Access Bank Plc

Unaudited Consolidated Interim Financial Statements
3rd Quarter Ended 30 September, 2013

Condensed Report

1 General information

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 (formerly Plot 1665, Oyin Jolayemi, Victoria Island, Lagos). The consolidated financial statements of the Bank for the period ended 30 September 2013 comprise 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 and is listed on the **Nigerian Stock Exchange.**

These financial statements were authorised for issue by the Board of Directors on 23 October, 2013

2 Statement of compliance with International Financial Reporting Standards

The consolidated and separate financial statements of the Group and Bank respectively, have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where approrpriate.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statement comprise the consolidated income statement and statement of comprehensive income, the statement of financial position, the statements of changes in equity, the cah flow statement and the notes.

(a) Functional and presentation currency
These consolidated financial statements are presented in Naira, which is the Group's presentation currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(b) Basis of measurement
These consolidated and separate 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.
- investment property is measured at fair value.
- Non-current assets held for sale measured at fair value less costs to sell
- Share based payment at fair value or an approximation of fair value allowed by the relevant standard.
- Insurance liabilities at fair value
- Post employment benefits at fair value

(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. 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.

3.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the group

Below are the IFRSs and International Financial Reporting Interpretations Commitee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have an impact on the group

(a) Amendments to IFRS 7 on offsetting financial assets and financial liabilities (2011)

Disclosures- Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of right of offsets and related arrangements for financial instruments under a master netting or similar arrangements. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are applied restrospectively, the Group does not have offsetting arrangements in place as at September 2013. The application of the ammendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

(b) New and revised standards - IFRS 10 - Consolidated Financial Statement, IFRS 11 - Joint arrangements, IAS 28 - Investment in Associates and IFRS 12 - Disclosures of Interest in Other Entities

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. None of these standards were early adopted by the Group.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (revised) together with the amendments to IFRS 10, 11 and 12 regarding the transition gudiance. IAS 27 (revised) is also applicable to the entity since a consolidated and separate financial statements are being presented.

(i) 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* . The new standard changes the definition of control such that it can only be present when there is (i) power, (ii) exposure to variability in returns and (iii) ability to use the power to affect returns. Consolidation will only be required when all the three criteria are met. IFRS 10 is effective for annual periods beginning on or after 1 January 2013. The amendments have been applied retrospectively, the Group does not have any entity which would result to a loss of controls or an existence of a control relationship based on the requirement of the new standard. The application of the ammendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

(ii) 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 - Non Monetary Contributions by Venturers. It uses the principles of control in IFRS 10 in defining joint control and whether joint control exists may change. Under IFRS 11, there are only two types of joint arrangements (i) Joint operations (ii) Joint ventures. 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. The ammendments have been applied retrospectively, the Group does not have any joint arrangement relationship. The application of the ammendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associated entities, structured entities and other balance sheet vehicles. Changes include the requirement to disclose the judgements made to determine whether it controls another entity and other more extensive disclosures in the consolidated financial statements. IFRS 12 is effective in annual periods beginning on or after 1 January 2013. The application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements

(c) IFRS 13 Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured and disclosed, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs, this is applicable to both financial and non financial instruments. The exceptions include leasing transactions within the scope of IAS 17 - Leases, IFRS 2 - Share based payments and some measurements with similarities to fair value but are not fair value e.g value in use for impairment assessment purpose or net realisable value for measuring inventories. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

IFRS 13 requires prospective application from 1 January 2013, specific transition provision was also granted to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the application of this standard. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. In accordance with the transition provisions, the Group has not made any new disclosures required for IFRS 12 comparative periods.

(d) IAS 1 Presentation of Financial Statements

IAS 1 addresses changes in the presentation of other comprehensive income. The amended standard retains the option to present either a single statement or as two separate statements. The amendments also includes new terminologies whose use is not mandatory. Under IAS 1 ammended, the statement of comprehensive income is renamed as the statement of profit or loss account and other comprehensive income and the income statement is renamed as the statement of profit and loss. The Group continues to adopt the single statement approach.

The ammendments to IAS 1 also require items of other comprehensive income be grouped into two categories (a) Items that may be subsequently reclassified in the profit and loss account when specific conditions are met (b) Items that will not be subsequently reclassified to profit and loss account. Income tax on items in other comprehensive income should also be allocated in the same manner. The amendment did not remove the option to report the items in other comprehensive income before or net of tax. This standard is applicable for annual periods beginning on or after 1 July 2012. The application of IAS 1 (amended) has resulted in split of other comprehensive income into items that may be subsequently reclassified and items that will not (please see statement of comprehensive income for details)

(e) 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. The amendments have been applied restrospectively, therefore actuarial gains or losses previously recognised in profit and loss should be reclassed to other comprehensive income. The application of the amendments will impact the Group's previous treatment of recognising actuarial gains and losses in statement of comprehensive income.

(f) IAS 32 (amended) Financial instruments: Presentation

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity. The amended IAS 32 is effective for periods beginning on or after 1 January 2013. The amendments have been applied restrospectively. The application of the amendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

(ii) New and amended standards effective from 1 January 2013 which do not impact on the Group

A number of standards, interpretations and amendments thereto, had been issued by the IASB which are effective but do not impact on these consolidated financial statements. Improvements to IFRSs (issued May 2012) by the IASB as part the 'annual improvements process' resulted in the following amendments to standards issued. These are summarised in the table below:

IFRS	Effective Date	Subject of amendment
Amendments to IFRS 1, 'First time adoption of IFRS'	1 January 2013	The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances and that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. Lastly the amendments clarifies that a first-time adopter should provide the supporting notes for all statements presented.
Amendment to IAS 1, 'Presentation of financial statements'	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
Amendment to IAS 16, 'Property, plant and equipment'	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
Amendment to IAS 34, 'Interim financial reporting'	1 January 2013	The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.
IFRIC 20 - Stripping costs in the production phase of a surface mine	1 January 2013	In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

(iii) New and amended standards and interpretations not yet adopted by the Group

As at 30 September 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statement of the group, except the following set out below.

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

Amendments to IAS 32 – Financial Instruments: Presentation (*effective 1 January 2014*)

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from Generally Accepted Accounting practices in the United States of America)

3.3 Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities and other structured entities) over which the group exercise control. Control is achieved when the Company can demonstrate it has:

a) power over the investee;
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect the amount of the investor's returns

The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The group assesses existence of control where it does not have more than 50% of the voting power i.e when it holds less than a majority of the voting rights of an investee. An investor considers all relevant facts and circumstances in assessing whether or not it's voting rights are sufficient to give it power, including:

a) a contractual arrangement between the investor and other vote holders
b) rights arising from other contractual arrangements
c) the investor's voting rights (including voting patterns at previous shareholders' meetings)
d) potential voting rights

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Subsidiaries are measured at cost less impairment in the separate financial statement.

(ii) Business combinations

The Group applies IFRS 3 *Business Combinations (revised)* in accounting for business combinations.

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 pre-existing equity interest in the acquiree; 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 statement of comprehensive income,after a re-assessment to ensure correctness.

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.

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.

(iii) 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.

(iv) Disposal of subsidaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other
comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(v) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(vi) Associates
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the profit and loss

Investments in associates are measured at cost less impairment in the separate financial statement.

(viii) Transactions eliminated on consolidation
Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.4 Segment reporting

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 (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.5 Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Naira', which is the group's presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive☐income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3.6 Operating income

(i) Interest income and expense
Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. 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 net 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 financial 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

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.

(ii) 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.

(iii) 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 and foreign exchange differences.

(v) Dividends

Dividend income is recognised when the right to receive payment is established. Dividends are reflected as a component of other operating income.

3.7 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.

3.8 Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i)Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the bank and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.9 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities (which include derviative financial insturments) have to be reocognised in the consolidated statement of financial position and measured in accordance with their assigned category.

(a) Classification, recognition and measurement
- Financial assets
The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss
This category comprises two sub-categories: financial assets classified as held for trading and financial assets designated by the Group as at fair value through profit or loss upon initial recognition

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, as well as financial assets with embedded derivatives. They are recognised in the consolidated statement of financial position as 'Trading assets '.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated income statement. Gains and losses arising from changes in fair value are included directly in the consolidated income statement and are reported as net trading income. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- 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.

(ii) Loans and receivables
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.

Finance lease receivables are reported within loans and receivables where the Group is the lessor in a lease agreement. Such lease agreement transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee. The loans and receivables equal to the net investment in the lease is 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 receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the consolidated income statement and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement under "net impairment loss on financial assets"

(iii) 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, loans and receivables or available-for-sale.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently 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.

Interest on held-to-maturity investments is included in the consolidated income statement and reported as 'Interest income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the consolidated income statement as 'net impairment loss on financial assets'. Held-tomaturity investments include treasury bills and bonds.

(iv) 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 and subjected to impairment. 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 loses 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.

Availabe for sale instruments include investment seccurities.

- Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

(v) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'Interest expense' in the Statement of comprehensive income.

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 as pledged assets.

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 minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

On this statement of financial position, financial liabilities carried at amortised cost include deposit from banks, deposit from customers and interest bearing loans and borrowings.

(vi) Financial liabilities at fair value

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options.

(b) De-recognition

- Financial assets

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 is recognised 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.

- Financial liabilities

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

Classification of Financial Assets and Liabilities

(c) 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 enforceable 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.

(d) 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.

(e) Measurement
(i) 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.

(ii) 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 the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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.

(f) 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 (held at amortised 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 v alue of an impaired available-for-sale equity security is recognized in other comprehensive income.

The Group writes off certain loans and advances (and investment securities) when they are determined to be uncollectible.

(g) 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 (loan and receivable) in the statement of financial position.

(h) 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.

3.10 Trading properties

Traded properties are inventory of land and building held by the group for the trading purposes. These properties are treated as inventory and carried at the lower of cost and net realizable value. The cost of each item of property is as determined under the policy for Property and equipment. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The gains and losses arising from sale of traded properties are reported in the income statement as “Net gains on disposal of trading property” and included as part of “Other operating income”. Write-downs in the carrying amount of traded properties are also recognised in “Net gains on disposal of trading property”.

3.11 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 is measured initially at cost including transaction cost and subsequently carried in the statement of financial position at their market value and revalued yearly on a systematic basis. Investment properties are not subject to periodic charge for depreciation. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period which it arises. as "Fair value gain on investment property"

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss inside operating income. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.12 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 significant 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
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The costs of the day-to-day repairs and maintenance 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 items of property and equipment, to their residual values over the estimated useful lives. 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 of significant items of property and equipment are as follows:

Leasehold Land and Building	Over the shorter of the useful life of the item or lease term
Leasehold improvements	Over the shorter of the useful life of the item or lease term
Buildings	50 - 60 years
Computer hardware	3 - 4 years
Furniture and fittings	3 - 5 years
Motor vehicles	4 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are veviewed for impairment whenever events or changed in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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 and adjusted if appropriate.

(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.

3.13 Intangible assets

(i) Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill has an indefinite useful life and it is tested annually for impairment.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.

Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill
relating to the entity sold.

(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. Software has a finite useful life, the estimated useful life of software is between three and five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.14 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

A group company is the lessee
(i) Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to operating expenses in the income statement on a straight-line basis over the period of the lease and used as investment property.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

A group company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

3.15 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 goodwil impairment testing, CGUs to which goodwill has been allcated 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.

3.16 Discontinued operations

The Group presents discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:
(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group´s operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated income statement.

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.

3.17 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. The increase in the provision due to passage of time is recognised as interest expenses.

(i) Restructuring
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.

3.18 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.

3.19 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 seperate entity and will have no legal or constructive obliagtion 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.

The Bank operates a funded, defined contribution pension scheme for employees. Employees and the Bank contribute 7.5% of each of the qualifying staff salary in line with the provisions of the Pension Reforms Act 2004.

(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.

(v) Long-term Incentive Plan

The Bank has a non-contributory, un-funded lump sum defined benefit 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 Bank's net obligation in respect of the long term incentive scheme is calculated by estimating the amount of future benefits that eligible employees have earned in return for service in the current and prior periods. That benefit is discounted to determine its present value. The rate used to discount the post employment benefit obligation is determined by reference to the yield on Nigerian Government Bonds, that have maturity dates approximating the terms of the Bank's obligations.

The calculation is performed annually 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 recognized 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 recognized immediately in profit or loss/ The Bank recognized all actuarial gains or losses and all expenses arising from defined benefit plan immediately in profit or loss. However during the year, IAS 19 became effective and all actuarial gains or losses are recognised in other comprehensive income during the period under review.

(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 remuneration scheme

The Bank operated 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. Liability under this scheme was settled in 2012.

During the period, the cash settled share based payment scheme was replaced by a new plan called Restricted Share Performance Plan (RSPP). Under the RSPP, shares of the Bank are awarded to employees based on their performance at no cost to them and the shares will have a vesting period of 3 years from date of award.

This new plan will be accounted for as an equity-settled transaction, where the Bank will recognize a cost and a corresponding increase in equity. The cost is recognized as an expense unless it qualifies for recognition as an asset. Initial estimates of the number of equity settled instruments that are expected to vest are adjusted to current estimates and ultimately to the actual number of equity settled instruments that vest unless differences are due to market conditions.

3.20 Insurance contracts and investment contracts

The Group issues contracts that transfer insurance risk, financial risk or both.

(i) Insurance contracts

In terms of IFRS 4, insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4.

The Group had, prior to the adoption of IFRS 4, valued insurance liabilities using certain actuarial techniques as described below. The Group has continued to value insurance liabilities in accordance with these.

Insurance contracts are classified into three broad categories, depending on the duration of the risk and the type of risk insured, namely Individual Life, Group Life and General insurance.

Individual Life
These contracts insure mainly against death. For the published accounts, the contracts are valued based on a gross premium valuation taking into account the present value of expected future premium, claim and associated expense cash flows.

Any resultant negative policy holder liabilities, measured on an individual policy level, are set to zero ("zeroised") so as not to recognise profits prematurely.

Where the same policy includes both insurance and investment components and where the policy is classified as insurance, the insurance and investment benefits are valued separately.

Group Life
These contracts insure against death on a group basis. These contracts are short term in nature and are typically renewed annually. For these contracts, gross premiums are recognised as revenue when due.

Outstanding claims provision
A full provision is made for the estimated cost of all claims notified but not settled at the reporting date, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported ("IBNR") until after the reporting date.

Similarly, provisions are made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the reporting date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at a reporting date and the subsequent settlement are included in the Revenue Account of the following year.

(ii) Insurance contracts with Discretionary Participation Features
The Group issues single premium contracts that provide primarily savings benefits to policy holders but also transfer insurance risk. The investment return credited to the policy holders is at the Group's discretion, subject to fair oversight and a minimum guaranteed. These contracts are valued on a retrospective basis.

(iii) Liability adequacy test
Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of Deferred acquisition cost. 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.

(iv) 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.

3.21 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 ordinary shares are recognised in equity in the period when approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent events note.

(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.

(u) Earnings per share
The Group presents basic and diluted 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.

	Category (as defined by IAS 39)	**Class (as determined by the Group)**	**Sub classes**
Financial assets	Financial assets at fair value through profit or loss	Non pledged trading assets	Equity securities
			Debt securities
	Loans and receivables	Cash and cash equivalent	Cash on hand and balances with banks
			Unrestricted balances with central banks
			Money market placements and other cash equivalents
		Loans and advances to banks	Loans and advances to banks
		Loans and advances to customers	Loans to individuals
			Loans to corporate entities and other organisations
		Other assets	Restricted deposits with central banks
			Receivables
	Held to maturity investments	Investment securities - debt securities	Listed
	Available for sale financial assets	Investment securities - debt securities	Listed
			Unlisted
		Investment securities - equity securities	Listed
			Unlisted
Financial liabilities	Financial liabilities at fair value through profit or loss		
	Financial liabilities at amortised cost	Deposits from banks	
		Deposits from customers	Demand deposits Savings deposits Term deposits
		Interest bearing loans and borrowings	
		Retirement benefit obligations	Liability for defined benefit and defined contribution
		Other liabilities	
Off balance sheet financial instruments	Performance bonds		
	Contingent letters of credit		
	Capital commitment		

4 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management. Estimates where management has applied judgements are:

(i) Allowances for credit losses
(ii) Determination of fair value of level 3 financial instruments
(iii) Determination of fair value of investment property
(iv) Determination of impairment of property and equipment, and intangible assets excluding goodwill
(v) Fair valuation of share based payment scheme
(vi) Assessment of impairment of goodwill on acquired subsidiaries
(vii) Income Taxes
(viii) Determining the value of liabilities under insurance contracts
(ix) Defined benefit plan

Key sources of estimation uncertainty

(i) Allowances for credit losses

Loans and advances to banks and customers are accounted for at amortised cost and are evaluated for impairment on a basis described in accounting policy 3.9

The specific component of the total allowances for impairment applies to financial assets 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 debtor'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 reviewed by the Credit Risk Management Department (CRMD).

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant and
- Groups of assets that are individually significant but were not found to be individually impaired (IBNR).

Collective allowance for groups of homogeneous loans is established using 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.

Collective allowance for group of assets that are individually significant but that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar credit 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. 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 estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Had there been no expected cashflows from all the significant impaired loans, there would have been an additional impairment of N11.862billion in the financial statements relating to this. In addition, if the PDs and LGDs were increased by 2%, there would have been an additional impairment charge of N0.207 billion and if the PDs and LGDs decreased by 2%, there would have been a write back of impairment of N0.212 billion.

Statement of prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

a) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

   - Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".

   - Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

(ii) Valuation of financial instruments

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 either directly- i.e. as prices or indirectly- i.e. derived from prices. 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 investment securities.

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.

For level 2 assets, fair value was obtained using a recent market transaction during the period under review. Fair values of unquoted debt securities were derived by interpolating prices of quoted debt secuirties with similar maturity profile and characteristics. There were no transfer between levels 1 and 2 during the year.

(ii) Determination of fair value of level 3 financial instruments.

Investments in unquoted equity securities have been classified as equity securities with readily determinable fair values as available for sale financial instrument in line with the accounting policies as set out in note 3.10 of the statement of significant accounting policies.

(iii) Determination of fair value of investment property

Management employed the services of estate surveyors and valuers expert to value its investment properties. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighborhood properties were also considered in deriving the open market values. A variation of -/+5% will result in N0.8Bn fair value loss/gain respectively.

(iv) 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.

(v) Fair valuation of share based payment scheme

The fair value of the equity instrument at the grant date is determined using an estimate of staff that will remain in employment till vesting period. Applying a range of -/+5% would result in a fair value loss/gain of N5M.

(vi) Assessment of impairment of goodwill on acquired subsidiaries

Goodwill on acquired subsidiaries was tested for impairment using discounted cash flow valuation method. Projected cash flows were discounted to present value using a discount rate of 20% and a cash flow growth rate of 7.5% over a period of five years. The Group determined the appropriate discount rate at the end of the reporting period.

The estimation of impairment of goodwill on acquired subsidiaries is based on management judgement. The pesent value of the investment in acquired subsidiaries using a discount rate of 20% is N2.44Bn, hence the goodwill is deemed not impaired as the present value of the investment was greater than the carrying value of N1.58Bn. Applying a range of -/+5% on the discount rate will result in present value of N2.64Bn and N2.36Bn respectively. A slight change in the discount rate will result in no impairment charge.

(vii) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the group wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(viii) Determining the value of liabilities under insurance contracts

Mortality:

The Group's life assurance business is very small and therefore the Group does not have sufficient credible data to set its own mortality assumptions based on the mortality experience of its policyholders. The Group relies on an independent actuary to set the mortality assumptions based on standard mortality tables, with appropriate adjustments.

Expense:

(a) Group life, term-assurance and mortgage protection products
The Group makes an explicit allowance for expenses of 40% of the gross premiums received, consistent with past experience.

(b) Deposit administration, Savings plan
No explicit assumption has been set to the level of the expenses. It has been assumed that the interest margin will be sufficient to cover future expenses that will be incurred.

(c) Non-life insurance
Annual expense investigations are carried out on non-life insurance policies. Further expense analyses are performed to split expenses between different lines of business, e.g. motor vehicle, aviation and marine insurance, as well as different functions, e.g. initial, renewal and management, termination as well as investment expenses. The expense assumptions for non-life insurance products are then set in-line with this expense investigation, with an additional allowance for inflation.

(ix) Defined benefit plan

The present value of the long term incentive plan depends on a number of factors that are determined in an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Group determines the appropriate discount rate at the end of the reporting period. In determining the appropriate discount rate, reference is made to the yield on Nigerian Government Bonds that have maturity dates approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

Consolidated interim statement of comprehensive income
For the nine months period ended 30 September, 2013

In thousands of Naira	Notes	Group September 2013	Group September 2012
Gross Earnings		**154,426,599**	**160,392,740**
Continuing operations			
Interest income	1	109,911,221	122,968,379
Interest expense	2	(50,283,100)	(46,462,478)
Net interest income		**59,628,121**	**76,505,902**
Fee and commission income	3	21,371,916	21,231,252
Net fee and commission income		**21,371,916**	**21,231,252**
Net trading income	4	7,733,138	5,796,031
Other operating income	5	12,940,209	10,397,078
Fair value gain on Investment property		2,470,116	-
		23,143,462	16,193,109
Operating income before impairment gain/(loss)		**104,143,499**	**113,930,263**
Net impairment gain/(loss) on financial assets	6	8,679,376	(203,521)
Operating income after impairment gain/(loss)		**112,822,875**	**113,726,742**
Personnel expenses	7	(23,596,456)	(30,670,145)
Depreciation and amortization		(8,190,669)	(9,588,534)
Other operating expenses	8	(46,549,011)	(34,923,942)
Total expenses		**(78,336,137)**	**(75,182,621)**
Operating profit		**34,486,738**	**38,544,121**
Share of profit of equity accounted investee	9	599,896	-
Profit before income tax		**35,086,634**	**38,544,121**
Income tax expense		(7,368,193)	(3,865,594)
Profit for the period from continuing operations		**27,718,441**	**34,678,527**
Discontinued operations			
Profit/(loss) from discontinued operations		(121,444)	(176,697)
Profit for the period		**27,596,996**	**34,501,830**
Other comprehensive income (OCI) net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(3,701,016)	(2,189,164)
Fair value (loss)/gain on available-for-sale investments recognised in equity		768,304	239,180
Share of OCI of equity accounted investee		6,680	-
Fair value gains on property and equipment		-	115,121
Other comprehensive (loss)/gain for the year, net of tax		**(2,926,032)**	**(1,834,862)**
Total comprehensive income for the period		**24,670,964**	**32,666,967**

Profit attributable to:		
Owners of the Bank	27,624,707	34,182,716
Non-controlling interest	(27,710)	319,114
Profit for the period	**27,596,996**	**34,501,830**
Total comprehensive income attributable to:		
Owners of the Bank	24,735,685	31,907,486
Non-controlling interest	(64,720)	759,481
Total comprehensive income for the period	**24,670,964**	**32,666,967**
Basic EPS (kobo)	108	139
Diluted EPS (kobo)	108	139

Consolidated statement of financial position
As at 30 September, 2013

In thousands of Naira	Notes	Group September 2013	Group December 2012
Assets			
Cash and cash equivalents	10	167,867,960	296,184,966
Non pledged trading assets	11	634,172	27,906,803
Pledged assets	12	44,520,000	60,949,856
Derivative financial instruments		-	30,949
Loans and advances to customers	13	760,420,288	608,638,342
Investments in equity accounted investee	14	3,151,696	2,641,162
Investment securities	15	381,719,491	447,281,811
Investment properties	16	21,586,244	14,360,567
Property and equipment	17	65,664,110	64,565,889
Intangible assets	18	4,790,222	3,404,945
Deferred tax assets		8,206,923	8,244,115
Other assets	19	235,151,158	177,042,627
Assets classified as held for sale		7,102,175	34,147,821
Total assets		**1,700,814,439**	**1,745,399,854**
Liabilities			
Due to other banks	20	70,154,580	105,170,552
Deposits from customers	21	1,225,511,450	1,201,481,996
Derivative financial instruments		-	35,515
Debt securities issued	22	56,517,717	54,685,891
Retirement benefit obligations	23	1,956,557	2,487,589
Current tax liabilities	24	6,854,682	8,937,964
Other liabilities	25	49,107,425	58,418,260
Interest-bearing loans and borrowings	26	48,784,765	40,092,312
Deferred tax liabilities		191,169	130,142
Contingent settlement provisions		-	3,548,250
Liabilities classified as held for sale		9,211,929	29,328,563
Total liabilities		**1,468,290,275**	**1,504,317,035**
Equity			
Share capital and share premium	27	170,015,041	176,628,255
Retained earnings	28	20,038,802	17,856,629
Other components of equity	29	41,172,181	38,498,341
Total equity attributable to owners of the Bank		**231,226,024**	**232,983,225**
Non controlling interest	30	1,298,140	8,099,594
Total equity		**232,524,164**	**241,082,819**
Total liabilities and equity		**1,700,814,439**	**1,745,399,854**

Consolidated interim statement of cashflows
For the nine months period ended 30 September, 2013

	Group September 2013	Group September 2012
Cashflow from Operating activities		
Profit After Tax	27,596,996	34,501,830
Adjustments for:		
Income tax expense	7,368,193	3,865,594
Depreciation and amortization	8,190,669	9,588,534
Impairment reversal/ charge on financial assets	(8,679,376)	203,521
Loss on sale of investment securities	406,975	3,229,937
Gain on disposal of property and equipments	(1,548,166)	(1,537,835)
Dividends received	(2,862,041)	(3,319,788)
Gain on disposal of equity investment	(68,626)	(385,638)
Fair value gain on investment property	(2,470,116)	-
Contributions to defined benefit plans	1,557,006	1,174,712
Share of profit of equity accounted investee	(599,896)	-
Operating lease expense	1,422,524	1,100,167
Rental income	(338,191)	(368,454)
Net Cash flow before changes in operating assets	**29,975,953**	**48,052,579**
Change in Non-Pledged Trading Assets	27,272,631	(18,235,978)
Change in Trading Properties	-	1,412,849
Change in Pledged assets	16,429,856	(80,026,756)
Change in derivative financial instrument-assets	30,949	-
Change in loans and advances to customers	(165,188,428)	(15,234,939)
Change in other assets	(36,582,814)	(92,634,430)
Change in deposits from banks	(35,015,972)	(42,560,986)
Change in deposits from customers	24,029,455	(26,764,392)
retirement benefit obligations fulfilled	(1,000,000)	-
Change in derivative financial instrument-liabilities	(35,515)	-
Change in Other laibilities	(32,975,719)	(34,662,840)
	(173,059,606)	**(260,654,893)**
Income tax paid	(6,088,953)	(4,579,351)
Net cash inflow/(outflow) from operating activities	**(179,148,559)**	**(265,234,244)**
Cash flows from Investing activities:		
Net sale/(purchase) of investment securities	66,315,502	249,404,017
Dividend income received	2,958,083	3,319,788
Acquisition of property and equipment	(6,186,766)	(2,737,141)
Proceeds from the sale of property and equipment	3,451,278	3,172,658
Acquisition of intangible assets	(2,212,671)	(703,654)
Acquisition of investment properties	(5,151,455)	(1,799,293)
Proceeds from the sale of investment properties	395,894	2,297,956
Proceeds from the sale of equity investments	-	1,200,000
Net cash inflow/ (outflow) from investing activities	**59,569,866**	**254,154,329**

Cash flows from financing activities:		
Dividend paid during the period	(13,729,751)	(6,866,475)
Proceeds from borrowings	8,692,453	10,545,810
Proceeds from debt securities issued	-	54,565,750
Net cash inflow/ (outflow) from financing activities	**(5,037,298)**	**58,245,084**
Net increase in cash and cash equivalents	**(124,615,991)**	**47,165,170**
Cash and cash equivalents, beginning of period	296,184,966	191,518,474
Effect of exchange rate fluctuations on cash held	(3,701,016)	2,189,164
Cash and cash equivalent, end of period	**167,867,960**	**240,872,808**

Consolidated statement of changes in equity
For the nine months period ended 30 September2013

In thousands of Naira Group	Attributable to the equity holders of the Group Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Contingency reserve	Foreign currency translation reserve	Retained earnings	Total	Non Controlling interest	Total Equity
Balance at 1 January 2013	**11,441,460**	**165,186,795**	**6,961,919**	**26,080,715**	**-**	**3,489,080**	**(136,772)**	**650,437**	**1,452,962**	**15,365,821**	**230,492,417**	**8,099,594**	**238,592,011**
Total comprehensive income for the year:													
Profit for the period										27,624,707	27,624,707	(27,710)	27,596,996
Other comprehensive income, net of tax													
Foreign currency translation difference									(3,701,016)		(3,701,016)	(37,010)	(3,738,026)
Fair value movement on disposed AFS investments													
Net changes in fair value of AFS financial instruments							768,304				768,304		768,304
Total other comprehensive (loss)/income	**-**	**-**	**-**	**-**	**-**	**-**	**768,304**	**-**	**(3,701,016)**	**-**	**(2,932,712)**	**(37,010)**	**(2,969,722)**
Total comprehensive (loss)/income	**-**	**-**	**-**	**-**	**-**	**-**	**768,304**	**-**	**(3,701,016)**	**27,624,707**	**24,691,995**	**(64,720)**	**24,627,274**
Transactions with equity holders, recorded directly in equity:													
Transfers during the year			5,051,424	3,274,080				173,366		(8,498,870)			
Scheme shares					(367,280)						(367,280)		(367,280)
Transfer from disposed subsidiaries			(1,988,075)	286,838						1,701,237			
Decrease in non-controlling interest											-	(2,600,071)	(2,600,071)
Loss on sale of subsidiary										(2,424,341)	(2,424,341)	(4,136,663)	(6,561,004)
Distribution to equity holders		(6,613,214)						(823,803)		-	(7,437,017)		(7,437,017)
Dividend paid to equity holders										(13,729,751)	(13,729,751)	-	(13,729,751)
Total contributions by and distributions to equity holders	**-**	**(6,613,214)**	**3,063,349**	**3,560,918**	**(367,280)**	**-**	**-**	**(650,437)**	**-**	**(22,951,725)**	**(23,958,389)**	**(6,736,734)**	**(30,695,123)**
Balance at 30September2013	**11,441,460**	**158,573,581**	**10,025,268**	**29,641,633**	**(367,280)**	**3,489,080**	**631,532**	**-**	**(2,248,054)**	**20,038,802**	**231,226,023**	**1,298,140**	**232,524,163**

Notes to the Consolidated Financial Statements
For the period ended 30 September, 2013

In thousands of Naira

Net interest income	**Group September**	**Group September**
For the period ended 30 September 2013	**2013**	**2012**

1 Interest income

Cash and cash equivalents	2,786,215	3,844,401
Loans and advances to banks and customers	69,998,936	75,358,779
Investment securities	36,980,605	43,765,200
Other interest income	145,465	-
	109,911,221	**122,968,379**

2 Interest expense

	Group September 2013	**Group September 2012**
Deposit from banks	7,523,638	25,350,551
Deposit from customers	42,759,462	21,111,927
	50,283,100	**46,462,478**

3 Fee and commission income

	Group September 2013	**Group September 2012**
Credit related fees and commissions	4,454,946	3,594,819
Commission on turnover and handling commission	4,256,688	5,622,602
Other fees and commissions	12,660,282	12,013,832
	21,371,916	**21,231,252**

4 Net trading income

	Group September 2013	**Group September 2012**
Fixed income securities	1,435,655	1,434,111
Foreign exchange	6,297,483	4,361,920
Net trading income	**7,733,138**	**5,796,031**

5 Other operating income

	Group September 2013	**Group September 2012**
Dividends on available for sale equity securities	2,862,041	3,319,788
Gain on disposal of property and equipment	1,548,166	1,537,835
Rental income	338,191	368,454
Gain on disposal of equity investment	68,626	385,638
Bad debt recovered	2,001,815	1,899,979
Other income	6,121,370	2,885,383
	12,940,209	**10,397,078**

In thousands of Naira

6 Net impairment loss on financial assets

	Group September 2013	Group September 2012
Collective impairment charges on loans	8,081,207	455,504
impairment charge on available for sale	(132,905)	(2,769,887)
Specific impairment charges on loans and advances	(378,738)	2,096,000
Specific impairment on other assets	1,109,813	14,862
	8,679,376	**(203,521)**

7 Personnel expenses

	Group September 2013	Group September 2012
Wages and salaries	23,596,456	30,670,145
	23,596,456	**30,670,145**

8 Other operating expenses

	Group September 2013	Group September 2012
AMCON surcharge (see note (a) below)	8,087,360	2,128,425
Professional fees	1,796,041	1,502,469
Insurance	626,663	653,399
Other premises and equipment costs	5,111,180	3,313,419
Business travel expenses	1,746,458	1,182,211
General administrative expenses	27,351,810	21,813,915
Loss on disposal of investments	406,975	3,229,937
Operating lease expense	1,422,524	1,100,167
	46,549,011	**34,923,942**

(a)

This represents the Group’s contribution to AMCON’s sinking fund for the period ended 30 September 2013. Effective 1 January 2011, the Bank is required to contribute 0.3% of its total assets as at the preceding year end to AMCON's sinking fund in line with the guideline. This has been revised to 0.5% effective January 2013.

9 Share of profit of equity accounted investee

	Group September 2013
Associated Discount House (45%)	620,097
Magnate Technology and Associate (40%)	(20,201)
	599,896

In thousands of Naira

10 Cash and cash equivalents

	Group September 2013	Group December 2012
Balances with Other banks (i)	79,669,005	110,075,694
Money market placements	71,484,011	160,870,921
Unrestricted balances with central banks	16,714,943	25,238,351
	167,867,960	**296,184,966**

(i) Included in cash in hand and balances with other banks is an amount of N21,265,158,000 (2012: N24,611,573,000) representing the Naira value of foreign currencies held on behalf of customers to cover letter of credit transactions. The corresponding liability is included in other liabilities.

11 Non pledged trading assets

	Group September 2013	Group December 2012
Equities	125,665	330,818
Treasury bills	-	26,182,745
Trading bonds	508,507	1,393,240
	634,172	**27,906,803**

12 Pledged assets

	Group September 2013	Group December 2012
Treasury bills	-	6,560,147
Government bonds	44,520,000	54,389,709
	44,520,000	**60,949,856**

The related liability for assets pledged as collateral include:

Bank of Industry (BOI)	25,060,000	34,910,500

(i) All pledged assets are held to maturity government bonds.

(ii) The assets pledged by the Group are strictly for the purpose of providing collateral to the counterparty for various transactions. These transactions include assets pledged in connection with clearing/settlement activities of the Group.

The Assets pledged as collateral were pledged to third parties under secured borrowing with the related liabilities. In addition, there were assets pledged as collateral for security deposit for clearing house and payment agencies of N11.46bn (N35.9bn:December 2012) and Federal Inland Revenue Services collection of N8bn for which there is no related liability.

To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, the assets are classified in the statement of financial position as pledged assets.

As at 30 September 2013, 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 2012: nil).

In thousands of Naira

13 Loans and advances to customers

	Group September 2013	Group December 2012
Loans and Advances to customers	777,273,062	642,035,122
Specific Impairment	(11,027,613)	(24,233,009)
Collective impairment	(5,825,161)	(13,728,715)
	760,420,288	**604,073,399**

14 Investments in equity accounted investee

	Group September 2013	Group December 2012
Balance, beginning of year	2,641,162	2,812,805
Reversal of share of impairment	-	429,000
Share of Profit for the period	599,896	636,903
Share of OCI for the period	6,680	-
Exchange difference	-	37,582
Dividends received	(96,042)	-
Disposal during the period	-	(1,275,128)
	3,151,696	**2,641,162**

	Percentage holding	Group's share of operating profit
Associated Discount House	45%	620,096.77
Magnate Technology and Associate	40%	(20,200.80)
Total		**599,895.96**

All associates are incorporated in Nigeria except Magnate Technology and Services Limited, which was incorporated in Ghana.

The Group holds an equity interest of 1,067,117,591 ordinary shares of N 1.00 each in Associated Discount house as at 30 September 2013, representing 45% equity participation in the company (31 December 2012 - 1,067,117,591 ordinary shares, 38.32%). Dividend income received from ADH during the period totalled N96m.

The company was incorporated in October 1992 with the principal activities being the trading in treasury bills, Federal Government of Nigeria bonds, Bankers Acceptance and Commercial papers and the provision of funds/portfolio management and financial advisory services to its various financial and non-financial clients.

The Group holds an equity interest of 40% in Magnate Technology and Services Limited (MTSL) as at 30 September 2013 (31 December 2012 - 40%).
The company was incorporated in February, 2003 with the principal activities being the provision of security and communication services to its numerous clients via the use of its ICT platform.

There were no published price quotations for any associate. There are no significant restrictions on the ability of the associates to transfer funds to the group in the form of cash dividends, or repayments of loans or advances. Both associates were accounted for using the equity method.

The Group exercises significant influence in Associated Discount House and Magnate Technologies Limited respectively by virtue of its more than 20% shareholding in each of the entities and the representation of at least one director on the board of the companies and significant participation in the companies' operating and financial policies.

In thousands of Naira

There are SME investments of N3.2billion of which the Bank has shareholdings of more than 20% but less than 50%. These investments were classified as available for sale rather than as investment in associates or subsidiaries because the company does not have the power to excercise any influence or control over the entity. The Company's determination that it does not have any influence over these entities through it's shareholding has been based on the following factors in particular:

i. Access Bank Plc does not have any representation on the Board of these companies, nor does it have a right to appoint a director

ii Access Bank Plc does not participate in the policy-making decisions, nor does it have a right to participate in such policy-making decisions of these companies

iii There are no material transactions between Access Bank Plc and these companies, there is no interchange of personnel between the two companies and there is no sharing of technical information between the companies

iv Access Bank Plc has deemed these investments as fully impaired and thus has a nil carrying value in their books.

In thousands of Naira

15 Investment Securities

	Group September 2013	Group December 2012
Available for sale investment	98,421,158	60,128,788
Held to maturity investment	286,427,562	390,541,200
Specific impairment for unquoted equity securities	(3,129,229)	(3,388,177)
	381,719,491	**447,281,811**

16 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 30 September 2013, 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. The portion of the investment property representing land is N16,205,564,000. The valuers used bythe bank are Azuka Iheabunike & Partners and Diya Fatimilehin & Co. The method of valuation used is the open market basis There is no rental income from investment property during the year and no restrcitions on the reaslisability of the property. The property is held for capital appreciation.

	Group September 2013	Group December 2012
Balance, beginning of year	14,360,567	16,201,199
Additions during the year	5,151,455	1,799,293
Transfer from trading properties	-	20,944
Asset classified as held for sales	-	(403,707)
Loss of control	-	(377,624)
Fair value gain/(loss)	2,470,116	(581,582)
Disposals during the period	(395,894)	(2,297,956)
	21,586,244	14,360,567
Allowances for impairment	-	-
Balance, end of period	**21,586,244**	**14,360,567**

17 Property and equipment

Group	Group September 2013	Group December 2012
Property and equipment- cost	103,354,862	129,410,337
Accumulated depreciation	(37,690,752)	(64,844,448)
	65,664,110	**64,565,889**

In thousands of Naira

18 Intangible assets

	Group	Group September 2013	Group December 2012
a	Goodwill	681,007	681,007
b	Cost- Purchased software	6,663,987	9,682,952
	Capital Work-In-Progress	25,834	
	Accum. Amortization	(2,580,606)	(6,959,014)
	Total	**4,790,222**	**3,404,945**

19 Other Assets

	Group September 2013	Group December 2012
Accounts Receivable and Prepayments	73,582,904	67,010,923
Restricted deposits with central banks (a)	178,472,362	109,107,275
Receivable from AMCON (b)	5,780,566	26,581,778
Subscription for investment	-	28,911
Impairment allowance on other asset	(22,684,674)	(25,686,260)
	235,151,158	**177,042,627**

(a)

This balance is made up of Central Bank of Nigeria's cash reserve requirement which is 12% (December 2012 12%) of Non-public sector deposits and 50% (December 2012 12%) of Public sector deposits. Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

(b) This balance represents a receivable from Asset Management Corporation of Nigeria (AMCON) in connection with the acquisition of Intercontinental Bank in line with the Transaction Implementation Agreement (TIA) executed on 6 July 2011 and entered with the Bank. The receivable is expected to be settled via consideration such as cash or bonds issued by AMCON.

	Group September 2013	Group December 2012
20 Due to other banks		
Money market deposits	-	61,975,171.32
Other deposits from banks	70,154,580	43,195,381.08
Total	**70,154,580**	**105,170,552**

In thousands of Naira

21 Deposit from customers

	September 2013	December 2012
Demand	663,131,006	596,874,756
Savings	113,672,978	149,417,284
Term and Call	448,707,467	455,189,956
Total	**1,225,511,450**	**1,201,481,996**

22 Debt securities issued

	Group September 2013	Group December 2012
Debt securities at amortized cost:	56,517,717	54,685,891
Eurobond debt security (see Note (a) below)		
	56,517,717	**54,685,891**

(a) The amount of N56,517,717,000 represents the net of balances held by Group entities in respect to dollar guaranteed notes issued by Access Finance B.V., Netherlands, which is due on 25 July 2017. The principal amount is repayable at the end of the tenor while interest on the notes is payable semi-annually at 7.25% per annum issued on 25 July 2012.

The net proceeds from the issue of the Notes, was used by the Issuer for the sole purpose of providing a loan to Access Bank, which was in turn be used by the Bank to support its existing trade finance business, serve as a source of long term foreign currency funding and could be used to support the business of its customers, especially those active in the Nigerian oil and gas and power sector.

Access Bank in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums by the Issuer (Access Finance B.V.) in respect of the Notes.

23 Retirement benefits obligations

	Group September 2013	Group December 2012
Recognised liability for defined benefit obligations (see note (a) below)	1,956,557	2,220,841
Liability for defined contribution obligations	-	266,748
	1,956,557	**2,487,589**

In thousands of Naira

(a) **Defined benefit obligations**

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

	Group September 2013	Group December 2012
Long term incentive plan (see note (i) below)	1,956,557	2,220,841
Recognised liability for defined benefit obligations	**1,956,557**	**2,220,841**

(i) **Long term incentive plan**

The Bank operates 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 executive 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.

	Group September 2013	Group December 2012
24 **Current tax liabilities**		
Current Tax Liabilities	5,369,088	7,198,962
Education Tax Payable	1,485,593	1,739,002
	6,854,682	**8,937,964**

	Group September 2013	Group December 2012
25 **Other Liabilities**		
Certified cheques	3,254,410	3,682,992
Creditors and accruals	504,938	5,499,135
Customer deposits for foreign trade	21,316,699	24,611,573
Deferred Income	26,286	1,258,227
Dividend payable	-	687,665
Other Current Liabilities	16,976,283	15,618,137
Total	**49,107,425**	**58,418,260**

In thousands of Naira

	Group September 2013	Group December 2012
26 Interest bearing loans and borrowings		
On-lending	48,784,765	40,092,312

	Group September 2013	Group December 2012
27 Equity		
Share Premium	158,573,581	165,186,795
	170,015,041	**176,628,255**

	Group September 2013	Group December 2012
28 Retained earnings		
Balance as at January	15,365,821	(6,744,577)
Transfers for the period	4,672,981	24,601,206
	20,038,802	**17,856,629**

	Group September 2013	Group December 2012
29 Other components of equity		
Other Regulatory Reserves	29,274,353	26,080,715
Other Reserves	10,025,268	7,612,356
Translation reserve	(2,248,054)	1,452,962
	41,172,181	**38,498,341**

	Group September 2013	Group December 2012
30 Non- controlling interest		
Balance at January, 2013	8,099,594	23,054,841
Profit for the period	(27,710)	(191,904)
Other comprehensive income	(37,010)	-
New issue of shares	-	(21,523,292)
Loss of control	-	1,080,217
(Decrease)/Increase in non-controlling interest	(6,736,734)	5,679,732
	1,298,140	**8,099,594**

NOTES TO THE FINANCIAL STATEMENTS
As at 30th September 2013

Accounting policies
Same accounting policies as stated in the annual accounts have been adopted in preparing this interim financial report

Related party transactions
The Bank's gross exposure to insiders as at September 30, 2013 is N34.52bn All transactions are done at market rate and are at arm's length.

Seasonality of operations
No cyclical or occasional revenues have been recongised in preparing this interim financial report

Changes in estimates
The measurement procedures adopted are consistent with that of the annual financial statements

Business combinations
No business combinations occurred during the period under review

FINANCIAL RISK MANAGEMENT

(i) Credit risk measurement

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. 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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 30th September 2013

(iii) Market risk management

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. It's strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk. The Bank is exposed to market risk through adverse movements in equity prices, foreign exchange and interest rates.

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. 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.

Identifying the growing importance of market risks in the Bank's operations, management has continued to ensure adequate internal controls and capital resources to address these risks. Prominent among the steps taken by management is the documentation of Internal Capital Adequacy Assessment Process (ICAAP), for effective risk and capital management, and approving more stringent limits to ensure market risk exposures are within its appetite.

NOTES TO THE FINANCIAL STATEMENTS
As at 30th September 2013

(iv) 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.

For more information on the Bank's risk management framework, refer to the June 2013 Audited Financial Statements

(v) Reputational risk management

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; and

f) Ensure that only fit and proper persons are appointed to senior management positions in the Bank.