit margin on the transaction. In addition, Banks need to be mindful that the value of collateral may well be impaired by the same factors that have led to the diminished recoverability of the credit."*

The range of collaterals acceptable to the Bank include:

- Cash / Deposit (domestic and foreign currency) with Bank including certificates of deposit or comparable instruments issued by the Bank.
- Certificates of Deposit from other banks.
- Commodities.
- Debt securities issued by sovereigns and public-sector enterprises.

- Debt securities issued by banks and corporations.
- Equities - Stocks / Share Certificates of quoted blue chip companies
- Mortgage on Landed Property
- Asset-backed securities.
- Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
- Negative Pledges
- Lien on Asset being financed
- Stock Hypothecation
- Shipping Documents (for imports)
- Bankers Acceptance
- Life Assurance Policies

***Master Netting arrangements***

It is the Group's policy that all credit exposures are adequately collateralised. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally transactions are allowed to run on a gross basis, however, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

***Credit related commitments***

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

***Provisioning policy***

Provisions for credit losses meet prudential guidelines set forth by the Central Bank of the countries where the Group operates both for loans for which specific provisions exist as well as for the portfolio of performing loans other.



### **3 Credit definitions**

#### ***Impaired loans and securities***

Individually impaired loans and securities are loans and investment debt securities (other than those carried at fair value through profit or loss) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan /investment security agreement(s). These loans are graded 6 to 8 in the Group's internal credit risk grading system. Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

#### ***Past due but not impaired loans***

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which 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.

#### ***Loans with renegotiated terms***

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

#### ***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 that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

#### ***Write-off policy***

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Management Credit Committee determines that the loan or security are uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/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, write-off decisions generally are based on a product specific past due status.

The Group's exposure to credit risk is as outlined below:

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<i>In thousands of Naira</i>	<i>Note</i>	<b>Loans and advances to customers</b>		<b>Loans and advances to banks</b>		<b>Investment Securities</b>	
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Carrying amount	23, 24, 27	576,228,507	447,810,358	775,765	610,108	561,733,704	69,892,874
<b>Assets at amortised cost</b>							
Individually impaired:							
Grade 6: Impaired		14,380,004	29,421,838	125,230	13,843	-	-
Grade 7: Impaired		15,277,296	3,370,094	10,365	63	-	-
Grade 8: Impaired		26,436,645	17,631,998	22	7,250	3,195,441	268,441
<b>Gross amount</b>		56,093,945	50,423,930	135,617	21,156	3,195,441	268,441
Allowance for impairment		(43,581,022)	(23,535,063)	(61,028)	(21,156)	(3,195,441)	(268,441)
<b>Carrying amount</b>		12,512,923	26,888,867	74,589	-	-	-
Collectively impaired:							
Grade 1-3: Low-fair risk		487,624,213	350,540,394	705,954	621,764	-	-
Grade 4-5: Watch list		78,368,977	55,403,927	-	-	-	-
Grade 6: Impaired		-	19,772,275	-	-	-	-
Grade 7: Impaired		-	1,085,960	-	-	-	-
Grade 8: Impaired		-	-	-	-	-	-
<b>Gross amount</b>		565,993,190	426,802,556	705,954	621,764	-	-
Allowance for impairment		(4,279,771)	(6,746,665)	(4,778)	(11,656)	-	-
<b>Carrying amount</b>		561,713,419	420,055,891	701,176	610,108	-	-
Past due but not impaired:							
Grade 4-5: Low-fair risk		2,452,168	911,850	-	-	-	-
<b>Gross amount</b>		2,452,168	911,850	-	-	-	-
Allowance for impairment		(450,003)	(46,250)	-	-	-	-
<b>Carrying amount</b>		2,002,165	865,600	-	-	-	-
<i>Past due comprises:</i>							
90 -180 days		2,452,168	911,850	-	-	-	-
<b>Gross amount</b>		2,452,168	911,850	-	-	-	-
Allowance for impairment		(450,003)	(46,250)	-	-	-	-
<b>Carrying amount</b>		2,002,165	865,600	-	-	-	-
Neither past due nor impaired:							
<b>Available-for-sale assets (AFS)</b>							
Grade 1-3: Low-fair risk		-	-	-	-	561,733,704	69,892,874
Grade 4-5: Low-fair risk		-	-	-	-	-	-
<b>Total carrying amount -amortised cost</b>		576,228,507	447,810,358	775,764	610,108	561,733,704	69,892,874
					-	-	-

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

<i>In thousands of Naira</i>	<b>Loans and advances to customers</b>		<b>Loans and advances to banks</b>		<b>Investment Securities</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
<b>December 2011</b>						
Grade 6-8: Individually impaired	56,093,945	12,512,923	135,617	74,589	3,195,441	-
<b>Total</b>	<b>56,093,945</b>	<b>12,512,923</b>	<b>135,617</b>	<b>74,589</b>	<b>3,195,441</b>	<b>-</b>
<b>December 2010</b>						
Grade 6-8: Individually impaired	50,423,930	26,888,867	21,156	-	268,441	-
<b>Total</b>	<b>50,423,930</b>	<b>26,888,867</b>	<b>21,156</b>	<b>-</b>	<b>268,441</b>	<b>-</b>

Estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

<i>In thousands of Naira</i>	<b>Loans and advances to customers</b>		<b>Loans and advances to banks</b>	
	<b><u>December</u> 2011</b>	<b><u>December</u> 2010</b>	<b><u>December</u> 2011</b>	<b><u>December</u> 2010</b>
Against individually impaired	10,374,786	23,941,684	-	-
Against collectively impaired	242,966,173	77,641,490	3,033,500	-
<b>Total</b>	<b>253,340,959</b>	<b>101,583,174</b>	<b>3,033,500</b>	<b>-</b>

	<b>Loans and advances to customers</b>		<b>Loans and advances to banks</b>	
	<b><u>December</u> 2011</b>	<b><u>December</u> 2010</b>	<b><u>December</u> 2011</b>	<b><u>December</u> 2010</b>
Against individually impaired:				
Property	10,373,720	18,770,469	-	-
Equities	1,066	1,195,266	-	-
Cash	-	6,250	-	-
Pledged goods/receivables	-	230,500	-	-
Others	-	3,739,199	-	-
Against collectively impaired:				
Property	131,409,340	53,536,703	-	-
Equities	22,541,176	3,320,857	-	-
Cash	89,015,657	2,046,918	-	-
Pledged goods/receivables	-	2,267,955	3,033,500	-
Others	-	16,469,057	-	-
<b>Total</b>	<b>253,340,959</b>	<b>101,583,174</b>	<b>3,033,500</b>	<b>-</b>

**4 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:

<i>In thousands of Naira</i>	<i>Note</i>	<b>Loans and advances to customers</b>		<b>Loans and advances to banks</b>		<b>Investment Securities</b>	
		<u><i>December</i></u>	<u><i>December</i></u>	<u><i>December</i></u>	<u><i>December</i></u>	<u><i>December</i></u>	<u><i>December</i></u>
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Carrying amount	23, 24, 27	576,228,507	447,810,358	775,765	610,108	561,733,704	69,892,874
<b>Concentration by sector:</b>							
Corporate		429,446,999	319,433,370	-	-	55,032,646	69,892,874
Commercial		95,400,391	97,547,695	-	-	-	-
Bank		-	-	775,765	610,108	8,372,763	-
Retail		32,643,127	12,433,217	-	-	-	-
Government		18,737,990	18,396,076	-	-	498,328,296	-
		<u>576,228,507</u>	<u>447,810,358</u>	<u>775,765</u>	<u>610,108</u>	<u>561,733,704</u>	<u>69,892,874</u>
<b>Concentration by location:</b>							
Nigeria		513,824,159	421,312,383	775,765	610,108	530,544,232	69,892,874
Rest of Africa		56,766,669	18,689,930	-	-	27,529,468	-
Europe		5,637,679	7,808,045	-	-	3,660,004	-
		<u>576,228,507</u>	<u>447,810,358</u>	<u>775,765</u>	<u>610,108</u>	<u>561,733,704</u>	<u>69,892,874</u>

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.

**(f) Market risk management**

***Definition***

Access Bank's ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk mainly arises from trading activities and equity investments. Access Bank is also exposed to market risk through non-traded interest rate risk in its banking book:

***Market risk policy, management and control***

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its 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 Bank is exposed to market risk through adverse movements in equity prices, foreign exchange and interest rates.

Market risk is managed in line with principal risks and control policy requirements approved by the Board Risk Committee. The Board approves the risk appetite for trading and non-trading activities and risk limits are set within the context of the approved market risk appetite. Market Risk monitors exposures against these limits.

The Bank's GMD/CEO is responsible for approving specific position limits, which are used for positions, which are sometimes specific medium-term investment cases and other times strategic (or have the potential of becoming strategic) in the medium term.

Each trading unit within the Bank 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 Bank's head of trading and then accepted by the Bank's Chief Risk Officer and reviewed by the Bank's CEO, who has a say in limit decisions. The size of each position limit is based on, among other factors, underlying liquidity, the Bank's risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

All market risks are reported to the Risk Committee daily (through a dashBoard) and quarterly with recommendations made concerning the risk profile including risk appetite, limits and utilization. The head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities, which are reported to business risk governance and control committees. Oversight and support is provided to the business by the central market risk team.

Access Bank has a dedicated market risk team with the sole responsibility of implementing the market risk control framework. Daily market risk and stress testing reports are produced for trading portfolios covering all risk categories including interest rate, equity and foreign exchange credit spread risk. Risk of losses arising from future potential adverse movements in market rates, prices and volatilities are measured using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level.

VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome. To assess their predictive power, VaR models are back tested against actual results. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

#### ***Traded market risk measurement and control***

The models employed in evaluating risks include position-based models, volatility based models (based on the volatility of market variables and their related covariance) and scenario-based models (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).

The measurement techniques used to measure and control traded market risk include daily value at risk, tail risk and stress testing.

#### ***Daily value at risk (DVaR)***

DVaR is an estimate of the potential loss that might arise from unfavourable market movements if current positions were to be held unchanged for one business day, measured to a confidence level of 99%. This is to guard against incidence of significant market movements, consequently improving management, transparency and control of the market risk profile. Daily losses exceeding the DVaR figure are likely to occur, on average, five times in every 100 business days.

Access Bank uses an internal DVaR model based on the historical simulation method. Two years of unweighted historical price and rate data is applied and updated daily. This internal model is also used for measuring value at risk over both a one-day and 10-day holding period at a 99% confidence level for regulatory backtesting and regulatory capital calculation purposes respectively. This model covers general market (position) risk across all approved interest rate, foreign exchange, commodity, equity and traded credit products.

There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are as follows:

- Historical simulation assumes that the past is a good representation of the future. This may not always be the case.
- The assumed time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.

- DVaR does not indicate the potential loss beyond the selected percentile.
- Intra-day risk is not captured.
- Prudent valuation practices are used in the DVaR calculation when there is difficulty obtaining rate/price information.

To complement DVaR, tail risk metrics, stress testing and other sensitivity measures are used.

### ***Backtesting***

DVaR is an important market risk measurement and control tool and consequently the performance of the model is regularly assessed for continued suitability. The main approach employed is a technique known as backtesting, which counts the number of days when daily trading losses exceed the corresponding DVaR estimate.

The regulatory standard for backtesting is to measure daily losses against DVaR assuming a one-day holding period and a 99% level of confidence. The regulatory green zone of four or less exceptions over a 12-month period is consistent with a good working DVaR model. Backtesting reports are produced regularly.

### ***Tail risk metrics***

Tail risk metrics highlight the risk beyond the percentile selected for DVaR. The two tail risk metrics chosen for daily focus, using the current portfolio and two years of price and rate history, are:

- the average of the worst three hypothetical losses from the historical simulation;
- expected shortfall (also referred to as expected tail loss), which is the average of all hypothetical losses from the historical simulation beyond the 95th DVaR percentile.

### ***Stress testing***

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Market Risk complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios.

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist senior management in capital planning decisions.

A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. The Bank performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which include interest rate, equity, foreign exchange, commodity and credit spread risk. Secondly, the trading book is subjected to multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme yet plausible events.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

### ***Risk limits***

Risk limits are set and reviewed at least annually to control Access Bank's trading activities in line with the defined risk appetite of the Group. Criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. Trading risk limits are set at an aggregate, risk category and lower levels and are expressed in terms of DVaR. This is further supported by a comprehensive set of non-DVaR limits, including foreign exchange position limits, interest rate delta limits and option based limits. Appropriate performance triggers are also used as part of the risk management process.

### ***Interest rate risk***

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Bank is exposed to interest rate risk through the interest bearing assets and liabilities in its trading and banking books.

Access Bank's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank 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 NBOR and different types of interest. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Group balance sheet, mainly due to re-pricing timing differences between assets, liabilities and equity. These risks impact both the earnings and the economic value 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.

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. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Interest-rate risk is monitored centrally with a Gap report. A limits framework is in place to ensure that retained risk remains within approved appetite. Interest rate risk also arises in each of the Africa subsidiary treasuries in the course of balance sheet management and facilitating customer activity. The risk is managed by local treasury functions, subject to modest risk limits and other controls.



A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

**Market risks**

<i>In thousands of Naira</i>	<i>Note</i>	<b>Carrying amount</b>	<b><u>Re-pricing period</u></b>				
			<b>Less than 3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>5 years</b>	<b>More than 5 years</b>
<b>31-Dec-11</b>							
<i>Non-derivative assets</i>							
Cash and cash equivalents	19	191,518,474	161,881,083	16,872,570	2,274,342	5,538,672	4,951,808
Pledged assets	21	66,191,144	28,321,144	3,750,000	3,750,000	160,000	30,210,000
Loans and advances to banks	23	775,765	109,670	666,095	-	-	-
Loans and advances to customers	24	576,228,507	139,259,660	105,151,722	123,319,809	134,461,382	74,035,935
Insurance receivables	25	1,405,000	1,405,000	-	-	-	-
Investment securities	27	561,733,704	-	53,856,424	46,708,405	387,189,821	73,979,054
		<b>1,397,852,595</b>	<b>330,976,557</b>	<b>180,296,811</b>	<b>176,052,556</b>	<b>527,349,874</b>	<b>183,176,796</b>
<i>Non-derivative liabilities</i>							
Deposits from banks	34	146,808,286	82,955,976	51,494,339	9,533,527	-	2,824,445
Deposits from customers	35	1,101,703,921	940,324,902	121,153,139	33,573,444	4,096,410	2,556,026
Claims payable	37	450,000	450,000	-	-	-	-
Liabilities on investment contracts	38	61,000	61,000	-	-	-	-
Interest bearing loans & borrowings	40	29,258,273	40,157	3,212,557	1,010,617	7,589,655	17,405,287
		<b>1,278,281,480</b>	<b>1,023,832,035</b>	<b>175,860,034</b>	<b>44,117,589</b>	<b>11,686,065</b>	<b>22,785,758</b>
<b>Total interest re-pricing gap</b>		119,571,115	(692,855,478)	4,436,777	131,934,968	515,663,810	160,391,039

<i>In thousands of Naira</i>	<i>Note</i>	<b>Carrying amount</b>	<b>Re-pricing period</b>				
			<b>Less than 3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>5 years</b>	<b>More than 5 years</b>
<b>31-Dec-10</b>							
<i>Non-derivative assets</i>							
Cash and cash equivalents	19	123,957,778	117,976,491	5,981,287	-	-	-
Pledged assets	21	59,930,097	5,192,336	2,257,538	1,128,769	240,804	51,110,650
Loans and advances to banks	23	610,108	86,499	-	-	354,635	168,974
Loans and advances to customers	24	447,810,357	181,025,545	46,003,206	33,185,567	145,076,849	42,519,190
Investment securities	27	69,892,874	336,402	-	4,887,330	28,731,879	35,937,263
		<b>702,201,214</b>	<b>304,617,273</b>	<b>54,242,031</b>	<b>39,201,666</b>	<b>174,404,167</b>	<b>129,736,077</b>
<i>Non-derivative liabilities</i>							
Deposits from banks	34	69,889,795	52,281,323	5,679,724	-	-	11,928,748
Deposits from customers	35	484,723,475	454,136,866	14,208,806	14,663,473	1,703,128	11,202
Interest bearing loans & borrowings	40	22,760,350	980,444	88,530	151,647	5,326,402	16,213,327
		<b>577,373,620</b>	<b>507,398,633</b>	<b>19,977,060</b>	<b>14,815,120</b>	<b>7,029,530</b>	<b>28,153,277</b>
<b>Total interest re-pricing gap</b>		124,827,594	(202,781,360)	34,264,971	24,386,546	167,374,637	101,582,800

***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 standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

**Group's sensitivity to an increase or decrease in market rates by 200 basis points:**

	<b>December 2011</b>		<b>December 2010</b>	
	<b>Pre-tax</b>	<b>Post-tax</b>	<b>Pre-tax</b>	<b>Post-tax</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Decrease	(403,729)	(282,610)	(1,972,695)	(1,380,887)
Increase	403,729	282,610	1,972,695	1,380,887

Interest rate movement affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in equity.

***Foreign exchange risk***

Foreign Exchange risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank is exposed to foreign exchange risk primarily through its assets, managing customers' deposits and through acting as an intermediary in foreign exchange transactions between central and commercial banks.

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 Bank'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.

Our net total currency balance is always within specified regulatory limits which is currently 1% of shareholders' funds.

The table below summaries the Group's financial instruments at carrying amount, categorised by currency:

**Financial instruments by  
currency**

		<b>Total</b>	<b>Naira</b>	<b>US \$</b>	<b>GBP</b>	<b>Euro</b>	<b>Others</b>
	<i>Note</i>						
<i>In thousands of Naira</i>							
<b>31-Dec-11</b>							
Cash and cash equivalents	19	191,518,474	111,016,908	44,525,246	11,546,440	7,261,947	17,167,933
Non-pledged trading assets	20	10,812,122	10,812,122	-	-	-	-
Pledged assets	21	66,191,144	66,191,144	-	-	-	-
Derivative financial instruments	22	9,909	-	9,909	-	-	-
Loans and advances to banks	23	775,765	775,765	-	-	-	-
Loans and advances to customers	24	576,228,507	387,764,322	151,929,715	3,605,296	641,358	32,287,817
Insurance receivables	25	1,405,000	1,405,000	-	-	-	-
Investment securities	27	561,733,704	513,329,941	35,221,269	7,466,786	-	5,715,708
		<b>1,408,674,626</b>	<b>1,091,295,202</b>	<b>231,686,139</b>	<b>22,618,522</b>	<b>7,903,305</b>	<b>55,171,457</b>
Deposits from banks	34	146,808,286	84,753,260	52,907,610	5,176,139	3,971,278	-
Deposits from customers	35	1,101,703,921	849,395,347	156,007,951	18,485,194	3,453,816	74,361,613
Derivative financial instruments	22	9,413	-	-	9,413	-	-
Claims payable	37	450,000	450,000	-	-	-	-
Liabilities on investment contracts	38	61,000	61,000	-	-	-	-
Interest bearing loans & borrowings	40	29,258,273	21,533,498	7,724,775	-	-	-
		<b>1,278,290,893</b>	<b>956,193,104</b>	<b>216,640,336</b>	<b>23,670,747</b>	<b>7,425,094</b>	<b>74,361,613</b>

**Financial instruments by  
currency**

	<i>Note</i>	<b>Total</b>	<b>Naira</b>	<b>US \$</b>	<b>GBP</b>	<b>Euro</b>	<b>Others</b>
<i>In thousands of Naira</i>							
<b>31-Dec-10</b>							
Cash and cash equivalents	19	123,957,778	57,345,105	7,261,212	52,996,092	5,267,195	1,088,174
Non-pledged trading assets	20	30,969,755	30,969,755	-	-	-	-
Pledged assets	21	59,930,096	59,930,096	-	-	-	-
Derivative financial instruments	22	1,110,803	-	1,110,803	-	-	-
Loans and advances to banks	23	610,108	610,108	-	-	-	-
Loans and advances to customers	24	447,810,358	371,091,230	74,236,601	793,387	142,887	1,546,253
Investment securities	27	69,892,874	67,862,004	-	2,030,870	-	-
		<b>734,281,772</b>	<b>587,808,298</b>	<b>82,608,616</b>	<b>55,820,349</b>	<b>5,410,082</b>	<b>2,634,427</b>
Deposits from banks	34	69,889,795	14,561,514	49,432,068	2,584,271	1,784,634	1,527,308
Deposits from customers	34	484,723,474	370,665,638	104,184,280	6,624,146	2,243,798	1,005,612
Derivative financial instruments	22	725,007	-	725,007	-	-	-
Interest bearing loans & borrowings	40	22,760,350	21,334,856	1,425,494	-	-	-
		<b>578,098,626</b>	<b>406,562,008</b>	<b>155,766,849</b>	<b>9,208,417</b>	<b>4,028,432</b>	<b>2,532,920</b>

**(g) Liquidity risk management**

Liquidity risk arises when the Bank is unable to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition. The Bank is managed to preserve a high degree of liquidity so that it can meet the requirements of its customers at all times including periods of financial stress.

The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

The Bank's liquidity has consistently been above the minimum liquidity ratio and the requirements of its stress tests. Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. We analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base.

The Board approves the Bank's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The Group ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

***Quantifications***

Access Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

- a) Funding and Liquidity plan;
- b) Gap Analysis; and
- c) Ratio Analysis.

The Funding and Liquidity plan defines the Bank's sources and channels of utilization of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The Liquidity Gap Analysis quantifies the daily and cumulative gap in a business as usual environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the cumulative gap as a + or – 20% of the total risk assets and the gap as a + or – 20% of total deposit liabilities.

### ***Limit management and monitoring***

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's 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 Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

### ***Contingency funding plan***

Access Bank has contingency funding plan which incorporate early warning indicators to monitor market conditions. The Bank 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. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

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 materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur.

The contingency funding plan covers: the available sources of contingent funding to supplement cash flow shortages; the lead times to obtain such funding; the roles and responsibilities of those involved in the contingency plans; and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. 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 Bank's lead regulator (The Central Bank of Nigeria).



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

	<b>2011</b>	<b>2010</b>
At end of year	36%	37%
Average for the year	37%	40%
Maximum for the year	41%	51%
Minimum for the year	33%	35%

The following table shows the undiscounted cash flows on the Group's financial assets and 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.

The following table shows the undiscounted cash flows on the Group's financial assets and 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.

(iii)	<b>Residual contractual maturities of financial assets and liabilities</b>							
<i>In thousands of Naira</i>	<i>Note</i>	<b>Carrying amount</b>	<b>Gross nominal inflow/(outflow)</b>	<b>Less than 3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>5 years</b>	<b>More than 5 years</b>
<b>31-Dec-11</b>								
<i>Non-derivative assets</i>								
Cash and cash equivalents	19	191,518,474	191,518,474	161,881,083	16,872,570	2,274,342	5,538,672	4,951,808
Non-pledged trading assets	20	10,812,122	10,812,122	3,612,206	61,942	4,851,000	194,622	2,092,352
Pledged assets	21	66,191,144	66,191,144	26,158,144	2,163,000	3,750,000	160,000	33,960,000
Derivative financial instrument	22	9,909	9,909	-	9,909	-	-	-
Loans and advances to banks	23	775,765	748,348	109,670	638,678	-	-	-
Loans and advances to customers	24	576,228,507	576,236,896	139,259,660	105,160,111	123,319,809	134,461,382	74,035,935
Insurance receivables	25	1,405,000	1,405,000	1,405,000	-	-	-	-
Investment securities	27	561,733,704	561,733,704	53,856,424	46,708,405	387,189,821	73,979,054	-
		1,408,674,625	1,408,655,598	386,282,187	171,614,615	521,384,972	214,333,729	115,040,094
<i>Non-derivative liabilities</i>								
Deposits from banks	34	146,808,286	146,808,286	82,955,976	51,494,339	9,533,527	-	2,824,445
Deposits from customers	35	1,101,703,921	1,103,869,362	940,324,902	123,318,580	33,573,444	4,096,410	2,556,026
Derivative financial instrument	22	9,413	9,413	-	9,413	-	-	-
Claims payable	37	450,000	450,000	450,000	-	-	-	-
Liabilities on investment contracts	38	61,000	61,000	61,000	-	-	-	-
Interest bearing loans & borrowings	40	29,258,273	29,258,273	40,157	3,212,557	1,010,617	7,589,655	17,405,287
		1,278,290,893	1,280,456,334	1,023,832,035	178,034,888	44,117,589	11,686,065	22,785,758
Gap (asset - liabilities)		130,383,732	128,199,264	(637,549,848)	(6,420,273)	477,267,383	202,647,665	92,254,337
Cumulative liquidity gap		130,383,732	258,582,996	(378,966,852)	(385,387,125)	91,880,258	294,527,923	386,782,260

**Access Bank Plc and Subsidiary Companies**  
**Consolidated Financial Statements - 31 December 2011**  
**Together with Directors' and Auditor's Reports**

<i>In thousands of Naira</i>	<i>Note</i>	<b>Carrying amount</b>	<b>Gross nominal inflow/(outflow)</b>	<b>Less than 3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>5 years</b>	<b>More than 5 years</b>
<b>31-Dec-10</b>								
<i>Non-derivative assets</i>								
Cash and cash equivalents	19	123,957,778	123,011,386	116,610,094	420,005	549,063	5,432,224	-
Non-pledged trading assets	20	30,969,755	31,016,078	31,016,078	-	-	-	-
Pledged assets	21	59,930,096	39,820,000	3,450,000	1,500,000	750,000	160,000	33,960,000
Loans and advances to banks	23	610,108	592,220	83,982	-	-	345,738	162,500
Loans and advances to customers	24	447,810,358	483,560,927	195,477,570	49,675,834	35,834,909	156,658,939	45,913,675
Investment securities	27	69,892,874	62,576,991	-	2,030,870	4,600,000	24,968,988	30,977,133
		<b>733,170,969</b>	<b>740,577,602</b>	<b>346,637,724</b>	<b>53,626,709</b>	<b>41,733,972</b>	<b>187,565,889</b>	<b>111,013,308</b>
<i>Non-derivative liabilities</i>								
Deposits from banks	34	69,889,795	69,739,353	52,131,683	5,679,465	-	-	11,928,205
Deposits from customers	35	484,723,475	484,877,537	454,151,956	14,273,365	14,730,097	1,710,866	11,253
Interest bearing loans & borrowings	40	22,760,350	22,685,778	970,938	87,672	150,177	5,274,762	16,202,229
		<b>577,373,620</b>	<b>577,302,668</b>	<b>507,254,577</b>	<b>20,040,502</b>	<b>14,880,274</b>	<b>6,985,628</b>	<b>28,141,687</b>
Gap (asset - liabilities)		155,797,349	163,274,934	(160,616,853)	33,586,207	26,853,698	180,580,261	82,871,621
Cumulative liquidity gap		155,797,349	319,072,283	158,455,430	192,041,637	218,895,335	399,475,596	482,347,217

**(h) Operational risk management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our 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. It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Access Bank's global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognized ownership of the risk by the businesses;
- oversight by independent risk management; and
- independent review by Corporate Audit.

The goal is to keep operational risk at appropriate levels relative to the characteristics of our businesses, the markets in which we operate, our capital and liquidity, and the competitive, economic and regulatory environment. Notwithstanding these controls, Access Bank group incurs operational losses.

Our operational risk strategy seeks to minimise the impact that operational risk can have on shareholders' value. The Bank'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.
- Minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Bank's long term growth, cash flow management and balance sheet protection.
- Eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

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

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 Bank'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 Bank. 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. Internal audit provides independent assessment and evaluation of the Bank's operational risk management framework. This periodic confirmation of the existence and utilisation of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the Bank include; a loss database of operational risk events; an effective risk and control self-assessment process that helps to analyse business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an ongoing basis.

### **The Group's operational risk framework**

The Group's current operational risk framework was implemented in 2007 to meet internal and regulatory requirements. There has been significant investment in the implementation of improved measurement and management approaches for operational risk to strengthen control, improve customer service, improve process efficiencies and minimise operating losses. The Group recognises the fact that it is neither cost-effective nor possible to attempt to eliminate all operational risks. Events of small significance are thus expected to occur and are accepted as inevitable with relevant budgeting for these losses being exercised where appropriate. Events of material significance are limited and the Group seeks to reduce the risk from these extreme events in a framework consistent with its agreed risk appetite. Processes are in place to monitor management and future mitigation of such events.

The role of the Independent Operational Risk department is to establish, implement and maintain the operational risk framework for the modelling and managing of the Group's operational risk, while reinforcing and enabling operational risk management culture throughout the Group. The aim is to integrate, based on international norms and best practices, all operational risk activities and to compile a reliable operational risk profile contributing to the Group's risk-reward profile. The key advantage introduced by the current framework is the financial quantification and modelling of operational risks. This functionality has significantly improved the Group's operational risk measurement and management capabilities.

### **Management and control responsibilities**

The first line of governance for managing operational risk rests with business and operational risk management forms part of the day-to-day responsibilities of all business unit management. Business unit staff report any identified breakdowns in control and any risk events that may result in financial loss and/or reputation damage. Amongst others, business management are responsible to ensure that processes for identifying and addressing ineffective controls and the mitigating of risk events are implemented and executed. Operational Risk teams form the secondary line of governance by ensuring that processes to identify weaknesses are effective and identified weaknesses are acted upon. The Group operational risk profile is presented to the Board quarterly. Control effectiveness is monitored at the ERMC and at the Board; and the multi-layered system of defences ensures pro-active operational risk management.

### **Measuring and managing operational risk**

The Group recognises the significance of operational risk and is committed to enhancing the measurement and management thereof. Within the Group's operational risk framework, qualitative and quantitative methodologies and tools are applied (Group-wide) to identify and assess operational risks and to provide management information for determining appropriate mitigating measures.

### **Risk event data collection and reporting**

A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the ERMC. The Group also uses a database of external public risk events and is part of a consortium of international banks that share loss data information anonymously to assist in risk identification, assessment, modelling and benchmarking.

### **Risk and control self assessments (RCSA)**

In order to pro-actively identify and actively mitigate risks, the operational risk framework utilises RCSAs. RCSA is used at a granular level to identify relevant material risks and key controls mitigating these risks. The risks and controls are assessed on a quarterly basis and relevant action plans are put in place to treat, tolerate, terminate or transfer the risks, taking into account the relevant business risk appetites. The RCSA programme is extensive and covers the entire Group. The Internal Audit further tests the effectiveness of the RCSAs within the normal course of auditing and relevant metrics are monitored and actioned where relevant.

### **Key risk indicators (KRIs)**

A comprehensive set of KRIs are in place across the Group, with relevant and agreed thresholds set by the business. KRIs are monitored on a Group as well as business unit level, based on significance. Threshold breaches are managed in accordance with an agreed process across the Group.

### **Reporting**

Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, RCSA and KRI results, and operational risk events. Risk reports are presented to executive management and risk committees.

### **Allocating Capital to Business Units**

An allocation methodology is applied for allocating capital to business units (for instance an allocation from, Access Bank to Commercial Banking Division, Retail Banking Division, Institutional Banking Group, e.t.c.). For each business unit, the allocation takes into consideration not only the size of the business unit, but also measures of the business unit's control environment, namely open audit findings, RCAs, KIs and losses. This translates to a risk-sensitive allocation with the opportunity afforded to business to identify actions to positively impact on their respective allocated operational risk capital.

### **Expected loss (EL) budgeting mitigation**

Basel II, under the AMA for operational risk makes provision for mitigation of operational risk RC due to appropriate budgeting and managing for EL. A significant portion of the Group business already budgets for expected losses and while the Group has developed a methodology for the modelling of EL budgeting, the Group will not apply risk mitigation in the calculation of its operational risk exposure until such time as policies and procedures are compliant to regulatory minimum requirements.

### **Insurance mitigation**

Insurance policies are used as a way to mitigate operational risks. These policies are current and remain applicable in the Group operating environment. Insurance coverage is purchased at Group or cluster level to discharge statutory and regulatory duties, or to meet counterparty commitments and stakeholder expectations. The primary insurance policies managed by the Group are:

- comprehensive crime and electronic crime;
- directors' and officers' liability; and
- professional indemnity.

In terms of the AMA, the Group may adjust its operational risk exposure result by no more than 20% to reflect the impact of operational risk mitigants. Globally, the use of insurance and other risk transfer mechanisms for operational risk is in a state of rapid development and pioneering work is being done across the industry. While the Group has developed a methodology for the modelling of insurance, the Group will not apply risk mitigation in the calculation of its operational risk exposure until such time as insurance policies are compliant to regulatory minimum requirements.

### **Information Security and Continuity of Business**

Information security and the protection of confidential and sensitive customer data are a priority of Access Bank. The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information. The Operational risk management Group in conjunction with Information Technology continues to coordinate global preparedness and mitigate business continuity risks by reviewing and testing recovery procedures. Awareness campaigns are being used to drive the business continuity culture in the Bank. A Major development in our business continuity efforts in 2010 included an alliance with one of our strategic partners for the provision of Business continuity centers across our branch network.

## **Compliance Risk Management**

Compliance Risk is the risk of damage to Access Bank's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk can expose financial institutions to fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses. A failure (or perceived failure) can adversely impact customers, staff and shareholders of Access Bank.

The Bank believes that fully embedded Compliance Risk Management preserves the trust its customers, shareholders and staff have in the Bank and is important for the way Access Bank does business. Managing Compliance Risk is fundamental to driving value. The pursuit of long term business sustainability requires proper conduct of business activities in accordance with the high ethical standards of Access Bank's Business Principles. These principles not only reflect laws and regulations, but are also based on the Bank's core values: excellence, ethics, passion for customers, team work, trust and continuous learning.

Ongoing changes and the continuous introduction of new legislation, have placed greater emphasis on the formal and structured monitoring of compliance with legal, regulatory, supervisory and internal requirements. Although legislative changes place an administrative burden on the Bank, the development of a framework provide the Bank with an opportunity to commit more openly to a culture of compliance within the Bank, its subsidiaries and divisions. In ensuring compliance with laws and regulations, the Bank put in place a robust Compliance Risk Management policy with set out guidelines to manage the Group's compliance risk made indispensable by the expansion of Access Bank activities in various jurisdictions, the evolving nature of the Global financial services industry, the introduction of new legislation, and the update of existing legislation; as well as the increasing complexities of the Bank's activities.

An efficient infrastructure has been put in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. Access Bank understands that good Compliance Risk Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby improving the quality of key relationships based on honesty, integrity and fairness.

Our Compliance framework provides the platform for the compliance programmes that are consistently applied across the Bank to manage compliance risk. The framework has put in place a Group-wide reporting compliance framework encompassing both mandatory (regulatory) and non- mandatory (self regulatory) compliance. This framework includes a common approach to commitment and accountability, policies and procedures, controls and supervision, monitoring, regulatory change management, education and awareness and reporting.

We approach compliance risk management on an enterprise and line of business level. The Compliance and Internal Control function provides oversight of significant compliance risk issues. The function also develops and guides the strategies, policies and practices for assessing and managing compliance risks across the organization. We re-established Compliance Resource Officers Meeting set up to develop, manage and integrate a compliance culture that meets global standards within the organization. Through education and communication efforts, a culture of compliance is emphasized across the organization.

We also mitigate compliance risk through a broad-based approach to process management and improvement. The lines of business are responsible for all the risks within the business line, including compliance risks. Compliance Risk officers, working in conjunction with senior line of business executives, have developed key tools to address and measure compliance risks and to ensure compliance with laws and regulations in each line of business.

## **Compliance Risk Management Framework**



### **Developments in 2011**

#### **1 Commendation**

The Bank received a commendation letter from the National Drug Law Enforcement Agency (NDLEA) with regards to the high level of compliance with the provisions of the Money Laundering Prohibition Act (MLPA) 2011 in the area of staff training and awareness drive in 2011,

#### **2 Anti-money Laundering**

As part of the bank's contribution in promoting anti-money laundering compliance, the Chief Compliance Officer of the Bank presented a paper at the ACAMS (Association of Certified Anti Money Laundering Specialists) inaugural AML/CFT African conference in Johannesburg in November 2011.

#### **3 Promoting business Integrity**

The bank was appointed to Chair the Core group of Signatories to the Convention on Business Integrity (CBI) who, in partnership with Business Action Against Corruption (BAAC), has been working with a selected group of representatives of the Regulatory bodies in Nigeria and other members of the Business Community since December 2010 towards identifying ways to stimulate the ethical and transparent conduct of Businesses in Nigeria as a platform for sustainable growth and private sector development.

### **Strategic Risk Management**

Strategic risk is embedded in every line of business and is part of the other major risk categories (credit, market, liquidity, compliance and operational). It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk.

The bank's appetite for strategic risk is continually assessed within the context of the strategic plan, with strategic risks selectively and carefully taken to maintain relevance in the evolving marketplace.

Significant strategic actions, such as material acquisitions or capital actions, are reviewed and approved by the Board. Using a plan developed by management, executive management and the Board approve a strategic plan every three years. Annually, executive management develops a financial operating plan and the Board reviews and approves the plan. Executive management, with Board oversight, ensures that the plans are consistent with the Bank's strategic plan, core operating tenets and risk appetite.



The following are assessed in their reviews: forecasted earnings and returns on capital; the current risk profile and changes required to support the plan; current capital and liquidity requirements and changes required to support the plan; stress testing results; and other qualitative factors such as market growth rates and peer analysis. Executive management, with Board oversight, performs similar analyses throughout the year, and will define changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize between achieving the targeted risk appetite and shareholder returns and maintaining the targeted financial strength.

We use robust models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each line of business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate customer profitability.

### **Reputational Risk Management**

Reputation risk management is essentially concerned with protecting an organization from potential threats to its reputation. Most importantly, reputational threat should be dealt with proactively and effects of reputational events should be minimized. The ultimate aim of reputation risk management is to avert the likelihood of any crisis and ultimately ensure the survival of the organization. Nevertheless, managing reputational risk poses particular challenges for many organizations. Access Bank, in responding to the challenges posed by reputational risk, has put in place a framework to properly articulate, analyze and manage reputational risk factors.

The potential factors which affect the Bank's reputational risk profile include:

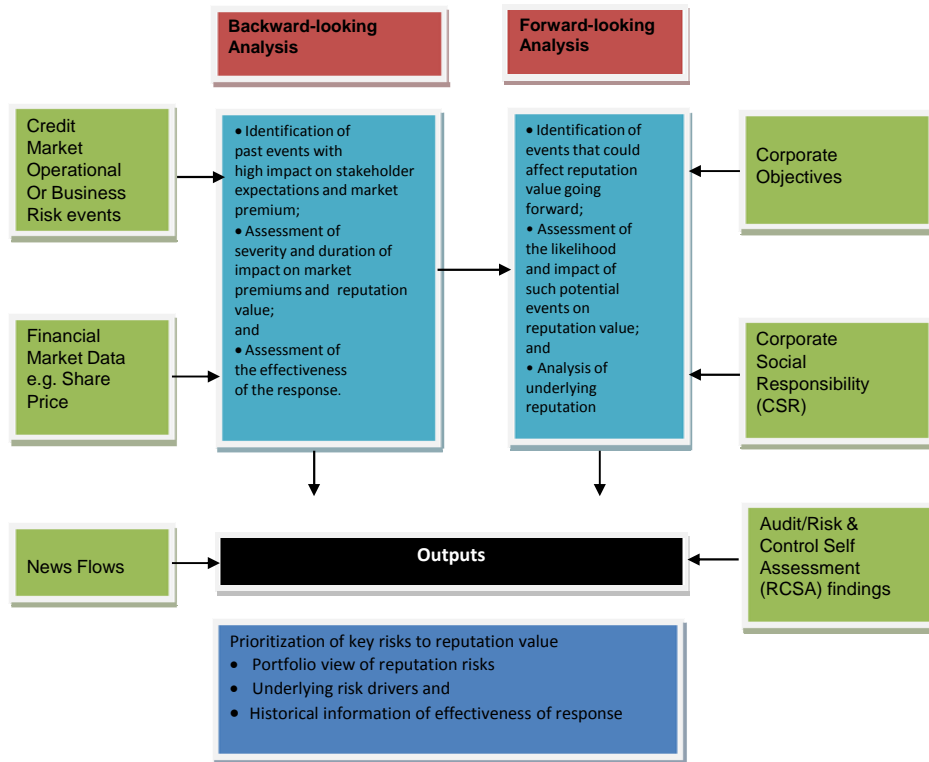
- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely impact its reputation. (e.g. corporate governance crises);
- Consolidation activities ignited by the Central Bank of Nigeria (CBN), resulting in a fusion of different cultures;
- Keen competition and largely homogeneous products and services have led customers not to perceive significant differences between financial service providers; and
- Given the financing nature of products and services they provide, Banks are not only exposed to their own reputation, but also to the reputation of their clients.

With banks operating and competing in a global environment, risks emerging from a host of different sources and locations is difficult to keep up with and to know how best to respond if they occur. The effects of the occurrence of a reputational risk event include but are not limited to the following:

- Loss of current or future customers;
- Loss of public confidence;
- Loss of employees leading to an increase in hiring costs, or staff downtime;
- Reduction in current or future business partners;
- Increased costs of capitalization via credit or equity markets;
- Regulatory sanctions;
- Increased costs due to government regulations, fines, or other penalties; and
- Loss of banking license.

It is Group policy that, at all times, the protection of the Group's reputation should take priority over all other activities, including revenue generation. Reputational risk will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory and operational risk. It may also arise from the failure to comply with social, environmental and ethical standards. All employees are responsible for day-to-day identification and management of reputational risk.

## Key Drivers of Reputational Risk



### Risk Identification Process

In identifying reputational risk factors, the Bank makes use of the output of the operational risk identification process. At the end of the operational risk identification sessions, risk profiles shall be derived and analyzed. In analyzing the report, the Head of Operational Risk Management Unit identifies risk events with possible negative reputational Impact on the Bank. These risk events are analyzed and those with a risk score of 3 and above included in the reputational risk matrix report. The process relies both on backward-looking and forward-looking analyses and enable the Bank to isolate the key events that could affect the Bank's ability to meet stakeholders' expectations.

The Bank shall identify a series of risk events with key drivers that have the greatest impact on its ability to meet stakeholder expectations.

These drivers include the following:

- Quality of Corporate governance
- Management integrity
- Staff competence / support
- Corporate culture
- Risk management and control environment
- Financial soundness / business viability
- Business practices
- Customer satisfaction
- Legal / regulatory compliance
- Contagion risk / rumors
- Crisis management
- Transparency / accountability
- Product Innovation

The forward-looking portion of the analysis considers the information on risk drivers from the backward-looking analysis of historical data, and seek to identify potential future reputational issues. This analysis is performed against the background of the Bank's corporate objectives, its corporate social responsibility agenda and external factors. Access Bank seeks to leverage existing information from audit findings, risk and control self-assessments, environmental scanning and scenario planning processes to the greatest extent possible.

**Compilation of Trigger Events**

In order to assist in the identification of key reputational risk events, triggers that would set off the risk drivers should be compiled through workshops with participants from relevant business units. Following table illustrates few trigger events for relevant risk drivers.

Risk Drivers	Trigger Events
Corporate governance and leadership	<ul style="list-style-type: none"> <li>• Corporate frauds and scandals;</li> <li>• Association with dishonest and disreputable characters as directors, management</li> <li>• Association with politically exposed persons</li> <li>• Incidence of shareholders conflict and Board Instability.</li> </ul>
Regulatory Compliance	<ul style="list-style-type: none"> <li>• Non - Compliance with laws and regulation;</li> <li>• Non submission of Regulatory returns</li> </ul>
Delivering customer promise	<ul style="list-style-type: none"> <li>• Security Failure</li> <li>• Shortfall in quality of service/fair treatment;</li> <li>• Bad behavior by employees</li> </ul>
Workplace talent and culture	<ul style="list-style-type: none"> <li>• Unfair employment practices</li> <li>• Not addressing employee grievances</li> <li>• Uncompetitive remuneration</li> </ul>
Corporate social responsibility	Lack of community development initiatives

Corporate Culture	<ul style="list-style-type: none"> <li>• Lack of appropriate culture to support the achievement of business objective.</li> <li>• Ineffective risk management practices.</li> <li>• Unethical behaviors on the part of staff and management.</li> <li>• Lack of appropriate structure for employees to voice their concerns</li> </ul>
Risk Management and Control Environment	<ul style="list-style-type: none"> <li>• Inadequate Risk Management and Control environment</li> <li>• Continuous violations of existing policies and Procedures</li> </ul>
Financial Soundness and Business viability	<ul style="list-style-type: none"> <li>• Consistent poor financial performance</li> <li>• Substantial losses from unsuccessful Investment</li> </ul>
Crisis Management	<ul style="list-style-type: none"> <li>• Inadequate response to a crisis or even a minor incident</li> </ul>

**Events data analysis**

Events data analysis are conducted to assess the gap between performance of the bank and the expectation of stakeholders. The nature of the gap and the reasons for the gap is analyzed for ensuing corrective action. Sample of Events data analyzed is furnished below:

- Evaluating types of marketing efforts and implications for Reputational Risk;
- Analysis of number of accounts opened vs. closed;
- Calling effort analysis;
- Complaint log analysis; and
- Error resolution review.

### **Approach to managing reputation events**

The Bank's approach to managing reputation events, including any relevant strategy and policies, is approved by the Board or its delegated committee and subject to periodic review and update by senior management to ensure that it remains appropriate over time. In addition, the approach is well documented and communicated to all relevant personnel.

### **Overall strategy / action plan**

Each reputation event is different and a precise list of actions which may be taken to deal with the event cannot be clearly specified. Below are some guidelines used in developing overall strategy and the required action plan:

- Timely report and escalation of any reputational event to senior management by all staff to management in a bid to formulate an action plan to deal with the reputational events. This will also enable the Bank to communicate the right message to the right people at the right time.
- The Bank will seek to gain time for planning action in advance through early recognition of warning signs and emerging threats of reputational events.
- Although the detailed of reputational events will vary from case to case, a proper action plan covering some key areas should be in place.

These include –

- clear and precise objectives to be achieved must be set;
- the target audiences with whom the Bank will be communicating and their respective areas of interest or concern to be addressed must be defined;
- Decide the key messages to get across to the target audiences. While the messages for different audiences may vary, they should not be contradictory or inconsistent;
- individual actions to be undertaken are coherent and mutually supporting of the overall strategy;
- specific actions to be undertaken will conform to the agreed strategy and objectives; and
- all proposed actions must be timed and approved;
- Time schedule of events must be maintained from the start.
- Access Bank will consider how the facts of the situation will be presented to target audiences in a manner which will win their acceptance and understanding. However, in no case should false information or distorted perspectives be presented.

- In limiting damage to the Bank's reputation, emphasis should be placed on demonstrating to target audiences -
- the care Access Bank has taken to guard against the recurrence of similar events; and
- The actions taken by the Bank in response to the event and the effectiveness of those actions.
- Corporate Communications will be designated to handle all communication matters, including media relations and public announcements.
- Actions taken should cater for any possible impact on cross-border operations.
- All relevant parties within the Bank will be adequately briefed as the situation develops.
- All actions taken should be based on a thorough knowledge of the facts of the situation, and be planned with a clear understanding of the likely consequences (including any follow-up action which may then be required).

The points mentioned above are not exhaustive and Access Bank tailors their strategy and action plan to suit their specific circumstances and needs.

### **Process**

Access Bank has established a clear set of procedures for managing such reputational events (including pre-planning how certain situations may be handled).

These include –

- Reputational events to be captured are defined through pre-determined criteria, triggering conditions or hypothetical scenarios, etc. In determining what types of events to be included, the Bank will have regard to the results of their internal processes for identifying and assessing reputation risk, as well as their vulnerability to reputation risk;
- specify the process for identifying reputation events, including the authority for deciding whether a reputation event has occurred and for invoking procedures for managing the event;
- the impact of such events based on established standards and criteria (with particular focus on the impact on the Bank's business and reputation) are measured;
- appropriate response actions on how to deal with the event in question and to protect the Bank's reputation are established and prioritized;
- All stakeholders that are affected by the event are notified of the situation;
- agreed actions will be implemented and stakeholders' reaction to actions taken are monitored;
- reassess the situation and, in case of need, modifying agreed actions;
- ongoing reporting to the Board and senior management of the progress and results of implementing agreed actions; and
- The post event review will be done and the lesson learnt will be used to enhance the reputational risk management

### **Post-event reviews**

After a reputation event, the post-event review will be conducted by Internal Audit and Risk Management Division to identify any lessons learnt, or problems and weaknesses revealed, from the event. Such reviews will be useful for providing feedback and recommendations for enhancing the Bank's reputation risk management process, and should at least be conducted on any major event affecting Access Bank. The Board and senior management will be promptly informed of the results of any such review conducted so that they can take appropriate actions to improve its approach to managing reputation risk.

### **Capital Risk Management**

Capital risk is the risk that the Bank's total capital base is not properly managed in a prudent manner.

#### **Capital management objectives:**

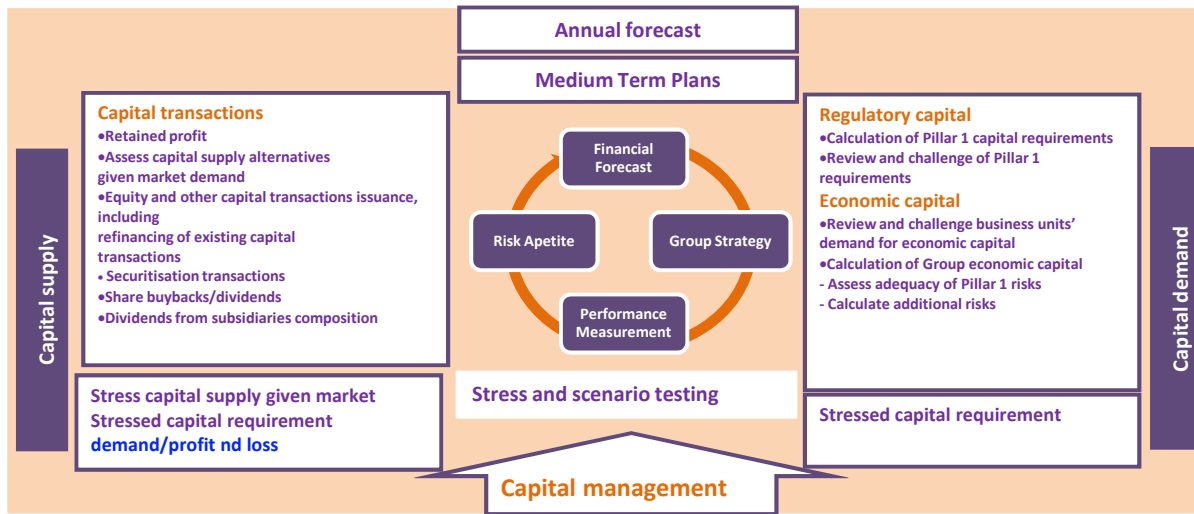
The Group has a number of capital management objectives:

- to meet the capital ratios required by its regulators and the Group's Board;
- to maintain an adequate level of available capital resources as cover for the economic capital (EC) requirements calculated at a 99.95% confidence level;
- to generate sufficient capital to support asset growth;
- to maintain an investment grade credit rating; and
- to achieve a return above the cost of equity.

#### **Capital management strategy:**

The Group's capital management strategy is focused on maximizing shareholder value by optimizing the level and mix of capital resources. Decisions on the allocation of capital resources are based on a number of factors including return on EC and on regulatory capital (RC), and are part of the internal capital adequacy assessment process (ICAAP).

## Capital management process



### Importance of capital management

Capital is managed as a Board level priority in the Group which reflects the importance of capital planning. The Board is responsible for assessing and approving the Group's capital management policy, capital target levels and capital strategy.

A capital management framework provides effective capital planning, capital issuance, Basel II alignment, EC utilisation and economic profit (EP) performance measurement criteria. The following diagram illustrates the process the Group follows to ensure end-to-end integration of the Group's strategy, risk management and financial processes into the capital management process. The purpose is to ensure that capital consumption in the business divisions has an impact on performance measurement, which in turn translates into management performance assessment and product pricing requirements and achievement of the overall strategy within risk appetite.

### The ICAAP Process in 2011

During the year, the Board approved the Bank's documentation of its Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP provides the Bank with an estimate of the amount of capital implicitly consumed by the range of business activities, processes and decisions that the Bank undertakes. It provides the Bank with a means of:

- (1) Measuring the risk and capital requirement attaching its core risks (Credit Risk, Market Risk and Operational Risk) – also called Pillar 1 risks, and
- (2) Identifying and measuring the risk and capital requirement of non-core risks such as Credit Concentration Risk, Liquidity Risk, Strategic Risk and Reputational Risk, among others – also called Pillar 2 risks.

By identifying and measuring the risk and hence the capital allocation to each activity, it provides a platform for optimising the use of capital, through identifying the risk levers that may be adjusted to achieve target risk appetite and limits.

The ICAAP was strengthened in 2011 in partnership with reputable international consultants. Sufficient awareness was created amongst key stakeholders- Board, Management and Staff on the implications of our risk practices on capital requirement.

**Our Risk Management Framework is Focused on the Future**

We believe effective risk management is more than just the collection and analysis of data. It also encompasses the insights delivered by information which facilitate appropriate actions. Access Bank benefits from having enhanced its Group risk management framework, which gives full Group-wide coverage of a variety of risks.

Our annual risk cycle is designed to give management relevant, up-to-date information from which trends can be observed and assessed. The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, to the right people. In line with the industry's increasingly sophisticated management of risk, we continued to develop and embed our risk appetite framework during 2010 particularly our risk appetite assessment techniques.

Ultimately the success of our risk management framework will be determined by the extent to which it embeds in the corporate culture and leads to demonstrably better outcomes. We are committed to the continued development of our risk management framework.

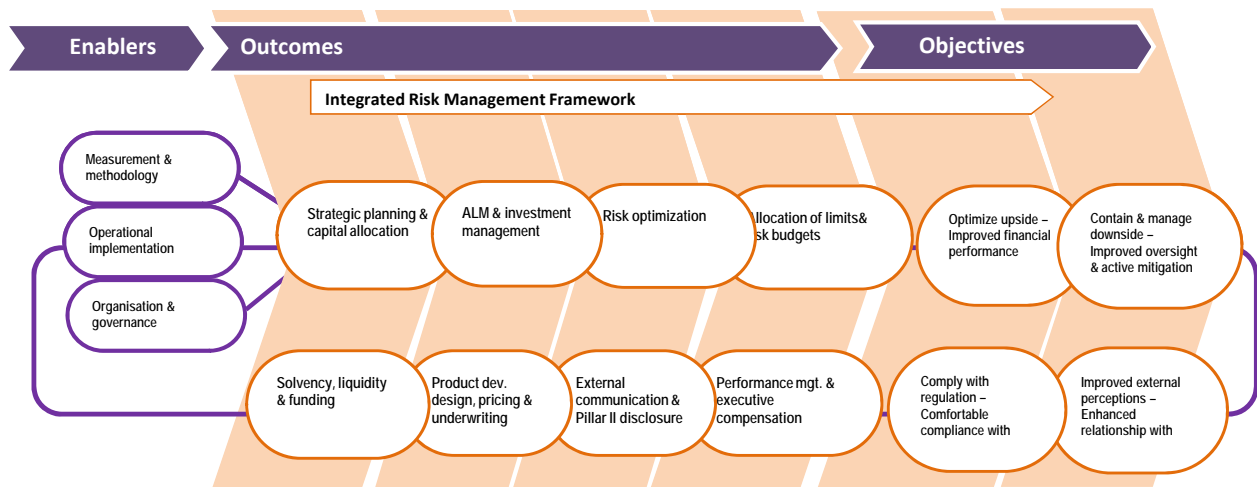
Accountability for risk management, and transparency of risk issues are crucial to our success. Responsibilities for managing risk are allocated to all managers within the Group and risk management requirements have been embedded in our performance management programme.

Ultimately the success of risk management will be determined by the extent to which it embeds in the corporate culture and leads to demonstrably better outcomes.

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**Risk Practice focused on the future**

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### **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, capital reserve, share premium, retained earnings, translation reserve and minority interests after deductions for 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 and general provision allowances.
- The qualifying tier 2 capital cannot exceed tier 1 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.

### **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.

<i>In thousands of Naira</i>	<i>Note</i>	<b>Dec-11</b>	<b>Dec-10</b>
<b>Tier 1 capital</b>			
Ordinary share capital	42	8,944,126	8,944,126
Share premium	42	146,160,837	146,160,837
Retained earnings	42	(6,744,577)	(10,785,618)
Other reserves	42	20,649,521	19,629,455
Non-controlling interests	42	23,054,841	699,332
		192,064,748	164,648,132
<b>Add/(Less):</b>			
Fair value reserve for available-for-sale securities	42	(4,623,657)	666,467
Intangible assets	31	(3,277,608)	(3,110,530)
<b>Shareholders' funds</b>		184,163,483	162,204,069

**Tier 2 capital**

Fair value reserve for available-for-sale securities		4,623,657	(666,467)
Collective allowances for impairment	22,23	4,734,552	6,804,540
<b>Total</b>		<b>9,358,209</b>	<b>6,138,073</b>
<b>Total regulatory capital</b>		<b>193,521,692</b>	<b>168,342,142</b>
<b>Risk-weighted assets</b>		<b>895,301,332</b>	<b>709,639,728</b>

**Capital ratios**

Total regulatory capital expressed as a percentage of total risk-weighted assets	22%	24%
Total tier 1 capital expressed as a percentage of risk-weighted assets	21%	23%

**Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization 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 maximization 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.

**'6. Use of estimates and judgements**

These disclosures supplement the commentary on financial risk management (see note 5).

**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 4(j)(viii).

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 loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. 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, assumptions are made to define the way inherent 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 future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

*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 valuation techniques as described in accounting policy 4(j)(vii). 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.

**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:

1. 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 4(m).
2. In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 4(k)(vi).

3. 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 4(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 8.

*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.

*Valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed under note 4(k)(vii)

The Group measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.
  
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
  
- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

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The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

<b>December 2011</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>In thousands of Naira</i>					
Non pledged trading assets	20	10,812,122	-	-	10,812,122
Pledged assets	21	66,191,144	-	-	66,191,144
Derivative financial instrument	22	-	9,909	-	-
Investment securities	27	6,633,106	2,588,970	37,712,321	46,934,397
		83,636,372	2,598,879	37,712,321	123,937,663
Derivative financial instrument	22	-	9,413	-	-
		-	9,413	-	-

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

## **7. Operating segments**

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

1. Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.
2. Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigeria GAAP while an incurred loss model is used in determine the impairment loss under IFRS.
3. Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

The following summary describes the operations in each of the Group's reportable segments:

- **Institutional banking** - The institutional banking division provides bespoke comprehensive banking products and a full range of services to multinationals, large domestic corporates and other institutional clients.
- **Commercial banking** - The commercial banking division has presence in all major cities in the country. It provides commercial banking products and services to the non-institutional clients, medium and small corporate segments of the Nigerian market.
- **Financial markets** - The financial markets division provides innovative finance solutions to meet the short, medium and long-term financing needs for the bank's clients as well as relationship banking services to the Bank's financial institutions customers. The group is also responsible for formulation and implementation of financial market products for the Bank's customers.
- **Retail banking** - The retail banking division provides financial products and services to individuals. These include private banking services, private customer current accounts, savings accounts deposits, investment savings products, custody, credit and debit cards and customer loans.

Retail banking also includes loans, deposits and other transactions and balances with retail and public sector customers.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

**7 Operating segments (Continued)**

**Information about operating segments**

**31 December 2011**

*In thousands of Naira*

	<b>Institutional Banking</b>	<b>Commercial Banking</b>	<b>Financial Markets</b>	<b>Retail Banking</b>	<b>Unallocated segments</b>	<b>Total N'000</b>
<b>Revenue:</b>						
Derived from external customers	45,739,642	69,149,932	14,229,744	5,630,829	2,176,812	136,926,959
Derived from other business segments	(5,444,811)	5,368,426	56,854	19,531	-	-
<b>Total Revenue</b>	<b>40,294,831</b>	<b>74,518,358</b>	<b>14,286,598</b>	<b>5,650,360</b>	<b>2,176,812</b>	<b>136,926,959</b>
<b>Interest expenses</b>	<b>(13,704,561)</b>	<b>(20,889,031)</b>	<b>(156,757)</b>	<b>(1,884,697)</b>	<b>(404,309)</b>	<b>(37,039,355)</b>
	26,590,270	53,629,327	14,129,841	3,765,663	1,772,503	99,887,604
(Loss)/profit on ordinary activities before taxation	(1,979,085)	15,833,075	5,217,825	1,275,933	(46,383)	20,301,365
Income tax expense						(3,593,110)
Profit after tax						16,708,255
<b>Other segment information:</b>						
Depreciation	(117,481)	(3,984,216)	(1,420,580)	(234,165)	(224,637)	(5,981,078)
<b>Assets and liabilities:</b>						
Tangible segment assets	462,036,436	676,058,388	230,926,177	36,424,643	229,301,111	1,634,746,755
Unallocated segment assets	-	-	-	-	-	-
<b>Total assets</b>	<b>462,036,436</b>	<b>676,058,388</b>	<b>230,926,177</b>	<b>36,424,643</b>	<b>229,301,111</b>	<b>1,634,746,755</b>
Segment liabilities	132,187,398	1,038,038,515	156,155,009	85,256,202	26,067,422	1,437,704,546
Unallocated segment liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>132,187,398</b>	<b>1,038,038,515</b>	<b>156,155,009</b>	<b>85,256,202</b>	<b>26,067,422</b>	<b>1,437,704,546</b>
<b>Net assets</b>	<b>329,849,038</b>	<b>(361,980,127)</b>	<b>74,771,167</b>	<b>(48,831,559)</b>	<b>203,233,689</b>	<b>197,042,209</b>



**31 December 2010**

*In thousands of Naira*

	<b>Institutional Banking</b>	<b>Commercial Banking</b>	<b>Financial Markets</b>	<b>Retail Banking</b>	<b>Unallocated segments</b>	<b>Total N'000</b>
<b>Revenue:</b>						
Derived from external customers	23,112,512	50,653,411	11,739,149	5,308,332	328,660	91,142,064
Derived from other business segments	(5,359,986)	4,937,686	(57,473)	479,772	-	-
<b>Total Revenue</b>	<b>17,752,526</b>	<b>55,591,097</b>	<b>11,681,676</b>	<b>5,788,104</b>	<b>328,660</b>	<b>91,142,064</b>
Interest expenses	(12,414,797)	(7,279,098)	(1,183,690)	(655,399)	(87,738)	(21,620,722)
	5,337,729	48,311,999	10,497,986	5,132,705	240,922	69,521,342
(Loss)/profit on ordinary activities before taxation	(4,149,172)	10,292,681	8,217,424	1,981,467	(173,530)	16,168,870
Income tax expense						(5,100,749)
Profit after tax						<u>11,068,121</u>
<b>Other segment information:</b>						
Depreciation	(637,829)	(1,649,121)	(181,498)	(637,168)	27,784	(3,077,832)
<b>Assets and liabilities:</b>						
Tangible segment assets	329,713,240	231,625,398	224,719,553	12,607,718	6,157,862	804,823,771
Unallocated segment assets	-	-	-	-	-	-
<b>Total assets</b>	<b>329,713,240</b>	<b>231,625,398</b>	<b>224,719,553</b>	<b>12,607,718</b>	<b>6,157,862</b>	<b>804,823,771</b>
Segment liabilities	174,339,498	361,495,960	51,595,603	35,409,323	6,612,930	629,453,314
Unallocated segment liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>174,339,498</b>	<b>361,495,960</b>	<b>51,595,603</b>	<b>35,409,323</b>	<b>6,612,930</b>	<b>629,453,314</b>
<b>Net assets</b>	<b>155,373,742</b>	<b>(129,870,562)</b>	<b>173,123,950</b>	<b>(22,801,605)</b>	<b>(455,068)</b>	<b>175,370,457</b>

**Reconciliation of reportable segment revenues, profit or loss and assets and liabilities**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
<b>Revenues</b>		
Total revenue from reportable segments	136,926,959	91,142,064
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	774,405	(524,973)
<b>Consolidated revenue</b>	<b>137,701,364</b>	<b>90,617,091</b>
<b>Profit or loss</b>		
Total profit or loss for reportable segments	20,301,365	16,168,870
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	2,175,977	(3,584,639)
<b>Consolidated profit before income tax</b>	<b>22,477,342</b>	<b>12,584,231</b>
<b>Assets</b>		
Total assets for reportable segments	1,634,746,755	804,823,772
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(5,743,560)	(8,607,004)
<b>Consolidated total assets</b>	<b>1,629,003,195</b>	<b>796,216,768</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	1,437,704,546	629,453,315
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(766,099)	2,115,322
<b>Consolidated total liabilities</b>	<b>1,436,938,447</b>	<b>631,568,637</b>

**Geographical segments**

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

<b>December 2011</b>		<b>Rest of</b>		
<i>In thousands of Naira</i>	<b>Nigeria</b>	<b>Africa</b>	<b>Europe</b>	<b>Total</b>
Derived from external customers	125,783,289	10,622,025	2,544,099	138,949,414
Derived from other segments	-	-	-	-
<b>Total Revenue</b>	<b>125,783,289</b>	<b>10,622,025</b>	<b>2,544,099</b>	<b>138,949,414</b>
Interest expense	(34,191,674)	(2,576,674)	(128,660)	(36,897,008)
Fee and commission expenses	-	(142,347)	-	(142,347)
<b>Operating Income/(loss)</b>	<b>91,591,615</b>	<b>7,903,004</b>	<b>2,415,440</b>	<b>101,910,059</b>
<b>Profit/(loss) before income tax</b>	<b>19,999,427</b>	<b>(16,325)</b>	<b>318,263</b>	<b>20,301,365</b>
<b>Assets and liabilities:</b>				
Total assets	1,468,941,873	76,018,471	89,786,411	1,634,746,754
Total liabilities	1,271,467,526	82,234,532	84,002,489	1,437,704,547
<b>Net assets</b>	<b>197,474,347</b>	<b>(6,216,061)</b>	<b>5,783,922</b>	<b>197,042,207</b>

<b>December 2010</b>		<b>Rest of</b>		
<i>In thousands of Naira</i>	<b>Nigeria</b>	<b>Africa</b>	<b>Europe</b>	<b>Total</b>
Derived from external customers	79,069,399	10,585,174	1,487,491	91,142,064
Derived from other segments	-	-	-	-
<b>Total Revenue</b>	<b>79,069,399</b>	<b>10,585,174</b>	<b>1,487,491</b>	<b>91,142,064</b>
Interest expense	(19,272,649)	(2,319,231)	(28,842)	(21,620,722)
Fee and commission expenses	-	-	-	-
<b>Operating Income/(loss)</b>	<b>59,796,750</b>	<b>8,265,943</b>	<b>1,458,649</b>	<b>69,521,342</b>
<b>Profit/(loss) before income tax</b>	<b>17,695,551</b>	<b>(1,339,298)</b>	<b>(187,383)</b>	<b>16,168,870</b>
<b>Assets and liabilities:</b>				
Total assets	664,448,397	72,299,937	68,075,438	804,823,772
Total liabilities	506,313,843	60,274,273	62,865,199	629,453,315
<b>Net assets</b>	<b>158,134,554</b>	<b>12,025,664</b>	<b>5,210,239</b>	<b>175,370,457</b>

## 8 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.

<i>In thousands of Naira</i>	Note	Derivative		Loans & Receivables			Other amortized cost	Total carrying amount	Fair value
		Trading	Designated at fair value	Held-to-maturity	Loans at amortised cost	Available-for-sale			
<b>31 December 2011</b>									
Cash and cash equivalents	19	-	-	-	-	-	191,518,474	191,518,474	185,018,474
Non pledged trading assets	20	10,812,122	-	-	-	-	-	10,812,122	10,812,122
Pledged assets	21	-	-	66,191,144	-	-	-	66,191,144	60,442,599
Derivative financial instruments	22	-	9,909	-	-	-	-	9,909	9,909
Loans and advances to banks	23	-	-	-	775,765	-	-	775,765	760,636
Loans and advances to customers	24	-	-	-	576,228,507	-	-	576,228,507	541,971,884
Insurance receivables	25	-	-	-	1,405,000	-	-	1,405,000	1,405,000
Investment securities	27	-	-	514,755,308	-	46,978,397	-	561,733,704	508,846,837
		<b>10,812,122</b>	<b>9,909</b>	<b>580,946,452</b>	<b>578,409,272</b>	<b>46,978,397</b>	<b>191,518,474</b>	<b>1,408,674,625</b>	<b>1,309,267,461</b>
Deposits from banks	34	-	-	-	-	-	146,808,286	146,808,286	149,481,617
Deposits from customers	35	-	-	-	-	-	1,101,703,921	1,101,703,921	1,093,115,656
Derivative financial instruments		-	9,413	-	-	-	-	9,413	9,413
Claims payable	37	-	-	-	-	-	450,000	450,000	395,000
Liabilities on investment contracts	38	-	-	-	-	-	61,000	61,000	59,000
Interest bearing loans and borrowings	40	-	-	-	-	-	29,258,273	29,258,273	29,243,368,997
		-	<b>9,413</b>	-	-	-	<b>1,278,281,480</b>	<b>1,278,290,893</b>	<b>30,486,429,684</b>
<b>31 December 2010</b>									
Cash and cash equivalents	19	-	-	-	-	-	123,957,778	123,957,778	116,198,836
Non pledged trading assets	20	30,969,755	-	-	-	-	-	30,969,755	30,969,755
Pledged assets	21	-	-	59,930,096	-	-	-	59,930,096	52,044,653
Derivative financial instruments	22	-	1,110,803	-	-	-	-	1,110,803	1,110,803
Loans and advances to banks	23	-	-	-	610,108	-	-	610,108	601,324
Loans and advances to customers	24	-	-	-	447,810,358	-	-	447,810,358	441,363,363
Investment securities	27	-	-	61,481,535	-	8,411,339	-	69,892,874	62,403,453
		<b>30,969,755</b>	<b>1,110,803</b>	<b>121,411,631</b>	<b>448,420,466</b>	<b>8,411,339</b>	<b>123,957,778</b>	<b>734,281,772</b>	<b>704,692,187</b>
Deposits from banks	34	-	-	-	-	-	69,889,795	69,889,795	64,038,436
Deposits from customers	35	-	-	-	-	-	484,723,475	484,723,475	485,082,731
Derivative financial instruments	22	-	725,007	-	-	-	-	725,007	725,007
Interest bearing loans and borrowings	40	-	-	-	-	-	22,760,350	22,760,350	22,598,005
		-	<b>725,007</b>	-	-	-	<b>577,373,620</b>	<b>578,098,627</b>	<b>572,444,179</b>

The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

## **9 Disposal groups held for sale and discontinued operations**

- (a) During the year, the Group disposed of United Securities Limited, a wholly owned subsidiary, in line with the Bank's compliance plan as a result of the Central Bank of Nigeria (CBN) regulation on the scope of banking activities and ancilliary matters. United Securities Limited (USL) is a Nigerian Securities and Exchange Commission licensed provider of securities register and data administration services. Included in other operating income (note 13) of the consolidated statement of comprehensive income is an amount of N25million which represents a gain on disposal of USL.
- (b) This represents the Bank's investment in Access Investment and Securities Limited, a wholly owned subsidiary of Access Bank Plc. In compliance with Section 6(1) of the Central Bank of Nigeria regulation on the Scope of Banking activities and ancillary matters (issued on 7 September 2010), which requires banks to divest from all non-banking businesses, the Board of Directors resolved that the company would undergo a members' voluntary winding up. Pursuant to approval from the Nigerian SEC, all assets under management have been returned to beneficiaries. The company has ceased trading and is currently undergoing members' voluntary winding up pursuant to a shareholders' resolution.

The Directors are of the opinion that it is highly probable that the divestment from this subsidiary is expected to be completed, but with no guarantee, by the first quarter of 2012 and thus meet the regulatory deadline of May 2012.

The financial position and results of this entity as at 31 December 2011 have been consolidated in these financial statements. The Directors considers the financial impact of this subsidiary as immaterial; and for that reason, it has not been classified and disclosed as a discontinued operation/assets-held-for sale transaction.

## **10 Acquisition of subsidiary**

- (a) During the year, pursuant to the Transaction Implementation Agreement (TIA) executed on 6 July 2011, Access Bank Plc through Project Star Investments Limited (“the Investor Group”), acquired a controlling interest representing 75% shareholding in Intercontinental Bank and its subsidiaries (“together the Intercontinental Group”) effective 14 October 2011, by the injection of an investment amount of ₦50 billion in Intercontinental Bank in consideration for the issuance of investor shares (15 billion shares representing 75 per cent of the ordinary share capital of Intercontinental Bank). The approval of the shareholders of both banks, court sanction of the Federal High Court of Nigeria and the approvals of the Central Bank of Nigeria and the Nigerian Securities & Exchange Commission have been obtained for this business combination. .

In the period to 31 December 2011, Intercontinental Bank contributed gross earnings of N16.12billion and profit before taxation of N5.13billion. If the acquisition had occurred on 1 January 2011, the consolidated revenue would have been N47.81billion and consolidated loss before tax for the year would have been N86.28billion based on IFRS accounting policies.

The subsidiaries and related percentage holding as at the date of acquisition of Intercontinental Bank Group by Access Bank Plc is shown below:

<b>S/N</b>	<b>Subsidiary</b>	<b>Principal activity</b>	<b>Percentage holding (%)</b>
1	Intercontinental Wapic Insurance Plc	Insurance	58%
2	Intercontinental Capital Markets	Financial Services	63%
3	Intercontinental Homes and Savings	Financial Services	52%
4	Intercontinental Properties Limited	Real estate	100%
5	Intercontinental Finance and	Financial Services	100%
6	Intercontinental Registrars Limited	Secretarial services	100%
7	Intercontinental Trustees Limited	Trusteeship	100%
8	Intercontinental Bank Ghana Limited	Banking	90%
9	Intercontinental Securities Limited	Asset Management	51%
10	Intercontinental Bank (UK) Plc	Banking	100%
11	Intercontinental Bureau de Change	Bureau de change	100%
12	Flexmore Technologies Limited	IT Services	100%

In addition, following completion of the Acquisition, Access Bank, through its subsidiary Intercontinental Bank, has an interest in three associates, including an approximately 47 per cent. interest in Associated Discount House Limited, one of the largest discount houses in Nigeria. The other two associates are Blue Microfinance Limited (a micro finance bank) and Magnate Technology Limited (specialising in the provision of security and communications solutions and local area and wireless area networking solutions).

- (b)(ii) The gain on bargain purchase, which arose on the acquisition of the assets and liabilities of Intercontinental Bank through business combination, represents the excess of acquirer's (Access Bank) interest in the net fair value of acquiree's (Intercontinental Bank) identifiable assets, liabilities and contingent liabilities over cost. This was computed as follows:

	<b>Effective date of acquisition 14 October 2011 N'000</b>
Purchase consideration	50,000,000
75% share of adjusted net assets attributable to Access Bank as at 14 October 2011 (See note (h)(iii) below)	50,299,272
Gain on bargain purchase	<u>(299,272)</u>

(c)(iii) The net assets acquired include:

	<b>Recognised values on acquisition</b>
	N'000
Cash and cash equivalents	85,353,000
Non pledged trading assets	4,850,000
Pledged assets	260,334,035
Loans and advances to customers	99,634,114
Insurance receivables	754,000
Investment in equity accounted investee	3,258,000
Investment securities	482,698,481
Other assets	79,106,098
Trading property	6,878,000
Investment property	2,826,000
Property, plant and equipment	47,064,000
Deferred tax assets	4,731,000
<b>Total assets</b>	<b><u>1,077,486,728</u></b>
	N'000
Deposits from customers	(580,769,114)
Deposits from banks	(336,306,112)
Current tax liabilities	(6,846,000)
Claims payable	(358,000)
Liabilities on investment contracts	(733,000)
Liabilities on insurance contracts	(2,922,000)
Other liabilities	(72,400,555)
Deferred tax liabilities	(246,000)
Contingent settlement provisions	(3,548,250)
<b>Total liabilities</b>	<b><u>(1,004,129,032)</u></b>
Non controlling interest	(23,058,424)
<b>Net identifiable assets and liabilities</b> (see note (c)(ii) above)	<b><u>50,299,272</u></b>
Gain on bargain purchase	(299,272)
Consideration paid, satisfied in cash	50,000,000
Cash and cash equivalents acquired	(85,353,000)
<b>Net cash inflow</b>	<b><u><u>(35,353,000)</u></u></b>

- (d) During the year, the operations of Access Homes and Mortgages, a fully owned subsidiary, were integrated with the Bank's operations in line with the Bank's compliance plan, which was in response to the Central Bank of Nigeria (CBN) regulation on the scope of banking activities and ancillary matters (issued on 7 September 2010). Access Homes and Mortgages (the subsidiary) engaged in mortgage banking business. The effective date of the integration was 28 February 2011. There was no impact on the consolidated financial statements.



**10. Net interest income**

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
<b>Interest income</b>		
Cash and cash equivalents	3,545,927	1,609,688
Loans and advances to banks and customers	79,427,918	60,294,093
Investment securities	24,635,431	7,337,625
<b>Total interest income</b>	<b>107,609,276</b>	<b>69,241,406</b>
<b>Interest expense</b>		
Deposit from banks	(9,647,208)	(2,826,620)
Deposit from customers	(24,468,041)	(17,303,876)
Securities trading	(2,574,398)	(1,503,154)
Other borrowed funds	(104,220)	(186,525)
Other interest expense	(232,397)	-
<b>Total interest expense</b>	<b>(37,026,264)</b>	<b>(21,820,175)</b>
<b>Net interest income</b>	<b>70,583,012</b>	<b>47,421,231</b>

Interest income for the year ended 31 December 2011 includes N4,354,110,000 (December 2010: N3,862,806,000) accrued on impaired financial assets.

**11. Fee and commission income**

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
Credit related fees and commissions	16,952,167	9,788,183
Other fees and commissions	6,013,836	3,200,984
<b>Total fee and commission income</b>	<b>22,966,003</b>	<b>12,989,167</b>

Corporate banking credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.

**12. Net trading income**

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
Fixed income securities	318,588	5,051,233
Foreign exchange	7,661,296	1,787,933
Equity securities	(5,221,000)	-
<b>Net trading income</b>	<b>2,758,884</b>	<b>6,839,166</b>

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

**13. Other operating income**

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
Mark to market (loss)/gain on trading investments	(355,069)	347,341
Dividends on available for sale equity securities	889,352	199,489
Gain on bargain purchase (see note (10)(b)(ii))	299,272	-
Gain on disposal of property and equipment	482,058	127,552
Profit on sale of trading properties	951,000	-
Profit on sale of subsidiary (see note (9)(a))	557,801	-
Rental income	620,459	951,777
Other income	922,328	672,674
	4,367,201	2,298,833

**14. Net impairment loss on financial assets**

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
Reversal of collective impairment charges on loans and advances	(2,926,403)	(709,765)
Specific impairment charges on loans and advances	13,940,989	8,050,515
(Reversal)/impairment charge on available for sale equities	(443,000)	221,442
Reversals of impairment allowance on other assets	(2,235,535)	(412,172)
(Reversal)/impairment charge on investment property	(211,543)	315,698
Impairment charge on goodwill	380,990	306,437
Impairment charge on insurance receivables	746,000	-
	9,251,498	7,772,155

**15. Personnel expenses**

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
Wages and salaries	21,647,086	15,027,288
Increase in liability for defined benefit plans	1,099,780	-
Contributions to defined contribution plans	485,599	416,281
Increase/(decrease) in liability for share appreciation rights	94,886	(15,445)
	23,327,351	15,428,124

**Personnel expenses**

*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 cash payment is determined based on the term of the scheme as follows:

<i>Years as eligible employee</i>	<i>Cash payments</i>
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.

<i>In thousands</i>	<i>Number of shares</i>
SARs granted to senior management employees at 31 December 2011	288,313,402
SARs granted to senior management employees at 31 December 2010	296,483,032

**Employee expenses for share-based payments**

<b>31 December</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>			
Effect of changes in the fair value of SARs		52,852	(15,445)
Expense/(credit) from rights exercised during the year		42,034	(26,982)
Total expense/(credit) recognized as personnel expenses		94,886	(42,427)
Total carrying amount of liabilities for cash-settled arrangements	36	2,995,576	2,979,710

The carrying amount of liabilities for cash-settled share based payments was:

<b>31 December</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>			
Balance, beginning of year		2,979,710	3,030,080
Effect of changes in fair value of SAR at year		52,852	(15,445)
Options exercised during the year		(36,986)	(34,925)
Balance, end of year	36	2,995,576	2,979,710

**16. Other operating expenses**

**31 December**

**2011**

**2010**

*In thousands of Naira*

Other premises and equipment costs	2,914,264	1,333,241
Professional fees	4,437,101	2,041,859
Insurance	4,541,081	3,018,812
Travelling	1,398,037	1,224,286
AMCON surcharge (see note (a) below)	2,713,068	-
Loss on disposal of investment properties	193,674	84,041
Rent and rates	1,992,319	1,224,286
General administrative expenses	19,489,348	16,879,723
	<b>37,678,892</b>	<b>25,806,248</b>

a This represents the Group's contribution to AMCON's sinking fund for the year ended 31 December 2011. Effective 1 January 2011, the Bank is required to contribute 0.3% of its total assets as at the preceding year end (31 December 2010) to AMCON's sinking fund in line with existing guidelines. This is based on the total assets as determined under Nigerian GAAP.

**16. Income tax expense recognised in the profit or loss**

<b>31 December</b>	<b>December</b>	<b>December</b>
<i>In thousands of Naira</i>	<b>2011</b>	<b>2010</b>
<b>Current tax expense</b>		
Current year	3,895,480	3,487,616
Prior year's under provision	101,000	116,274
	<b>3,996,480</b>	<b>3,603,890</b>
<b>Deferred tax expense</b>		
Reversal of temporary differences	3,102,540	1,252,942
<b>Total income tax expense</b>	<b>7,099,020</b>	<b>4,856,832</b>

**Reconciliation of effective tax rate**

<i>In thousands of Naira</i>	<i>December</i>	<i>December</i>	<i>December</i>	<i>December</i>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Profit/(loss) before income tax		22,477,342		12,584,231
Income tax using the domestic corporation tax rate	29.53%	6,637,149	30.00%	3,775,269
Effect of tax rates in foreign jurisdictions	4.34%	974,583	3.40%	428,348
Balancing charge	0.00%	-	(11.29)%	(1,420,830)
Non-deductible expenses	23.15%	5,202,584	16.90%	2,127,326
Education tax levy	3.91%	879,831	2.79%	351,374
Tax exempt income	-44.29%	(9,798,667)	(14.93)%	(1,878,679)
Tax losses (utilised)/unutilised	0.00%	-	10.79%	1,357,748
Difference in tax base	13.80%	3,102,540	-	-
Under provided in prior years	0.45%	101,000	0.92%	116,276
<b>Total income tax expense in comprehensive income</b>	<b>31.58%</b>	<b>7,099,020</b>	<b>38.58%</b>	<b>4,856,832</b>

The effective income tax rate for 31 December 2011 is 32% (31 December 2010: 39%)

**18. Basic earnings per share**

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of N14,145,717,000 (December 2010: N 7,903,841,000) and a weighted average number of ordinary shares outstanding of 17,888,251,478 (December 2010: 17,888,251,478), calculated as follows:

Weighted average number of ordinary shares

<i>In millions of shares</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Issued ordinary shares at beginning of year	17,888,251	16,262,047
Effect of bonus issue	-	1,626,204
<b>Weighted average number of ordinary shares at end of year</b>	<b>17,888,251</b>	<b>17,888,251</b>

**Profit attributable to ordinary shareholders**

<b>31 December</b> <i>In thousands of Naira</i>	<b>2011</b>	<b>2010</b>
Profit for the year attributable to equity holders of the Bank	14,499,229	7,903,841

**Number of ordinary shares**

<i>In millions of shares</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
<b>Issued ordinary shares</b>	<b>17,888,251</b>	<b>17,888,251</b>

**19. Cash and cash equivalents**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Cash on hand and balances with banks	65,362,706	41,224,326
Unrestricted balances with central banks	35,566,237	8,356,366
Money market placements and other cash equivalents	90,589,531	74,377,086
	<b>191,518,474</b>	<b>123,957,778</b>

**20. Non pledged trading assets**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Government bonds	7,311,562	1,056,706
Treasury bills	3,500,560	29,166,698
Stabilisation securities	-	29,069
Bankers acceptance	-	717,282
	<u>10,812,122</u>	<u>30,969,755</u>

**21. Pledged assets**

*Financial assets that may be re-pledged or resold by counterparties:*

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Treasury bills	7,491,114	12,391,114
Government bonds	58,700,030	47,538,982
	<u>66,191,144</u>	<u>59,930,096</u>

Included in pledged assets are treasury bills of N1.5billion (December 2010: N5,700,000) and FGN bonds of N20.5billion (December 2010: nil) on open buy back and repurchase agreements respectively to secure inter-bank takings from other banks. These have been included in deposits from banks in Note 34. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

As at 31 December 2011, the Bank held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (December 2010: nil).

**22. Derivative financial instruments**

<i>In thousands of Naira</i>	<u>Assets</u> <b>December 2011</b>	<u>Liabilities</u> <b>December 2011</b>	<u>Assets</u> <b>December 2010</b>	<u>Liabilities</u> <b>December 2010</b>
<i>Instrument type:</i>				
Cross currency swap	-	-	-	-
Foreign exchange	9,909	9,413	1,110,803	725,007
	<u>9,909</u>	<u>9,413</u>	<u>1,110,803</u>	<u>725,007</u>

The Group uses derivatives not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risks. The instruments used include forward contracts and cross currency linked forward contracts.

*(Net Loss)/net income from other financial instrument carried at fair value*

<b>31 December</b>	<b>2011</b>	<b>2010</b>
<i>In thousands of Naira</i>		
<i>Instrument type:</i>		
Foreign exchange	-	-
Cross currency swap	-	(724,499)
	-	(724,499)

**23. Loans and advances to banks**

<i>In thousands of Naira</i>	<u><b>December</b></u> <b>2011</b>	<u><b>December</b></u> <b>2010</b>
Loans and advances to banks	841,571	642,919
Less specific allowances for impairment	(61,028)	(21,155)
Less collective allowances for impairment	(4,778)	(11,656)
	<u>775,765</u>	<u>610,108</u>

**Specific impairment allowance on loans and advances to banks**

<i>In thousands of Naira</i>	<u><b>December</b></u> <b>2011</b>	<u><b>December</b></u> <b>2010</b>
Balance beginning of year	21,155	216,400
Impairment loss for the year:		
- Charge for the year	39,873	-
- Allowance no longer required	-	(195,245)
Balance end of year	<u>61,028</u>	<u>21,155</u>

**Collective impairment allowance on loans and advances to banks**

<i>In thousands of Naira</i>	<u><b>December</b></u> <b>2011</b>	<u><b>December</b></u> <b>2010</b>
Balance at beginning of year	11,656	706
Impairment loss for the year:		
- Allowance written back	(6,878)	10,950
Balance end of year	<u>4,778</u>	<u>11,656</u>



**24. Loans and advances to customers**

<b>December 2011</b> <i>In thousands of Naira</i>	<b>Gross amount</b>	<b>Specific impairment</b>	<b>Portfolio impairment</b>	<b>Total impairment</b>	<b>Carrying amount</b>
Loans to individuals	41,690,203	(5,682,480)	(213,926)	(5,896,406)	35,793,798
Loans to corporate entities and other organizations	582,849,099	(37,898,542)	(4,515,849)	(42,414,391)	540,434,709
	<u>624,539,303</u>	<u>(43,581,022)</u>	<u>(4,729,774)</u>	<u>(48,310,796)</u>	<u>576,228,507</u>

<b>December 2010</b> <i>In thousands of Naira</i>	<b>Gross amount</b>	<b>Specific impairment</b>	<b>Portfolio impairment</b>	<b>Total impairment</b>	<b>Carrying amount</b>
Loans to individuals	10,815,742	(2,490,625)	(124,895)	(2,615,520)	8,200,222
Loans to corporate entities and other organizations	467,322,563	(21,044,438)	(6,667,989)	(27,712,427)	439,610,136
	<u>478,138,305</u>	<u>(23,535,063)</u>	<u>(6,792,884)</u>	<u>(30,327,947)</u>	<u>447,810,358</u>

**Specific impairment allowance on loans and advances to banks and customers**

<i>In thousands of Naira</i>	<u><b>December 2011</b></u>	<u><b>December 2010</b></u>
Balance beginning of year	23,535,063	20,057,186
Acquired through business combination	60,734,000	-
Impairment loss for the year:		
- Charge for the year	19,485,372	9,602,641
- Recoveries	(5,584,256)	(1,356,882)
Net impairment for the year	13,901,116	8,245,759
Effect of foreign currency movements	49,996	(384,875)
Write-offs	(54,639,153)	(4,383,007)
Balance end of year	<u>43,581,022</u>	<u>23,535,063</u>

**Collective impairment allowance on loans and advances to customers**

*In thousands of Naira*

	<u>December</u> 2011	<u>December</u> 2010
Balance beginning of year	6,792,884	7,517,565
Acquired through business combination	801,246	-
Impairment loss for the year:		
- Charge for the year	68,873	49,088
- Allowance no longer required	(2,988,398)	(769,804)
Net impairment for the year	(2,919,525)	(720,716)
Effect of foreign currency movements	55,169	(3,965)
<b>Balance end of year</b>	<b>4,729,774</b>	<b>6,792,884</b>

Loans and advances to customers at amortised cost include the following finance lease receivables for leases of certain property and equipment where the group is the lessor:

*In thousands of Naira*

	<u>December</u> 2011	<u>December</u> 2010
Gross investment in finance lease receivable	3,398,206	3,480,431
Unearned finance income	(557,119)	(396,038)
<b>Net investment in finance leases</b>	<b>2,841,087</b>	<b>3,084,393</b>
Net investment in finance leases, receivable:		
Less than one year	565,504	187,181
Between one and five years	2,275,583	2,897,212
	<b>2,841,087</b>	<b>3,084,393</b>

**25. Insurance receivables**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Due from agents and brokers	2,615,000	-
Due from reinsurers	-	-
	<hr/> 2,615,000	<hr/> -
Allowance for doubtful receivables	(1,210,000)	-
	<hr/> 1,405,000	<hr/> -

**Specific impairment allowance for insurance receivables**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	-	-
Acquired from business combination	1,336,000	-
Additional provision	746,000	-
Write-off during the year	(872,000)	-
	<hr/> 1,210,000	<hr/> -

**26. Investment in equity accounted investee**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	-	300,155
Acquired through business combination	3,257,805	-
Reversal of share of impairment	(429,000)	332,027
Share of result for the year	(10,000)	-
Exchange difference	(6,000)	-
(Reversal)/share of property and equipment revaluation reserve	-	(487,182)
Disposal during the year	-	(145,000)
	<hr/> 2,812,805	<hr/> -

**27. Investment securities**

<b>Available for sale investment securities</b>	<b>December</b>	<b>December</b>
<i>In thousands of Naira</i>	<b>2011</b>	<b>2010</b>
Government bonds	1,683,248	-
Treasury bills	4,949,858	-
Eurobonds	2,588,970	-
Underwriting commitment (see note (a) below)	-	3,840,218
Equity securities with readily determinable fair values	37,712,321	8,411,339
Unquoted equity securities at cost	3,162,441	268,441
Others	77,000	-
	<b>50,173,838</b>	<b>12,519,998</b>
Specific impairment for underwriting commitment	-	(3,503,815)
Specific impairment for unquoted equity securities at cost	(3,195,441)	(268,441)
	<b>46,978,397</b>	<b>8,747,742</b>
<hr/>		
<b>Held to maturity investment securities</b>	<b>December</b>	<b>December</b>
<i>In thousands of Naira</i>	<b>2011</b>	<b>2010</b>
Treasury bills	48,906,566	-
Government bonds	137,145,770	53,400,037
AMCON bonds (see note (b) below)	305,642,854	2,690,920
Corporate bonds	5,193,225	3,000,000
Eurobonds	5,783,793	-
Other bonds	12,083,099	2,054,175
	<b>514,755,308</b>	<b>61,145,132</b>
<b>Investment securities</b>	<b>561,733,704</b>	<b>69,892,874</b>

- (a) Underwriting commitment represents the carrying value of 15,360,873 units of African Petroleum Plc shares underwritten by the Bank. The commitment crystallized and payment was made in respect of the underwritten shares to African Petroleum Plc. The entire shares in the Bank's custody were sold during the period and the allowance written off.

**Specific impairment for unquoted equity securities at cost**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	268,441	294,616
Acquired through business combination	3,370,000	-
Allowance no longer required	(443,000)	(26,175)
Charge for the year	-	-
<b>Balance, end of year</b>	<b>3,195,441</b>	<b>268,441</b>

- (b) AMCON consideration bonds represent consideration bonds issued by the Asset Management Corporation of Nigeria (AMCON) and fully guaranteed by the Federal Government of Nigeria. The consideration bonds were issued to banks in exchange for non-performing loans and the issue shares in the subsidiary entity, Intercontinental Bank, as part of the acquisition by Access Bank. Based on the terms of the transactions, AMCON reserves the right to re-evaluate the valuation of the sale. Any changes to the transaction consideration is prospectively adjusted.

**28. Trading properties**

This represents the cost of real estate properties held by the Bank's subsidiaries which are designated for resale to customers. The movement on the trading properties account during the year was as follows:

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	-	-
Acquired through business combination	6,878,000	-
Additions and capital improvements	1,135,000	-
Disposal of trading property	(1,325,000)	-
<b>Balance, end of year</b>	<b>6,688,000</b>	<b>-</b>

The profit on disposal of trading properties during the year was as follows:

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Proceeds from disposal	2,276,000	-
Less: cost of trading property	(1,325,000)	-
<b>Profit on disposal</b>	<b>951,000</b>	<b>-</b>

**29. Investment properties**

These investment properties have been valued by reputable estate surveyors and valuers using the comparative method of valuation to arrive at the open market value. As at 31 December 2011, the Directors are of the opinion that there were no material fluctuations in the value of the Bank's investment properties since its last valuation.

<i>In thousands of Naira</i>	<b>December 2011</b>	<b>December 2010</b>
Balance, beginning of year	13,258,776	1,404,000
Acquired through business combination	2,826,000	-
Additions during the year	1,163,815	12,107,832
Transfer from property and equipment	-	71,830
Disposals during the year	(1,047,392)	(324,886)
	<u>16,201,199</u>	<u>13,258,776</u>
Impairment allowance	(104,155)	(315,698)
Balance, end of year	<u>16,097,044</u>	<u>12,943,078</u>

The movement on impairment loss on investment properties during the year is as follows:

<i>In thousands of Naira</i>	<b>December 2011</b>	<b>December 2010</b>
Balance, beginning of year	315,698	-
Allowance during the year	-	315,698
Allowance no longer required	(211,543)	-
Balance, end of year	<u>104,155</u>	<u>315,698</u>

## 27 Property and equipment

<i>In thousands of Naira</i>	<b>Leasehold improvement and buildings</b>	<b>Computer hardware</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Capital Work-in - progress</b>	<b>Total</b>
<b>Cost</b>						
Balance at 1 January 2011	15,486,414	6,264,740	14,331,870	5,336,480	4,255,380	45,674,884
Acquired from business combination	33,880,420	21,411,384	14,385,566	5,957,594	6,755,000	82,389,964
Acquisitions	341,804	803,934	1,294,649	1,590,072	502,754	4,533,213
Disposals	(1,087,818)	(3,350,992)	(264,080)	(572,179)	(627,722)	(5,902,791)
Reversals	-	-	-	-	(6,607)	(6,607)
Write off	(54,622)	(1,748,726)	(21,884)	(47,986)	(42,615)	(1,915,833)
Transfers	2,333,155	(56,050)	(83,143)	(34,000)	(2,159,962)	-
Transfer (to)/from other assets	-	16,043	-	-	(82,389)	(66,346)
Revaluation	-	-	-	-	-	-
Translation difference	45,855	33,089	(469,991)	(175,100)	(3,556)	(569,703)
<b>Balance at 31 December 2011</b>	<b>50,945,208</b>	<b>23,373,422</b>	<b>29,172,987</b>	<b>12,054,881</b>	<b>8,590,283</b>	<b>124,136,781</b>
Balance at 1 January 2010	13,809,438	5,594,345	14,356,471	5,351,891	5,268,957	44,381,102
Acquisitions	1,501,234	707,268	811,031	537,785	488,358	4,045,676
Disposals	(616,580)	(540)	(651,081)	(483,580)	(519,878)	(2,271,659)
Reversals	(3,781)	-	(4,410)	-	(81,279)	(89,470)
Write off	-	-	-	-	(18,657)	(18,657)
Transfers	922,732	(6,633)	(140,302)	(78,918)	(696,879)	-
Transfer to investment property	(71,830)	-	-	-	-	(71,830)
Revaluation	-	323	-	-	-	323
Translation difference	(54,799)	(30,023)	(39,839)	9,302	(185,242)	(300,601)
<b>Balance at 31 December 2010</b>	<b>15,486,414</b>	<b>6,264,740</b>	<b>14,331,870</b>	<b>5,336,480</b>	<b>4,255,380</b>	<b>45,674,884</b>

<b>Depreciation</b>	<b>Leasehold improvement and buildings</b>	<b>Computer hardware</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Capital Work-in - progress</b>	<b>Total</b>
<i>In thousands of Naira</i>						
Balance at 1 January 2011	3,013,651	4,483,171	9,322,102	3,543,909	-	20,362,833
Acquired from business combination	3,706,659	16,871,687	9,298,017	5,376,314	-	35,252,677
Charge for the year	1,334,731	836,620	2,586,113	1,214,926	-	5,972,390
Disposal	(23,205)	(3,903,658)	(155,234)	(632,101)	-	(4,714,198)
Reversals	-	-	-	-	-	-
Translation difference	(213,350)	(72,486)	(18,281)	(80,621)	-	(384,738)
<b>Balance at 31 December 2011</b>	<b>7,818,486</b>	<b>18,215,334</b>	<b>21,032,716</b>	<b>9,422,427</b>	<b>-</b>	<b>56,488,964</b>
Balance at 1 January 2010	2,029,831	3,153,757	7,284,433	2,966,041	-	15,434,062
Charge for the year	910,792	1,175,341	2,389,181	983,139	-	5,458,453
Disposal	(126,186)	-	(103,559)	(383,369)	-	(613,114)
Reversals	-	-	(39,747)	-	-	(39,747)
Translation difference	199,214	154,073	(208,206)	(21,902)	-	123,179
<b>Balance at 31 December 2010</b>	<b>3,013,651</b>	<b>4,483,171</b>	<b>9,322,102</b>	<b>3,543,909</b>	<b>-</b>	<b>20,362,833</b>
Carrying amounts:						
Balance at 31 December 2011	43,126,722	5,158,088	8,140,270	2,632,454	8,590,283	67,647,817
Balance at 31 December 2010	12,472,763	1,781,569	5,009,769	1,792,571	4,255,380	25,312,051

(a) Included in property and equipment is land which is a leased asset. Land has been accounted for as a finance lease in line with the amendment to IAS 17

(b) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2010: nil).



### 31. Intangible assets

<i>In thousands of Naira</i>	<b>Goodwill</b>	<b>Purchased Software</b>	<b>Total</b>
<b>Cost</b>			
<b>December 2011</b>			
Balance at 1 January 2011	1,738,148	2,972,013	4,710,161
Acquired through business combination	-	3,306,000	3,306,000
Acquisitions	-	484,227	484,227
Transfer (to)/from other assets	-	1,757,268	1,757,268
Disposals	-	(9,327)	(9,327)
Translation difference	-	(192,858)	(192,858)
<b>Balance at 31 December 2011</b>	<b>1,738,148</b>	<b>8,317,323</b>	<b>10,055,471</b>
<b>December 2010</b>			
Balance at 1 January 2010	1,738,148	2,199,808	3,937,956
Acquisitions	-	772,205	772,205
<b>Balance at 31 December 2010</b>	<b>1,738,148</b>	<b>2,972,013</b>	<b>4,710,161</b>
<b>Amortization and impairment losses</b>			
Balance at 1 January 2011	306,437	1,293,194	1,599,631
Acquired through business combination	-	2,480,000	2,480,000
Amortization for the period	-	622,308	622,308
Disposals	-	(9,327)	(9,327)
Translation difference	-	181,261	181,261
Reclassification	-	1,523,000	1,523,000
Impairment losses	380,990	-	380,990
<b>Balance at 31 December 2011</b>	<b>687,427</b>	<b>6,090,436</b>	<b>6,777,863</b>
Balance at 1 January 2010	-	1,057,250	1,057,250
Amortization for the period	-	235,944	235,944
Impairment losses	306,437	-	306,437
<b>Balance at 31 December 2010</b>	<b>306,437</b>	<b>1,293,194</b>	<b>1,599,631</b>
<b>Carrying amounts</b>			
Balance at 31 December 2011	1,050,721	2,226,887	3,277,608
Balance at 31 December 2010	1,431,711	1,678,819	3,110,530

(a) Goodwill is attributable to the acquisition of following subsidiaries:

<i>In thousands of Naira</i>	<u>December</u> 2011	<u>December</u> 2010
Access Bank Rwanda	681,007	681,007
FinBank Burundi	369,714	369,714
Omni Finance Bank Cote d'Ivoire	-	687,427
	<u>1,050,721</u>	<u>1,738,148</u>

(b) The movement in the provision for diminution in the value of goodwill is as follows:

<i>In thousands of Naira</i>	<u>December</u> 2011	<u>December</u> 2010
Balance, beginning of the year	306,437	-
Additional allowance	380,990	306,437
	<u>687,427</u>	<u>306,437</u>

The purchased goodwill arising from the Bank's investment in Access Bank, Cote d'Ivoire was fully impaired as at 31 December 2011 based on directors' assessment of the future cashflows and recurring operating losses.

**32. Deferred tax assets and liabilities**

Movement on the net deferred tax assets/(liabilities) account during the year:

<i>In thousands of Naira</i>	<b>December 2011</b>			<b>December 2010</b>		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	4,353,000	(2,587,823)	1,765,177	-	(380,071)	(380,071)
Allowances for loan losses	77,000	(769,558)	(692,558)	2,020,997	-	2,020,997
Tax loss carry forward	840,000	-	840,000	512,713	-	512,713
Employee benefits	-	336,490	336,490	459,030	-	459,030
Others	786,088	(104,269)	681,819	(154,072)	-	(154,072)
<b>Net deferred tax assets/(liabilities)</b>	<b>6,056,088</b>	<b>(3,125,160)</b>	<b>2,930,928</b>	<b>2,838,668</b>	<b>(380,071)</b>	<b>2,458,597</b>

**32. Deferred tax assets and liabilities**

Movement on the net deferred tax assets / (liabilities) account during the year / period:

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	2,458,597	3,779,129
Acquired from business combination	2,946,095	-
Expense	(3,102,540)	(1,252,942)
Translation adjustments	628,776	(67,590)
<b>Net deferred tax assets/(liabilities)</b>	<b>2,930,928</b>	<b>2,458,597</b>
<i>Out of which</i>		
Deferred tax assets	6,056,088	2,838,668
Deferred tax liabilities	(3,125,160)	(380,071)

**33. Other assets**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Accounts receivable	63,052,414	10,654,573
Prepayments	8,186,583	4,203,989
Restricted deposits with central banks (see note (a) below)	76,398,814	3,566,031
Subscription for investment	34,951	520,042
	<u>147,672,762</u>	<u>18,944,635</u>
Impairment allowance on other assets	(26,798,394)	(833,895)
	<u>120,874,368</u>	<u>18,110,740</u>

- (a) This balance is made up of CBN cash reserve requirement and statutory deposits required by the National Insurance Commission (NAICOM). Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

**Movement in impairment allowance on other assets:**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	833,895	2,515,320
Acquired through business combination	27,609,000	-
Allowance during the year	89,953	649,436
Allowance no longer required	(2,325,488)	(1,061,608)
Allowance written off	660,184	(1,269,253)
Translation difference	(69,150)	-
Balance, end of year	<u>26,798,394</u>	<u>833,895</u>

- (b) Included in accounts receivable is an amount of N25,810,000,000 (31 December 2010:nil) which represents a receivable from Asset Management Corporation of Nigeria (AMCON) in line with the Transaction Implementation Agreement (TIA) executed on 6 July 2011 and entered with the Bank in connection with the acquisition of Intercontinental Bank. The receivable is expected to be settled via consideration bonds issued by AMCON.

**34. Deposits from banks**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Money market deposits	99,856,773	26,495,970
Other deposits from banks	46,951,513	43,393,825
	<u>146,808,286</u>	<u>69,889,795</u>

**35. Deposits from customers**

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Term deposits	428,832,125	215,943,833
Demand deposits	527,492,830	255,454,198
Saving deposits	145,378,966	13,325,444
	<hr/> 1,101,703,921	<hr/> 484,723,475

**36. Other liabilities**

<i>In thousands of Naira</i>	<b>Note</b>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Cash settled share based payment liability (see note (a) below)	15	2,995,576	2,979,710
Creditors and accruals		7,281,103	2,157,769
Certified cheques		3,669,203	3,400,913
Recognised liability for defined benefit obligations (see note (c) below)		1,795,780	-
Liability for defined contribution obligations		80,798	102,727
Customers' deposit for foreign trade (see note (b) below)		18,536,179	25,609,806
Collections		37,417,417	4,535,706
Unclaimed dividend		3,148,000	5,428,751
Other current liabilities		67,725,494	5,762,143
		<hr/> 142,649,550	<hr/> 49,977,525

- (a) Management intends to wind up the cash settled share based payment scheme currently in place as at 31 December 2011. This scheme will be replaced by a new plan. At the 22nd annual general meeting of members of Access Bank Plc held during the year ended 31 December 2011, the Directors were authorised to establish for the benefit of employees of the Bank or any of its subsidiaries, an Employee Performance Share Plan for the award of units of the Bank's shares to employees on terms and conditions that they shall consider appropriate. This new plan is however subject to relevant regulatory approvals.
- (b) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

(c) Defined benefit obligations

The amounts recognised in the statement of financial position are as follows:

<i>In thousands of Naira</i>	<b>December</b>	<b>December</b>
	<b>2011</b>	<b>2010</b>
Long term incentive plan (see note (i) below)	1,068,780	-
Other defined benefit plans (See note (ii) below)	727,000	-
<b>Recognised liability for defined benefit obligations</b>	<b>1,795,780</b>	<b>-</b>

(i) Long term incentive plan

During the year, the Bank introduced a non-contributory, unfunded lump sum defined benefit long term incentive plan for top executive management of the Bank from General Manager and above based on the number of years spent in these positions. The scheme is also aimed at rewarding directors and other senior executives for the contributions to achieving the Bank's long-term growth objectives.

Depending on their grade, executive staff of the Bank upon retirement are entitled to certain benefits based on their length of stay on that grade.

The amount recognised in the statement of financial position is as follows:

<i>In thousands of Naira</i>	<b>December</b>	<b>December</b>
	<b>2011</b>	<b>2010</b>
Balance beginning of period/year	-	-
Charge for the year:		
-Current service cost	333,770	-
-Past service cost	735,010	-
<b>Balance, end of year</b>	<b>1,068,780</b>	<b>-</b>

This represents the Bank's obligations to its top executive management under the long-term incentive plan (LTIP) to reward directors and other senior executives for the part they play in achieving the Bank's long-term growth objectives. This scheme was introduced during the year and liabilities comprising current service cost of N334,000,000 for the year ending and a past service cost of N2,205,030,000 arose thereon as a result of an actuarial valuation as at 31 December 2010. The Directors have decided to defer and charge this cost in a systematic and consistent manner to the income statement over an average period of three years. A total liability of N1,068,780,000 comprising an estimate of the current and the past service cost due for the year has been charged to the profit and loss account. The outstanding balance in respect of the past service cost as at year end was N1,470,020,000 (31 December 2010: nil)

Actuarial assumptions:

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

<i>In thousands of Naira</i>	<b>December</b>
	<b>2011</b>
Future salary increases	0%
Retirement age for both male and female	60 years
Retirement rate: 50 – 59 (average rate)	22.32%
Withdrawal rate: 16 – 29	4.50%
Withdrawal rate: 30 – 44	6%
Withdrawal rate: 45 – 50	5%
Withdrawal rate: 51 – 55 (average rate)	8%

Assumptions regarding future mortality before retirement are based on A49/52 ultimate table published by the Institute of Actuaries of United Kingdom.

The rate of return used to discount future benefit payments was 14%.

(ii) Other defined benefit plans

<i>In thousands of Naira</i>	<b>December</b>	<b>December</b>
	<b>2011</b>	<b>2010</b>
Defined benefit liability	7,752,000	-
Fair value of planned assets	(7,025,000)	-
	<b>727,000</b>	<b>-</b>

The movement in defined benefit liability is shown below

<i>In thousands of Naira</i>	<b>December</b>	<b>December</b>
	<b>2011</b>	<b>2010</b>
Balance beginning of year	-	-
Acquired from business combination	7,721,000	-
Charge to the profit and loss account	31,000	-
	<b>7,752,000</b>	<b>-</b>

Planned assets represents assets backing up the Bank's contribution under the defined benefit scheme. The movement in the planned assets is as shown below:



*Access Bank Plc and Subsidiary Companies*  
*Consolidated Financial Statements - 31 December 2011*  
*Together with Directors' and Auditor's Reports*

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of the year	-	-
Acquired from business combination	7,009,000	-
Addition during the year	16,000	-
Plan assets no longer required	-	-
<hr/> <b>Balance, end of the year</b>	<hr/> <b>7,025,000</b>	<hr/> <b>-</b>

The defined benefit liability of Intercontinental Bank as at the end of the year represents the balance as actuarially determined by Messrs HR Nigeria Limited as at the date of the most recent audited annual financial statements for only qualified staff of the Bank. The Bank ensures that adequate provisions are made to meet its obligations under the scheme.

**37. Claims payable**

<i>In thousands of Naira</i>	<u>December</u> 2011	<u>December</u> 2010
Balance, beginning of year	-	-
Acquired from business combination	358,000	-
Additions during the year	92,000	-
<b>Balance, end of year</b>	<b>450,000</b>	<b>-</b>

**38. Liabilities on investment contracts**

<i>In thousands of Naira</i>	<u>December</u> 2011	<u>December</u> 2010
Deposit administration funds	61,000	-
Other managed funds	-	-
	<b>61,000</b>	<b>-</b>

Deposit administration funds arose from investment contracts of the insurance subsidiary of the Group. Holders of such contracts are guaranteed their funds plus interest for the tenor of the contract. These contracts have additional benefits - life assurance cover and death benefits.

**39. Liabilities on insurance contracts**

<i>In thousands of Naira</i>	<u>December</u> 2011	<u>December</u> 2010
Life assurance contracts	1,032,000	-
Non-life insurance contracts	1,671,000	-
	<b>2,703,000</b>	<b>-</b>

**40. Interest bearing loans and borrowings**

<i>In thousands of Naira</i>	<u>December</u> 2011	<u>December</u> 2010
European Investment Bank (see note (a))	511,220	1,048,011
African Development Bank (see note (b))	644,336	489,257
Nigeria Export Import Bank	12,993	101,753
Central Bank of Nigeria under the Commercial Agriculture Credit Scheme (see note (c))	7,186,128	2,976,000
Bank of Industry-Intervention Fund for SMEs (see note (d))	17,449,100	18,145,329
Bank of Industry-Power & Airline Intervention Fund(see note (e))	3,454,496	-
	<b>29,258,273</b>	<b>22,760,350</b>

- (a) The amount of N511,220,000 (USD 3,202,707) represents outstanding balance in the on-lending facility granted to the Bank by EIB (European Investment Bank) in September 2005 for a period of 9 years. Principal and interest are repayable quarterly and semi-annually based on the terms of the facilities with the obligor. Interest is reset every 90 days at 2.2% - 2.9% above LIBOR. The Bank provided negative pledge as a security for this facility. The undisbursed balance is included in other deposits from banks (see note 34).
  
- (b) The amount of N644,336,000 (USD 4,037,699) represents the outstanding balance in the on-lending facility granted to the Bank by ADB (Africa Development Bank) in May 2007 for a year of 7 years. The principal amount is repayable semi-annually from 2012 while interest is paid semi annually at 3% above 6 months LIBOR. The undisbursed balance is included in other deposits from banks (see note 34).
  
- (c) The amount of N7,186,128,000 represents the outstanding balance in the on-lending facility granted to the Bank by Central Bank of Nigeria in collaboration with the Federal Government of Nigeria (FGN) in respect of Commercial Agriculture Credit Scheme (CACCS) established by both CBN and the FGN for promoting commercial agricultural enterprises in Nigeria. The facility is for a maximum period of 7 years at a zero percent interest rate to the Bank. The principal amount is repayable at the expiration of the loan. The Bank did not provide security for this facility. The undisbursed balance is included in other deposits from banks (see note 34).
  
- (d) The amount of N17,449,100,000 represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Nigerian Government Securities worth N22,660,000,000 and has a 15 year tenor. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers. The undisbursed balance is included in other deposits from banks (see note 34).
  
- (e) The amount of N3,454,496,000 represents the outstanding balance on intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria, to be applied to eligible power and airline projects. The total facility has a maximum tenor of 15 years. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers within the power and aviation sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

#### **41. Contingent settlement provisions**

The Transaction Implementation Agreement executed on 6 July 2011, provides that the deferred tax assets recognised from the acquisition of Intercontinental Bank shall accrue for the benefit of both AMCON and Access Bank in the ratio 75 per cent and 25 per cent respectively. The value of ₦3,548,000,000 represents contingent settlement provisions in respect of a liability to AMCON of an amount equivalent to 75% of deferred tax assets in the event of Access Group's realisation of the deferred tax asset from future taxable profits.

**42. Capital and reserves**

**Share capital**

<i>In thousands of Naira</i>	<b>December 2011</b>	<b>December 2010</b>
(a) Authorised:		
Ordinary shares:		
18,000,000,000 Ordinary shares of 50k each	9,000,000	9,000,000
Preference shares:		
2,000,000,000 Preference shares of 50k each	1,000,000	1,000,000
	10,000,000	10,000,000

<i>In thousands of Naira</i>	<b>December 2011</b>	<b>December 2010</b>
(b) Issued and fully paid-up :		
17,888,251,478 Ordinary shares of 50k each		
(31 December 2010: 17,888,251,478 of 50k each)	8,944,126	8,944,126

*Ordinary shareholding:*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

*Preference shareholding:*

Preference shares do not carry the right to vote. Preference shareholders have priority over ordinary shareholders with regard to the residual assets of the Bank and participate only to the extent of the face value of the shares plus any accrued dividends. No preference shares were in issue as at the end of the reporting period.

The movement on the issued and fully paid-up share capital account during the year was as follows:

<i>In thousands of Naira</i>	<b>December 2011</b>	<b>December 2010</b>
(c) Balance, beginning of year	8,944,126	8,131,024
Issue of shares (see note (i))	-	-
Transfer from bonus issue reserve	-	813,102
Balance, end of year	8,944,126	8,944,126

<i>In thousands of units</i>	<b>December</b> <b>2011</b>	<b>December</b> <b>2010</b>
(d) Balance, beginning of year	17,888,251	16,262,046
Capitalisation of bonus issue	-	1,626,205
Balance, end of year	17,888,251	17,888,251

**Share premium**

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

**Other regulatory reserves**

The other regulatory reserve includes movements in the statutory reserves and the small and medium scale industries reserve.

(i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank transferred 30% of its profit after tax to statutory reserves as at period end (March 2009: 30%).

(ii) **Small and Medium Scale Industries Reserve (SMEEIS):** The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.

(iii) **Treasury shares**

Treasury shares represent the Bank's shares of 832,375,863 (31 December 2010: 872,414,363) held by the Staff Investment Trust scheme as at 31 December 2011.

(iv) **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. This reserve also includes valuation of property and equipment.

(v) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on 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.

**(vi) Retained earnings**

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

**(vii) Non-controlling interest**

The entities accounting for the non-controlling interest balance is shown below:

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Access Bank, Gambia	(138,355)	11,994
Access Bank, Sierra Leone	(8,224)	4,435
Access Bank, Zambia	229,780	207,547
Access Bank, Rwanda	420,472	372,511
Access Bank, Burundi	(190,425)	150,245
Omni Finance Bank, Cote D'Ivoire	8,480	(504,195)
Intercontinental Bank	22,235,522	-
Access Bank, Ghana	497,591	456,795
	<hr/> <b>23,054,841</b> <hr/>	<hr/> <b>699,332</b> <hr/>

**43. Dividends**

The following dividends were declared and paid by the Group during the year ended 31 December 2011:

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Balance, beginning of year	-	-
Interim dividend declared	3,577,650	3,577,650
Final dividend declared	5,366,467	-
Payment during the year	(8,944,117)	(3,577,650)
Balance, end of year	-	-

Final and interim dividends were distributed from the general reserve of the Bank of N5.37billion as at 31 December 2009 and N6.78billion as at 31 December 2010 respectively. Reserves were determined on the basis of Nigerian GAAP.

The Board of Directors recommended a final dividend of N6,866,476,000 for the year ended 31 December 2011. Withholding tax will be deducted at the time of payment.

**44. Leasing**  
**As lessor**

**Operating lease receivables**

The Group acts as a 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.

**As lessee**

**Operating lease commitments**

The Group leases offices, branches and other premises under 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. Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of Naira</i>	<b>December 2011</b>	<b>December 2010</b>
Less than one year	1,286,987	1,939,888
Over one year	6,899,596	2,264,101
	8,186,583	4,203,989

#### **45. Contingencies**

##### *Claims and litigation*

The Bank, in its ordinary course of business, is presently involved in 171 cases as a defendant (31 December 2010: 174) and 95 cases as a plaintiff (31 December 2010: 55). The total amount claimed in the 171 cases against the Bank is estimated at 34,495,605,294.84 (31 December 2010: N29,131,136,389) while the total amount claimed in the 95 cases instituted by the Bank is N30,555,665,378.43 (31 December 2010: N7,768,823,071). 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.

In the normal course of business, the group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the group was N414,981,761,000 (31 December 2010: N238,881,422,000) and N231,817,991,000 (2010: N194,451,931,000) was for the Bank.

##### *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 transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. 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 dates but are cancellable by the lender subject to notice requirements. 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-financial position risk:

*Acceptances, bonds, guarantees and other obligations for the account of customers:*

a. These comprise:

<i>In thousands of Naira</i>	<u>December</u> <b>2011</b>	<u>December</u> <b>2010</b>
Contingent liabilities:		
Acceptances and guaranteed commercial papers	4,948,078	66,918
Transaction related bonds and guarantees	155,751,527	135,855,769
Guaranteed facilities	20,072,848	830,500
	<u>180,772,453</u>	<u>136,753,187</u>
Commitments:		
Clean line facilities for letters of credit and other commitments	234,209,308	102,128,235
	<u>234,209,308</u>	<u>102,128,235</u>

b Included in transaction related bonds are cash collateralised bonds and guarantees amounting to N843,348,007 (December 2010: N1,505,603,804).

c The Bank granted clean line facilities for letters of credit during the year to guarantee the performance of customers to third parties.

## 46. Group entities

### i Significant subsidiaries

	Nature of business	Country of incorporation	Ownership interest	
			December 2011	December 2010
Access Bank Gambia Limited	Banking	Gambia	87%	77%
Access Bank Sierra Leone Limited	Banking	Sierra Leone	98%	97%
United Securities Limited	Securities dealing	Nigeria	-	100%
Access Bank Rwanda Limited	Banking	Rwanda	75%	75%
FinBank Burundi	Banking	Burundi	87%	75%
Omni Finance Bank, Cote d'Ivoire	Banking	Cote d'Ivoire	94%	88%
Access Bank Zambia	Banking	Zambia	100%	100%
The Access Bank UK	Banking	United Kingdom	100%	100%
Access Bank (R.D. Congo)	Banking	Congo	100%	100%
Access Bank Ghana	Banking	Ghana	95%	95%
Access Investment and Securities	Investment management & securities dealing	Nigeria	100%	100%
Access Homes and Mortgage	Mortgage services	Nigeria	-	100%
Project Star Investment Limited	Investment vehicle to acquire Intercontinental Bank Group	Nigeria	100%	0%
Intercontinental Bank	Banking	Nigeria	75%	
<b>(ii) Special purpose entities:</b>				
Staff Investment Trust		Nigeria	100%	100%
Access Finance B.V.		Netherlands	100%	-

## 47 Related parties

### Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

### Parent

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

### Subsidiaries

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

**Transactions with key management personnel**

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the 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 and its subsidiaries.

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

<i>Loans and advances:</i>	<u>December</u>	<u>December</u>
	2011	2010
<i>In thousands of Naira</i>		
Secured loans and advances	90,005,623	58,866,046

<i>Deposits:</i>	<u>December</u>	<u>December</u>
	2011	2010
<i>In thousands of Naira</i>		
Total deposits	30,318,978	6,986,519

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year/period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the year comprises:

Directors' remuneration	<u>December</u>	<u>December</u>
	2011	2010
<i>In thousands of Naira</i>		
Fees as directors	7,350	7,900
Other emoluments:		
Executive directors	145,100	152,400
Other directors	91,768	101,363
	244,218	261,663

**48 Events after the end of the reporting year**

Subsequent to the end of the reporting year, Access Bank completed its acquisition of Intercontinental Bank and also executed a scheme of merger to merge the two banks into a single entity. The Bank obtained a court sanction of the scheme of merger on 23 January 2012. The effects of the court sanction of the scheme of merger were as follows:

- All assets, liabilities and undertakings, including real properties and intellectual property rights of Intercontinental Bank were transferred to Access Bank as provided in the Scheme.
- The intercontinental Bank shareholders were allotted 1 scheme share for every 4 shares previously held by them in Intercontinental Bank;
- The entire share capital of Intercontinental Bank was cancelled and Intercontinental Bank was dissolved without being wound up.
- Pursuant to the court sanctioned Scheme of Merger between Access Bank Plc and Intercontinental Bank, the proportion of the Scheme shares allotted to Project Star Investments limited in its capacity as a shareholder of Intercontinental Bank was distributed and allotted to the Access Bank shareholders pro rata in the proportion of their shareholding in Access Bank.