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THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE (1) QIBs (AS DEFINED BELOW) PURCHASING IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), PROVIDED BY RULE 144A THEREUNDER OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (2) NON U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

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Confirmation of your representation: In order to be able to view the attached document or make an investment decision with respect to the securities, investors must be (1) Qualified Institutional Buyers (“**QIBs**”) (within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act) or (2) non U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) located outside the United States. The attached document is being sent at your request and by accepting this e-mail and accessing the attached document, you shall be deemed to have represented to the Issuer, the Guarantor and each Joint Lead Manager that (1) you and any customers you represent are (a) QIBs or (b) outside the United States as defined in Regulation S under the Securities Act and that the e-mail address to which the attached document has been delivered is not located in the United States, its territories, possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and other areas subject to its jurisdiction and (2) you consent to delivery of the attached document and any amendments or supplements thereto by electronic transmission.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession the attached document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the attached document, electronically or otherwise, to any other person. If you receive the attached document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive the attached document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by any of the Issuer, the Guarantor or the Joint Lead Managers that would or is intended to, permit a public offering of the securities, or possession or distribution of the attached document (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached document is only addressed to and directed at persons in member states of the European Economic Area that have implemented Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive “**Qualified Investors**”). In addition, in the United Kingdom the attached document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional

experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or who fall within Article 49(2)(a) to (d) of the Order, or (ii) to whom it may otherwise lawfully be communicated (all such persons being referred to as “**relevant persons**”). The attached document is directed only at relevant persons in the United Kingdom and Qualified Investors in any other member state of the European Economic Area and must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the attached document relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

The attached document has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor or the Joint Lead Managers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.



Access Finance B.V.

(incorporated as a private company with limited liability in The Netherlands and having its statutory seat in Amsterdam, The Netherlands)

U.S.\$350,000,000

7.25 per cent. Guaranteed Notes due 2017

Guaranteed by ACCESS BANK PLC

(incorporated with limited liability in the Federal Republic of Nigeria)

Issue Price: 100 per cent.

Application has been made to the Financial Services Authority in its capacity as competent authority (the “**UK Listing Authority**”) under the Financial Services and Markets Act 2000 (the “**FSMA**”) for the U.S.\$350,000,000 7.25 per cent. Guaranteed Notes due 2017 (the “**Notes**”) of Access Finance B.V. (the “**Issuer**”) to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “**Market**”). References in this Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 13.

Interest on the Notes is payable semi-annually in arrear on 25 January and 25 July in each year, commencing on 25 January 2013. Payments on the Notes will be made free and clear of any withholding taxes in The Netherlands or Nigeria. Although the Guarantor is obliged to withhold taxes from payments to the Issuer to fund the Issuer’s obligations under the Notes, the Guarantor has agreed to gross up such payments to ensure the Issuer receives an amount sufficient to meet its obligations in respect of the Notes as if no withholding had been made. The Issuer may redeem the Notes in whole, but not in part, if a withholding of tax is required in The Netherlands or in the event that the Guarantor is required to increase the amount it is required to gross up after the date hereof as described under “*Terms and Conditions of the Notes—Taxation*”.

The payments of all amounts due and payable in respect of the Notes will be unconditionally and irrevocably guaranteed by Access Bank Plc (the “**Guarantor**” or “**Access Bank**”).

The Notes mature on 25 July 2017 but may be redeemed before then, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of The Netherlands or Nigeria. See “*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*”. Noteholders shall have the option, in the event of a Put Event (as defined in “*Terms and Conditions of the Notes—Redemption and Purchase—Redemption or Purchase at the Option of the Noteholders on a Put Event*”), to require the Issuer to redeem or purchase the relevant Notes at par plus accrued interest as described under “*Terms and Conditions of the Notes—Redemption and Purchase—Redemption or Purchase at the Option of the Noteholders on a Put Event*”. The Notes mature on 25 July 2017. See “*Terms and Conditions of the Notes—Redemption and Purchase—Scheduled Redemption*”.

Neither the Notes nor the Guarantee have been or will be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws. Accordingly, the Notes and the Guarantee are being offered and sold only to (i) qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the Securities Act (“Rule 144A”) or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and (ii) non U.S. persons located outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”). See “Subscription and Sale” and “Transfer Restrictions”.

The Notes will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Notes offered and sold in the United States to QIBs in reliance on Rule 144A (the “**Rule 144A Notes**”) will be represented by beneficial interests in a permanent global certificate in fully registered form without interest coupons (the “**Restricted Global Note**”) and will be deposited on or about 25 July 2012 (the “**Closing Date**”) with Citibank, N.A. in its capacity as custodian (the “**Custodian**”) for The Depository Trust Company (“**DTC**”). Notes offered and sold outside the United States to persons other than U.S. persons in reliance on Regulation S (the “**Regulation S Notes**”) will be represented by beneficial interests in a permanent global certificate in fully registered form without interest coupons (the “**Unrestricted Global Note**”), and together with the Restricted Global Note, the “**Global Notes**”) and will be registered in the name of Citic Nominees Limited as nominee, and will be deposited on or about the Closing Date with Citibank Europe plc as common depositary for, and in respect of interests held through, Euroclear Bank SA/NV (“**Euroclear**”), and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on or about the Closing Date. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Individual definitive Notes in registered form (“**Definitive Note Certificates**”) will only be available in certain limited circumstances as described herein. See “*Terms and Conditions of the Notes*”, “*The Global Notes*” and “*Transfer Restrictions*”.

The Notes are expected to be rated B+ by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), and B by Fitch Ratings Ltd. (“**Fitch**”). The Guarantor’s current long-term foreign currency debt rating by S&P is B+ and its current long-term foreign currency debt rating by Fitch is B. All references to S&P and Fitch included in this document are to the entities as defined in this paragraph. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the “**CRA Regulation**”) unless (1) the rating is provided by a credit rating agency not established in the European Economic Area (“**EEA**”) but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. Credit ratings included or referred to in this Prospectus have been or, as applicable, may be, issued by Fitch and S&P. Each of S&P and Fitch is a credit rating agency established in the EEA and registered under the CRA Regulation.

Joint Lead Managers

Citigroup

Goldman Sachs International

Financial Adviser to the Guarantor

Chapel Hill

The date of this Prospectus is 19 July 2012

This document constitutes a prospectus (“**Prospectus**”) for the purpose of Article 5 of Directive 2003/71/EC, as amended and for the purpose of giving information with regard to the Issuer, the Access Bank Group (as defined below) and the Notes. The Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Citigroup Global Markets Limited and Goldman Sachs International (together the “**Joint Lead Managers**”) as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering. No Joint Lead Manager accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Lead Managers or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Guarantor, Citicorp Trustee Company Limited (the “**Trustee**”) or the Joint Lead Managers or any of their directors, affiliates, advisers or agents. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no change in the business affairs and condition (financial or otherwise) of the Issuer, the Guarantor or the Access Bank Group since the date hereof or that the information herein is correct as of any time subsequent to the date hereof.

Neither this Prospectus nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation. Each investor contemplating purchasing the Notes should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor, and must determine the suitability of any investment in the Notes generally in light of its own circumstances.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for or purchase, any Notes. This Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes in accordance with the terms and conditions specified by the Joint Lead Managers. The Notes may not be offered or sold, directly or indirectly, and this Prospectus may not be circulated in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. Persons into whose possession this Prospectus may come are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under “*Subscription and Sale*” and “*Transfer Restrictions*”. In particular, this Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Prospectus is being furnished on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. This Prospectus is being furnished only (1) to a limited number of investors in the United States reasonably believed to be QIBs and (2) to non U.S. persons located outside

the United States. Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of their contents or use of any information herein or therein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Prospectus agrees to the foregoing.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

STABILISATION

In connection with the issue of the Notes, Goldman Sachs International (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

Neither the Issuer nor the Guarantor is required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”). For so long as either the Issuer or the Guarantor is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer or the Guarantor, as the case may be, will, upon request, furnish to each holder or beneficial owner of Notes that are “restricted securities” (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

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FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Access Bank Group’s (as defined below) intentions, beliefs or current expectations concerning, amongst other things, the Access Bank Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. See “*Risk Factors*”.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Access Bank Group’s actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Access Bank Group’s results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the Access Bank Group’s ability to successfully pursue its strategies;
- the Access Bank Group’s ability to complete integration of the Intercontinental Bank Group (as defined below) and any future expansion of business, and to achieve anticipated synergies;
- competitive factors in the Nigerian banking sector;
- the Access Bank Group’s ability to grow its loan portfolio at historical rates;
- the demand for the Access Bank Group’s products and services;
- the Access Bank Group’s ability to retain the Access Bank Group’s and the Intercontinental Bank Group’s customers and strategic alliances following the Merger (as defined below);
- the Access Bank Group’s ability to recruit and retain qualified personnel, and to integrate the Intercontinental Bank Group’s personnel into the Access Bank Group’s culture;
- overall political, economic and business conditions in Nigeria, including oil prices;
- changes in government regulations applicable to the Access Bank Group’s activities;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- the Access Bank Group’s ability to manage liquidity risk;
- interest rate fluctuations and other capital market conditions;
- effects of the global economic crisis; and
- exchange rate fluctuations.

The sections of this Prospectus entitled “*Risk Factors*”, “*Unaudited Pro Forma Financial Information of the enlarged Access Bank Group*”, “*Management’s Discussion and Analysis of Results of Operations and Financial Condition*”, “*Business Description*”, “*Description of the Acquisition and Merger*” and “*Selected Statistical and Other Information*” contain a more complete discussion of the factors that could affect the Access Bank Group’s future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur.

The Issuer and the Guarantor do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or the Guarantor, or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

SERVICE OF PROCESS AND ENFORCEMENT OF FOREIGN JUDGMENTS

The Issuer is incorporated under the laws of The Netherlands and its managing and supervisory directors are residents of The Netherlands or Nigeria. A substantial portion of the assets of the Issuer and of its directors and executive officers are located in The Netherlands and Nigeria. As a result, save as provided below it may not be possible for investors to (a) effect service of process upon the Issuer or any such person outside The Netherlands or Nigeria, as the case may be, (b) enforce against any of them, in courts of jurisdictions other than The Netherlands or Nigeria, as the case may be, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) enforce against any of them, in the courts of The Netherlands or Nigeria, as the case may be, judgments obtained in jurisdictions other than The Netherlands or Nigeria, respectively.

Access Bank is incorporated under the laws of Nigeria and most of its operations are located in Nigeria. In addition, substantially all of the assets of Access Bank's directors and executive officers are located in Nigeria. As a result, it may not be possible for investors to effect service of process within the United States or the United Kingdom upon Access Bank or its respective directors and executive officers, or to enforce United States or United Kingdom court judgments obtained against Access Bank or its respective directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of United States securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon United States or United Kingdom securities laws.

There are two regimes for the enforcement of foreign judgments in Nigeria: the Reciprocal Enforcement of Judgment Ordinance Cap 175, Laws of the Federation of Nigeria and Lagos, 1958 (the "**Reciprocal Enforcement Ordinance**") and the Foreign Judgments (Reciprocal Enforcement) Act, Cap F35 Laws of the Federation of Nigeria 2004 (the "**Reciprocal Enforcement Act**").

The Reciprocal Enforcement Ordinance applies to judgments obtained in the High Court in England or Ireland, or in the Court Session in Scotland or in any territory under Her Majesty's protection to which the Reciprocal Enforcement Ordinance is extended by proclamation. Subject to certain exceptions, judgments obtained in these jurisdictions are enforceable by registration under the Reciprocal Enforcement Ordinance. To be enforceable, such judgments must be registered within 12 months after the date of the judgment or such longer period as may be allowed by the courts.

However, such judgments are not registrable or enforceable in Nigeria where (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the foreign court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the process of the foreign court; (iv) the judgment was obtained by fraud; (v) the judgment debtor satisfies the registering court that an appeal is pending against the judgment or that he is entitled to and intends to appeal against the judgment; or (vi) the judgment was in respect of a cause of action which could not have been entertained by the registering court for reasons of public policy or for some other similar reason. In this regard, notwithstanding that a judgment emanates from a jurisdiction to which the Reciprocal Enforcement Ordinance applies, such judgment will not be registrable or enforceable in Nigeria if the judgment falls within any of the exceptions enumerated in (i) to (vi) above.

Therefore, subject to the above conditions, foreign judgments relating to the Notes are registrable and enforceable in Nigeria if such judgments are obtained in the High Courts of England or Ireland or in the Court of Session in Scotland or in any territory under Her Majesty's protection to which the Reciprocal Enforcement Ordinance is extended by proclamation.

Furthermore, in the event that the Minister of Justice orders or directs that the Reciprocal Enforcement Act shall apply to judgments from the High Court in England or Ireland, or in the Court of Session in Scotland or in any territory under Her Majesty's protection, then enforcement of such judgments will be governed by the Reciprocal Enforcement Act.

The second regime for the enforcement of foreign judgments in Nigeria, the Reciprocal Enforcement Act, applies to judgments obtained in the superior courts of any country (other than Nigeria) subject to the satisfaction of the following two conditions: (i) Nigerian judgments must be accorded substantial reciprocity of treatment in courts of the relevant foreign jurisdiction, and (ii) the Minister of Justice must have made an order extending the applicability of the Reciprocal Enforcement Act to judgments obtained in such foreign jurisdiction. Where the above two conditions are satisfied in respect of any jurisdiction (whether or not covered by the Reciprocal Enforcement Ordinance), the Reciprocal Enforcement Act shall apply to those jurisdictions. To be enforceable, judgments from such jurisdictions must be registered within six years after the date of the judgment, or where the proceedings have been by way of appeal, within six years after the date of the last judgment given in those proceedings. Such judgments are only registrable where the judgment would have been enforceable by execution in the jurisdiction of the original court and have not been wholly satisfied.

To date, the Minister of Justice has not issued any order extending the application of the Reciprocal Enforcement Act to judgments of superior courts of any country, and until such order is made, there is no restriction on Nigerian courts to register and enforce foreign judgments which come under the purview of the Reciprocal Enforcement Ordinance in foreign currency.

Judgments which are not covered by the Reciprocal Enforcement Ordinance or the Reciprocal Enforcement Act (because they were delivered in countries to which these statutes do not apply) may only be enforced under common law, which allows such judgments obtained in foreign courts to be used as evidence in new legal proceedings instituted against a judgment debtor.

Based on the common law and the provisions of the Reciprocal Enforcement Ordinance, foreign judgments can be enforced and recovered in foreign currency. In contrast, the Reciprocal Enforcement Act provides that a foreign judgment to which the Reciprocal Enforcement Act applies may only be enforceable in Nigeria in the local currency. However, the relevant provision of the Reciprocal Enforcement Act will only become effective if the Minister of Justice directs that the Reciprocal Enforcement Act shall apply to judgments of superior courts of a particular country that accords reciprocal treatment to judgments of superior courts of Nigeria. In that event, judgments of superior courts of that country (whether or not previously covered by the Reciprocal Enforcement Ordinance), when registered and enforced in Nigeria, will be enforced only in Naira. One challenge presented by this is that the judgment creditor may be faced with significant exchange rate losses given that the judgment sum will be converted into the local currency on the basis of the rate of exchange on the date the original judgment was obtained. To date, the Minister of Justice has not issued any order extending the application of the Reciprocal Enforcement Act to judgments of superior courts of any country, and until such order is made, there is no restriction on Nigerian courts to register and enforce foreign judgments which come under the purview of the Reciprocal Enforcement Ordinance in foreign currency.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Following the Acquisition on 14 October 2011 (as further described below in “*Business Description*” and “*Description of the Acquisition and Merger*”), the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group’s consolidated financial statements for the fourth quarter of 2011 and as at 31 December 2011. Accordingly, the Access Bank Group’s results for the financial year ended 31 December 2011 and the three-month period ended 31 March 2012 are not directly comparable to those for any prior financial period included in this Prospectus and are not indicative of results that would have been achieved excluding for the effects of the Acquisition and Merger.

In addition, in January 2008, the Central Bank of Nigeria (“CBN”) introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2008 year end. The deadline for implementation of the uniform year end was subsequently changed to December 2009. This policy was intended to bring Nigerian banks’ financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. Access Bank changed its financial year end from 31 March to 31 December in 2009, resulting in a nine-month financial period from 1 April 2009 to 31 December 2009. The Access Bank Group’s results for the nine-month financial period ended 31 December 2009 are therefore not directly comparable to those for any other financial years and may not be indicative of results that would have been achieved for a period of twelve months ended 31 December 2009. Intercontinental Bank changed its financial year end from 28 February to 31 December in 2009, resulting in a ten-month financial period from 1 March 2009 to 31 December 2009. The Intercontinental Bank Group’s results for the ten-month financial period ended 31 December 2009 are therefore not directly comparable to those for any other financial years and may not be indicative of results that would have been achieved for a period of twelve months ended 31 December 2009.

For a discussion of the risks involved in the consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition and the change of the Access Bank Group’s and the Intercontinental Bank Group’s respective financial year end, see “*Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group’s business—Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group’s and the Intercontinental Bank Group’s financial year end in 2009, make comparisons difficult and may result in additional tax liabilities*”.

Access Bank Financial Statements

Historically, Access Bank was required to prepare unconsolidated financial information relating to Access Bank in accordance with the Banks and Other Financial Institutions Act, Cap B3 Laws of the Federation of Nigeria (“LFN”) 2004 (the “**BOFIA**”); relevant Statements of Accounting Standards in Nigeria; CBN circulars and the Companies and Allied Matters Act, Cap C20 LFN 2004 (the “**CAMA**”) (together, “**Nigerian GAAP**”). With effect from March 2008, Access Bank adopted International Financial Reporting Standards as promulgated by the International Accounting Standards Board (“**IFRS**”) in the preparation of its audited financial statements, in addition to Nigerian GAAP.

On 3 September 2010, the Nigerian Accounting Standards Board announced a staged implementation for IFRS reporting by Nigerian companies and set 1 January 2012 as the date of transition to IFRS reporting for all public listed Nigerian companies. As a result, beginning in fiscal year 2012, Nigerian public listed companies, including Access Bank, have started preparing all of their financial statements in accordance with IFRS. However, investors should understand that, as at the date of this Prospectus, the CBN will assess Access Bank’s compliance with the CBN’s capital requirements and the CBN’s Prudential Guidelines for Licensed Banks (the “**CBN Prudential Guidelines**”) based on financial information prepared in accordance with Nigerian GAAP, not IFRS. Therefore as at the date of this Prospectus, Access Bank still maintains certain reporting framework in Nigerian GAAP for the purposes of complying with the CBN Prudential Guidelines and capital requirements. The CBN is, however, in the process of preparing an IFRS template for assessing Nigerian banks’ compliance with the CBN Prudential Guidelines and capital adequacy requirements going forward and it is currently expected that this new IFRS template will be launched later in 2012.

Investors should also note that certain other financial information and data set forth herein (including in “*Selected Statistical and Other Information*”) relating to monthly average financial information and data has been derived from the management accounts of the Access Bank Group or the Intercontinental Bank Group, and/or Access Bank or Intercontinental Bank, as the case may be, which have historically been maintained in accordance with Nigerian GAAP; where relevant, a statement is included stating where such Nigerian GAAP information or data is presented. There are significant differences in Nigerian GAAP and IFRS, including differences in relation to provisioning. See “*Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group’s business—The Access Bank Group’s primary regulator will determine compliance with the CBN Prudential Guidelines and capital adequacy requirements based on financial information prepared in accordance with Nigerian GAAP. These information may differ from those produced under IFRS which will be available to investors*” and “*Annex A—Summary of Significant Differences between Nigerian GAAP and IFRS*”.

Unless otherwise stated in this Prospectus, financial information set forth herein related to the Access Bank Group has been derived from the Access Bank Group's:

- reviewed consolidated financial statements as at and for the three-month financial period ended 31 March 2012, with unreviewed comparative financial information as at and for the three-month financial period ended 31 March 2011, prepared in accordance with IFRS (the "**Access Bank Interim Financial Statements**");
- audited consolidated financial statements as at and for the financial year ended 31 December 2011, with comparative financial information as at and for the financial year ended 31 December 2010, prepared in accordance with IFRS (the "**Access Bank 2011 Financial Statements**");
- audited consolidated financial statements as at and for the financial year ended 31 December 2010, with comparative financial information as at and for the nine-month financial period ended 31 December 2009, prepared in accordance with IFRS (the "**Access Bank 2010 Financial Statements**"); and
- audited consolidated financial statements as at and for the nine-month financial period ended 31 December 2009, with comparative financial information as at and for the financial year ended 31 March 2009, prepared in accordance with IFRS (the "**Access Bank 2009 Financial Statements**" and, together with the Access Bank Interim Financial Statements, the Access Bank 2011 Financial Statements and the Access Bank 2010 Financial Statements, the "**Access Bank Financial Statements**"),

The Access Bank 2011 Financial Statements, the Access Bank 2010 Financial Statements and the Access Bank 2009 Financial Statements (together, the "**Access Bank Annual Financial Statements**"), including the audit reports of KPMG Professional Services, Nigeria ("**KPMG**") thereon, are set forth elsewhere in this Prospectus. The Access Bank Interim Financial Statements, including the review report of KPMG thereon, are set forth elsewhere in this Prospectus.

Whilst the audit reports in respect of the Access Bank Annual Financial Statements are unmodified, they each included an emphasis of matter, drawing the attention of readers to the fact that the audited financial statements to which each such report related were prepared in addition to the Access Bank Group's statutory consolidated financial statements (not included therein), which were prepared in accordance with Nigerian GAAP.

The Access Bank Annual Financial Statements were audited by KPMG, a firm of independent auditors, located at KPMG Towers—Aboyade Cole Street, Victoria Island, Lagos, Nigeria, in accordance with International Standards on Auditing.

Intercontinental Bank Financial Statements

Financial information set forth herein relating to the Intercontinental Bank Group consists of Intercontinental Bank and its consolidated subsidiaries and has been derived from the Intercontinental Bank Group's audited consolidated financial statements as at and for the nine-month financial period ended 30 September 2011, with comparative unaudited financial information as at and for the nine-month financial period ended 30 September 2010 and comparative audited financial information as at and for the financial year ended 31 December 2010 (the "**Intercontinental Bank Financial Statements**"), which was prepared in accordance with IFRS. The Intercontinental Bank Financial Statements, including the audit reports of KPMG thereon, are set forth elsewhere in this Prospectus.

Whilst the audit report in respect of the Intercontinental Bank Financial Statements is unmodified, it included an emphasis of matter, drawing the attention of readers to the fact that note 3(e) of the Intercontinental Bank Financial Statements indicates that the Intercontinental Bank Group had a deficit of shareholders' funds as at 30 September 2011 and capital adequacy ratios below the prescribed minimum, with further explanation set out in the note explaining the reason for preparing the financial statements on a going concern basis in these circumstances.

The Intercontinental Bank Financial Statements were audited by KPMG, a firm of independent auditors, located at KPMG Towers—Aboyade Cole Street, Victoria Island, Lagos, Nigeria, in accordance with International Standards on Auditing.

Pro Forma Financial Statements

This Prospectus contains unaudited *pro forma* financial information in respect of the financial year ended 31 December 2011 consisting of an unaudited *pro forma* consolidated income statement for the year ended 31 December 2011, prepared to illustrate the effect of the Acquisition on the consolidated income statement of the Access Bank Group as if the Acquisition (as defined below) had occurred on 1 January 2011 (the "**Pro Forma Financial Information**").

The unadjusted unaudited *pro forma* financial information for the Access Bank Group and the Intercontinental Bank Group has, in each case, been extracted, without material adjustment, from the Access Bank 2011 Financial Statements and the Intercontinental Bank Financial Statements, respectively. The consolidated statement of comprehensive income (the income statement) in the Access Bank 2011 Financial Statements have been presented on the basis that the Acquisition completed on 1 October 2011 and therefore consolidate the relevant financial information of the acquired Intercontinental Bank Group for the period from 1 October 2011 to 31 December 2011. (See “*Unaudited Pro Forma Financial Information of the enlarged Access Bank Group*”).

Third party information

The Issuer and the Guarantor have obtained certain statistical and market information that is presented in this Prospectus on such topics as the Nigerian banking sector and the Nigerian and West African economy and political landscape in general and related subjects from certain Government and other third party sources described herein. This third party information is presented in the following sections of the Prospectus: “*Overview of the Issue*”, “*Risk Factors*”, “*Management’s Discussion and Analysis of Results of Operations and Financial Condition*”, “*Business Description*”, “*Description of the Acquisition and Merger*”, “*Nigeria*” and “*The Nigerian Banking Sector*”. The Issuer and the Guarantor have accurately reproduced such information and, so far as the Issuer and the Guarantor are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the Issuer and the Guarantor’s estimates are based on such third party information. Neither the Issuer nor the Guarantor nor any of the Joint Lead Managers have independently verified the figures, market data or other information on which third parties have based their studies.

The Issuer and the Guarantor have derived substantially all of the information contained in this Prospectus concerning its competitors (see “*Business Description—Market Position and Competition*”) from publicly available information, such as annual reports and other published financial information, and has accurately reproduced such information and, so far as the Issuer and the Guarantor are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and the Guarantor have relied on the accuracy of this information without independent verification.

Certain information under the heading “*Book Entry Clearance System*” has been extracted from information provided by the clearing systems referred to therein. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Until 2009, the Access Bank Group had prepared its financial statements using a financial year-end of the last day in March. Historical information prior to 2009 presented herein with respect to other banks in Nigeria may be based on different financial year ends. Additionally, most Nigerian banks, including Intercontinental Bank, have historically prepared their financial statements in accordance with Nigerian GAAP prior to 2012. Therefore, certain information included in this Prospectus on the business, operating results and financial condition of other banks in Nigeria may not be directly comparable to the business, operating results and financial condition of Access Bank or the Access Bank Group when presented in accordance with IFRS.

Rounding

Certain amounts which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain defined terms

In this Prospectus:

- “**Access Bank**” and the “**Guarantor**” refer to Access Bank Plc;
- “**Access Bank Group**” refers to (a) in respect of periods prior to completion of the Acquisition, Access Bank and its consolidated subsidiaries (excluding the Intercontinental Bank Group), and (b) in respect of periods following completion of the Acquisition, Access Bank and its consolidated subsidiaries (including the relevant members of the Intercontinental Bank Group and/or its merged assets, liabilities and undertakings, as applicable) following completion of the Acquisition and/or Merger, as applicable;
- “**Acquisition**” refers to the acquisition by Access Bank on 14 October 2011 of an initial 75 per cent. equity stake in Intercontinental Bank pursuant to the terms of and subject to the conditions in the TIA;
- “**AMCON**” means the Asset Management Corporation of Nigeria, an organisation created by the Government on 19 July 2010;

- “euro” or “€” refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to Article 123 of the treaty establishing the European Community, as amended;
- “**Intercontinental Bank**” refers to Intercontinental Bank Plc prior to its dissolution on 23 January 2012 as part of the Merger process;
- “**Intercontinental Bank Group**” refers to Intercontinental Bank and its consolidated subsidiaries prior to completion of the Merger;
- “**Issuer**” refers to Access Finance B.V.;
- “**Merger**” refers to the merger, which completed on 23 January 2012, of the assets, liabilities and undertakings of the Intercontinental Bank Group with the assets, liabilities and undertakings of the Access Bank Group following completion of the Acquisition, pursuant to the TIA;
- “**Naira**”, “**N**” or “**kobo**” refers to the lawful currency of Nigeria;
- “**NDIC**” means the Nigeria Deposit Insurance Corporation;
- “**Nigeria**”, “**Federal Government**” or the “**Government**” refers to the Federal Republic of Nigeria;
- “**Nigerian SEC**” refers to the Nigerian Securities and Exchange Commission;
- “**The Netherlands**” refers to the Kingdom of the Netherlands European territory;
- “**TIA**” means the Transaction Implementation Agreement dated 6 July 2011 and entered into between Access Bank, Intercontinental Bank and Project Star Investments Limited, as amended by the Amending Agreement to the Transaction Implementation Agreement entered into on 15 August 2011 and as further amended by the Further Amending Agreement to the Transaction Implementation Agreement entered into on 11 October 2011;
- “**United States**” or the “**U.S.**” refers to the United States of America; and
- “**U.S. dollars**” or “**U.S.\$**” refers to the lawful currency of the United States of America.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange rates

The official currency of Nigeria is the Naira, which was introduced in January 1973. The CBN permits three exchange rates to operate within the Nigerian economy, which are:

- the Dutch Auction System (“**DAS**”) rate, which is managed by the CBN and consists of the Wholesale Dutch Auction System (“**WDAS**”) rate or the Retail Dutch Auction System (“**RDAS**”) rate. The WDAS and RDAS are alternate regimes which do not operate at the same time. The current DAS rate in operation in Nigeria is the WDAS (the “**Official Exchange Rate**”);
- the inter-bank exchange rate which is a rate determined by a two-way quote system of banks trading among themselves with funds obtained from other official sources of foreign exchange outside of the CBN, such as the interbank market, oil companies, non-oil export proceeds and customer inflows; and
- the bureaux de change (“**BDC**”) rate, which rate was introduced in 2009 when the CBN issued licences to BDC operators as one of the measures to stabilise the exchange rate and increase access to foreign exchange to small end-users.

The following table sets forth information on the Official Exchange Rate between the Naira and the U.S. dollar for each of the periods specified. The average rate for each period means the average of the exchange rates for each day during that period, as applicable.

	Average ⁽¹⁾	High	Low	Period End
	(Naira per U.S. Dollar)			
1 January to 30 June 2012	155.39	156.55	154.75	155.41
2011	151.83	156.76	148.50	156.20
2010	150.30	151.55	149.08	150.66
2009	147.27	151.37	149.19	149.19
2008	117.78	129.16	116.64	129.16
2007	125.07	127.14	117.64	117.64
2006	128.14	129.79	127.77	127.78
2005	131.10	132.28	128.40	128.50

(1) The average of the exchange rates for each day during the year or period, as applicable.

The following table sets forth information on the Official Exchange Rate between the Naira and the U.S. dollar for each month during the six full months prior to the date of this Prospectus.

	Average ⁽¹⁾	High	Low	Period End
	(Naira per U.S. Dollar)			
June 2012	155.37	155.41	155.25	155.41
May 2012	155.22	155.25	155.20	155.25
April 2012	155.27	155.40	155.15	155.20
March 2012	155.52	155.56	155.40	155.51
February 2012	155.80	156.20	155.40	155.40
January 2012	156.32	156.55	156.20	156.55

(1) The average of the exchange rates for each day during the year or period, as applicable.

Sources: CBN Statistical Bulletin, CBN Financial Markets Department and CBN Exchange Rates

As at 6 July 2012, the Official Exchange Rate was ₦155.9:U.S.\$1.00.

Solely for the convenience of the reader, this Prospectus presents unaudited translations of certain Naira amounts into U.S. dollars at the Official Exchange Rate, which was derived from the interbank official rate on 6 July 2012. These rates may differ from the actual rates used in the preparation of the Access Bank Financial Statements and other information presented in this Prospectus. In addition, fluctuations in the exchange rate between the Naira and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. See “Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks Relating to the Access Bank Group’s business—The Access Bank Group is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies.”

No representation is made that the Naira or U.S. dollar amounts in this Prospectus could have been converted in U.S. dollars or Naira, as the case may be, at any particular rate or at all.

Exchange controls

The Exchange Control (Repeal) Act No. 8 of 1995 and the Foreign Exchange (Monitoring and Miscellaneous) Provisions Act, Cap F34 LFN 2004 (the “**Foreign Exchange Act**”), which repealed various pieces of legislation, effectively abolished exchange controls in Nigeria which had been in place since 1982. The Foreign Exchange Act introduced regulatory monitoring provisions on foreign exchange in Nigeria in place of exchange control provisions. The Foreign Exchange Act allows any person to invest foreign currency or capital imported into Nigeria through an authorised dealer in any enterprise or security in Nigeria (except enterprises expressly prohibited by relevant provisions of Nigerian law). Following importation of the investment capital, the authorised dealer shall, within a period of 24 hours, issue to the investor, a Certificate of Capital Importation (“**CCI**”) which guarantees unconditional repatriation and or transferability of yields on investment in freely convertible currency. The CCI enables foreign investors (through an authorised dealer) to access the Nigerian foreign exchange market for the purpose of converting the proceeds of capital invested in Nigeria into freely convertible currency.

The net proceeds from the issue of the Notes will be used by the Issuer for the sole purpose of providing the Loan (as defined below) to Access Bank who intends to use the net proceeds of the Loan primarily to support its existing trade finance business and serve as a source of long-term foreign currency funding to, among other things, support the businesses of its customers, particularly those active in the Nigerian oil and gas and power sectors. See “*Use of Proceeds*”. Therefore, it is not intended that the net proceeds of the Loan will be imported into Nigeria.

As a result of this, Access Bank has indicated that it does not intend to obtain a CCI in respect of the net proceeds of the Loan as a CCI is only issued in respect of capital imported into Nigeria. The intention of Access Bank is to make principal repayment and interest payment on the Loan to the Issuer from its foreign currency reserves and not to access the Nigerian foreign exchange market for the purpose of making such payments.

Access Bank has notified the CBN that the net proceeds of the Loan will not be imported into Nigeria and that a CCI would not be issued in respect of the net proceeds of the Loan. In the event that the Access Bank does not have sufficient foreign currency reserves to meet principal and interest payments due in respect of the Loan however, Access Bank (in its capacity as Guarantor of the Notes) would be required to obtain the approval of the CBN to enable it to access the Nigerian foreign exchange market.

OVERVIEW OF THE ISSUE

This following general description of the Notes must be read as an introduction to the more detailed information appearing elsewhere in this Prospectus. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this overview.

Issuer:	Access Finance B.V.
Guarantor:	Access Bank Plc.
Trustee:	Citicorp Trustee Company Limited.
Principal Paying and Transfer Agent:	Citibank, N.A., London Branch.
Registrar:	Citigroup Global Markets Deutschland AG.
The Issue:	U.S.\$350,000,000 7.25 per cent. Guaranteed Notes due 2017.
Issue Price:	7.25 per cent. of the principal amount of the Notes.
Issue Date:	25 July 2012.
Maturity Date:	25 July 2017.
Interest Rate:	The Notes will bear interest at the rate of 7.25 per cent. per annum from and including 25 July 2012 to but excluding the Maturity Date.
Yield:	7.25 per cent.
Interest Payment Dates:	Interest will be payable semi-annually in arrear on 25 January and 25 July in each year, commencing on 25 January 2013.
Ranking:	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (<i>Covenants—Negative Pledge</i>)) unsecured obligations of the Issuer. The Notes will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
The Guarantee:	The Guarantor has, in the Trust Deed (as defined below), unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the “ Guarantee ”) constitutes direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (<i>Covenants—Negative Pledge</i>)) unsecured obligations of the Guarantor which will at all times rank at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Cross Default:	The Notes will contain a cross default provision as described in Condition 14 (<i>Events of Default</i>).
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5(a) (<i>Covenants—Negative Pledge</i>).
Certain Other covenants:	The Notes will also contain covenants relating to certain capital adequacy requirements and, among other things, a limited restriction on dividends and similar payments, and restrictions on certain consolidations or mergers, disposals and transactions with affiliates. See Condition 5 (<i>Covenants</i>).

Early Redemption:

The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described under Condition 11(b) (*Redemption and Purchase—Redemption for Taxation Reasons*). Noteholders shall have the option, in the event of a Put Event (as defined in Condition 11(c) (*Redemption and Purchase—Redemption or Purchase at the Option of the Noteholders on a Put Event*)), to require the Issuer to redeem or purchase the relevant Notes at par plus accrued interest as described under Condition 11(c) (*Redemption and Purchase—Redemption or Purchase at the Option of the Noteholders on a Put Event*). See Condition 11 (*Redemption and Purchase*).

Taxation:

All payments in respect of the Notes shall be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 12 (*Taxation*), unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall, save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so withheld or deducted.

Access Bank is required by law, in accordance with a double taxation treaty between The Netherlands and Nigeria, to withhold tax at the rate of 7.5 per cent. on interest payments to the Issuer. The on-loan agreement between Access Bank and the Issuer provides that tax withheld under the on-loan (the “**Loan**”) will be grossed up by such additional amounts as are required for the Issuer to receive, net of any withholding or deduction, the amounts it would have received had no such withholding or deductions been required.

Use of Proceeds:

The net proceeds from the issue of the Notes, being approximately U.S.\$345,500,000, will be used by the Issuer for the sole purpose of providing the Loan to the Guarantor. The Guarantor intends to use the net proceeds of the Loan primarily to support the existing trade finance business of the Guarantor and to serve as a source of long-term foreign currency funding which it may use to, among other things, support the businesses of its customers, particularly those active in the Nigerian oil and gas and power sectors. See “*Use of Proceeds*”.

Form, Transfer and Denominations of the Notes:

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Note in registered form, without interest coupons attached, which will be delivered to a common depositary for, and registered in the name of Citivic Nominees Limited as nominee of, Euroclear and Clearstream, Luxembourg on or about the Closing Date. Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Note, in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian, and registered in the name of Cede & Co., as nominee for DTC.

Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See “*Transfer Restrictions*”. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, in the case of the Regulation S Notes, and by DTC and its direct and indirect participants, in the case of Rule 144A Notes.

Definitive Note Certificates will only be available in certain limited circumstances as described herein. See “*Terms and Conditions of the Notes*” and “*The Global Notes*”.

The Notes will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “*Terms and Conditions of the Notes*”.

Listing and Clearing:

Application has been made to list the Notes on the Official List and to admit them to trading on the Market.

The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS0807677496 and Common Code 080767749). Application has been made for acceptance of the Restricted Global Note into DTC's book-entry settlement system (ISIN US00434KAA97, CUSIP 00434K AA9 and Common Code 080767960).

Governing Law:

The Notes, and any non-contractual obligations arising out of or in connection with the Notes, will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

The Notes and the Guarantee have not been and will not be registered under the Securities Act or any state securities laws and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act), except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom and Nigeria. See "*Subscription and Sale*".

Certain ERISA and Other Considerations:

Subject to certain conditions, the Notes (or any beneficial interest therein) may be purchased by an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), a "plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of such employee benefit plan's or plan's investment in the entity as well as by other employee benefit plans, such as governmental plans. See "*Certain ERISA and Other Considerations*".

Ratings:

The Notes are expected to be rated B+ by S&P, and B by Fitch. The Guarantor's current long-term foreign currency debt rating by S&P is B+ and its current long-term foreign currency debt rating by Fitch is B.

Each of S&P and Fitch is a credit rating agency established in the EEA and registered under the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Risk Factors:

Investing in the Notes involves a high degree of risk. For a discussion of certain risk factors relating to Nigeria, the Access Bank Group and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*" beginning on page 13.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision.

Each of the Issuer and the Guarantor believes that the following factors represent the principal risks inherent in investing in the Notes and may affect their ability to fulfil their respective obligations under the Notes and/or the Guarantee. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. Additional risks and uncertainties not presently known to the Issuer or Guarantor, or that the Issuer or Guarantor currently believes are immaterial, could also impair the Issuer's or Guarantor's business operations. If any of the following risks actually materialises, the Issuer's or Guarantor's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of the Notes could decline and the Issuer may be unable to pay interest or principal on the Notes and the Guarantor may not be able to make any payments under the Guarantee, and investors may lose all or part of their investment. Furthermore, the Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily, or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Factors That May Affect the Issuer's Ability To Fulfil Its Obligations under the Notes

The Issuer's principal purpose is to provide funding, through the international capital markets, to the Guarantor. Therefore, the Issuer's ability to fulfil its obligations under the Notes is entirely dependent on the performance of the Guarantor. As such, in considering the risks that may affect the Issuer's ability to fulfil such obligations, potential investors should focus on the risk factor analysis set out below in respect of the Guarantor and its ability to fulfil its obligations under the Guarantee, which is crucial to the Issuer's ability to fulfil its obligations under the Notes.

Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee

Risks relating to the Access Bank Group's business

The Access Bank Group may not be successful in its strategic aims.

The Access Bank Group has grown rapidly in a short period of time, primarily through the growth of its loan book. Historically, the largest portion of the Access Bank Group's assets have been invested in investment securities, primarily Nigerian federal and state government bonds and treasury bills. However, in the last couple of years, in an effort to obtain a higher return on its assets, the Access Bank Group has increased the amount of its lending, focusing on corporate clients (institutional and commercial). In addition, on 14 October 2011, Access Bank acquired an initial 75 per cent. equity stake in Intercontinental Bank and completed the Merger of the Intercontinental Bank Group's business on 23 January 2012. As at the date of the Acquisition, the Intercontinental Bank Group had a large retail banking presence consisting of approximately 3.8 million customers through its network of 366 branches spread across the 36 states of Nigeria and the Federal Capital Territory, Abuja. Through the addition of the Intercontinental Bank Group's extensive retail branch and customer network, Access Bank intends to expand its retail banking business. The Access Bank Group is thus expanding its scope of operations significantly, and may also make further acquisitions or may expand by opening new domestic and foreign branches in the future and the degree of expansion of Access Bank's activity following the Merger has, and will continue to, put new demands and pressures on its management and systems. In addition, such activities in the past have required, and if this growth continues, will require significant allocation of capital and management resources, further development of the Access Bank Group's financial, internal controls and information technology systems, continued upgrading and streamlining of its risk management systems and additional training and recruitment of management and other key personnel. At the same time, the Access Bank Group must maintain a consistent level of client services and current operations to avoid loss of business or damage to its reputation. The Access Bank Group's ability to successfully implement its strategic objectives will depend on its ability to successfully manage its growth and integration of the operations of the Intercontinental Bank Group and any further acquisitions, and to cost-effectively develop any subsidiaries and branches or fully integrate its acquired or newly established subsidiaries in line with its strategy, as well as to secure and effectively allocate resources to meet the needs of its expanded business.

Management of the Access Bank Group's growth has required significant managerial and operational resources and has increased the overall complexity of the Access Bank Group's business and such demands will continue to increase with the recent Acquisition and Merger of Intercontinental Bank and the subsequent significant expansion of the Access Bank Group's banking business. As the Access Bank Group's loan and deposit portfolio and business grow, the Access Bank Group will need to obtain new resources, particularly personnel and upgraded information technology infrastructure, to manage the growth and to control the credit quality of the loan book. If the Access Bank Group fails to manage its growth successfully, this could have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The Access Bank Group faces increased levels of competition in the Nigerian banking industry, and its growth strategy depends, in part, on achieving the strategic goals of the Acquisition and Merger.

The Nigerian market for banking and financial services is highly competitive and the Access Bank Group faces competition from different banks in each of the segments and regions where it operates. Although historically the Access Bank Group has achieved consistent and profitable growth, it may be unable to maintain or improve its market position. See “—Risks relating to the Nigerian banking sector—The increasingly competitive environment in the Nigerian banking industry may negatively affect the Access Bank Group’s prospects”.

The Nigerian banking sector is undergoing a transformation which is expected to continue over the next few years. In the aftermath of the global economic and financial crisis, sector consolidation, aided by AMCON and CBN, is reducing the number of existing banks and changing the Nigerian banking landscape. The concentration of capital among the non-Intervened Banks (as defined below) is expected to increase and so increase the share of the market in the hands of the stronger banks. Access Bank believes that in order to meet the competition driven by a more concentrated Nigerian banking industry, it will be critical for the Access Bank Group, through successful integration of the Intercontinental Bank Group and otherwise, to achieve economies of scale and be able to effectively offer the greater reach and financial capacity of larger banks.

Against this background, the Access Bank Group’s growth depends on its ability to gain market share, extend its distribution network, manage its cost base, access low cost deposits and grow quality risk assets, in order to allow it to maintain strong levels of profitability and returns despite being required to hold higher levels of capital by the CBN. The Acquisition and Merger of Intercontinental Bank is part of this strategy. If Access Bank is not able to generate the profitability, economies of scale and financial capacity to enable it to compete with the largest Nigerian banks, the Access Bank Group’s business, financial condition, results of operations and/or prospects may be materially and adversely affected.

The Access Bank Group may not achieve the synergies anticipated with the Acquisition and Merger.

Through the Acquisition and Merger, the scale of the Access Bank Group’s operations increased significantly. As at 31 March 2012 and following completion of the Merger, the enlarged Access Bank Group had 375 branches (including 349 banking branches) spread across Nigeria, other sub-Saharan African countries and the United Kingdom, 5.1 million customers and 4,292 full time employees. As a result, the Merger has entailed some operational challenges, and the Access Bank Group may fail to achieve the expected benefits and synergies that it hopes will arise from the Merger. In particular, the Access Bank Group’s ability to realise anticipated cost and revenue synergies and the timing of this realisation may be affected by a variety of factors, including but not limited to:

- expanded scope of geographic areas of operations and the resulting potential complexity of integrating corporate and regional branches and networks;
- harmonising the terms of employment and remuneration structure of the Access Bank Group and the Intercontinental Bank Group;
- aligning service levels, monitoring and reporting standards and policies of the Access Bank Group and the Intercontinental Bank Group;
- the difficulty of implementing its cost savings plans;
- the challenges associated with the combination of the Access Bank Group’s and the Intercontinental Bank Group’s businesses and operations and to integrate the information technology systems of the two banks and new operations with existing operations in a timely and effective manner, and to manage a significantly larger business;
- unforeseeable events, including major changes in applicable laws and regulations in the banking and financial services industries in Nigeria and/or other jurisdictions in which the Access Bank Group operates; and
- unanticipated issues, expenses and liabilities.

If the benefits and synergies that Access Bank expects are not realised or are delayed, the Access Bank Group’s business, results of operations, financial condition and/or prospects could be adversely affected and/or the Access Bank Group’s ability to achieve its strategic goals may be adversely affected.

The Access Bank Group may not be able to successfully complete integration of the Intercontinental Bank Group or completing the integration may prove to be more costly and time consuming than initially expected.

Although the Merger was completed on 23 January 2012, the task of integrating the Intercontinental Bank Group’s operations and activities into the Access Bank Group is ongoing and there can be no assurance that the Access Bank Group will be able

to fully or effectively complete the integration in a timely or cost effective manner. The integration of the Intercontinental Bank Group into the Access Bank Group following the Merger has been complex and expensive and has presented, and is expected to continue to present, a number of challenges for management. The Access Bank Group may also incur higher than expected integration-related costs, including potential tax liabilities that the Intercontinental Bank Group has accrued prior to the Acquisition. In addition, expected business growth opportunities, revenue and cost synergies, operational efficiencies and other benefits may not materialise as expected, in part because the assumptions upon which the Access Bank Group determined to proceed with the Acquisition and the Merger may prove to be incorrect. For example, customers of the Intercontinental Bank Group may decide not to continue to hold deposits with or transact other business with the Access Bank Group, thus reducing the anticipated benefits of the Merger. In addition, there can be no assurance that the diligence conducted by the Access Bank Group in relation to the Acquisition and Merger has been sufficient to uncover all material risk-related issues related to the Intercontinental Bank Group. At the same time, the Access Bank Group must maintain a consistent level of client services and current operations to avoid loss of business or damage to its reputation. As a result, if management is unable to integrate these operations or activities successfully, or if anticipated synergies or other benefits of the Merger are not achieved or are significantly delayed, this could have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The Acquisition and Merger may result in a loss of the Access Bank Group's or Intercontinental Bank Group's customers or strategic alliances.

As a result of the Acquisition and Merger, some of the Access Bank Group's or the Intercontinental Bank Group's customers, potential customers or strategic partners may terminate or reduce their business relationships with the enlarged Access Bank Group. Some of the customers that banked with both the Access Bank Group and the Intercontinental Bank Group may wish to limit their exposures to a single financial institution. Potential customers or strategic partners of the Access Bank Group or Intercontinental Bank Group may also delay entering into, or decide not to enter into, a business relationship with the Access Bank Group until the success of the Merger has become manifest. If the Access Bank Group's relationships with its customers and those of the Intercontinental Bank Group are adversely affected by the Merger, the Access Bank Group's business and financial performance may suffer.

The Access Bank Group's inability to recruit and retain qualified personnel, and to integrate the Intercontinental Bank Group's personnel into the Access Bank Group's business culture, could have an adverse effect on its business.

The Access Bank Group's success will depend, in part, on its ability to retain, motivate, and attract, qualified and experienced banking and management personnel. In particular, the success of the Merger depends largely on the Access Bank Group's ability to culturally integrate the Intercontinental Bank Group's management and personnel. As the integration process continues, some employees will experience uncertainty about their future roles within the enlarged Access Bank Group, which may adversely affect the Access Bank Group's ability to retain key managers and other employees. Therefore, maintaining employee morale, training, and retaining and incentivising employees is key to the Access Bank Group's growth strategy.

In addition, the Access Bank Group is likely to face challenges in recruiting qualified personnel to run its business during its growth phase. Competition in the Nigerian banking industry for personnel is considerable. Whilst Access Bank believes that it has effective staff recruitment, training and incentive programmes in place and has begun to implement a business plan that aims to successfully integrate Intercontinental Bank Group's management and personnel into the Access Bank Group's business culture, there can be no assurance that these will be sufficient to allow the Access Bank Group to recruit, train and retain sufficient numbers of qualified personnel. The Access Bank Group's failure to recruit, train and/or retain necessary personnel could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

The Access Bank Group's investment and loan portfolios and deposit base are highly concentrated.

The Access Bank Group's investment portfolio (consisting of non pledged trading assets, pledged assets, investment securities and investment properties), constituted 37.1 per cent. of total assets, or ₦645,139 million as at 31 March 2012, compared to 40.2 per cent. of total assets or ₦654,834 million as at 31 December 2011, and to 21.8 per cent. of total assets or ₦173,736 million as at 31 December 2010. The Access Bank Group's investment portfolio is highly concentrated in AMCON Bonds (as defined below), Nigerian federal government bonds and state government bonds (the "FGN Bonds") and treasury bills (together with the AMCON Bonds and the FGN Bonds, the "Government Bonds"). As at 31 March 2012, ₦312,343 million or 48.4 per cent. of the Access Bank Group's investment portfolio consisted of investments in AMCON Bonds, ₦204,693 million or 31.7 per cent. of the Access Bank Group's investment portfolio consisted of investments in FGN Bonds, and ₦54,774 million or 8.5 per cent. consisted of investments in treasury bills. Further, in the event that the Access Bank Group's deposits grow at a faster pace than its loan portfolio, it may need to increase its investments in Nigerian treasury bills and federal and state government bonds which are subject to the risk of declining yields and/or default. In the event that the Nigerian government defaults on its obligations, the value of Government Bonds decline or if there is some other interruption in the market for Government Bonds, there could be a significant adverse impact on the Access Bank Group. In addition, the continued strengthening of the Nigerian economy could lead to less risk aversion and lower demand for Government Bonds, resulting in lower prices which could have an adverse impact on the Access Bank Group.

As at 31 March 2012 and 31 December 2011, the Access Bank Group's top 20 borrowers comprised 30.8 per cent. and 25.8 per cent. of its gross loan portfolio, respectively. Whilst this in part reflects the limited number of high quality corporate

credits in Nigeria, the Access Bank Group will require continued emphasis on credit quality and the continued development of credit management and credit control systems to monitor this credit exposure, the failure to achieve which could have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

As at 31 March 2012 and 31 December 2011, the Access Bank Group's 20 largest depositors accounted for 25.9 per cent. and 19.1 per cent. of total deposits, respectively. As at 31 March 2012, 18.3 per cent. of the Access Bank Group's total deposits were denominated in foreign currencies (primarily U.S. dollars) of which its 20 largest depositors accounted for 57.1 per cent.. Access Bank intends to reduce the concentration in its deposit base by attracting further deposits from retail depositors, including pursuant to the Acquisition. Failure to reduce such concentration could, however, expose the Access Bank Group to increased liquidity risk and have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The Access Bank Group relies on short term deposits as its primary source of funding, which may result in liquidity gaps.

In common with other banks in Nigeria, both the Access Bank Group and the Intercontinental Bank Group have historically relied almost exclusively on corporate and retail depositors to meet their funding needs as access to other funding sources, including the capital markets, has been limited. However, the Access Bank Group is currently trying to diversify its funding sources by the issuance of capital market instruments, including the Notes, although the ability of the Access Bank Group to attract such funds could be affected by a number of factors, including Nigerian economic and political conditions, the state of the Nigerian markets and general international economic and capital markets conditions.

Nigerian companies usually withdraw their deposits on a frequent basis and are not typically in a position to place significant funds within the banking sector on a long-term basis. In addition, certain depositors have historically placed deposits with both the Access Bank Group and the Intercontinental Bank Group. Following the Merger, the concentration of deposits at the Access Bank Group may exceed such depositors' internal limits and they may be required to withdraw some or all of their deposits from the Access Bank Group. In order to bring down the higher cost of funding of the Intercontinental Bank Group, as part of the integration process, in the first quarter of 2012, the Access Bank Group re-priced interest rates paid on certain deposits that had been originally held with the Intercontinental Bank Group to lower rates that were aligned with those offered by the Access Bank Group, which led to a reduction in those deposits, especially term deposits. While the deposits have begun to increase subsequent to 31 March 2012, no assurance can be given that the Access Bank Group will be able to maintain its existing level of deposits without increasing its cost of funding, particularly as the Nigerian banking sector becomes more competitive. If a substantial portion of the Access Bank Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Access Bank Group may need to seek more expensive sources of funding to meet its funding requirements, and no assurance can be made that the Access Bank Group will be able to obtain additional funding on commercially reasonable terms as and when required. In addition, there are limited opportunities in the Nigerian market for banks to sell or factor assets other than those that are highly liquid, such as government securities. There can be no assurance that decreases in corporate deposits and/or unexpected withdrawals of retail deposits will not result in liquidity gaps that the Access Bank Group will need to cover. This, in turn, may adversely affect the Access Bank Group's business, results of operations, financial condition and/or prospects.

The Access Bank Group is exposed to liquidity risks due to maturity mismatches.

The Access Bank Group, like other commercial banks in Nigeria and elsewhere, is exposed to liquidity risk due to maturity mismatches between its assets and liabilities. The Access Bank Group has historically funded its risk assets with deposits and shareholders' funds. Deposits from banks and customers represented 85.7 per cent. of total liabilities as at 31 March 2012, as compared to 86.9 per cent. as at 31 December 2011, 87.8 per cent. as at 31 December 2010 and 91.8 per cent. as at 31 December 2009. As at 31 March 2012, 72.2 per cent. of the Access Bank Group's financial liabilities (comprising deposits from banks and customers, derivative financial instruments, claims payable, liabilities on investment contracts, and interest bearing loans and borrowings) were due within three months and 23.3 per cent. of the Access Bank Group's financial assets (comprising cash and cash equivalents, non-pledged trading assets, pledged assets, derivative financial instruments, loans and advances to banks and customers, insurance receivables and investment securities) had maturities of less than three months. See Note 6 of the Access Bank Interim Financial Statements for more details. The Access Bank Group could face difficulties in meeting its liabilities as they fall due if it does not have sufficient liquid assets to meet these maturities or withdrawals, or if it fails to attract additional medium- to long-term financing or if the Access Bank Group were to suffer a sudden increase in withdrawal of deposits, which currently form a significant portion of the Access Bank Group's funding.

Access Bank believes that the Access Bank Group's liquidity risk management policy, which includes maintaining and monitoring its cash and liquid securities portfolio to try to ensure that they are sufficient to meet current demands, coupled with its ability to call and/or re-price most of its loans on an annual basis, allow and will continue to allow it to meet its liquidity needs. In addition, the Access Bank Group has historically maintained a liquidity ratio above the relevant CBN regulatory requirement, being 30.0 per cent. as at the date of this Prospectus, of liquid assets (cash and cash equivalents, treasury bills, trading assets and government bonds) to total deposits. However, a deterioration of the Nigerian economy, an inability to access alternative sources of funds in the international capital, syndicated loan and interbank markets, significant withdrawals of corporate and retail deposits and/or continued mismatches between the Access Bank Group's assets and liabilities may, together or separately, have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The Access Bank Group may not be able to sustain the current level of growth in its loan book, and may have difficulty in maintaining credit quality, which could impact its profitability.

The Access Bank Group's gross loans and advances to customers was ₦584,828 million as at 31 March 2012, ₦624,539 million as at 31 December 2011, ₦478,138 million as at 31 December 2010 and ₦412,888 million as at 31 December 2009. The increases from 2009 to 2011 resulted from the Access Bank Group's aggressive lending policy as well as emerging lending opportunities in the real sector (non-financial sector) of the economy, particularly the oil and gas, power, manufacturing, and telecommunications sectors, in the corporate and commercial banking segment. The Access Bank Group's loan portfolio also increased following the Acquisition of the Intercontinental Bank Group, which had ₦166,629 million in gross loans as at the date of the Acquisition. There can be no assurance that the Access Bank Group will be able to sustain its current levels of growth in the future. For example, in the first quarter of 2012, the Access Bank Group's gross loan portfolio decreased primarily due to the repayment of outstanding loan obligations by certain downstream oil and gas customers during this period, as these customers did not renew loans as a result of the developments in the Nigerian oil and gas sector following the partial removal of the petroleum subsidies in Nigeria. See "*Nigeria—The Nigerian Economy—Power Sector*". The impact on loan portfolio as a result of the removal of petroleum subsidies demonstrates that the Access Bank Group, along with other banks in Nigeria, are susceptible to political and economic events in Nigeria and any future disruption as the Government continues to reform the petroleum industry, and these events could have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospectus. See also "*Risks relating to the Nigerian banking sector—The banking sector is affected by changes in the Nigerian economy*" and "*Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—The regulatory environment in the oil and gas sector in Nigeria is subject to significant ongoing change*".

An increase in the overall level of lending could increase the credit risk of the Access Bank Group. In particular, retail and small commercial banking customers typically have less financial strength than large companies, and as the Access Bank Group's retail and small enterprises business expands with the Acquisition, negative developments in the Nigerian economy could affect these borrowers more significantly than large companies. This could result in higher levels of classified loans (that is, loans classified by the Access Bank Group as substandard, doubtful or lost) for which an impairment is or needs to be made, also known as non-performing loans ("NPLs"), and as a result, higher levels of provisioning. Additionally, the Access Bank Group has significantly increased its lending to large companies, and although these companies tend to have stronger credits than retail and commercial banking customers, the rapid growth of the loan portfolio has resulted in what is effectively a new and untested loan portfolio, and the Access Bank Group does not have sufficient history with this loan book to be certain of its credit quality.

The Access Bank Group's NPLs as at 31 March 2012 stood at ₦61,978 million, representing 10.6 per cent. of total gross loans and advances, compared to ₦56,230 million or 9.0 per cent. of total gross loans and advances as at 31 December 2011, ₦71,303 million or 14.9 per cent. of total gross loans and advances as at 31 December 2010, and ₦72,514 million or 17.6 per cent. of total gross loans and advances as at 31 December 2009. A significant contributing factor in the decrease of NPLs over the periods is the repurchase of NPLs by AMCON, as discussed below (see "*There is uncertainty regarding sale of NPLs to AMCON*" and "*Risks relating to the Nigerian banking sector—Lack of confidence in the Nigerian banking system resulting from the global financial crisis may affect the Access Bank Group's performance*"). As at 31 March 2012, the Access Bank Group's NPLs were high relative to its peers, in part due to a large proportion of NPLs acquired from the Intercontinental Bank Group as a result of the Acquisition and Merger, for which the Access Bank Group has made provisions. AMCON has agreed to provide to the Access Bank Group an additional Financial Accommodation Amount (as defined below) of ₦25.8 billion, following receipt of which, the Access Bank Group intends to write off ₦17.8 billion of NPLs. Although the Access Bank Group continues to actively manage and monitor its loan portfolio, there can be no assurance that in the future, particularly as the Access Bank Group has integrated the Intercontinental Bank Group's loan portfolio and further expands its lending operations, the Access Bank Group will be able to maintain the NPL ratio recorded in March 2012. Factors which may contribute to an increase in the amount of the Access Bank Group's NPLs include an increased loan portfolio, or generally any slowdown in the Nigerian economy or a slowdown or failure by AMCON in its continued repurchasing of NPLs.

Any significant increase in credit exposure will require continued emphasis by the Access Bank Group on credit quality, the adequacy of its provisioning levels and the continued development of financial and management control. Failure to successfully manage growth and development and to maintain the quality of its assets could have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

There is uncertainty regarding sales of NPLs to AMCON.

In 2010 and 2011, both the Intercontinental Bank Group and the Access Bank Group sold certain of their NPLs to AMCON. The NPL sales were made in exchange for Federal Government of Nigeria guaranteed zero coupon bonds issued by AMCON. As at the date of this Prospectus, Access Bank has sold NPLs with a total gross value of ₦62.1 billion in exchange for AMCON Bonds (as defined below) with a face value of ₦57.1 billion and as at 23 January 2012 (being the date the Merger completed), Intercontinental Bank had sold NPLs with a total gross value of ₦523.1 billion in exchange for AMCON Bonds with a face value of ₦222.8 billion. Access Bank is currently awaiting receipt of AMCON Bonds with a face value of ₦25.8 billion in exchange for the Intercontinental Bank NPLs sold in December 2011. In addition, as part of the Acquisition, AMCON provided an initial financial accommodation amount (the "**Financial Accommodation Amount**") of approximately

₦548.3 billion to Intercontinental Bank in the form of AMCON Bonds (with an aggregate discounted value equivalent to such Financial Accommodation Amount) to cover provisions made for its remaining NPLs, diminution in value of other assets and other obligations due and unpaid and to restore Intercontinental Bank's net asset value ("NAV") to zero. See also "*Description of the Acquisition and Merger*" and "*The Nigerian Banking Sector*".

The NPL sales to AMCON were made pursuant to agreements entered into with AMCON which generally provide that any loans subject to the agreement would be transferred in full to, and thereafter beneficially owned by, AMCON. However, the loan agreements also provide that following the loan sale, AMCON has the right, for a reasonable period after the date of the purchase of the relevant NPLs (which, according to the guidelines published by AMCON in November 2010, is likely to be a period of 12 months), to conduct an independent verification and review of the valuation assigned to the relevant collateral backing the NPLs sold by each bank and to the extent that such independent review assigns a lower value to the collateral and consequently the NPLs (that is, on the basis that the loans sold to AMCON were initially overvalued) or ownership of such collateral cannot be assumed by AMCON free and clear of encumbrances or liens having priority over the security interest of the relevant bank in such collateral, then the relevant bank is obligated to make up the difference to AMCON or repurchase the relevant NPLs (expected to be undertaken by a return or cancellation of AMCON bonds). See also "*The Nigerian Banking Sector—The Asset Management Corporation of Nigeria*" below. As at 31 March 2012, ₦585.2 billion of the Access Bank Group's NPLs sold to AMCON (including ₦523.1 billion of the Intercontinental Bank Group's NPLs) were backed by collateral valued at ₦441.8 billion (including ₦228.4 billion in respect of the Intercontinental Bank Group's NPLs), of which ₦164.1 billion were sold in the twelve months prior to 31 March 2012. While Access Bank believes that the valuation both the Access Bank Group and the Intercontinental Bank Group assigned to the relevant collateral backing the NPLs sold to AMCON reflected their true value and are not subject to encumbrances or liens that would restrict the ability of AMCON to assume full right, title and interest in such collateral, as this process is new, there is no certainty regarding how or whether this right to revalue will be exercised by AMCON. Additionally, the loan sale agreements provide that AMCON can require the Access Bank Group (in respect of itself or the Intercontinental Bank Group) to repurchase some or all of the loans sold in the event of certain circumstances, including a breach of any of the representations or warranties made by each of Access Bank and Intercontinental Bank in their respective agreements with AMCON. In the event that AMCON finds that a material portion of the NPLs sold by the Access Bank Group or the Intercontinental Bank Group were overvalued, or alleges any breach of representation or warranty by the Access Bank Group or the Intercontinental Bank Group or other event requiring a repurchase of all or part of any loans sold to AMCON, AMCON could require Access Bank to repay any such excess amount or repurchase such loans, possibly through the returning or redemption of AMCON Bonds, which could, in turn, have an adverse effect on the Access Bank Group's results of operations and/or financial condition.

A decline in the value or the illiquidity of the collateral securing the Access Bank Group's loans may adversely affect its loan portfolio.

Whilst there are limitations on securing effective collateral over certain assets, including land, a substantial portion of the Access Bank Group's loans to corporate customers and individuals is secured by collateral such as real property, land leasing rights, production equipment, vehicles and securities. Downturns in the relevant markets, a lack of an existing market for the collateral within Nigeria or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, they may not be sufficient to cover irrevocable amounts on the Access Bank Group's secured loans (including any NPLs) which may require the Access Bank Group to reclassify the relevant loans, establish additional loan loss expenses and increase reserve requirements. A failure to recover the expected value of collateral may expose the Access Bank Group to losses, which may materially adversely affect the Access Bank Group's financial condition and/or results of operations.

The Access Bank Group's risk management and internal control policies and procedures may leave it exposed to unidentified or unanticipated risks.

The Access Bank Group has devoted resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and Access Bank expects to continue to do so in the future in accordance with its Enterprise Risk Management Framework ("ERM Framework"). Nonetheless, the Access Bank Group's risk management techniques and internal control policies and procedures may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Access Bank Group's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets which the Access Bank Group operates in, its clients or other matters that are publicly available or otherwise accessible by the Access Bank Group. This information may not be accurate, complete, up-to-date or properly evaluated in all instances. Any failure in the Access Bank Group's risk management techniques may have a material adverse effect on its business, results of operations, financial condition and/or prospects.

In the past the Access Bank Group has suffered from certain credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in the Access Bank Group's risk management and internal controls. There can be no assurance that the Access Bank Group's risk management and internal

control policies and procedures will adequately control, or protect the Access Bank Group against, all credit and other risks. Certain risks are unidentified or unforeseeable, and could be greater than the Access Bank Group's empirical data would otherwise indicate. The Access Bank Group cannot guarantee that all of its staff will adhere to its risk management and internal control policies and procedures. Moreover, the Access Bank Group's growth and expansion may affect its ability to implement and maintain stringent internal controls. The Access Bank Group's risk management and internal control capabilities are also limited by the information, tools and technologies available to the Access Bank Group. Although Access Bank believes that the Access Bank Group's financial systems are sufficient to ensure compliance with the requirements of the UKLA's Disclosure and Transparency Rules as a listed entity, any material deficiency in its risk management or other internal control policies or procedures may expose the Access Bank Group to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Access Bank Group's business, results of operations and financial condition and/or prospects.

The Access Bank Group's net interest margin may be under pressure due to government monetary policies and the Nigerian banking sector environment.

The banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure on the loan rate chargeable by the Access Bank Group, particularly in the corporate segment as the Access Bank Group competes for business. The Access Bank Group's net interest margin (defined as net interest income divided by average interest earning assets of Access Bank on a stand-alone basis and calculated in accordance with Nigerian GAAP) was 9.7 per cent. for the three months ended 31 March 2012 (annualised), 6.8 per cent. for the year ended 31 December 2011, 7.0 per cent. for the year ended 31 December 2010 and 7.5 per cent. for the nine months ended 31 December 2009 (annualised).

The Nigerian government has put in place several policies that have caused a decrease in interest income of Nigerian banks. The CBN's Monetary Policy Rate (the "MPR") serves as an indicative rate for transactions in the inter-bank money market as well as other market rates. Increases in the MPR cause increases in the cost of borrowing and therefore may have a negative impact on the net interest rate margin. The MPR was held constant for most of 2010 at 6.0 per cent., but was raised to 6.25 per cent. in September 2010, and has been raised six times in 2011, resulting in a rate of 12.0 per cent. in October 2011, where it remains as of the date of this Prospectus. The decision to increase the MPR was taken to tighten monetary policy further in response to increasing inflationary pressures and to support the Naira. In addition, as a result of the recent banking sector reforms, as set out in more detail in "*Risks relating to the Nigerian banking sector—Lack of confidence in the Nigerian banking system resulting from the global financial crisis may affect the Access Bank Group's performance*" below, largely through the AMCON's purchase of NPLs in the Nigerian banking sectors and subsequent recapitalisation of the Intervened Banks (as defined below), as well as increased levels of capital and availability of funding (such as the ability to access the international capital markets), the banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure on the Access Bank Group's yields earned in the corporate segment as the Access Bank Group competed for business. In future, these factors could materially and adversely affect the Nigerian banking industry as a whole and have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The Access Bank Group is subject to interest rate risk.

The Access Bank Group is exposed to interest rate risk through the interest bearing assets and liabilities in its trading and banking books. Fluctuations in interest rates could adversely affect the Access Bank Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of the Access Bank Group's fixed rate loans and raise the Access Bank Group's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Access Bank Group's investment portfolio (primarily comprised of Government Bonds). In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer default, while general volatility in interest rates may result in a gap between the Access Bank Group's interest rate sensitive assets and liabilities. This risk could be heightened in the event of sudden large fluctuations or changes in interest rates in response to economic or other conditions, such as the 275 basis points increase in the MPR in October 2011 (following an extraordinary meeting of the Monetary Policy Committee (the "MPC")) from 9.25 per cent. in September 2011. Interest rates are sensitive to many factors beyond the Access Bank Group's control, including the policies of central banks, such as the CBN, domestic and international economic conditions and political factors. There can be no assurance that the Access Bank Group will be able to protect itself from the adverse effects of future interest rate fluctuations. Any fluctuations in market interest rates, and the Access Bank Group's inability to monitor such fluctuations so as to respond in a timely and cost effective manner, could lead to a reduction in net interest income and adversely affect the Access Bank Group's financial condition and results of operations.

The Access Bank Group's objective for management of interest rate risk is to ensure a higher degree of interest rate margin stability and lower interest rate risk over an interest rate cycle. The Access Bank Group tries to achieve this by hedging material exposures with the external market. However, the Access Bank Group's operations remain subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. These risks impact both the earnings and the economic value of the Access Bank Group which, if material, could have a material adverse effect on the Access Bank Group's financial condition, liquidity, results of operations and/or prospects.

The Access Bank Group is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies.

The Access Bank Group is exposed to foreign exchange risk, as a result of adverse movements in exchange rates, primarily through its loan and deposit portfolios that are denominated in foreign currencies and through acting as an intermediary in foreign exchange transactions between central and commercial banks. Such risk, if material, would have a material adverse effect on the Access Bank Group's financial condition, liquidity and/or results of operations.

The Access Bank Group's presentation currency and its functional currency is the Naira. As at 31 March 2012 and 31 December 2011, 10.5 per cent. and 19.5 per cent. of the Access Bank Group's financial assets, respectively, and 20.1 per cent. and 22.4 per cent. of the Access Bank Group's financial liabilities, respectively, were denominated in foreign currencies, principally the U.S. dollar. Monetary assets and liabilities originally denominated in foreign currencies are translated into Naira at the relevant balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Access Bank Group's income statement. As a result, the Access Bank Group's reported income is affected by changes in the value of the Naira with respect to foreign currencies (primarily the U.S. dollar). Although the Access Bank Group has entered into forward contracts and cross currency linked forward contracts to hedge against the mismatches in the foreign currency structure of its assets and liabilities, these measures may not adequately protect the Access Bank Group from the effect of exchange rate fluctuations or may limit any benefit that the Access Bank Group might otherwise receive from favorable movements in exchange rates.

In addition, the Access Bank Group's customers may be subject to substantial foreign exchange risk, which indirectly affects the Access Bank Group's credit risk profile. As at 31 March 2012 and 31 December 2011, 12.2 per cent. and 30.1 per cent. of the Access Bank Group's gross loans and advances to customers, respectively, were denominated in foreign currencies, mainly U.S. dollars, primarily due to its lending to companies in the oil and gas and power sectors and in connection with its trade finance business. Further, Access Bank intends to use the net proceeds of the offering of the Notes to increase its lending in U.S. dollars to these customers. While, as at the date of this Prospectus, many of the Access Bank Group's borrowers of foreign currency denominated loans have significant foreign currency denominated cash flows, any significant decline in the value of the Naira may result in borrowers being unable to repay foreign-currency denominated loans, and other fluctuations in the value of the Naira against foreign currencies may have a material adverse effect on the Access Bank Group's business, financial condition, results of operations and/or prospects.

The effect of an unsuccessful introduction of new products could result in the Access Bank Group not being able to achieve its intended results.

Expansion of the Access Bank Group's business activities, including pursuant to the Merger, exposes the Access Bank Group to a number of risks and challenges, including the following:

- the Access Bank Group may have limited or no experience in certain new business activities and may not compete effectively in these areas;
- there is no guarantee that the Access Bank Group's new business activities will meet expectations for profitability;
- the Access Bank Group will need to hire or retrain personnel who are able to conduct new business activities; and
- the Access Bank Group must continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the Access Bank Group is not able to achieve the intended results in these new business areas or products, its business, results of operations and financial condition may be materially and adversely affected. In addition, if the Access Bank Group fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Access Bank Group may fail to maintain its market share or lose some of its existing customers to its competitors.

The Access Bank Group may not have adequate insurance to cover losses suffered as a result of a breakdown in its internal control policies and procedures.

There is a risk that the Access Bank Group will not be able to ensure that its internal control policies and procedures will protect it from fraud or other criminal acts committed by its employees. The Access Bank Group maintains a system of controls designed to keep operational risk at appropriate levels. However, there can be no assurance that the Access Bank Group will not suffer losses from any failure of these controls to detect or contain operational risk in the future and the inadequacy or a failure of the Access Bank Group's internal processes or systems may result in unauthorised transactions and

errors which may not be detected. The Access Bank Group also manages its operational risk by obtaining insurance from external providers. Nevertheless, there can be no assurance that the Access Bank Group's insurance will be sufficient to cover the Access Bank Group's losses from all such transactions or errors which, in turn, may have a material adverse effect on the Access Bank Group's financial condition and results of operations.

The Access Bank Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems as well as to integrate such systems with those of the Intercontinental Bank Group.

The Access Bank Group depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Access Bank Group's business and operating data. The proper functioning of the Access Bank Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems (such as its electronic fraud monitoring and surveillance systems and customer insurance programmes), as well as the communication networks between its branches and main data processing centres, are critical to the Access Bank Group's business and ability to compete effectively. Unlike banks in many other countries, the Access Bank Group is unable to rely on state or utility providers of power and telecommunication services and has to make its own arrangements to secure these services. The Access Bank Group's business activities would be materially disrupted if there is a partial or complete failure of any of the Access Bank Group's material information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages and computer viruses. In addition, limited national fibre optic coverage makes reliance on technology used to transmit narrowband data, such as the Very Small Aperture Terminal ("VSAT") mandatory in certain remote areas, which may also be affected by occurrences of similar events. The proper functioning of the Access Bank Group's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Any failure or delay in recording or processing the Access Bank Group's transaction data could subject it to claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is a critical element of the Access Bank Group's operations. The Access Bank Group's networks and systems may be vulnerable to unauthorised access and other security problems. No assurance can be given that the Access Bank Group's existing security measures will prevent security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent the Access Bank Group's security measures could use the Access Bank Group's or the Access Bank Group's clients' confidential information wrongfully. Whilst the Access Bank Group has not experienced any material disruptions or security breaches in the past, any material security breach or other disruptions could expose the Access Bank Group to risk of loss and regulatory actions and harm its reputation.

The Access Bank Group continues to undergo significant changes to its information technology as it integrates the information technology systems of the Intercontinental Bank Group, including by combining resources and centralising activities. See "*Business Description—Information Services/Technology*". Given the complexity of the systems and processes involved, this may lead to business and operational delays or problems during this transition process. In addition, following completion of the Merger, the primary and secondary data centres for the Access Bank Group are both located in Lagos, on Lagos Island, and the disaster recovery centre is also located in Lagos, although on mainland Lagos. Any natural disaster, power outages or other events affecting the Lagos region may cause disruptions or damages to the data and/or disaster recovery centres, which may adversely affect the Access Bank Group's operations.

Any substantial failure to improve or upgrade the Access Bank Group's information technology systems effectively or on a timely basis or failure to implement more efficient process automation, or the Access Bank Group's failure to implement its plans to successfully integrate the information technology systems of the enlarged Access Bank Group, could materially and adversely affect the Access Bank Group's competitiveness, results of operations, financial condition and/or prospects.

The Access Bank Group's reputation and its ability to do business may be impaired by corrupt behaviour by any of its employees or agents or those of its subsidiaries.

The Access Bank Group operates in countries and sectors known to experience corruption. While the Access Bank Group and its subsidiaries are committed to conducting business in a legal and ethical manner, there is a risk that its employees or agents may take actions that would be prohibited by the U.S. Foreign Corrupt Practices Act or the United Kingdom Bribery Act 2010 or legislation promulgated pursuant to the 1997 Organisation for Economic Co-Operation and Development (the "OECD") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption rules or regulations. These actions could result in monetary penalties against the Access Bank Group and its subsidiaries and could damage the Access Bank Group's reputation and, therefore, its ability to do business.

Legal proceedings relating to the Acquisition.

Complaints have been filed in relation to the Acquisition, including some by certain former shareholders and former management of Intercontinental Bank. As at the date of this Prospectus, three complaints have been filed by certain former shareholders and management of Intercontinental Bank, mainly against the CBN in relation to its intervention in

Intercontinental Bank's management and business, although orders were also sought against the disposal of Intercontinental Bank's business to Access Bank. Access Bank has therefore been joined as a respondent to these complaints. As at the date of this Prospectus, all three complaints have yet to be finally determined by the court. Access Bank had not made any provisions for these claims as the management is of the view that these complaints lack in merit. However, further claims, complaints or allegations may be filed against Access Bank and/or its board of directors in connection with the Merger, including for example alleging breaches of fiduciary duty, aiding and abetting breaches of fiduciary duty, or breach of applicable regulations. In addition, certain dissatisfied employees of Access Bank or Intercontinental Bank that have been negatively affected by the Acquisition and Merger of Intercontinental Bank may also institute litigation against the Access Bank Group. There can be no assurance that no further claims will be made or that any favourable settlement will be reached and approved by the court and/or that the claims will not be successful which may result in other reliefs being granted against Access Bank and/or Intercontinental Bank.

The Access Bank Group may not be able to fully comply with anti-money laundering regulations, which could result in governmental fines and a damaged reputation.

Corruption and money laundering have been and continue to be identified by external analysts as significant issues in Nigeria. As a result, the Nigerian Government has sought to implement various measures to prevent and fight these issues, including by enactment of the updated Money Laundering (Prohibition) Act of 2011, which requires financial institutions to monitor certain financial transactions of their customers more closely for evidence of money laundering and increases the reporting requirements of financial transactions by financial institutions. The Nigerian Government also established the Economic and Financial Crimes Commission (the "EFCC"), whose purpose is to investigate all financial crimes including, among others, advance fee fraud money laundering, counterfeiting and futures market fraud.

The Access Bank Group is required to comply with a variety of anti-money laundering, anti-terrorism laws and other regulations in Nigeria as well as in other jurisdictions in which it has operations. However, some of the Access Bank Group's policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and terrorist activities have only been recently adopted, and require almost continuous updating in light of legislative and other developments. Such policies and procedures may, therefore, not eliminate instances where the Access Bank Group may be used by other parties to engage in money laundering and other illegal or improper activities. Further, in 2012, James Ibori, a former Governor of Delta State, pleaded guilty and was convicted in the United Kingdom of money laundering offences for conduct occurring between 1999 and 2009. Mr. Ibori maintained accounts at banks in Nigeria and elsewhere and was a customer of Access Bank and Intercontinental Bank. The accounts at Access Bank were opened in 2008 and suspended in 2011 in cooperation with the EFCC. Access Bank believes it is not involved in any money laundering schemes by Mr. Ibori and that the accounts were opened with information available to it at the time through its normal programmes and operations required and appropriate to meet its "know your customer" and anti-money laundering obligations. In common with other banks in Nigeria, however, Access Bank continues to face ongoing risks relating to corruption and potential money laundering schemes perpetrated by individuals and companies in Nigeria. To the extent the Access Bank Group fails to fully comply with applicable laws and regulations, the relevant government agencies to whom it reports have the power and authority to impose fines and other penalties on the Access Bank Group, including the suspension or removal of its banking licence. The Access Bank Group's business and reputation could also suffer as a result of the imposition of any such penalties or any allegations relating thereto, which could, in turn, have a material adverse effect on the Access Bank Group's financial condition and/or results of operations.

The Access Bank Group's primary regulator will determine compliance with the CBN Prudential Guidelines and capital adequacy requirements based on financial information prepared in accordance with Nigerian GAAP. These financial information may differ from those produced under IFRS which will be available to investors.

As at the date of this Prospectus, Access Bank's primary regulator, the CBN, will determine Access Bank's compliance with the CBN Prudential Guidelines and capital adequacy requirements based on financial information prepared in accordance with Nigerian GAAP, not IFRS. There are significant differences between Nigerian GAAP and IFRS (see "Annex A—Summary of Significant Differences between Nigerian GAAP and IFRS"). Investors will, therefore, not be able to assess Access Bank's compliance with the CBN's capital requirements and the CBN Prudential Guidelines on the basis of its IFRS financial statements. The CBN is, however, in the process of preparing an IFRS template for assessing Nigerian banks' compliance with the CBN Prudential Guidelines and capital adequacy requirements going forward and it is currently expected that this new IFRS template will be launched later in 2012.

Additionally, in accordance with Nigerian Stock Exchange (the "NSE"), the Nigerian SEC and CBN requirements, Access Bank is required to publish quarterly financial information no later than six weeks from the end of each quarter. The information that is published pursuant to these requirements is derived from management accounts only and therefore not audited or reviewed by Access Bank's external auditors. Prior to 2012, such financial information was not prepared in accordance with IFRS, and accordingly the trends reflected in such accounts may not be indicative of the performance or condition of the Access Bank Group as reflected in future financial statements produced under IFRS.

The Access Bank Group has significant off-balance sheet credit-related commitments that may lead to potential losses.

The Access Bank Group conducts (and the Intercontinental Bank Group did conduct) business involving contingent liabilities and commitments including acceptances, endorsements, performance bonds, indemnities, guarantees and letters of credit. All

such credit-related commitments are classified as off-balance sheet items in the Access Bank Group's consolidated financial statements. As at 31 March 2012, the Access Bank Group had ₦407,877 million (U.S.\$2.62 billion) in off-balance sheet assets, compared to ₦414,982 million (U.S.\$2.66 billion) as at 31 December 2011, ₦238,881 million (U.S.\$1.53 billion) as at 31 December 2010 and ₦138,056 million (U.S.\$0.89 billion) as at 31 December 2009. Although the Access Bank Group has established allowances for its off-balance sheet credit-related commitments as it does for its on-balance sheet credits, there can be no assurance that these allowances will be sufficient to protect the Access Bank Group from the actual losses that the Access Bank Group may potentially incur on its credit-related commitments. The Access Bank Group does not create provisions for off-balance sheet liabilities so long as they are performing. However in the event that an off-balance sheet liability becomes non-performing the Access Bank Group will take it on balance sheet and create a provision. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Off-Balance Sheet Arrangements".

Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group's and the Intercontinental Bank Group's financial year end in 2009, make comparisons difficult and may result in additional tax liabilities.

Following the Acquisition on 14 October 2011, the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group's consolidated financial statements for the fourth quarter of 2011 and as at 31 December 2011. The Acquisition and Merger had a significant impact on the Access Bank Group's balance sheet and income statement items for the financial year ended 31 December 2011 and the three-month period ended 31 March 2012, and is expected to continue to have an impact thereafter. Accordingly, as a result of the Acquisition and Merger, the Access Bank Group's results for the financial year ended 31 December 2011 and the three-month period ended 31 March 2012 are not directly comparable to those for any prior financial period included in this Prospectus and are not indicative of results that would have been achieved excluding for the effects of the Acquisition and Merger.

In addition, in January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December no later than their 2008 year end, which was subsequently extended to 2009 year end. This policy was introduced to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. Each of the Access Bank Group and the Intercontinental Bank Group changed its financial year end from 31 March and 28 February respectively, to 31 December in 2009, resulting in a nine-month and ten-month financial period from 1 April 2009 and 1 March 2009, respectively, to 31 December 2009. Neither the Access Bank Group's nor the Intercontinental Bank Group's results for the respective nine-month and ten-month financial period ended 31 December 2009 are directly comparable to those for any other financial year and may not be indicative of results that would have been achieved for a period of twelve months ended 31 December 2009.

Investors should be aware of this in making any assessment of the Access Bank Group's financial performance, liquidity, results of operations or financial condition, or for purposes of a comparison of any financial measures or economic trends applicable to the three-month period ended 31 March 2012, the 2011 or 2009 accounting periods in relation to prior and/or future financial years.

Furthermore, when a Nigerian company changes its financial year end, the Nigerian Federal Inland Revenue Service (the "Nigerian FIRS") calculates, on a preceding year basis, its tax liability based on both the old and new accounting year ends, ultimately assessing the relevant company's tax liability for that year on the basis that results in a higher tax liability. Access Bank and Intercontinental Bank changed their respective financial year ends in 2009. Whilst the Nigerian FIRS' assessment of Access Bank's tax liabilities has not resulted in any higher tax liability attributable to the change in Access Bank's financial year end, it is expected to confirm, during the course of 2012, the amount of Intercontinental Bank's tax liabilities for the 2009 financial year (as well as reporting on their audit of Intercontinental Bank's 2010 financial years). It is possible that the Nigerian FIRS may determine a higher tax liability for Intercontinental Bank than it has already paid as a result of Intercontinental Bank changing its financial year end in 2009, which, if payable, could have an adverse effect on the Access Bank Group's results of operations and/or financial condition.

Risks relating to the Nigerian banking sector

The banking sector is affected by changes in the Nigerian economy.

The financial results and condition of Nigerian banks depend to a significant extent on the performance of the Nigerian economy. In the recent past, Nigeria has experienced periods of slow or negative growth, high inflation and fluctuations in the value of the Naira.

The global financial crisis has impacted Nigeria, particularly through the consequent fluctuations in oil prices and limited availability of capital. According to the National Bureau of Statistics of Nigeria (the "NBS"), Nigeria's real GDP grew 6.17 per cent. in the first quarter of 2012, 7.19 per cent. in 2011, 7.98 per cent. in 2010, 6.96 per cent. in 2009, 5.98 per cent. in 2008 and 6.45 per cent. in 2007 (where the growth figures for the first quarter of 2012 and for 2011 are provisional only).

The Nigerian economy is highly influenced by oil prices and by the country's level of oil and gas production. The oil and gas sector accounted for 16.05 per cent. of GDP and approximately 69.4 per cent. of total gross federally collectible revenue in 2009. As at 31 December 2011, according to the NBS records, the oil and gas sector accounted for approximately 14.71 per cent. of GDP for 2011, an increase from 13.54 per cent. contributed in 2010. There has also been a slight increase in growth rate, in real terms, of 0.2 per cent. in oil GDP (calculated by reference to the actual revenues generated) for 2011, contributed by the increase in oil prices during the year.

Crude oil prices declined from an average of U.S.\$101.15 per barrel in 2008 to U.S.\$62.08 in 2009, increasing to an average of U.S.\$78.80 per barrel and U.S.\$111.10 per barrel in 2010 and 2011, respectively. The average price of crude oil was U.S.\$118.64 per barrel for the three months ended 31 March 2012, but subsequently began to decline to an 18-month low of U.S.\$89.25 as at 21 June 2012.

Nigeria's oil production in 2009 and 2008 averaged 2.1 million barrels per day, compared to 2.5 million barrels per day in 2005. However, in 2010, oil production levels increased to an average of 2.47 million barrels per day as a result of the amnesty programme extended to the militants in the Niger Delta region of the country. In 2011, oil production levels decreased slightly to an average of 2.4 million barrels per day due to temporary facility shutdowns and sabotage leakages in the fourth quarter of 2011. As at the end of January 2012, Nigeria's crude oil reserves, as estimated by the Nigerian Department of Petroleum Resources, stood at 36.8 billion barrels.

Nigeria's annual inflation rate for the first quarter of 2012 as measured by the consumer price index ("CPI") was 12.1 per cent., compared to 10.9 per cent. in 2011 and 13.9 per cent. in 2010. The annual inflation rate was 6.6 per cent. in 2007 and rose to 15.1 per cent. in 2008. Inflationary pressure moderated slightly in 2009 to an annual rate of 12.0 per cent. In June 2010, the NBS changed its base year from May 2003 to November 2009 and re-weighted the CPI, reducing the weight of food in the inflation basket from 63.8 per cent. to 50.7 per cent. The intention was to provide for a more precise and accurate measure of inflation and is expected to result in an overall reduction in the inflation rate, given the impact of food prices when measuring the rate of inflation. Despite this, the changes in the CPI calculation resulted in an upward revision of the inflation rate in June 2010 from 10.3 per cent. to 14.1 per cent., although this upward revision was attributed to the increase in the standard of living in Nigeria from May 2003 to November 2009, due to a growing middle class, which translated to higher prices of goods and services.

The exchange rate of the Naira against the U.S. dollar is significantly affected by international oil prices. The sharp decline in international oil prices from over U.S.\$145 per barrel in July 2008 to below U.S.\$40.00 per barrel in January 2009 contributed to the depreciation of the Naira against the U.S. dollar during that period. In late 2008 and early 2009, the Naira/U.S. dollar exchange rate declined from a high of ₦116.64 in 2008 to a low of ₦151.37 in 2009. In the last quarter of 2008, the CBN took measures to address the instability, including drawing from Nigeria's external reserves and intervening in the currency markets. The average exchange rate for the year ended 31 December 2011 was ₦151.83:U.S.\$1.00 and for the three months ended 31 March 2012 was ₦155.89:U.S.\$1.00. The substantial decline in international oil prices and the exchange rate in the last half of 2008 and the first quarter of 2009 had a significant impact on the import contracts of importers, most of which were unhedged, particularly in the downstream oil and gas sector and the banks, including Access Bank, which had extended credit to them.

Any deterioration in economic conditions in Nigeria as a result of these or other factors, or any significant fluctuation in GDP, inflation, the value of the Naira or interest rates could adversely affect Nigerian banks, including the Access Bank Group.

Lack of confidence in the Nigerian banking system resulting from the global financial crisis may affect the Access Bank Group's performance.

The global financial crisis and the resulting decline in the Nigerian equities market in 2009 resulted in significant provisions at a number of Nigerian banks and the CBN decided in 2009 to intervene and examine all the banks in Nigeria.

Prior to the CBN's intervention, the CBN established the Expanded Discount Window ("EDW") in October 2008 to support the banking sector, which allowed banks to borrow from the CBN at longer terms (from overnight to 360 days) and expanded the types of collateral that could be used for borrowings. In June 2009, the CBN became concerned about the level of bank borrowings through the EDW, most of which was taken out by five banks which were permanent or regular users of the EDW, Afribank Nigeria Plc ("Afribank"), Finbank Plc ("Finbank"), Intercontinental Bank, Oceanic Bank International Plc ("Oceanic Bank") and Union Bank of Nigeria Plc ("Union Bank").

The CBN closed the EDW in July 2009 and, instead, provided guarantees for interbank placements and foreign creditors and correspondent banks' credit lines until the end of March 2010 which was subsequently extended to September 2011. The CBN has subsequently extended the guarantee to December 2011 for Intercontinental Bank, Union Bank, Oceanic Bank, Equitorial Trust Bank Limited ("ETB") and Finbank. However, this guarantee has now expired, and this may result in a decline in income for banks which have been net lenders in the interbank market, if they reduce their interbank lending following the expiry of the guarantee.

Following a special examination and investigation (the “**Special Examination**”) in 2009 of the 24 banks that comprised the Nigerian banking system, the CBN found significant irregularities (including, in certain cases, weaknesses in corporate governance) and capital adequacy and liquidity deficiencies at 10 of the 24 banks. Out of these 10 banks, two banks (being Wema Bank Plc (“**Wema Bank**”) and Unity Bank Plc (“**Unity Bank**”)) were required to (and successfully) undertook a recapitalisation exercise, while the other eight banks were ultimately subject to intervention (including a requirement to recapitalise before 30 September 2011) by the CBN (the “**Intervened Banks**”). To address the issues identified, the CBN has replaced some of the senior management of some Intervened Banks and injected a total of ₦620 billion into the Intervened Banks as well as Wema Bank and Unity Bank, to enable them to meet their minimum capital adequacy ratios and continue operations. The EFCC is also prosecuting some of the senior management teams in the Intervened Banks alleged to have committed financial improprieties and in October 2010, an executive member of one of the Intervened Banks was sentenced to 18 months in jail.

The Government expects that AMCON, which has a proposed ten-year timeframe in which to conduct its activities, will help rejuvenate the domestic economy and stimulate the recovery of the financial system by providing liquidity to the banks through the purchase of their NPLs, recapitalisation of the Intervened Banks, increasing access to refinancing opportunities for borrowers, increasing confidence in banks’ balance sheets and encouraging a return of confidence to the capital markets. On 31 December 2010, AMCON issued ₦1.15 trillion 3-year zero-coupon bonds with a yield of 10.125 per cent. as initial consideration bonds (“**ICBs**”) for the purchase of the NPLs of eligible financial institutions (“**EFIs**”) which constituted 21 Nigerian banks (Citibank Nigeria Limited (“**Citibank Nigeria**”), ETB and Standard Chartered Bank Nigeria Limited (“**Standard Chartered Nigeria**”) elected not to participate), including Access Bank and Intercontinental Bank, that participated in the AMCON scheme in the first round.

On 6 April 2011, AMCON issued an aggregate of ₦1.68 trillion additional bonds in three tranches. The first tranche of ₦1.15 trillion was issued in order to be swapped for, and replace the ICBs issued in December 2010, which were not tradable and therefore illiquid, with registered and tradable Tranche I bonds. Tranche II bonds, worth ₦17.6 billion, was issued for the purposes of price discovery for the benefit of future issuances, with the proceeds being used for AMCON’s working capital purposes, as well as to cover professional fees associated with the issuance. Tranche III bonds, worth ₦516.9 billion was issued for the purpose of acquiring additional NPLs from the 22 banks participating in the second phase of the AMCON scheme (Citibank Nigeria and Standard Chartered Nigeria elected not to participate).

AMCON, in anticipation of providing further financial accommodation to Intervened Banks, held an extraordinary general meeting of its bondholders on 20 September 2011, at which an increase in the shelf value of its bond issuance programme from ₦3 trillion to ₦4.5 trillion was approved. The increase was intended to create sufficient headroom to accommodate the issuances of AMCON bonds to Intervened Banks for the purposes of providing additional financial accommodation to them. In consideration for issuing such bonds, AMCON is expected to be allotted a certain proportion of shares in the capital of the relevant Intervened Banks. Certain of the Intervened Banks are then expected to repay their respective proportions of the ₦620 billion loan from the CBN in the form of AMCON bonds, following receipt of the financial accommodation from AMCON.

Further to the increment in the shelf value of its bond issuance programme, AMCON has issued some further series of bonds, part of which was used to finance provision of the Financial Accommodation Amount into Intercontinental Bank as part of the Acquisition process.

The Tranche I bonds are due in 31 December 2013 and there is no guarantee that AMCON will have sufficient funds to redeem these bonds for cash. Given the size of the maturing bonds, it is likely that AMCON will need to issue new bonds to refinance the existing bonds, which may create liquidity challenges for Access Bank and other banks that may want to redeem their holdings of AMCON Bonds (as defined below) for cash and this may have an adverse effect on investment and confidence in, and the performance of, the Nigerian economy and, as a result, may have a material adverse effect on the Access Bank Group’s business, results of operations, financial condition and/or prospects.

If AMCON and other initiatives introduced by the CBN fail to achieve the desired results, the continued weakness in the banking sector may continue to have an adverse effect on investment and confidence in, and the performance of, the Nigerian economy and, as a result, may have a material adverse effect on the Access Bank Group’s business, results of operations, financial condition and/or prospects.

Although Access Bank is not one of the Intervened Banks, it is nonetheless affected by these developments in the Nigerian banking sector, including the risk of deterioration of the commercial soundness and/or perceived soundness of the Nigerian banking sector. Continued systemic weakness in the banking sector may continue to have an adverse effect on investment in, and the performance of, the Nigerian economy and the banking sector, and in turn the Access Bank Group’s business, results of operations and/or financial condition.

The Nigerian banking sector is affected by global financial conditions as well as the soundness and perceived soundness of financial institutions outside of Nigeria.

Since 2007, the global financial crisis has affected financial markets and generally reduced the availability of capital to governments, financial institutions and other companies. Many financial institutions have needed to seek additional capital or

to merge with larger and stronger institutions and some financial institutions, including large and established ones such as Lehman Brothers, have failed. Reflecting concerns about the stability of the financial markets in general and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, have ceased to provide, funding to borrowers, including other financial institutions. Nigerian banks are subject to the risk of deterioration in global financial conditions, as well as the soundness and perceived soundness of financial institutions outside of Nigeria, primarily as it affects the availability of international financing and access to capital markets for Nigerian banks, which may have a material adverse effect on the Access Bank Group's business, results of operations and/or financial condition.

The bank regulatory system in Nigeria is still developing and may change in a manner that is adverse to the Access Bank Group.

The Nigerian banking sector is at a relatively early stage of development compared with more developed countries. Nigeria's banking industry has historically been characterised as highly fragmented, poorly capitalised and with weak banking regulations, and it is unclear how legal and regulatory developments may affect the competitive banking landscape in Nigeria. In addition, the Nigerian banking sector has experienced rapid credit growth over the past few years without necessarily having the appropriate regulatory structure, risk management practices and controls in place to protect asset quality. There may also be an increased risk of smaller banks failing to adapt to regulatory changes and the new more competitive environment.

In conjunction with the Special Examination, the CBN has announced and has begun to implement a number of changes to banking regulations, including:

- a requirement for banks to use a uniform 31 December financial year end by 31 December 2009;
- increased financial reporting disclosure requirements for Nigerian GAAP financial statements prepared and filed with the CBN;
- a requirement for banks to prepare annual IFRS financial statements, beginning from 1 January 2012;
- the termination in 2009 of the CBN's policy limiting aggregate foreign investment in any Nigerian bank to 10 per cent. of the bank's total capital;
- limits on the tenures of a bank's chief executive officer ("CEO") to ten years, effective as of January 2010, which required the resignation of the CEOs of Skye Bank Plc, United Bank for Africa Plc ("UBA") and Zenith Bank Plc ("Zenith Bank") and would require the resignation of Mr Aigboje Aig-Imoukhuede as the CEO of Access Bank by 2015. However, Mr Aigboje Aig-Imoukhuede has elected (with approval of the board of directors of Access Bank (the "Board" or "Board of Directors")) to retire by 31 December 2013, and it is currently intended that the Deputy Managing Director, Mr Herbert Wigwe, will then become the CEO of Access Bank. See "*The Nigerian Banking Sector—Prudential Guidelines*";
- a requirement for banks to rotate their external auditors every ten years and not re-appoint them until after a period of ten years has passed. The Access Bank Group is in compliance with this requirement, and plans to change its auditor, KPMG, effective from 1 January 2013. See "*The Nigerian Banking Sector—Prudential Guidelines*"; and
- reversal of the universal banking regime and a requirement for Nigerian banks to divest non-banking businesses or restructure their banking groups under a holding company structure by May 2012 (although the deadline for Access Bank is May 2013, pursuant to the extended deadline provided by the CBN in light of the Acquisition and Merger), which has required Access Bank to apply to the CBN for an international commercial banking licence, and to submit a compliance plan for the divestiture of its non-banking subsidiaries. See "*Business Description—Subsidiaries—Non-banking subsidiaries*".

The CBN has also released a circular in May 2012 which, among other things, restricts the use of capital of Nigerian banks to augment the capital needs of foreign subsidiaries.

No assurance can be given that the regulatory environment in which the Access Bank Group operates in Nigeria will not change in the future and in a manner that will have a material adverse effect on the Access Bank Group's ability to compete and thus on its business, financial condition, results of operations and/or prospects. Notwithstanding regulatory standards in Nigeria, prospective investors should understand that regulatory standards applicable to banks in Nigeria and the oversight and enforcement thereof by regulators may differ from those applicable to banking operations in countries with highly developed regulatory regimes. As a result, investors may not have the benefit of all of the protections available in such other countries.

Capital adequacy requirements in Nigeria differ from international standards and the Access Bank Group may face difficulties meeting capital adequacy requirements.

The capital adequacy requirements in Nigeria differ from those in more developed regulatory jurisdictions and the requirements are not as stringent as the guidelines from the Bank for International Settlements. See "*The Nigerian Banking Sector—Prudential Guidelines*". Moreover, the CBN is focused on paid-up capital levels rather than setting more stringent minimum levels of capital to risk-weighted assets than the current 10.0 per cent. stipulation.

The appointment of Sanusi Lamido Sanusi, Governor of the CBN, in July 2009, brought the revocation of the previous universal banking guidelines. As a replacement, the CBN released the following guideline, “*CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations*” which introduced significant reforms to the minimum paid up capital requirement. The implementation of new banking guidelines was to ensure the pursuance of a sound financial banking system in Nigeria with the aim of providing clarity to the market on the terms on which commercial banking business may be conducted, especially with hindsight to the recent economic downturn which adversely impacted the Nigerian banking industry.

Under the CBN guidelines, key regulations were passed such as the separation of non-core business lines from money-deposit commercial banking, and maintenance of a minimum paid-up share capital of ₦25 billion for institutions granted a national banking licence and ₦50 billion for institutions granted an international banking licence.

In 2004, the Basel Committee on Banking Supervision (the “**Basel Committee**”) issued a revised capital adequacy framework (“**Basel II**”) to replace the previous Capital Accord issued in 1988 (“**Basel I**”). With regard to the risk weightings to be applied to exposures to sovereign states, Basel II replaced the previous approach by a system that uses both external and internal credit assessments for determining risk weightings. However, implementation of a Basel II framework as part of a Nigerian bank’s capital management strategies is discretionary to each bank, and although all banks operating in the Nigerian banking industry have achieved compliance with the CBN Prudential Guidelines, which are based on Basel I principles, the CBN Prudential Guidelines may differ in material respects from the capital requirements contained in Basel I, as adopted by the Basel Committee. For instance, under the CBN Prudential Guidelines mortgages carry a risk weighting of 100.0 per cent. of the value of the mortgage, compared to 50.0 per cent. under Basel I. Further, whilst the Access Bank Group has started implementing Basel II since 2008, this process is still ongoing and the Access Bank Group’s risk management system may not be completely in line with Basel II principles.

In December 2010 and January 2011, the Basel Committee issued its final guidance on a new capital adequacy framework (“**Basel III**”). The reforms under Basel III include increasing the minimum common equity (or equivalent) requirement and applying stricter regulatory adjustments. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer. A countercyclical buffer may also be implemented if there is excess credit growth in any given country resulting in a system wide build up of risk. If the Basel III guidelines are implemented in Nigeria in their current form, they could increase the minimum quantity and quality of capital which Access Bank is obliged to maintain. The CBN has indicated its intention to start implementing Basel II and, potentially, Basel III standards in Nigeria from December 2012, with the aim for the new standards to apply across the Nigerian banking industry. However, the CBN has not yet issued guidelines for their implementation in Nigeria.

There can be no assurance that the CBN will not further raise the capital requirements applicable to the Access Bank Group and if the Access Bank Group requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favourable terms, in a timely manner or at all. Accordingly, although the Access Bank Group currently meets the applicable capital adequacy requirements, the Access Bank Group may face difficulties in meeting these requirements in the future. Following completion of the Merger, the Access Bank Group’s total capital to risk-weighted assets ratio was 21.0 per cent. (calculated on the basis of IFRS), as at 31 March 2012 (the CBN minimum requirement being 10 per cent. (calculated on the basis of Nigerian GAAP)). If the Access Bank Group fails to meet the capital adequacy requirements, the CBN may take certain actions, including restricting its asset growth, suspending all but its low risk activities and imposing restrictions on the payment of dividends. Failure of the Access Bank Group to comply with capital adequacy or other ratios may also result in the revocation of the Access Bank Group’s licence and breach of loan covenants. These actions could materially and adversely affect the Access Bank Group’s business, results of operations, financial condition and/or prospects.

Nigerian banks are required to transition to IFRS in 2012.

The Nigeria Accounting Standards Board and the CBN have established 1 January 2012 as the effective date by which all Nigerian banks are required to begin preparing their quarterly, semi-annual and annual financial statements in accordance with IFRS.

However, the CBN will continue to assess compliance with the CBN Prudential Guidelines and capital requirements in accordance with financial information prepared in accordance with Nigerian GAAP. Further, prior to 1 January 2012, the Access Bank Group’s historical management financial information (including segment information) has prepared based on Nigerian GAAP, whose requirements differ from those of IFRS in certain significant respects. Accordingly, the financial information available to management may not be indicative of the Access Bank Group’s results of operations prepared under IFRS. See “—*Risks relating to the Access Bank Group’s Business—The Access Bank Group’s primary regulator will determine compliance with the CBN Prudential Guidelines and capital adequacy requirements based on financial information prepared in accordance with Nigerian GAAP. These financial information may differ from those produced under IFRS which will be available to investors*” above.

Nigerian banks, including Access Bank, have been transitioning to IFRS-based systems according to their own internal deadlines, in order to meet the CBN’s 1 January 2012 deadline. The transition to IFRS for Nigerian banks may present certain risks, including possible shortages of qualified personnel who have experience with IFRS both for audit firms and Nigerian banks, and/or possible difficulties in the process of transitioning and upgrading accounting systems to IFRS-based systems, which may, in turn, require increased commitment of Access Bank’s management time and resources in order to ensure the Access Bank Group’s transition to IFRS-based systems is carried out as required. Although the Access Bank Group has taken steps to convert its annual financial statements into IFRS since March 2008 and has also converted its internal accounting

reporting system to an IFRS-based system, it may still be subject to these risks, in particular as final implementation of IFRS systems within the non-banking subsidiaries of the Intercontinental Bank Group acquired as a result of the Acquisition and Merger has yet to be concluded at the date of this Prospectus (although these non-banking subsidiaries are in the process of being divested or wound up. See “*Business Description—Subsidiaries—Non-banking subsidiaries*”). Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Access Bank Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

The increasingly competitive environment in the Nigerian banking industry may negatively affect the Access Bank Group’s prospects.

The Nigerian market for financial services is highly competitive in the sphere of standard commercial banking activities. The Access Bank Group principally competes with a number of other nationwide banks, some of which have a broader geographic reach and greater capital resources than the Access Bank Group. As at the date of this Prospectus, there are a total of 21 commercial banks registered in Nigeria. The Access Bank Group’s most significant competitors include First Bank of Nigeria Plc (“**FBN**”), UBA, Zenith Bank and Guaranty Trust Bank Plc (“**GT Bank**”). In addition, ongoing recapitalisation within the Nigerian banking sector may lead to consolidation which would further increase competition among these banks and, increasingly, in the retail banking business. Additionally, international banks, including Ecobank Nigeria Limited (a subsidiary of Ecobank Transnational Incorporated), Standard Chartered Nigeria (a wholly-owned subsidiary of Standard Chartered Bank U.K.), Stanbic IBTC Bank Plc (a subsidiary of The Standard Bank of South Africa) and Citibank Nigeria (a subsidiary of Citigroup) are increasing their presence in Nigeria and compete with the Access Bank Group for its high net worth and corporate clients. This may further increase competition in the Nigerian banking industry.

Some of the banks with which the Access Bank Group competes in Nigeria, in particular with respect to corporate lending activities, are international banks which have the support of foreign parents and have greater capital resources available to them. In many of the jurisdictions in which the Access Bank Group operates outside Nigeria, the Access Bank Group faces competition from larger, more established, and in some cases, better-capitalised local financial institutions. Access Bank expects the Nigerian corporate and commercial banking market to become even more competitive, which is likely to result in a further narrowing of spreads between deposit and loan rates and have an adverse impact on the Access Bank Group’s profitability. Additionally, the CBN has restricted exposure to certain investments by Nigerian banks, such as equity investments, to 25.0 per cent. of paid-up capital and statutory reserves, and loans to any single borrower are limited to 20.0 per cent. of shareholders’ funds, thus making it potentially difficult for the Access Bank Group to make future loans or investments in Nigeria compared to banks with larger capital bases. The Access Bank Group’s inability to continue to compete successfully in the competitive markets in which it operates would have a material adverse effect on its business, financial condition, results of operations and/or prospects.

The high credit risk of Nigerian borrowers and the lack of a fully-developed central credit bureau in Nigeria may adversely affect the Access Bank Group’s retail loan portfolio.

As the bulk of its activities and services are conducted in Nigeria, the Access Bank Group, like most Nigerian banks, is subject to the credit risk that Nigerian borrowers may not make payments of principal and interest on loans in a timely manner, if at all, and that upon any such failure to pay, the Access Bank Group may not be able to enforce any security interest or guarantee that it may have against such borrowers. The credit risk of Nigerian borrowers is relatively high when compared to borrowers from developed markets due to the stage of maturity of the Nigerian market and uncertainties inherent in the political, economic, legal and regulatory environment and the higher risk of fraud. Additionally, the current legal and administrative framework for ownership and transfer of land in Nigeria makes it difficult and expensive for landowners to register land rights and therefore it is difficult for them to pledge their land ownership rights as collateral for a mortgage or other loan.

The risk inherent to Nigerian borrowers negatively affects the Access Bank Group as it exposes the Access Bank Group to higher risks and creates higher potential losses through its loan portfolio which banks in more developed countries may be immune to. Such losses, if material, could have a material adverse effect on the Access Bank Group’s financial condition, liquidity and/or results of operations.

A central credit bureau, which keeps information on Nigerian borrowers’ credit history, including information such as timelines of loan repayments, has been launched but is not yet fully developed. The CBN has also licensed some private credit bureaux to provide credit information to banks. The bureaux are, however, facing challenges of a dearth of information on individuals and poor data gathering techniques. In addition, international rating agencies do not have sufficiently wide coverage of Nigerian borrowers. Furthermore, Nigeria’s system for gathering and publishing statistical information relating to the Nigerian economy generally, or specific economic sectors and companies within it, is not as comprehensive as those of many countries with established market economies. Thus, the statistical, corporate and financial information available to the Access Bank Group relating to some of its prospective borrowers, particularly middle tier companies, makes the assessment of credit risk, including the valuation of collateral, more challenging. Although the Access Bank Group ordinarily makes provisions for loans and advances in line with the CBN Prudential Guidelines, the absence of additional statistical, corporate and financial information may decrease the accuracy of the Access Bank Group’s assessments of credit risk. This may increase the risk of borrower default and decrease the likelihood that the Access Bank Group will be able to enforce any

security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it. This could, in turn, have an adverse effect on the Access Bank Group's business, financial condition, results of operations and/or prospects.

Delay or failure to effectively implement sectoral reforms may adversely affect the growth prospects of Nigerian banks, including the Access Bank Group.

The Government is in the process of implementing reforms in the oil and gas, power and shipping sectors. Legislative initiatives behind these reforms include the Nigerian Oil and Gas Industry Content Development Act 2010 (the "**Nigerian Content Act**"), the proposed Petroleum Industry Bill (the "**PIB**"), and the Coastal and Inland Shipping (Cabotage) Act No 5 of 2003 Cap C51 LFN 2004 ("**Cabotage Act**"). A bill which seeks to amend the Cabotage Act is currently before the House of Representatives. Amongst other things, this bill seeks to expand the jurisdiction of Cabotage Act to all off-shore operators in the Nigerian coastal and inland waters. Certain of these reforms focus on the use of domestic banks for financing, and the retention of profits in Nigerian banks. Access Bank believes that such reforms will generate new business opportunities (including increased lending opportunities) for Nigerian banks. However, there is a risk that the PIB may not be enacted into law or that the Nigerian Content Act, the Cabotage Act (including the proposed bill if enacted), the PIB (if enacted) and other expected reforms may not be implemented, or, if implemented, may not provide the expected benefits to the banking sector. Further, any uncertainty or turbulence caused as a result of the implementation (or lack of implementation) of these reforms can have a material impact on the banking sector as it did in the first quarter of 2012, when the Government partially removed petroleum subsidies, which caused market disruptions that adversely affected the Access Bank Group's lending to downstream oil and gas sector, a key sector for the Access Bank Group's Institutional Banking business. See "*Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—Certain proposed legal and regulatory reforms in Nigeria may not be successfully implemented*" below.

Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates

Most of the Access Bank Group's operations are conducted, and substantially all of its customers are located, in Nigeria. Accordingly, the Access Bank Group's financial position, results of operations and ability to recover on its loans are substantially dependent on the economic and political conditions prevailing in Nigeria.

Emerging markets such as Nigeria are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt the Access Bank Group's business, as well as cause the price of the Notes to decrease.

Investing in securities of issuers in emerging markets, such as Nigeria, generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets. These risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, greater political risk, and changes in the political and economic environment. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in securities of issuers in emerging markets, such as Nigeria, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making an investment in the Notes. Investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set forth in this Prospectus may become outdated relatively quickly.

Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of all emerging market countries, as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Nigeria and adversely affect the Nigerian economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Nigerian economy remains relatively stable, financial turmoil in any emerging market country could adversely affect the Access Bank Group's business, as well as result in a decrease in the price of the Notes.

The disruptions experienced recently in the international capital markets have also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Companies located in countries in emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

There are risks relating to other countries in which the Access Bank Group operates that could adversely affect the Access Bank Group's future business, operating results, cash flows and/or financial condition.

Currently, the Access Bank Group operates subsidiaries in, amongst others, Cote D'Ivoire, Ghana, Sierra Leone, The Gambia, Rwanda, the Democratic Republic of Congo, Burundi and Zambia. Specific country and regional risks that may have a material impact on the Access Bank Group's business, operating results, cash flows and financial condition include but are not limited to:

- political and economic instability;
- civil strife, acts of war, guerrilla activities and insurrection;
- competition from existing market participants that may have a longer history in or greater familiarity with the foreign markets it enters;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including import and export licence requirements, tariffs, legal structures and tax laws;
- cancellation of contractual rights;
- trade barriers;
- difficulties in staffing and managing operations;
- import and export restrictions;
- adverse tax consequences;
- lack of well-developed legal systems which could make it difficult for the Access Bank Group to enforce its intellectual property and contractual rights;
- security and safety of employees;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles;
- currency fluctuations;
- indigenisation and empowerment programmes;
- logistical and communications challenges; and
- changes in labour conditions.

Many of these countries and regions are in various stages of developing institutions and legal and regulatory systems that are characteristic of democracies. However, institutions in these countries and regions may not yet be as firmly established as they are in countries in the developed world. Many of these countries and regions are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect the Access Bank Group's investments in these countries and regions. Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries and regions are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

As the political, economic and legal environments remain subject to continuous development, investors in these countries and regions face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in these or neighbouring countries or others in the region may have a material adverse effect on the international investments that the Access Bank Group has made or may make in the future, which may in turn have a material adverse effect on its business, operating results, cash flows and/or financial condition.

General elections may result in political instability or changes in policies in Nigeria.

The results of general elections in Nigeria have, in the past, been subject to criticism or led to civil unrest and political tension. For example, on the completion of the April 2011 general elections and in particular the presidential elections, some

losing candidates criticised the decision of the polls, and post-election violence initially spread in northern Nigeria, as a result of the dissatisfaction with the results of the elections of supporters of an opposition party. Although such unrest and violence subsequently subsided, there can be no assurance that results of the 2015 general elections will not be subject to challenge or result in further outbreaks of violence and discontent, nor how long this may last. The outcome of elections may have a significant impact on Nigeria's political stability and may adversely affect its economy and no assurance can be given that the reforms and policies that are proposed or taking place at the relevant time will continue. Any post-election administration may pursue different policies and priorities than the previous administration, alter or reverse certain reforms or take actions that make domestic and foreign investment in Nigeria less attractive. Further, if there are allegations of fraud or other irregularities in connection with the presidential elections and such allegations are not properly handled in an orderly manner, such allegations may undermine the legitimacy of the new administration or lead to protests, violence or other unrest. Any significant changes in the political climate in Nigeria, including changes affecting the stability of the Government or involving a rejection, reversal or significant modification of policies, favouring the privatisation of state-owned enterprises, reforms in the power, banking and oil and gas sectors or other reforms, may have negative effects on the economy, government revenues or foreign reserves and, as a result, a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

There are risks related to political instability, religious differences, ethnicity and regionalism in Nigeria.

With the adoption of the new presidential constitution in May 1999, Nigeria has undergone its longest period of civilian rule since obtaining independence from the United Kingdom in 1960. In 2007, the late President Umaru Musa Yar'Adua, the presidential candidate of the People's Democratic Party ("PDP"), was elected as president, securing 70 per cent. of the votes cast. The result of the election was, however, widely disputed, not only by the opposition candidates but also by international election observers. Following the death of former President Umaru Musa Yar'Adua on 5 May 2010, Goodluck Ebele Jonathan was sworn in as President, in accordance with the Constitution on 6 May 2010 and re-elected as president in the general elections that concluded in April 2011, although the months leading to the general elections were marked by increasing political tension and violence. See also the section entitled "*Nigeria—Constitution, Government and Political Parties—April 2011 Elections*". Apart from the PDP, many of Nigeria's political parties continue to be largely based upon ethnic allegiance. At the same time, these divisions are reinforced by religious differences, particularly between the mainly Muslim north and broadly Christian south. Certain northern states have adopted Sharia law since the return to civilian rule in 1999, which resulted in further alienation of their Christian minorities.

In early 2010, hundreds of lives were lost around the central city of Jos, Plateau State, due to conflicts relating to issues of land ownership. On 24 December 2010, a series of bomb attacks were carried out in Jos, in which about 80 people died and an Islamist group has claimed responsibility for the bomb attacks. Post-election violence also spread in northern Nigeria, reportedly as a result of the dissatisfaction with the results of the elections of supporters of an opposition party. Additionally, there is resentment in the oil rich Niger Delta towards the expenditure of oil revenue in the other parts of the country and the allocation of oil revenue expenditure has provoked political debates, with the oil producing areas claiming that they deserve to achieve some additional benefit in the form of jobs and compensation for environmental degradation. In reaction, the Government increased the amount of government oil revenue returned to the oil-producing states from 3 per cent. to 13 per cent. in 2000. Opposition from some other states to this revenue-sharing formula resulted in the restriction of the application of the formula with regard to offshore resources, to the littoral boundaries of the coastal states that comprise the prolific Niger Delta region, from 200 nautical miles down to 24 nautical miles. In an attempt to resolve this conflict, the Government enacted the Allocation of Revenue Act (Abolition of Dichotomy in the Application of the Principle of Derivation Act) in 2004. However, Niger Delta states still frequently question the existing policies.

On 16 June 2011, there was a bomb blast at the national headquarters of Nigerian Police Force ("NPF") in Abuja. Boko Haram, an Islamic militia group, claimed responsibility for the attack, which aimed to target the Inspector General of Police, who was due to arrive at the NPF headquarters at the time of the explosion. Following the attack, on 26 June 2011, a second attack believed to have been carried out by the same group caused 25 fatalities in the city of Maiduguri, Borno State. A further bomb attack, claimed to have been carried out by the same group, took place on 26 August 2011, targeting the United Nations headquarters in Abuja. In recent times, there has been an increase in the number and frequency of attacks, particularly in the northern states of Nigeria. Subsequent attacks, also believed to have been carried out by the Boko Haram group, took place throughout the last quarter of 2011 until the date of this Prospectus, for example: 4 November 2011, where over 100 fatalities were caused in Damaturu and Maiduguri; 25 December 2011, with bomb blasts at churches in Damaturu, Madalla, Jos and Gadaka; 5, 6 and 20 January 2012, where attacks occurred at various sites including churches, businesses premises, police stations and immigration offices in Kano, Maiduguri, Mubi, Yola and Gombi; and 8 February 2012, with suicidal bombing at the army headquarters in Kaduna. On 26 April 2012, the Abuja and Kaduna offices of a Daily Newspaper was attacked by the Boko Haram. Series of bomb blasts have occurred in different parts of the country following the 26 April 2012 attacks. On 31 May 2012, a hostage held since 26 January 2012 in Kano by the Boko Haram group was killed when security operatives attempted a rescue mission and on 3 June 2012, a suicide church bomb was set off in Bauchi State leaving 15 dead and several others wounded. Further attacks on some churches in Kaduna took place on 17 June 2012.

These attacks have elicited stern rebukes nationwide and state security operatives within the country have been engaged to address the acts carried out by this group.

Unless resolved by the Government, these conflicts may adversely affect Nigeria's political stability which may, in turn, affect the Access Bank Group's business, financial condition, results of operations and/or prospects.

Failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy and ability to attract foreign direct investment.

Although Nigeria has implemented and is pursuing major initiatives to prevent and fight corruption and unlawful enrichment, corruption remains a significant issue in Nigeria as it is in many other emerging markets. Nigeria is ranked 143 out of 183 countries in Transparency International's 2011 Corruption Perceptions Index and placed 133 out of 183 in the World Bank's Doing Business 2012 report, which covers the period from June 2010 to May 2011. Since 2000, Nigeria has implemented various measures to prevent and fight corruption and unlawful enrichment. In particular, Nigeria created the Independent Corrupt Practices Commission in 2000 to receive complaints, investigate and prosecute offenders. In 2002, Nigeria also created the EFCC, which is mandated to combat economic and financial crimes (including powers of investigation and prosecution) and to enforce the provisions of certain laws and regulations relating to economic and financial crimes.

Despite various reform efforts, corruption continues to be a serious problem impacting Nigeria. There have been a number of high profile convictions for corruption, including that of a former Inspector General of the Police. A number of ministers and judges have been dismissed and a number of ex-state governors are facing corruption charges. Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in Nigeria could have an adverse effect on the Nigerian economy and may have a negative effect on Nigeria's ability to attract foreign investment and, as a result, may have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

Nigeria is subject to risks to its economic stability.

Despite many efforts to move it forward, the Nigerian economy still faces significant challenges. During the years of military rule, national infrastructure and services were neglected. The agricultural sector, which had been thriving at independence, was allowed to fall into a deep malaise. Nigeria went from being a net food exporter to a food importer as military heads of state neglected all but the lucrative oil sector. Manufacturing and industry, both burgeoning in the 1960s, received no government support. Despite being a major oil producer, Nigeria frequently suffers from fuel shortages and currently, only about 40 per cent. of Nigeria's total population has access to public electricity supply due to inadequate transmission and distribution networks. The current installed generation capacity of the country is only 8,664MW, at a utilisation rate of only 55 per cent., with the amount of electricity generated being 4,842MW as at 31 December 2011. As such, manufacturers, businesses and retail consumers that need to maintain a reliable power supply are forced to equip themselves with costly generators that are expensive to operate and even then, the possibility of fuel shortages can result in generators not being able to operate.

In July 2010, the Government launched Vision 20:2020, a long-term strategic plan for Nigeria to become one of the 20 largest economies in the world by 2020. In May 2010, the Government adopted the First National Implementation Plan (the "First NIP") for the years 2010-2013, a medium-term plan for implementing Vision 20:2020 and the first of three expected national implementation plans. Continued pursuit of long-term objectives such as those set forth in Vision 20:2020 and the First NIP will depend on a number of factors, including continued political support across all levels of Nigerian society and across multiple government administrations, adequate funding, and positive coordination. The quantum of funding required for these plans may be difficult or impossible to meet, and the funding requirements for these initiatives may lead to an increase in Nigeria's outstanding debt. If fiscal resources prove to be insufficient, it may not be possible to adequately pursue all of the public capital projects set forth in the Vision 20:2020 and the First NIP.

Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. For example, planned privatisations of state-owned enterprises have in some cases been met with strikes or threats of strikes in anticipation of job losses and price increases. If the Government is unable to fund or implement the medium-term objectives contained in the First NIP, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives set forth in Vision 20:2020 by 2020, which could result in an adverse effect on the economy of Nigeria, and consequently on the financial position and operations of the Access Bank Group.

Further, whilst the Government intended to remove the petroleum subsidy completely as a further step in deregulating the downstream petroleum sector, the subsidy was only partially removed as a result of protests against such removal in January 2012. Consequently the amount allocated to the petroleum subsidy in the 2012 Federal budget may not be sufficient and the Government may need to obtain alternative funding to cover the cost of the subsidy. If the budget allocated is not sufficient to cover the petroleum subsidy or the Government is unable to obtain sufficient funding to cover such subsidy, this could have an adverse effect on the economy of Nigeria, and consequently on the financial position and operations of the Access Bank Group.

The Nigerian economy is highly dependent on oil production in Nigeria and global prices of oil.

In 2011, the oil sector accounted for an estimated 14.71 per cent. of real GDP. Reductions in oil revenues could have a material adverse effect on the Nigerian economy and the ability of Access Bank to fulfil its obligations under the Guarantee,

and in turn, the ability of the Issuer to service the Notes. Nigeria's oil revenues are a function of the level of oil production in the country and prevailing world oil prices. Oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil, market uncertainty and a variety of additional factors that are beyond Nigeria's control. These factors include, but are not limited to, political conditions in the Middle East and other regions, internal and political decisions of the Organisation of the Petroleum Exporting Countries ("OPEC") and other oil producing nations as to whether to decrease or increase production of crude oil, domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions.

These factors have led to significant fluctuations in world oil prices in recent years. For example, the average spot price of crude oil (Bonny Light) was U.S.\$74.96 per barrel in 2007, U.S.\$101.15 per barrel in 2008, U.S.\$62.08 per barrel in 2009, U.S.\$78.80 per barrel in 2010, U.S.\$111.10 per barrel for the year ended 31 December 2011 and U.S.\$115.40 per barrel for the five months ended 31 May 2012. As at 21 June 2012 however, the price of crude oil declined sharply to U.S.\$89.25. Given the significant contribution of oil revenues to GDP growth in Nigeria, the fall in oil prices might lead to, or signal, a weak performance of the Nigerian economy. Since March 2012, gross world oil production has outpaced consumption driven largely by the discovery of new oil wells, improved drilling techniques in North America and a 10 per cent. increase in production from OPEC during the past 12 months. Oil production in Nigeria has also fluctuated significantly in recent years, primarily as a result of violence in the Niger Delta region. Militant activity in the Niger Delta has led to significant disruptions in the production of oil, and although such activity has decreased and oil production has increased in the wake of the amnesty programme and other government initiatives to address the needs of the Niger Delta region, no assurance can be given that militant activity will not increase from current levels or that violence in the Niger Delta region will not lead to significant disruptions in oil production in future periods. See the risk factor entitled "*Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—Militant activities in the Niger Delta could destabilise oil production in Nigeria and adversely affect Nigeria's economy*" below. The level of oil production by Nigeria may also be adversely affected by other factors, including changes in oil production quotas by OPEC or the response of international oil companies to changes in the regulatory framework for oil production in Nigeria. There may also be loss of revenue arising from the interruption of production operations and theft of crude oil from pipelines and tank farms. In addition, there may be a high incidence of abandoned projects by oil companies in communities where activities are disrupted by militants, which may lead to slower growth in oil and gas production. Many developed economies are actively seeking to develop alternative sources of energy and reduce their dependence on oil as a source of energy. Any long-term shift away from fossil fuels could adversely affect oil prices and demand and the resulting oil revenue of Nigeria and the Nigerian economy in general, and as a result, have a material adverse effect on the Access Bank Group's business, results of operations, financial conditions and/or prospects.

The continuing depletion of the Excess Crude Account and the uncertainties surrounding the newly established National Sovereign Wealth Fund could have adverse impacts on the Nigerian economy.

The Excess Crude Account is an account set up to assist in stabilising the Government's finances to address volatility in crude oil prices and production. The Excess Crude Account is funded with the positive difference, if any, between the revenue generated by the price of oil per barrel included in the budget for the year and the actual revenue received in that year. The Excess Crude Account has historically funded government subsidies of refined oil products as well as other purposes, including disbursements of approximately U.S.\$8 billion to fund the National Integrated Power Project ("NIPP") of Nigeria and U.S.\$1 billion as seed capital for the proposed National Sovereign Wealth Fund ("NSWF") (which funds have been ring fenced and are not included in the balance of the Excess Crude Account). In 2009 and 2010, such funding increased in response to the global economic crisis and the resulting higher deficits at the federal, state and local levels. The balance of the Excess Crude Account was U.S.\$19.1 billion as at 31 December 2008, U.S.\$6.9 billion at 31 December 2009, U.S.\$2.6 billion at 31 December 2010 and U.S.\$4.2 billion at 13 June 2012. The balance in the Excess Crude Account is shared between the federal government, state governments and local governments in Nigeria according to a specified formula. Depletion of the Excess Crude Account in recent times has been cited with concern by rating agencies and other third parties who view the Excess Crude Account as an important factor in ensuring the stability of the Nigerian economy. As at 31 March 2012, up to ₦202.6 billion (approximately U.S.\$1.30 billion) was drawn from the Excess Crude Account for the purposes of distribution to Federal, State and Local governments. No assurance can be given that the Excess Crude Account will not continue to be depleted at a rate greater than that necessary for the Government to stabilise its finances from the impact of volatility in oil prices and production, or that the actual price of oil will exceed the price of oil included in the budget in future periods by amounts sufficient to ensure significant funding for the Excess Crude Account in the future. The absence of such funding for the Excess Crude Account may constrain the Government's ability to finance budget deficits in the future.

The National Economic Council (which includes the 36 State Governors) and the Federal Executive Council have approved the establishment of the NSWF and the submission of a bill for its establishment to the National Assembly for consideration. The bill was submitted to the National Assembly in December 2010 and was publicly considered by the National Assembly in March 2011. On 27 May 2011, the President signed the Nigeria Sovereign Investment Authority (Establishment etc.) bill into law, creating the NSWF. The purpose of the NSWF is to build a savings base for future generations of Nigerian citizens, enhance development of the infrastructure sector and provide stabilisation support in times of economic stress. In addition, the NSWF will support and/or replace the Excess Crude Account as a secondary stabilisation account in the event of changes in oil prices and production. Pursuant to the Nigeria Sovereign Investment Authority Act and the decision of the National Economic Council, the initial funding of U.S.\$1 billion to the NSWF are to be provided by the Federal, State, Federal Capital

Territory, and Local governments and Area Councils of Nigeria (although the initial funding in fact came from the Excess Crude Account as described above). Future funding for the NSWF will be derived from residual funds received into the Federation Account from excess oil revenues, being those over and above the amount needed to fund Nigeria's national budget. The initial funding and all subsequent allocations to the NSWF will then be allocated to three special funds—the Nigerian Infrastructure Fund, the Future Generations Fund and the Stabilisation Fund—for the purpose of making investments to support the aims and purpose of the NSWF, as described above. Whilst the creation of the NSWF is an improvement to the management of Nigeria's inflow from oil exploration funds, it is still in its infancy stage and there can be no assurance as to whether it will have the necessary safeguards in place to shield it from misappropriation and political pressures, whether it will continue to have sufficient funding (as this is dependent on the price of oil), whether it will make profitable investments or achieve its strategic objectives or how it will be perceived by ratings agencies or other parties. Further, there is still a pending claim before the Supreme Court instituted by State Governors challenging the constitutionality of the NSWF with regard to its funding from proceeds in the Excess Crude Account (the legality of the flow of funding into which the State Governors are also challenging). The State Governors are of the view that pursuant to the Constitution, all revenues generated ought to be transferred to the Federation Account before distribution amongst the three tiers of government (including the Excess Crude Account and the NSWF) in accordance with the provisions of the Constitution.

The continuing depletion of the Excess Crude Account and the uncertainties surrounding the newly established NSWF may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The regulatory environment in the oil and gas sector in Nigeria is subject to significant ongoing change.

Nigeria is pursuing a number of new policy directions with the aim of restructuring its upstream and deregulating its downstream oil and gas sectors, but the final form that these measures will take is subject to significant uncertainty and subject to political and economic influences. The National Assembly of Nigeria is currently in the process of considering the PIB, which would, if enacted, significantly change the way in which the oil and gas industry is structured and regulated in Nigeria and have a significant impact on Nigeria's oil and gas business and the Nigerian economy.

Risks associated with the PIB and related efforts to reform the Nigerian oil and gas industry may include:

- as the PIB has not yet been enacted, no assurance can be given as to when it will be enacted or whether it will be enacted at all, or that the final form of any bill ultimately enacted will not differ significantly from the current proposal;
- the uncertainty created by the PIB and the necessary implementing regulations may lead international oil companies to defer further major investment in Nigeria until the new regulations have been enacted and the new legal framework for the industry has been more clearly defined, or may decide to reduce their investments in Nigeria and/or decline to pursue certain investments as a result of the new framework;
- the proposed changes in the tax structure for oil and gas companies operating in Nigeria may lead certain companies to curtail their operations or future investment;
- the proposed deregulation of the petroleum products market and the removal of petroleum subsidies (as a further step in the deregulation of the downstream petroleum sector) may adversely affect the segments of the economy most affected by the resulting increase in prices and could lead to protests from the public who currently benefit from subsidised prices. This could also lead to further inflationary pressures in the economy. The new framework may also generate less new capacity than anticipated and any new capacity may take longer than anticipated to begin operations;
- the initiatives designed to promote gas production may prove ineffective;
- the PIB may fail to adequately address the concerns of communities in the Niger Delta region or create new grounds for further conflict; and
- the proposed national oil company, which is part of the oil and gas sector reforms, may not be successful.

Similarly, the Nigerian Content Act, which was enacted in April 2010, introduced reforms in the Nigerian oil and gas industry, which include providing for preferential treatment to Nigerian companies and promoting the awarding of contracts to Nigerian companies for services provided and goods manufactured in Nigeria. Prior to the enactment of the Nigerian Content Act, local content promotion and development in the Nigerian oil and gas industry was loosely regulated. The Nigerian Content Act is widely expected to provide business and growth opportunities for Nigerian businesses. However, if the Nigerian Content Act and the other abovementioned reforms are not implemented appropriately, the Nigerian economy and Nigerian banking sector, which includes the Access Bank Group, may not achieve the growth prospects that have been expected.

Certain proposed legal and regulatory reforms in Nigeria may not be successfully implemented.

Several Government reforms are underway to improve Nigeria's electricity generation, transmission and distribution infrastructure. In August 2010, the Government launched the "Roadmap for Power Sector Reform" which seeks to remove obstacles to private sector investment in the power sector, permit the privatisation of generation and distribution companies, facilitate the construction of new transmission networks and reform the fuel-to-power sector.

Government reforms in the sea transportation sector aim to shorten the turn around time of cargo ships in Nigerian ports, reduce administrative charges, increase competition, improve safety and security and dredge the Lagos and Bonny harbours to accommodate large ocean liners. The Government is also encouraging the establishment of indigenous shipping lines through the enactment of the Cabotage Act to restrict the use of foreign vessels in domestic coastal trade in Nigeria and promote domestic shipping companies. The Cabotage Act also provides for the establishment of the Cabotage Vessel Financing Fund to promote the development of ship acquisition capacity by providing financial assistance to Nigerian operators.

There are certain provisions in each of the abovementioned regulations which, if effectively implemented, are expected to result in the growth and development of the Nigerian banking industry and also in increased levels of business and returns for the Access Bank Group. For example, the Nigerian Content Act provides that all operators, contractors and other entities engaged in any operation, business or transaction in the Nigerian oil and gas industry requiring financial services shall retain only the services of Nigerian financial institutions or organisations, except where this is impracticable. The Nigerian Content Act also requires all operators, contractors and sub-contractors to maintain a minimum of 10 per cent. of the total revenue accruing from their Nigerian operations in bank accounts domiciled in Nigeria. The Cabotage Act contains local content provisions in connection with domestic coastal carriage of cargo and passengers, which are expected to also increase Nigerian entities' requirements for finance and financial services from Nigerian banks, including the Access Bank Group.

There is however the risk that the Nigerian Content Act, the "Roadmap for Power Sector Reform", and the Cabotage Act may not be implemented appropriately. If the reforms are not implemented as intended, the Nigerian economy and Nigerian banking sector may not achieve the growth prospects that have been linked to the several ongoing government reforms, which could, in turn, have a material adverse effect on the Access Bank Group's business, financial condition, results of operation and/or prospects.

High inflation could have a material adverse effect on Nigeria's economy.

Nigeria is exposed to the risk of high inflation. In recent years, the annual inflation rate has ranged from a level of 6.6 per cent. as at 31 December 2007 to a peak of 15.1 per cent. as at 31 December 2008.

Inflationary pressure moderated in 2009, as the inflation rate assumed a downward trend. However, it increased from 10.4 per cent. at 30 September 2009 to 13.9 per cent. by 31 December 2009, reflecting an increase in demand pressure due to fuel shortages linked to the speculation that petroleum product prices would be deregulated. In 2010 inflationary pressure remained high, with a slight decrease from December 2009 to 11.8 per cent. at 31 December 2010. Inflation further decreased to 10.3 per cent. as at 31 December 2011. Although tighter monetary policies may help to curb inflation, the impact on inflation of higher food, fuel and other import prices is beyond Nigeria's control particularly since most of these products are imported. Changes in monetary and/or fiscal policy may also result in higher rates of inflation. There can be no assurance that the inflation rate will not rise in the future. Significant inflation could have a material adverse effect on Nigeria's economy and, as a result, on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The statistical information published by Nigeria may differ from that produced by other sources and may be unreliable.

The NBS and CBN, as well as a range of ministries, including the Ministry of Finance, Ministry of Petroleum, Ministry of Commerce and Industry and Ministry of Environment produce statistics relating to Nigeria and its economy. However, there can be no assurance that these statistics are as accurate or as reliable as those published by more developed countries.

Impact of the global economic crisis on the Nigerian economy.

The global recession and financial crisis in 2008 and 2009 affected Nigeria particularly through the resulting fluctuations in oil prices and increased investor aversion to risk which resulted in a withdrawal of portfolio capital and reduced access of private sector borrowers to external credit lines.

The impact of the global recession has been felt mainly through a reduction in external reserves, the weakening of the Naira towards the end of 2008 and the collapse of the Nigerian equity markets, falling commodity prices, reduced net capital inflows and the bad debt exposure of Nigerian banks. As the global economy began to improve, the real GDP growth of the country rose to 6.96 per cent. in 2009 from 5.98 per cent. in 2008, with real GDP growth of 7.98 per cent. for 2010 and estimated real GDP growth of 7.19 per cent. for 2011 6.17 per cent. for the first quarter of 2012, according to the NBS. Nonetheless, if the global economy further weakens, this may have an adverse effect on the Nigerian economy and, as a result, have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

CBN may intervene in the currency markets by drawing on external reserves and the Nigerian currency is subject to volatility.

The CBN has historically favoured maintaining the Naira within a narrow band with periodic adjustments. In late 2008 and early 2009, the Naira/U.S. dollar exchange rate experienced some instability, and declined from a high of ₦116.64 in 2008 to a low of ₦151.37 in 2009. In the last quarter of 2008, the CBN took measures to address the instability, including drawing from Nigeria's external reserves and intervening in the currency markets. The exchange rate stood at ₦149.80 at 31 December 2010. During the period, the external reserves were reduced from U.S.\$53 billion in 2008 to U.S.\$42.4 billion as at 31 December 2009, to U.S.\$37.5 billion as at 31 December 2010 and further to U.S.\$32.9 billion as at 31 December 2011. As at 19 June 2012, the external reserves had increased to U.S.\$37.2 billion.

Given the fluctuations in Nigeria's external reserves, its high dependence on oil exports and the fact that Nigeria pays for its key imports, such as refined oil, in U.S. dollars, the Naira will remain vulnerable to external shocks which could lead to a sharp decline in its value, as occurred in 2008 and this may prompt the CBN to again intervene in the currency markets in an attempt to stabilise the Naira.

Although the CBN expects to continue to gear exchange rate policy towards maintaining price stability, no assurance can be given that the exchange rate will remain stable or that the CBN will not draw on the external reserves to stabilise the exchange rate. Any further currency fluctuations and/or fluctuations in Nigeria's external reserves may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

Failure to grow the non-oil and gas sectors of its economy may constrain Nigeria's economic growth.

Over the last 10 years, Nigeria has attempted to develop the non-oil sectors of its economy by encouraging agriculture, trade, construction, telecommunications, financial services, mining and manufacturing activities. The non-oil sector grew by an average of 8.96 per cent. per year between 2005 and 2009. The non-oil sector continued to be a major driver of growth for the economy, recording 8.85 per cent. growth for the year 2011, compared to 8.93 per cent. for the year 2010, according to the NBS. The growth in this sector has largely been attributed to improved activities in the telecommunications, manufacturing, building and construction, hospitality and business services sectors.

However, the lack of infrastructure including inadequate power supply and transportation systems, reduced credit availability and consumer demand, local shortages of skilled managers and workers and inconsistent government policies may constrain development in these sectors and the current rate of growth may decline in future periods. A failure to continue to grow the non-oil sectors of its economy may constrain Nigeria's economic growth and, as a result, have an adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

Militant activities in the Niger Delta could destabilise oil production in Nigeria and adversely affect Nigeria's economy.

Over the past few years, there has been an increase in violence and civil disturbance in the Niger Delta, Nigeria's southern oil producing region, mainly from militant groups who oppose, among other things, the activities of the oil companies in the area. This violence has mainly focused on oil interests in the region and oil production from onshore fields has slowed as a result of several kidnappings and bombings of oil installations and facilities. The outcome of such actions may have a continued significant impact on Government revenues from oil production, given that most of Nigeria's oil revenues come from oil produced in the Niger Delta region.

Since early 2006, more than 250 foreign oil workers and members of their families have been kidnapped in the Niger Delta. During this period, militant attacks have been carried out on numerous oil facilities and platforms, often focused on cutting oil production by sabotaging pipelines and forcing oil companies to halt onshore production. Militants have also staged attacks on pipelines in the region, adversely affecting the output of oil from the region. In January 2010, Chevron announced it had been forced to decrease oil production in Nigeria by 20,000 barrels per day, after gunmen attacked its Makaraba-Utonana pipeline in Delta State. At least one international oil company present in Nigeria has raised the possibility that it might cease operations in Nigeria if conditions continue to worsen. However, to date, no such action has actually been carried out by any major international oil company present in Nigeria.

In 2009, the Government offered an amnesty to militants who surrendered their weapons by October 2009, in the hope that about 10,000 rebels would exchange their weapons for a pardon and retraining. Over 20,000 militants surrendered their arms and ammunition pursuant to the amnesty offer of the Government which expired on 4 October 2009. The amnesty programme has significantly reduced but not eliminated tensions in the region. In December 2009, the Movement for the Emancipation of the Niger Delta ("MEND") claimed responsibility for an attack on an oil pipeline in the Niger Delta, breaching the ceasefire agreement with the Government. After another attack on an oil pipeline in the Niger Delta in January 2010, during late President Umaru Musa Yar' Adua's absence from office, MEND announced that it would end the indefinite ceasefire it offered in 2009, threatening further hostility in the region. Following the accession to office by Goodluck Ebele Jonathan as President of Nigeria on 6 May 2010, militants in the Niger Delta region resumed their talks with the Government and other amnesty committees. However, on 1 October 2010, during Nigeria's celebration of the 50th anniversary of its independence,

two bomb blasts occurred in the capital city of Abuja. Although MEND claimed responsibility for the attacks and some arrests have been made, investigations are still ongoing. Further attacks on oil pipelines and kidnappings have taken place in November 2010 and, in December 2010, two bombs exploded during a political rally in Yenagoa, Bayelsa State, causing injury to several people. More recently, the scale of attacks has reduced, although small scale attacks to siphon off oil still occur from time to time.

In spite of the Government's efforts, militant acts in the Niger Delta continue to be directed at oil industry participants and in relation to the presence of foreign oil interests in the region and there is no assurance that militant acts will not occur in the future. Continued unrest in the Niger Delta region may lead to lower oil production, deter foreign direct investment, lead international oil companies to curtail their operations in Nigeria or lead to increased political instability and unrest and could have a material adverse effect on Nigeria's economy and, as a result, on the Access Bank Group's business, results of operations, financial condition and/or prospects.

Nigeria may face a lack of continued access to foreign trade and investment for several reasons.

Foreign direct investment ("FDI"), which comprises equity capital, re-invested earnings and other capital inflows, has steadily increased from U.S.\$3.6 billion in 2005 to a peak of U.S.\$6.9 billion in 2009, which then declined to U.S.\$6.09 billion in 2010, with a subsequent rebound to U.S.\$6.29 billion in 2011, according to reports by the United Nations Conference on Trade and Development ("UNCTAD") Global Investment Trends Monitor. The decline in 2010 can be attributed to the global financial downturn in 2008 and 2009, as greenfield projects, which are the major basis for FDI in Africa, suffered a value decline of about 10 per cent. in 2010. Similarly, peer economies within Africa also suffered declines in FDI in 2010, such as South Africa, which recorded a decrease in FDI of 77.9 per cent., and with Africa as a whole recording an average decrease in FDI of 14.4 per cent. in 2010. Despite the slight increase in FDI in 2011, the future prospect for FDI to rebound and surpass its previous inflows is uncertain. In addition, if there is no decrease in the perceived risks associated with investing in Nigeria, including those described herein, there may not be any appreciable increase in FDI, which could adversely affect the Nigerian economy and limit sources of funding for infrastructure and other projects requiring significant investment by the private sector, which, in turn, may have a material adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

Failure to adequately address Nigeria's significant infrastructure deficiencies could adversely affect Nigeria's economy and growth prospects.

Decades of under-investment have resulted in significant deterioration of Nigeria's public infrastructure, and the continuous absence of basic infrastructure to support and sustain growth and economic development. Persistent problems with power generation, transmission and distribution, a deteriorating road network, congested ports and obsolete rail infrastructure have severely constrained socio-economic development in Nigeria. Although significant advances have been made in the area of telecommunications and internet facilities in recent years, the state of development in those sectors also cannot be considered at par with that in more developed economies. The Government has identified Nigeria's decaying infrastructure as a major impediment to economic growth and the First NIP includes ambitious targets for infrastructure improvements and investments as part of the first phase of implementing the Vision 20:2020 strategy. Failure to significantly improve Nigeria's infrastructure could adversely affect Nigeria's economy and growth prospects, including its ability to meet GDP growth targets which, in turn, may have an adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

Nigeria suffers from chronic electricity shortages.

In spite of the abundant energy resources in the country and significant Government reform efforts and investments in the power sector in recent years, lack of sufficient and reliable electricity supply remains a serious impediment to Nigeria's economic growth and development. Insufficient power generation, aging infrastructure, weak distribution networks and overloaded transformers result in frequent power outages, high transmission and distribution losses and poor voltage output. Moreover, only about 40 per cent. of the Nigeria's current total population has access to public electricity supply due to inadequate transmission and distribution networks. The Government has identified improvements in electricity generation, transmission and distribution infrastructure as a critical element required to enable the country to meet its economic growth and development objectives.

To address these issues, the Government is pursuing a number of significant policy initiatives including those set forth in the First NIP and the "Roadmap for Power Sector Reform". Failure to adequately address the significant deficiencies in Nigeria's power generation, transmission and distribution infrastructure and related concerns within the power sector could lead to lower GDP growth and hamper the development of the economy which, in turn, may have an adverse effect on the Access Bank Group's business, results of operations, financial condition and/or prospects.

The taxation and customs systems in Nigeria may be subject to changes and inconsistencies.

As an emerging market economy, the Nigerian government policies and regulations on taxation, customs and excise duties may change from time to time as considered necessary for the development of the economy. In addition, the Government has indicated that taxes, customs and excise duties may be the next major sources of revenue in view of the fluctuation in revenue

derived from oil. A bill to repeal the current Customs and Excise Management Act and reform the administration and management of customs and excise in Nigeria is currently before the National Assembly. Further, the Nigerian FIRS' interpretation of, or decision with respect to, certain sections of tax laws may differ on a case by case basis. Changes in Government policies on taxation, customs and excise duties, as well as inconsistencies in interpretation of and decisions relating to tax laws, may have an adverse effect on the Access Bank Group's business, results of operations and/or financial condition, and on the tax liability of Noteholders.

There are health risks relating to operating in Nigeria that could adversely affect the Access Bank Group's business, result of operations, financial condition and/or prospects.

HIV/AIDS, tuberculosis (which is exacerbated in the presence of HIV/AIDS), malaria and typhoid are major healthcare challenges in Nigeria and other West African countries. According to research published jointly by UNAIDS (The Joint United Nations Programme on HIV/AIDS) and the World Health Organisation in November 2009, Nigeria had an HIV prevalence of approximately 3.6 per cent. among its population of adults aged between 15 and 49 years old, with the total number of estimated persons with HIV at 3.3 million. Due to the high prevalence of HIV/AIDS, malaria and typhoid in Nigeria, the Access Bank Group may incur costs relating to the loss of personnel and the related loss of productivity as well as the costs relating to recruiting and training of new personnel. The Access Bank Group is not able to quantify these costs accurately and no assurance can be given that the costs it will incur in connection with this epidemic will not have a material adverse effect on the Access Bank Group's business, result of operations, financial condition and/or prospects.

Inefficiencies in the judicial system may create an uncertain environment for investment and business activity.

Nigerian law is predicated on the common law system, with its roots being derived from the English legal system. Still in its growing phase, the Nigerian legal system continues to undergo development and faces a number of challenges including delays in the judicial process as most cases take a considerable period of time to be concluded. Similarly, the enforcement of security in Nigeria is affected by the inefficiencies in the judicial system and can result in uncertain positions. Also, security pledged for most lending in Nigeria is in the form of real estate, which may be prone to adverse price movements. However, recent years have witnessed considerable reform of the judiciary, especially in Lagos State (the commercial centre of Nigeria and where the Access Bank Group is headquartered) with the setting up of commercial courts, the appointments of more commercially minded judges and the introduction of new rules to cut down on delays in the judicial process. The slow judicial process may sometimes affect the enforceability of judgments obtained, including the ability to recover the assessed value of collateral on defaulting borrowers. Those and other factors that have an impact on Nigeria's legal system make an investment in the Notes subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

There are risks associated with weak corporate governance standards.

The CBN released a "Code of Corporate Governance for Banks in Nigeria Post Consolidation" which became effective in April 2006 and is mandatory for all banks in Nigeria. While this document reflects the increasing importance that the CBN places on improved corporate governance to improve the perception and performance of the Nigerian banking industry, the CBN has already relaxed some of its recommendations regarding corporate governance as a result of pressure from various banks regarding the tenure of service of non-executive directors. The CBN's provisions regarding corporate governance are underdeveloped and not as stringent as international standards, especially the corporate governance standards set forth in the UK Corporate Governance Code. Corporate governance provisions are in their infancy and there is a lack of tangible enforcement of corporate governance standards in Nigeria. In January 2011, the Nigerian SEC approved the implementation of a new code of corporate governance for public companies. The regulation took effect in April 2011 and is expected to bring about more stringent standards of transparency and accountability. However, no assumption can be made that these standards will be equivalent to those required in the United States or Western Europe or how quickly these standards will be adopted by companies. Although the Access Bank Group has adopted corporate governance standards beyond those required by the CBN and the Nigerian SEC, it is possible that violations of disclosure and reporting requirements or breaches of fiduciary duties by the Access Bank Group's directors could significantly affect the Access Bank Group's receipt of information material to the Access Bank Group's operations or result in inappropriate management decisions, materially adversely affecting the value of an investment in the Notes. Notwithstanding the above, Access Bank believes that the financial systems and controls of the Access Bank Group are sufficient to ensure compliance with the UK Listing Authority's Disclosure and Transparency Rules as a listed entity.

Factors which are material for the purpose of assessing the market risks associated with the Notes

Risks relating to the Notes generally.

Set out below is a brief description of certain risks relating to the Notes generally:

The Notes may be redeemed prior to maturity.

In the event of any change in, or amendment to, the laws or regulations of The Netherlands, Nigeria or any other relevant jurisdiction (including, in each case, any political subdivision or any authority of or in such jurisdiction having power to tax)

and as a result of such change or amendment the Issuer or the Guarantor, as the case may be, would be required to make a further withholding or deduction (in respect of which the Issuer or the Guarantor, as the case may be, will be required to pay additional amounts under Condition 12 (*Taxation*) in order that the net amounts received by Noteholders are the same as would have been receivable if no such withholding or deduction were made) than that required to be made as at the date of this Prospectus (as specified in Condition 12 (*Taxation*)) from (i) any payments on the Notes or under the Guarantee, or (ii) payments by the Guarantor to the Issuer to enable the Issuer to make payments on the Notes, in each case for, or on account of, any Taxes imposed or levied by or on behalf of the relevant jurisdiction, then the Issuer may, at its option, redeem all of the Notes in accordance with the Conditions. See Condition 11(b) (*Redemption and Purchase—Redemption for Taxation Reasons*) and Condition 12 (*Taxation*). On any such redemption of the Notes, it may not be possible for a Noteholder to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate.

The terms and conditions of the Notes contain provision for modifications, waivers and substitution.

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including material changes to the terms of the Notes and acceleration. These provisions permit defined majorities voting at a meeting or executing written consents to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such, or (iii) the substitution of the Guarantor or any of its other Subsidiaries as principal debtor under the Notes and the Trust Deed in place of the Issuer, all in the circumstances described in Condition 16 (*Meetings of Noteholders; Modification, Waiver and Substitution*).

Payments under the Loan and the Guarantee are subject to withholding tax.

Interest payments on the Loan from the Issuer to Access Bank are liable to withholding tax in Nigeria. The provisions of Nigerian tax law impose a withholding tax of 10 per cent. on interest or coupon payments accruing on the Loan. However, where the interest payments are due to a resident of a country which has a double tax treaty with Nigeria, such as The Netherlands, the withholding tax is reduced to 7.5 per cent. It is unclear whether payment of interest under the Guarantee will be subject to the withholding of Nigerian tax. Under each of the Loan and the Guarantee, Access Bank will be obliged to pay such additional amounts in respect of any withholding under the Loan or the Guarantee, respectively (should such withholding be required to be made by Access Bank before making payments) as shall be necessary to ensure that the recipient receives the full amount of the payment required as if no such withholding or deduction were required.

If, as a result of any change in, or amendment to, Nigerian laws or regulations, payments under the Loan or the Guarantee become subject to withholding tax in Nigeria at a rate in excess of 7.5 per cent., in the case of payments under the Loan, or 10 per cent., in the case of payments under the Guarantee, the Issuer may, on the satisfaction of certain further conditions, redeem all the Notes, but not some only, all as further described in Condition 11(b) (*Redemption and Purchase—Redemption for Taxation Reasons*).

In certain circumstances a portion of payments made on or with respect to the Notes may be subject to U.S. reporting obligations which, if not satisfied, may require U.S. tax to be withheld.

The Issuer (and where appropriate, the Guarantor) and other financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments made after 31 December 2016, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as “**FATCA**”).

The Issuer may be foreign financial institutions (“**FFIs**”) for the purposes of FATCA. If the Issuer agrees to provide certain information on its account holders pursuant to a FATCA agreement with the U.S. Internal Revenue Service (“**IRS**”) (i.e. the Issuer is a “**Participating FFI**”) then withholding may be triggered if: (i) the Issuer has a positive “passthru payment percentage” (as determined under FATCA), and (ii) (a) an investor does not provide information sufficient for the Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any FFI that is an investor, or through which payment on the Notes is made, is not a Participating FFI.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party as a result of the deduction or withholding of such amount. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

An investor that is not a Participating FFI that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

Significant aspects of the application of FATCA are not currently clear and the above description is based on proposed regulations and interim guidance. Investors should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

Enforcement of the Guarantee and the other obligations of the Guarantor under the Trust Deed, the Agency Agreement, the Subscription Agreement and the documentation relating to the Loan from the Issuer may be subject to the payment of Nigerian stamp duty.

The Trust Deed, the Agency Agreement and the Subscription Agreement (as defined below) are liable to stamp duty in Nigeria under the Stamp Duties Act, Cap S8 LFN, 2004 (the “**Stamp Duties Act**”) although, if so liable, it is unclear what the rate of any such stamp duty may be. Stamp duty is payable in Nigeria either on a flat rate or *ad valorem* basis. Based on the schedule to the Stamp Duties Act, the maximum rate of stamp duty payable in Nigeria in respect of security documents (including guarantees) securing payment or repayment of money where security is not a marketable security transferable by delivery, is 0.375 per cent. levied on an *ad valorem* basis on the value of the underlying transaction. Based on current practice in Nigeria, it is unclear whether stamp duty will be assessed on the Trust Deed, the Agency Agreement and the Subscription Agreement at a flat rate or on an *ad valorem* basis. The documentation relating to the Loan between the Issuer and Access Bank will also be liable to stamp duty in Nigeria but again it is unclear what the rate of any such stamp duty may be. However, provided documents that would otherwise be dutiable are executed outside of Nigeria, the parties have 30 days from when the documents are brought into Nigeria to arrange for payment of stamp duty. Accordingly, it is intended that the Trust Deed, the Agency Agreement, the Subscription Agreement and the documentation relating to the Loan between the Issuer and the Guarantor will each be executed and held outside of Nigeria. However, if it is necessary to bring any such documentation into Nigeria for the purposes of enforcement (including the enforcement of the Guarantee), such enforcement may be subject to the payment of the relevant rate of stamp duty, as assessed by the Nigerian Commissioner for Stamp Duties. See “*Taxation—Nigeria—Stamp duties*”. Further, as provided in Condition 18 (*Trustee*) of the Notes, the Trustee is not bound to take any proceedings for the enforcement of the provisions of the Trust Deed or the Notes or to take any other action in relation to the Trust Deed or the Notes unless, among other things, it shall have been indemnified, prefunded or provided with security to its satisfaction, which may include the prior payment of any such stamp duty to the Trustee.

Payments made in certain EU Member States may be subject to withholding tax under the EU Savings Directive.

Under EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, each Member State of the European Union (“**EU**”) is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or, certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Investors in the Notes must rely on DTC, Euroclear and Clearstream procedures.

Notes which are offered and sold in reliance on Regulation S will be represented on issue by an Unrestricted Global Note that will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Unrestricted Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective participants will maintain records of the beneficial interests in the Unrestricted Global Note. While the Notes are represented by the Unrestricted Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

Notes which are offered and sold in reliance on Rule 144A will be represented on issue by a Restricted Global Note that will be deposited with a custodian for DTC. Except in the circumstances described in the Restricted Global Note, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Restricted Global Note. While the Notes are represented by the Restricted Global Note, investors will be able to trade their beneficial interests only through DTC.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in either Global Note. Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Change of law.

The terms and conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Holdings of less than U.S.\$200,000.

It is possible that the Notes may be traded in the clearing systems in principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Should the Global Note be exchanged for Definitive Note Certificates, Noteholders who hold less than U.S.\$200,000 in principal amount of the Notes in the relevant clearing system may need to purchase or sell, on or before such exchange, a principal amount of Notes such that they are no longer holding less than U.S.\$200,000 in order to be able to exercise all of their rights and receive all of their entitlement in respect of their holding.

Risks relating to the market generally.

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The ongoing uncertainty and volatility in the financial markets related to the U.S. budget deficit, the European sovereign debt crisis and the state of the global economic recovery may adversely affect the Access Bank Group's business, results of operations, financial condition and/or prospects.

Global financial markets continue to experience disruptions, including increased volatility, and diminished liquidity and credit availability. Concerns about credit risk (including that of sovereigns) and the Eurozone crisis have increased recently, especially with the presence of significant sovereign debts and/or fiscal deficits in a number of European countries and the United States. This has raised concerns regarding the financial condition of financial institutions and other corporates located in these countries, having direct or indirect exposure to these countries, and/or whose banks, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Access Bank Group operates and the businesses and economic condition and prospects of the Access Bank Group's counterparties or customers, directly or indirectly, in ways which it is difficult to predict.

The impact of these conditions could be detrimental to the Access Bank Group and could adversely affect its business, results of operations, financial condition and/or prospects; its solvency and the solvency of its counterparties and customers; the value and liquidity of its assets and liabilities; the value and liquidity of the Notes and/or the ability of the Issuer to meet its obligations under the Notes and under its debt obligations more generally.

The Notes may be negatively affected by events in other emerging markets, including those in sub-Saharan Africa.

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market issuers as investors move their money to more stable, developed markets. The market price of the Notes is influenced by economic and market conditions in Nigeria and, to a varying degree, economic and market conditions in other African and emerging markets generally. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Nigeria, adversely affect the Nigerian economy or adversely affect the trading price of the Notes. Even if the Nigerian economy remains relatively stable and currently relies less on external debt financing than some emerging market issuers, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the government or private sector borrowers.

Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Nigeria if investors perceive risk that such developments will adversely affect Nigeria or that similar adverse developments may occur in Nigeria. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Nigeria, including elements of the information provided in this

Prospectus. See also “—Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—Substantially all of the Access Bank Group’s operations and assets are based in Nigeria; a slowdown in economic growth in Nigeria could materially adverse affect the Access Bank Group’s business” above.

An active trading market for the Notes may not develop and any trading market that does develop may be volatile.

The trading market for the Notes will be influenced by economic and market conditions in Nigeria and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, EU Member States and elsewhere. Application has been made to admit the Notes to trading on the regulated market of the London Stock Exchange. However, there can be no assurance that an active trading market for the Notes will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Nigeria.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Access Bank Group’s operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Access Bank Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for notes issued by or on behalf of Nigeria as a sovereign borrower. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Access Bank Group’s results of operations, prospects or financial condition.

Exchange rate risks and exchange controls generally.

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to U.S. dollars would reduce (i) the Investor’s Currency equivalent yield on the Notes, (ii) the Investor’s Currency equivalent value of the principal payable on the Notes and (iii) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks.

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks.

The Access Bank Group has received a B+ rating from S&P and a B rating from Fitch on its long-term foreign currency debt. The Notes have been rated B by Fitch and B+ by S&P. These ratings may not reflect the potential impact of all risks related to structure, market and the additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Access Bank Group has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Access Bank Group may adversely affect the market price of the Notes. Credit ratings included or referred to in this Prospectus have been issued by Fitch and S&P. Each of S&P and Fitch is a credit rating agency established in the EEA and registered under the CRA Regulation.

It may be difficult to effect service of legal process and enforce foreign judgments obtained outside Nigeria against the Access Bank Group and its management.

The Guarantor is a company incorporated under the laws of Nigeria and substantially all of its businesses, assets and operations are located in Nigeria. In addition, a substantial majority of its directors, and executive officers reside in Nigeria and substantially all of their assets are located in Nigeria. As a result, it may not be possible to effect service of process in the United Kingdom or United States or elsewhere outside Nigeria upon the Access Bank Group or such directors, supervisors or

executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, Nigeria does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. As a result, recognition and enforcement in Nigeria of judgments of a court in the United States or in any of such other countries in relation to any matter may be difficult. See “*Service of Process and Enforcement of Foreign Judgments*”.

Investors are relying solely on the creditworthiness of the Guarantor.

The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 5(a) (*Covenants—Negative pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves (save for certain obligations required to be preferred by law) and equally with all other unsecured obligations of the Issuer (other than obligations preferred by mandatory provisions of law, if any). The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. If a prospective investor purchases Notes, it is relying on the creditworthiness of the Guarantor and no other person. In addition, an investment in the Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Guarantor may adversely affect the market value of the Notes.

Return on an investment in Notes will be affected by charges incurred by investors.

An investor’s total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Tax consequences of holding the Notes.

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisors about their own tax situation.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Recovery upon insolvency may be uncertain.

Although Nigerian bankruptcy laws generally apply to individuals and not corporate entities, the CAMA makes provision for these laws to apply in the winding-up of an insolvent company with regards to the rights of secured and unsecured creditors. Nigerian bankruptcy laws are otherwise very similar to pre-1900 English law. Under Nigerian law, when a bank is unable to meet its obligations or suspends payment, the assets of the bank shall be available to meet all of the bank’s deposit liabilities prior to the payment of any other liabilities of the bank. Furthermore, in the event of insolvency of a company, statutory preferred creditors (for example tax, provident funds, salaries and other staff remuneration), as well as secured creditors rank in priority to unsecured creditors. Unsecured creditors for the purposes of distributions upon insolvency rank *pari passu* with each other. Additionally, the liquidator of an insolvent company has the powers to disclaim onerous contracts. In accordance with general common law bankruptcy rules, any transaction embarked upon by a company within three months prior to the winding up of the company will be deemed fraudulent and invalid, if such transaction is entered into with the purpose of giving the counterparty to the transaction a preference over other creditors of the company.

Although the jurisprudence of Nigerian courts is relatively clear on how the Access Bank Group’s assets would be applied to its liabilities in the event of it being wound up for reasons other than insolvency, there is little precedent as to how claims against the Guarantor under the agreements entered into for the purposes of the offering would be resolved in the event of insolvency. Generally, the winding up or liquidation of banks in Nigeria entails the active intervention and supervision by the CBN and NDIC, under enabling statutory provisions. Additionally, with a view to ensuring that all creditors and depositors of insolvent banks are adequately protected, there are special provisions of banking statutes which make banking insolvency a highly regulated matter. In the event of the insolvency of the Access Bank Group, the claims of holders of the Notes shall rank *pari passu* with the claims of the Access Bank Group’s other unsecured and unsubordinated creditors, after the Access Bank Group’s depositors, statutorily recognised preferential creditors and secured creditors have been paid.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Note Certificate (if issued).

The U.S.\$350,000,000 7.25 per cent. Guaranteed Notes due 2017 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 20 (*Further Issues*) and forming a single series therewith) of Access Finance B.V. (the “**Issuer**”) are (a) constituted by and subject to, and have the benefit of, a trust deed dated on or around 25 July 2012 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Access Bank Plc (the “**Guarantor**”) and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being appointed as trustee for the holders of the Notes (“**Noteholders**”) under the Trust Deed) and (b) are the subject of an agency agreement dated on or around 25 July 2012 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, the Trustee and Citibank, N.A., London Branch as principal paying and transfer agent (the “**Principal Paying and Transfer Agent**”, which expression includes any successor principal paying and transfer agents appointed from time to time in connection with the Notes), the other paying and transfer agents named therein (together with the Principal Paying and Transfer Agent, the “**Paying and Transfer Agents**”, which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes), and Citigroup Global Markets Deutschland AG, in its capacity as Registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these conditions (the “**Conditions**”) are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying and Transfer Agent and the Paying and Transfer Agents.

1. FORM, DENOMINATION AND TITLE

(a) Form and denomination

The Notes are in registered form, serially numbered.

The Notes will be offered and sold outside the United States (as defined below) in reliance on Regulation S (“**Regulation S**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and will also be offered and sold in the United States to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act. Notes sold (i) in offshore transactions in reliance on Regulation S will be issued in minimum denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000 and (ii) to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A under the Securities Act will be issued in minimum denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000 (each denomination referred to in (i) and (ii), an “**Authorised Holding**”).

(b) Title

Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfer of Notes*). The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions:

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality; and

“**Noteholder**” or “**holder**” means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and “**holders**” shall be construed accordingly. A Definitive Note Certificate (as defined below) will be issued to each Noteholder in respect of its registered holding.

Notes sold to QIBs in the United States in reliance on Rule 144A under the Securities Act will be represented by a Restricted Global Note. Notes sold to investors outside the United States to non-US persons in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Global Note. The Restricted Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company (“DTC”). The Unrestricted Global Note will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”).

Ownership of beneficial interests in the Restricted Global Note will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Note will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected through, records maintained in book entry form by DTC and its participants or by Euroclear, Clearstream, Luxembourg and their respective participants as applicable. Global Notes will be exchangeable for Notes in definitive form only in certain limited circumstances specified in the Global Note.

(c) **Third party rights**

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. **REGISTRATION**

The Issuer will cause a register (the “**Register**”) to be kept at the Specified Office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

3. **TRANSFER OF NOTES**

(a) **Transfer**

Each Note may, subject to the terms of the Agency Agreement and to Conditions 3(b) (*Formalities Free of Charge*), 3(c) (*Closed Periods*) and 3(e) (*Regulations Concerning Transfer and Registration*), be transferred in whole or in part in an Authorised Holding by lodging the relevant Definitive Note Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying and Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Paying and Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. A Note may be registered only in the name of, and transferred only to, a named person or persons. No transfer of a Note will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, register the transfer and deliver a new Definitive Note Certificate to the transferee (and, in the case of a transfer of part only of a Note, deliver a Definitive Note Certificate for the untransferred balance to the transferor), at its Specified Office or (as the case may be) the Specified Office of any Paying and Transfer Agent, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor) otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Definitive Note Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(b) **Formalities Free of Charge**

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

(c) **Closed Periods**

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.

(d) **Business Day**

In these Conditions, “**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in both New York City and the city in which the Specified Office of the Registrar or, as the case may be, the Principal Paying and Transfer Agent is located.

(e) **Regulations Concerning Transfer and Registration**

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee.

(f) **Authorised Holdings**

No Note may be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings.

4. **STATUS AND GUARANTEE**

- (a) The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the “**Guarantee**”) constitutes direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **COVENANTS**

For so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer, as applicable, and the Guarantor undertake to comply with each of the following covenants.

(a) **Negative Pledge**

Neither the Issuer nor the Guarantor will, and the Guarantor will not permit any of its Material Subsidiaries to, directly or indirectly create or have outstanding any mortgage, charge, lien, pledge, encumbrance or other security interest (each a “**Security Interest**”), other than Permitted Security Interests (as defined below), upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness (as defined below), unless, at the same time or prior thereto, the Issuer’s or, as the case may be, the Guarantor’s obligations under the Notes (in the case of the Issuer), the Guarantee (in the case of the Guarantor) and the Trust Deed (in both cases) (i) are secured by the Security Interest equally and rateably with the Indebtedness to the satisfaction of the Trustee or (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-quarters of the votes cast thereon) of the Noteholders.

(b) **Restricted Payments**

The Guarantor shall not, and shall ensure that each of its Subsidiaries shall not, directly or indirectly:

- (i) declare or pay any dividend, in cash or otherwise, or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital (other than a dividend or other distribution payable to the Guarantor or a Subsidiary of the Guarantor); or

- (ii) voluntarily purchase, redeem or otherwise retire for value any debt (including any form of capital instrument) of the Guarantor subordinated by its terms to the obligations of the Guarantor under the Guarantee,

(any such action, a **“Restricted Payment”**), if such Restricted Payments when aggregated with all other Restricted Payments previously made in respect of the relevant financial year of the Guarantor exceed 75 per cent., of the Group’s consolidated profit after tax and extra-ordinary activities for such fiscal year, determined by reference to the Group’s audited consolidated IFRS financial statements for such fiscal year.

(c) **Capital Adequacy**

The Guarantor shall:

- (i) not permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the Central Bank of Nigeria (“**CBN**”) and the ratio of its Capital to its Risk Weighted Assets to fall below 10 per cent., as calculated in accordance with the BIS Guidelines; and
- (ii) at all times comply with all rules, regulations and prudential supervision ratios of the CBN applicable to banks in the Federal Republic of Nigeria (“**Nigeria**”) except where failure to so comply would not have a Material Adverse Effect.

(d) **No Consolidation or Merger**

The Guarantor shall not without the prior written consent of the Trustee (which consent may only be given by the Trustee if it is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders) consolidate with or merge into any other Person (or enter into any transaction whose effect would be similar to that of a merger) or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets to any Person by one or more transactions or series of transactions (whether related or not) (any such consolidation or merger (or transaction whose effect would be similar to that of a merger) and any such transaction or series of transactions, a **“consolidation”** or **“merger”**) if such consolidation or merger would have a Material Adverse Effect, unless:

- (i) the Guarantor shall be the continuing Person or the successor Person (as a result of such consolidation or merger) shall be a corporation organised and validly existing under the laws of Nigeria, and shall expressly assume by a supplemental trust deed to the Trust Deed in form and substance satisfactory to the Trustee, all of the obligations of the Guarantor under the Guarantee and the Trust Deed;
- (ii) immediately before and after giving effect to such consolidation or merger, no Potential Event of Default (as defined in the Trust Deed) or Event of Default shall have occurred and be continuing; and
- (iii) the Guarantor or such successor Person, as the case may be, shall have delivered to the Trustee (A) an opinion of independent legal advisers of recognised standing stating the consolidation or merger complies with the provisions of paragraph (i) above and (B) a certificate signed by two of its directors stating the consolidation or merger complies with the provisions of paragraphs (i) and (ii) above.

(e) **Disposals**

- (i) Without prejudice to the provisions of Conditions 5(d) (*No Consolidation or Merger*) or 5(f) (*Transactions with Affiliates*), the Guarantor shall not, and shall ensure that none of its Material Subsidiaries will (in each case disregarding any sale, lease, transfer or disposal made in the ordinary course of Banking Business of the Guarantor or in the case of a Material Subsidiary, the ordinary course of business of the relevant Material Subsidiary) sell, lease, transfer or otherwise dispose of, to a Person other than the Guarantor or a Subsidiary of the Guarantor, by one or more transactions or series of transactions (whether related or not), the whole or any Material Part of any of its revenues or its assets unless such transaction(s) is/are (i) for Fair Market Value and (ii) has/have been approved by a resolution of the appropriate decision making body of the Guarantor or the relevant Material Subsidiary, as the case may be, resolving that the transaction complies with the requirements of this Condition 5(e) (*Disposals*); provided that this Condition 5(e) (*Disposals*) shall not apply to any Permitted Disposal.

For the purpose of determining whether or not one or more disposals is of a Material Part, (i) in determining the book value of the revenues or assets being disposed of, reference shall be had to

the most recent published audited consolidated IFRS financial statements of the Guarantor or non-consolidated IFRS financial statements of the Material Subsidiary, as the case may be, at the time the disposal is completed and (ii) in determining the book value of the total revenues or total assets of the Group, reference shall be had to the most recent published audited consolidated IFRS financial statements of the Guarantor at the time the determination is made.

“**Material Part**” means in respect of any one or more transactions or series of transactions (whether related or not) (a) completed since 19 July 2012, revenues or assets the book value of which is 10.0 per cent. or more of the book value of the total revenues (with respect to a disposal of revenues) or total assets (with respect to a disposal of asset) of the Group and (b) completed in any 12 month period, revenues or assets the book value of which is 5.0 per cent. or more of the book value of the total revenues (with respect to a disposal of revenues) or total assets (with respect to a disposal of asset), of the Group.

- (ii) For the avoidance of doubt, this Condition 5(e) (*Disposals*) shall not apply to any revenues or assets (or any part thereof) which are the subject of any Securitisation Transaction (as defined below), provided the aggregate value of the assets or revenues which are the subject of all such Securitisation Transactions, when added to the aggregate value of the revenues or assets subject to any Security Interest described under paragraph (xi) in the definition of Permitted Security Interests below and permitted under these Conditions, does not at any time exceed 10 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group.

(f) **Transactions with Affiliates**

The Guarantor shall not, and shall ensure that each of its Subsidiaries shall not, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an “**Affiliate Transaction**”), including, without limitation, inter-company loans, unless the terms of such Affiliate Transaction are no less favourable to the Guarantor or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm’s-length transaction for Fair Market Value with a Person that is not an Affiliate of the Guarantor or such Subsidiary.

This Condition does not apply to (i) compensation or employee benefit arrangements with any officer or director of the Guarantor or any of its Subsidiaries arising as a result of the employment contract of such officer or director, or (ii) any Affiliate Transaction between the Guarantor and any of its Subsidiaries or between any Subsidiaries of the Guarantor.

6. DEFINITIONS

In these Conditions:

- (a) “**Affiliate**” of any specified Person means (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or who has as a director a Person who is also a director of such specified Person; or (ii) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in (i) above;
- (b) “**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of any national, regional or local government of, any state or, as applicable, of any supra-national body;
- (c) “**Banking Business**” means, in relation to the Guarantor or any of its Subsidiaries, any type of banking business (including, without limitation, any short term inter-bank operations with maturities of one year or less, factoring, consumer credit, mortgages, issuance of banking guarantees and letters of credit (and related cash cover provision), bills of exchange, promissory notes and certificates of deposit and payments under such guarantees, letters of credit, trading of securities, fund management and professional securities market participation business) or other financial services which it conducts or may conduct pursuant to any licence issued by the appropriate authorities for that purpose and any applicable law;
- (d) “**BIS Guidelines**” means the framework for measuring the capital adequacy of international banks contained in the July 1988 text of the Basle Capital Accord, published by the Basle Committee on Banking Supervision (as amended, updated or supplemented from time to time), without any amendment or other modification by any other Agency;

- (e) “**Capital**” means the Guarantor’s capital as such term is defined in the BIS Guidelines;
- (f) “**Fair Market Value**” means the value that would be obtained in an arm’s-length commercial transaction between an informed and willing seller or equivalent participant in such transaction (under no undue pressure or compulsion to sell or otherwise participate in the transaction) and an informed and willing buyer or equivalent participant in such transaction (under no undue pressure or compulsion to buy or otherwise participate in the transaction). A report of the auditors of the Guarantor or a report by a financial institution of international repute on the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee shall be conclusive and binding on all parties;
- (g) “**Group**” means the Guarantor and its Subsidiaries, from time to time, taken as a whole;
- (h) “**IFRS**” means International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re issued from time to time);
- (i) “**Indebtedness**” means, with respect to any Person at any date of determination (without duplication), any present or future indebtedness of such Person for, or in respect of, money borrowed or any amount raised including, without limitation, (i) any amount raised by way of acceptance under any acceptance credit facility, (ii) any amount raised pursuant to any note purchase facility or the issue of notes, bonds, debentures, debenture stock, loan stock or any other security or similar instrument, (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with IFRS in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases (each a “**Finance Lease**”), (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (v) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement and the sale of receivables or other assets on a “**with recourse**” basis) having the economic or commercial effect of a borrowing (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business), and the amount of any liability in respect of any guarantee or indemnity for any of the above;
- (j) “**Material Adverse Effect**” means a material adverse effect on (i) the business, financial condition or results of operations of the Guarantor or the Group, or (ii) the Issuer’s ability to perform its obligations under the Notes and/or the Trust Deed or the Guarantor’s ability to perform its obligations under the Guarantee and/or the Trust Deed;
- (k) “**Material Subsidiary**” means at any time a Subsidiary of the Guarantor which has gross revenues representing 10 per cent., or more of the consolidated gross revenues of the Group or total assets representing 7.5 per cent., or more of the consolidated total assets of the Group, in each case calculated on a consolidated basis in accordance with the then most recent audited consolidated financial statements of the Guarantor, as more particularly defined in the Trust Deed. For the purpose of this definition, a report by two directors of the Guarantor whether or not addressed to the Trustee that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.
- (l) “**Permitted Disposal**” means the sale by the Guarantor of the following subsidiary companies as described in the Prospectus dated 19 July 2012:
 - (i) Access Bank Cote d’Ivoire,
 - (ii) Access Bank (Gambia) Limited,
 - (iii) FinBank Burundi,
 - (iv) Access Bank (Sierra Leone) Limited,
 - (v) Intercontinental Bank (UK) Plc,
 - (vi) Access Investment and Securities Limited,
 - (vii) Access Homes and Mortgages Limited,
 - (viii) Project Star Investment Limited,
 - (ix) Intercontinental WAPIC Insurance Plc,

- (x) Intercontinental Capital Markets Limited,
 - (xi) Intercontinental Securities Limited,
 - (xii) Intercontinental Homes Savings and Loans Limited,
 - (xiii) Intercontinental Properties Limited,
 - (xiv) Intercontinental Finance and Investment Limited,
 - (xv) Intercontinental Registrars Limited,
 - (xvi) Intercontinental Trustees Limited,
 - (xvii) Flexmore Technologies Limited,
 - (xviii) Intercontinental Bureau de Change Limited,
 - (xix) Access Bureau de Change Limited, and
 - (xx) Access Insurance Brokers Limited.
- (m) **“Permitted Security Interests”** means:
- (i) Security Interests in existence on 19 July 2012;
 - (ii) Security Interests arising in the ordinary course of Banking Business (including netting or set off arrangements for the purposes of netting debit and credit balances);
 - (iii) Security Interests granted in favour of the Guarantor by any of its Subsidiaries;
 - (iv) Security Interests on assets or property acquired (or deemed to be acquired) under a Finance Lease, or claims arising from the use or loss of or damage to such assets or property, *provided that* any such Security Interest secures only Indebtedness under such Finance Lease, including, without limitation to the generality of the foregoing, any Security Interest created pursuant to any Repo transaction;
 - (v) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are standard or customary in the relevant market and in the ordinary course of business (and not for the purposes of raising credit or funds for the operation of the Guarantor and/or any Material Subsidiary of the Guarantor, as the case may be, other than on a short-term basis as part of the Guarantor’s or such Material Subsidiary’s liquidity management activities), in connection with (A) contracts entered into substantially simultaneously for sales and purchases at market prices of foreign exchange or securities (including, but not limited to, Repos and “Lombard” credits extended by the CBN), (B) insurance deposits placed by the Guarantor or such Material Subsidiary as security for guarantees issued in respect of the export import operations of the Guarantor’s or such Material Subsidiary’s customers, (C) the establishment of margin deposits and similar collateral in connection with any trading transactions, (D) proprietary trading activities generally or (E) any derivative transaction entered into by the Guarantor or such Material Subsidiary in connection with taking protection against or benefiting from a fluctuation in any rate or price;
 - (vi) Security Interests on the assets or property of a Person existing at the time that such Person is acquired as a Subsidiary by the Guarantor, *provided that* such Security Interests: (A) were not created in contemplation of such acquisition; and (B) do not extend to any other assets or property of the Guarantor or any Subsidiary of the Guarantor (other than those of the Person acquired and its Subsidiaries (if any));
 - (vii) Security Interests already existing on assets or property acquired or to be acquired by the Guarantor or a Subsidiary of the Guarantor, *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);
 - (viii) any Security Interests arising by operation of law;
 - (ix) Security Interests arising in connection with any court proceedings which do not constitute an Event of Default;
 - (x) Security Interests on any assets or property acquired by any member of the Group after 19 July 2012 to secure the purchase price of such assets or property or to secure Indebtedness

incurred solely for the purpose of financing the acquisition of such assets or property and transactional expenses related to such acquisition or expenses related to the repair or refurbishment of such assets or property, *provided that* the maximum amount of Indebtedness secured by such Security Interest does not exceed the purchase price of such assets or property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition, repair or refurbishment of such assets or property;

- (xi) any Security Interests on, or with respect to, any present or future assets of the Guarantor or any of its Subsidiaries or any part of such assets that is created pursuant to any Securitisation Transaction, provided the aggregate value of the assets subject to such Security Interests when added to the aggregate value of the assets the subject of any Securitisation Transaction permitted pursuant to Condition 5(e) (*Disposals*), does not at any time exceed 20 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group;
- (xii) any Security Interests not otherwise permitted by the preceding paragraphs (i) to (xi) (inclusive), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 20 per cent. in aggregate of the total assets of the Group shown on the most recent audited consolidated annual or, as the case may be, audited consolidated interim financial statements of the Guarantor; and
- (xiii) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any assets or property not previously subject to such Security Interest;
- (n) **“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, agency or other entity, whether or not having separate legal personality;
- (o) **“Repo”** means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing, and, for purposes of this definition, the term securities means any capital stock, share, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral organisation;
- (p) **“Risk Weighted Assets”** means the aggregate of the Group’s consolidated balance sheet assets and off-balance sheet engagements, weighted for credit and market risk in accordance with the BIS Guidelines;
- (q) **“Securitisation Transaction”** means any securitisation of receivables, asset backed financing, or comparable secured loan financing or similar arrangement by which an entity acquires or provides finance against the security of certain assets or revenues and that entity funds such acquisition or financing from external funding sources (including, but not limited to, debt securities or banking facilities) on terms that such funding will be repaid primarily from such assets or revenues; and
- (r) **“Subsidiary”** means, in relation to any Person at any time, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the first Person and/or any one or more of the first Persons’ Subsidiaries, and **“control”** means the power (whether directly or indirectly) and whether by the ownership of share capital, the possession of voting power, contract or otherwise to appoint the majority of the members of the governing body of management or otherwise to control the affairs and policies, of that other Person.

7. DETERMINATION OF MATERIAL ADVERSE EFFECT

To the extent that the Trustee is instructed to take any action pursuant to (a) a request in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or (b) an Extraordinary Resolution of

Noteholders, and any such action requires the determination of whether an event or occurrence has had a Material Adverse Effect, the Trustee shall have no duty to enquire or satisfy itself as to the existence of an event or occurrence having a Material Adverse Effect and shall be entitled to rely conclusively upon such request in writing by, or Extraordinary Resolution of, the Noteholders regarding the same, and shall bear no liability of any nature whatsoever to the Issuer or the Guarantor for acting upon such request in writing or Extraordinary Resolution of the Noteholders.

8. **TRUSTEE NOT OBLIGED TO MONITOR COMPLIANCE**

The Trust Deed does not oblige the Trustee to monitor compliance by the Issuer or the Guarantor, as the case may be, with the Conditions (including Conditions 5(a) (*Negative Pledge*), 5(b) (*Restricted Payments*), 5(c) (*Capital Adequacy*), 5(d) (*No Consolidation or Merger*), 5(e) (*Disposals*) and 5(f) (*Transactions with Affiliates*)) but it does oblige the Issuer and the Guarantor to furnish the Trustee, annually, with a certificate, on which the Trustee may rely, as to such compliance.

9. **INTEREST**

(a) **Interest Accrual**

Each Note bears interest from 25 July 2012 (the “**Issue Date**”) at the rate of 7.25 per cent. per annum (the “**Rate of Interest**”) payable semi-annually in arrear on 25 January and 25 July in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 10 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

(b) **Cessation of Interest**

Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 17 (*Notices*).

(c) **Calculation of Interest for an Interest Period**

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) **Calculation of Interest for any other period**

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Conditions 9(c) (*Calculation of Interest for an Interest Period*) and 9(d) (*Calculation of Interest for any other period*) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

10. **PAYMENTS**

(a) **Principal etc.**

Payment of principal in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the person shown in the Register at the close of business on the Record Date (as defined below) and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Note Certificate at the Specified Office of the Registrar or of the Paying and Transfer Agents.

(b) **Interest**

Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.

(c) **Record Date**

“**Record Date**” means the fifteenth day before the due date for the relevant payment.

(d) **Payments**

Each payment in respect of the Notes pursuant to Conditions 10(a) (*Principal etc.*) and 10(b) (*Interest*) will be made by U.S. dollar cheque drawn on a branch of a bank that processes payments in U.S. dollars mailed to the holder of the relevant Note at his address appearing in the Register. However, upon application by the holder to the Specified Office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank that processes payments in U.S. dollars.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 10(a) (*Principal etc.*), if later, on the business day on which the relevant Definitive Note Certificate is surrendered (or, in the case of part payment only, endorsed), as the case may be, as specified in Condition 10(a) (*Principal etc.*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated, in the case of payments referred to in Condition 10(a) (*Principal etc.*), on the later of the due date for payment and the day on which the relevant Definitive Note Certificate is surrendered (or, in the case of part payment only, endorsed), as the case may be, as specified in Condition 10(a) (*Principal etc.*), and, in the case of payments referred to in Condition 10(b) (*Interest*), on the due date for payment.

(e) **Agents**

The names of the initial Paying and Transfer Agents and Registrar and their Specified Offices are set out below. The Issuer and the Guarantor reserve the right under the Agency Agreement at any time with the prior written approval of the Trustee by giving to the Principal Paying and Transfer Agent and any other Agent (as defined in the Trust Deed) concerned at least 45 days' prior written notice, which notice shall expire at least 20 days before or after any due date for payment in respect of the Notes, to vary or terminate the appointment of any Paying and Transfer Agent or the Registrar and to appoint successor or additional Paying and Transfer Agents or another Registrar, *provided that* they will at all times maintain:

- (i) a Principal Paying and Transfer Agent;
- (ii) Paying and Transfer Agents in at least two major European cities approved by the Trustee;
- (iii) a Paying and Transfer Agent with a Specified Office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iv) a Paying and Transfer Agent in a jurisdiction other than The Netherlands or Nigeria; and
- (v) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Paying and Transfer Agent or Registrar will be given to Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable.

(f) **Payments subject to Fiscal Laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(g) **Delay in Payment**

Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a business day or (ii) a cheque mailed in accordance with this Condition 10 (*Payments*) arriving after the due date for payment or being lost in the mail.

(h) **Business Days**

In this Condition 10 (*Payments*), “**business day**” means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and, in the case of surrender of a Definitive Note Certificate, in the place of the Specified Office of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Definitive Note Certificate is surrendered.

11. **REDEMPTION AND PURCHASE**

(a) **Scheduled redemption**

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its principal amount on 25 July 2017, subject as provided in Condition 10 (*Payments*).

(b) **Redemption for Taxation Reasons**

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 12 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 19 July 2012: (A) on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*); or (B) on the next Interest Payment Date the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts (subject, where the Relevant Jurisdiction in respect of payment by the Guarantor is Nigeria or any political subdivision or any authority thereof or therein having power to tax, to the Taxes that required the Guarantor to pay such additional amounts being at a rate in excess of 10 per cent. (calculated without giving effect to any reduction of such rate under any tax treaty to which Nigeria is a party)); or (C) with respect to any payment by the Guarantor to the Issuer to enable the Issuer to make any payment of principal or interest on the Notes on the next Interest Payment Date, the Guarantor would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of Nigeria or any political subdivision or any authority thereof or therein having power to tax at a rate in excess of 7.5 per cent. (calculated after giving effect to any reduction of such rate under any tax treaty between The Netherlands and Nigeria); and
- (ii) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two managing directors of the Issuer or two directors of the Guarantor, as the case may be, stating that the requirement referred to in (i) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

(c) **Redemption or Purchase at the Option of the Noteholders on a Put Event**

If at any time while any Note remains outstanding:

- (i) a Change of Control occurs; and
- (ii) within the Change of Control Period (A) if the Notes are rated, a Rating Downgrade in respect of that Change of Control occurs, or (B) if the Notes are not rated, a Negative Rating Event in respect of that Change of Control occurs (in either case, a “**Put Event**”),

each holder of the Notes shall have the option (unless, before the giving of the Put Event Notice (as defined below), the Issuer shall have given notice under Condition 11(b) (*Redemption for Taxation Reasons*) to redeem the Notes) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) any of its Notes at their principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Put Date (as defined below). Such option (the "**Put Option**") shall operate as set out below.

If a Put Event occurs then, within 14 days of the occurrence of the Put Event, the Issuer shall, and upon the Trustee becoming so aware (and the Issuer having failed to do so) the Trustee may, and, if so requested by the holders of at least one-fifth in principal amount of the Notes then outstanding, shall, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 17 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, a holder of Notes must deliver at the Specified Office of any Paying and Transfer Agent on any Business Day falling within the period commencing on the occurrence of a Put Event and ending 60 days after such occurrence or, if later, 60 days after the date on which the Put Event Notice is given to Noteholders (the "**Put Period**") as required by this Condition 11(c) (*Redemption or Purchase at the Option of the Noteholders on a Put Event*), a duly signed and completed notice of exercise in the form (for the time being current and which may, if the Global Note for such Notes is held in a clearing system, be any form acceptable to the clearing system delivered in any manner acceptable to the clearing system) obtainable from any Specified Office of any Paying and Transfer Agent (a "**Put Option Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this paragraph accompanied by the Definitive Note Certificate for such Notes or evidence satisfactory to the Paying and Transfer Agent concerned that the Definitive Note Certificate for such Notes will, following the delivery of the Put Option Notice, be held to its order or under its control.

The Issuer shall at its option redeem or purchase (or procure the purchase of) the Notes the subject of each Put Option Notice on the date (the "**Put Date**") seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. A Put Option Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Option Notice.

The Trustee shall not be required to take any steps to ascertain whether a Put Event or any event which could lead to the occurrence of a Put Event has occurred and will not be responsible or liable to Noteholders for any loss arising from any failure by it to do so.

If this Note is represented by a Global Note or is in definitive form and held through DTC, Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to the Paying and Transfer Agent of such exercise in accordance with the standard procedures of DTC, Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by DTC, Euroclear or Clearstream, Luxembourg or any common depositary for them to the Paying and Transfer Agent by electronic means) in a form acceptable to DTC, Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Paying and Transfer Agent for notation accordingly.

For the purposes of this Condition 11(c) (*Redemption or Purchase at the Option of the Noteholders on a Put Event*):

"**Change of Control**" shall be deemed to have occurred if any person or any persons acting in concert, or any person or persons acting on behalf of any such persons, (the "**Relevant Person**") at any time directly or indirectly owns or acquires (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Guarantor or (b) shares in the capital of the Guarantor carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Guarantor, *provided that* a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Guarantor with the same (or substantially the same) *pro rata* interests in the share capital of the Relevant Person as such shareholders have, or as the case may be, had, in the share capital of the Guarantor.

"**Change of Control Period**" means the period commencing on the earlier of (a) the date of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 180 days after the public announcement of the Change of Control having occurred.

“Investment Grade Rating” means a rating of at least BBB- (or equivalent thereof) in the case of S&P (as defined below) or a rating of at least BBB- (or equivalent thereof) in the case of Fitch (as defined below) or the equivalent rating in the case of any other Rating Agency.

“Negative Rating Event” shall be deemed to have occurred if (a) the Issuer does not within the Change of Control Period seek, and thereafter use all reasonable endeavours, to obtain from a Rating Agency, a rating in respect of the Notes or (b) it does so seek a rating and use such endeavours and it has not at the expiry of the Change of Control Period and as a result of such Change of Control obtained a rating in respect of the Notes, *provided that* the Rating Agency publicly announces or publicly confirms in writing that its declining to assign a rating in respect of the Notes was the result of the applicable Change of Control.

“Rating Agency” means Standard and Poor’s Credit Market Services Europe Limited (**“S&P”**) and Fitch Ratings Ltd (**“Fitch”**) or any of their respective successors or any other rating agency of equivalent international standing *provided that* references herein to a Rating Agency shall only be to such Rating Agency as shall have been appointed by or on behalf of the Guarantor to maintain ratings for its senior unsecured debt (regardless of whether the appointment of the relevant Rating Agency continues at the time the relevant Rating Downgrade or Negative Rating Event, as applicable, has occurred), and shall not extend to any such Rating Agency providing ratings on an unsolicited basis.

“Rating Downgrade” shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (a) withdrawn and not subsequently reinstated within the Change of Control Period or (b) lowered one full rating category (for example, from “BB+” to “BE” by S&P or such similar lower or equivalent rating) and not subsequently upgraded within the Change of Control Period or (c) (if the rating assigned to the Notes by any Rating Agency shall be an Investment Grade Rating) changed from an Investment Grade Rating to a non Investment Grade Rating (for example, from “BBB-” to “BB+” by S&P, or its equivalents for the time being, or worse) and not subsequently upgraded to an Investment Grade Rating within the Change of Control Period, *provided that* a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the withdrawal or reduction was the result of the applicable Change of Control.

“Relevant Potential Change of Control Announcement” means any public announcement or statement by or on behalf of the Guarantor, or any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 180 days of the date of such announcement or statement, a Change of Control occurs.

(d) **Purchase**

The Issuer and the Guarantor or any of its Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (*provided that* such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 11(e) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 16(a) (*Meetings of Noteholders*).

(e) **Cancellation of Notes**

All notes which are redeemed pursuant to Conditions 11(b) (*Redemption for Taxation Reasons*) to 11(c) (*Redemption or Purchase at the Option of the Noteholders on a Put Event*) or submitted for cancellation pursuant to Condition 11(d) (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the regulated market of the London Stock Exchange plc (the **“Stock Exchange”**) and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 11(e) (*Cancellation of Notes*).

12. **TAXATION**

- (a) All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, unless such withholding or

deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(i) ***Other Connection***

presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note;

(ii) ***Presentation more than 30 days after the Relevant Date***

where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering such Definitive Note Certificate for payment on the last day of such period of 30 days;

(iii) ***Payment to Individuals***

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(iv) ***Payment by another Paying and Transfer Agent***

where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Definitive Note Certificate to another Paying and Transfer Agent in a Member State of the European Union; or

(v) ***Payment in The Netherlands or Nigeria***

where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment in any Relevant Jurisdiction.

In these Conditions:

“Relevant Date” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount plus any accrued interest having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 12 (*Taxation*) or any undertaking given in addition to or substitution for it under the Trust Deed.

“Relevant Jurisdiction” means (in the case of payments by the Issuer) the Netherlands or any political subdivision or any authority thereof or therein having power to tax or (in the case of payments by the Guarantor) Nigeria or any political subdivision or any authority thereof or therein having power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes.

- (b) Notwithstanding any other provisions contained herein, the Issuer and the Guarantor shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the US Internal Revenue Code (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service (**“FATCA withholding”**) as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. Neither the Issuer nor the Guarantor will have an obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Issuer, the paying agent or any other party.

13. **PRESCRIPTION**

Claims in respect of principal and interest will become void unless the relevant Definitive Note Certificate is surrendered for payment as required by Condition 10 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

14. **EVENTS OF DEFAULT**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, prefunded and/or provided with security to its satisfaction), (but, in the case of the occurrence of any of the events described in subparagraphs (b) to (e) (other than the winding up or dissolution of the Issuer or the Guarantor) and, (f) to (h) inclusive and (l) and (m) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing ("**Events of Default**"):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and, in the case of any default in the payment of interest, the default continues for a period of 5 Business Days; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness becomes enforceable and steps are taken to enforce the same; or (iv) default is made by the Issuer, the Guarantor or any Material Subsidiary in making any payment due under any Indebtedness consisting of any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person, unless the aggregate amount of indebtedness relating to all the above events is less than U.S.\$10,000,000 (or its equivalent in any other currency); or
- (d) if the aggregate amount of final non-appealable unsatisfied judgments, orders or arbitration awards against the Issuer, the Guarantor and the Material Subsidiaries exceeds U.S.\$10,000,000 (or its equivalent in any other currency) and such judgments, orders and/or arbitration awards are not discharged, satisfied and/or stayed within 30 days or, if later, the date therein specified for payment; or
- (e) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary, save (i) for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or (ii) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or (iii) the Trustee is satisfied that the Issuer, Guarantor or Material Subsidiary, as the case may be, is contesting such order or resolution in good faith; or
- (f) if the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save, in the case of the Guarantor, for a consolidation or merger (as defined in Condition 5(d) (*No Consolidation or Merger*)) consented to by the Trustee pursuant to, or permitted under, Condition 5(d) (*No Consolidation or Merger*) or, in any case, for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or (ii) the Issuer, the Guarantor or any Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) if (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver,

manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 30 days, save where the Trustee is satisfied that the Issuer, Guarantor or Material Subsidiary, save, in each case, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring of the Issuer or Guarantor whilst solvent or where the Trustee is satisfied that the Issuer or Guarantor, as the case may be, is contesting such proceedings, application, appointment, taking of possession or process in good faith; or

- (h) if the Issuer, the Guarantor or any Material Subsidiary (or their respective directors) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (i) (i) if the banking licence of the Guarantor issued by the CBN is terminated, revoked or suspended and is not replaced or (ii) any licence from any governmental authority which the Guarantor or a Material Subsidiary holds and which is necessary for the Guarantor or such Material Subsidiary to carry on its business, is terminated, revoked or suspended and in any such case is not replaced; or
- (j) (i) if all or a substantial part in the opinion of the Trustee, of the undertaking, assets and/or revenues of the Guarantor or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Guarantor or any Material Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and/or revenues (including where any government, Agency or court takes any action to the effect that the management of the Guarantor or any Material Subsidiary is wholly or partially displaced or the authority of any such member of the Group in the conduct of its business is wholly or partially curtailed); or
- (k) if the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect; or
- (l) if the Issuer ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor; or
- (m) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (d) to (h) above.

15. **REPLACEMENT OF NOTES**

If any Definitive Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Paying and Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (*provided that* the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Note Certificates must be surrendered before replacements will be issued.

16. **MEETINGS OF NOTEHOLDERS; MODIFICATION, WAIVER AND SUBSTITUTION**

(a) **Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Guarantor or the Issuer, or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented;

provided, however, that certain proposals (including any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce or cancel the amount of principal or interest or other amounts payable on any date in respect of the Notes or to reduce the rate of interest on the Notes, (iii) to change the currency of payment under the Notes, (iv) to modify or cancel the Guarantee, (v) to amend this proviso or (vi) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**” (as further specified and defined in Schedule 3 (*Provisions for Meetings of Noteholders*) of the Trust Deed)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

(b) **Written resolution**

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 days’ notice of such resolution, by or on behalf of persons holding three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) **Modification without Noteholders’ consent**

The Trustee may agree, without the consent of the Noteholders, (i) to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver, modification or substitution shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable thereafter.

(d) **Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require but without the consent of the Noteholders to the substitution of certain other entities in place of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. No such substitution shall be effective without the consent of the Guarantor (such consent not to be unreasonably withheld). In the case of any such substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for in Condition 12 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

17. **NOTICES**

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will be valid if published, for so long as the Notes are admitted to trading on the Stock Exchange and the rules of such exchange so require, in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if, in the opinion of the Trustee, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

So long as any of the Notes are represented by the Unrestricted Global Note, notices required to be published in accordance with Condition 17 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice

is also delivered to the Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Stock Exchange and the rules of the Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). So long as any of the Notes are represented by the Restricted Global Note, notices required to be published in accordance with Condition 17 (Notices) may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (i) that such notice is also delivered to the Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Stock Exchange and the rules of the Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

18. TRUSTEE

(a) Indemnification

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of its Subsidiaries.

(b) Exercise of power and discretion

In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

(c) Enforcement; Reliance

The Trustee may at any time after the Notes become due and payable, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed and these Conditions in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the holders of a least one-fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified, prefunded and/or provided with security to its satisfaction.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred.

The Trustee is not liable for any failure to monitor compliance by the Issuer with the Conditions (including Conditions 5(a) (*Negative Pledge*) and 14 (*Events of Default*)).

(d) Confidentiality

Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the Stock Exchange, the Trustee shall not be required to disclose to any Noteholder any confidential financial or other information made available to the Trustee by the Issuer or the Guarantor.

19. PROVISION OF INFORMATION

The Issuer and the Guarantor shall, during any period in which it is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Note which is a “**restricted security**” within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer or the Guarantor, as the case may be, and delivered to the Issuer or the Guarantor, as the case may be, or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

20. **FURTHER ISSUES**

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes (“**Further Notes**”). The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

Noteholders should note that additional securities that are treated as a single series for non tax purposes may be treated as a separate series for U.S. federal income tax purposes. In such case, the new securities may be considered to have been issued with original issue discount, as defined in the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations issued thereunder, which may affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.

21. **CURRENCY INDEMNITY**

The Trust Deed provides that if any sum due from the Issuer or Guarantor, as the case may be, in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or Guarantor, as the case may be, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer or Guarantor, as the case may be, shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer or Guarantor, as the case may be, and delivered to the Issuer or Guarantor, as the case may be, or to the Specified Office of the Registrar or any Paying and Transfer Agent with its Specified Office in London against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof, on the date of such receipt. This indemnity constitutes a separate and independent obligation of the Issuer or Guarantor, as the case may be, and shall give rise to a separate and independent cause of action.

22. **GOVERNING LAW AND JURISDICTION**

(a) **Governing law**

The Trust Deed (including the Guarantee) and the Notes, including any non-contractual obligations arising out of or in connection with the Trust Deed (including the Guarantee) and the Notes, are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**

The Issuer and the Guarantor have in the Trust Deed agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings arising out of or in connection with the Trust Deed or the Notes (“**Proceedings**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Nothing in this paragraph shall (or shall be construed so as to) limit the right of the Trustee or the Noteholders to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings by the Trustee or the Noteholders in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(c) **Appropriate Forum**

For the purposes of Condition 22(b) (*Jurisdiction*), the Issuer and the Guarantor have each irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the most appropriate forum to hear and determine any Proceedings and agreed not to claim that any such court is not a convenient or appropriate forum.

(d) **Service of Process**

Each of the Issuer and the Guarantor has agreed in the Trust Deed that the process by which any Proceedings are commenced in England pursuant to Condition 22(b) (*Jurisdiction*) may be served on it by being delivered to the Issuer and the Guarantor at The Access Bank UK Limited at 4 Royal Court, Gadbrook Park, Northwich, Cheshire, CW9 7UT or at any other address of the Issuer and the Guarantor in

the United Kingdom at which process may be served on it in accordance with Part 34 of the Companies Act 2006 or any successor provision thereto. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or the Guarantor, the Issuer or the Guarantor, as applicable, shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice to the Issuer or the Guarantor, as applicable. Nothing in this paragraph shall affect the right of the Trustee to serve process in any other manner permitted by law.

THE FORM OF GLOBAL NOTES

The Form of Global Notes

The Notes sold in reliance on Regulation S under the Securities Act will be represented on issue by the Unrestricted Global Note, which will be deposited with, and registered in the name of a nominee for the common depository for, Euroclear and Clearstream, Luxembourg. Beneficial interests in an Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See “*Book-Entry Clearance Systems*”. By acquisition of a beneficial interest in the Unrestricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it acquired such beneficial interest in accordance with Regulation S and that it will only offer, sell, pledge or otherwise transfer such beneficial interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Notes sold in reliance on Rule 144A will be represented on issue by the Restricted Global Note, which will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in a Restricted Global Note may only be held through DTC or its participants at any time. Beneficial interests in a Restricted Global Note may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in a Restricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Note. See “*Subscription and Sale*” and “*Transfer Restrictions*”.

Beneficial interests in Global Notes will be subject to certain restrictions on transfer set out therein and under “*Transfer Restrictions*” and in the Agency Agreement and such Global Notes will bear a legend as set out under “*Transfer Restrictions*”. On or prior to the 40th day after the later of the commencement of the offering and the Closing Date, ownership of interests in an Unrestricted Global Note will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below.

No beneficial interest in an Unrestricted Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Note unless (i) the transfer is to a person that is a QIB, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transferee is a QIB, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No beneficial interest in the Restricted Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Note unless the transfer is to a non-U.S. person in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification to the effect that the transfer is being made to a person who is a non-U.S. person in accordance with Regulation S.

Any beneficial interest in an Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Note will, upon transfer, cease to be an interest in such Unrestricted Global Note and become an interest in the Restricted Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Restricted Global Note for as long as it remains such an interest. Any beneficial interest in a Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note will, upon transfer, cease to be an interest in each Restricted Global Note and become an interest in the Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in an Unrestricted Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes.

Amendments to the Conditions

The Global Notes contain provisions that apply to the Notes that it represents, some of which modify the effect of the above Conditions of the Notes. The following is a summary of those provisions:

1. *Payments*

Payments of principal and interest in respect of Notes evidenced by the Global Note will be made against presentation for endorsement by the Principal Paying and Transfer Agent and, if no further payment falls to be made

in respect of the relevant Notes, surrender of the Global Note to or to the order of the Principal Paying and Transfer Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

2. ***Payments on Business Days***

In the case of all payments made in respect of the Global Note, so long as the Global Note is held on behalf of the clearing systems, “**business day**” means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City.

3. ***Payment Record Date***

Each payment in respect of the Global Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Note is being held is open for business.

4. ***Notices***

Notwithstanding Condition 17 (*Notices*), so long as the Notes are represented by a Global Note and the Global Note is held on behalf of one or more clearing systems, notices to Noteholders required to be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) may be given by delivery of the relevant notice to such clearing systems for communication by it to entitled accountholders in substitution for delivery thereof as required by the Conditions of such Notes and will be effective upon the date of delivery to the relevant clearing system, **provided that** for so long as the Notes are admitted to trading on the London Stock Exchange and its rules so require, notices shall also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).

5. ***Meetings***

The holder of the Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$1,000 in principal amount of Notes for which the Global Note may be exchangeable.

6. ***Trustee Powers***

In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holders of the Global Note.

7. ***Prescription***

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 12 (*Taxation*) of the Notes).

8. ***Put Option***

The Noteholders’ put option in Condition 11(c) (*Redemption and Purchase—Redemption or Purchase at the Option of the Noteholders on a Put Event*) of the Notes may be exercised by the holder of the relevant Global Note giving notice to any Paying and Transfer Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in such Condition.

9. ***Purchase and Cancellation***

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

Terms defined in the “*Terms and Conditions of the Notes*” have the same meaning in paragraphs 1 to 9 above.

Exchange for Definitive Note Certificates

Exchange

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form if: (i) a Global Note is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Paying and Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer is delivered to the Trustee or (iii) an Event of Default (as defined and set out in Condition 14 (*Events of Default*)) of the Notes occurs, by the Issuer giving notice to the Registrar or any Paying and Transfer Agent and the Noteholders, of its intention to exchange the relevant Global Note for Definitive Note Certificates on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Paying and Transfer Agent. In exchange for the relevant Global Note, as provided in the Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Note Certificates in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Note Certificates for a period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or a Paying and Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Note Certificates and the Issuer will, at the cost of the Access Bank and without charge to the holder or holders thereof (but against such indemnity as the Registrar or any Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Note Certificates to be executed and delivered to the Registrar for completion and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer, the Guarantor and the Registrar may require to complete, execute and deliver such Definitive Note Certificates and (b) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB. Definitive Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Legends

The holder of a Definitive Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note Certificate bearing the legend referred to under “*Transfer Restrictions*,” or upon specific request for removal of the legend on a Rule 144A Definitive Note Certificate, the Issuer will deliver only Rule 144A Definitive Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, being approximately U.S.\$345,500,000, will be used by the Issuer for the sole purpose of providing the Loan to the Guarantor. The Guarantor intends to use the net proceeds of the Loan primarily to support the existing trade finance business of the Guarantor and to serve as a source of long-term foreign currency funding which it may use to, among other things, support the businesses of its customers, particularly those active in the Nigerian oil and gas and power sectors.

DESCRIPTION OF THE ISSUER

History

The Issuer was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under and subject to the laws of The Netherlands on 17 November 2011 for an unlimited duration. The Issuer is a direct, wholly owned subsidiary of Access Bank.

The Issuer has its corporate seat (*statutaire zetel*) in Amsterdam, The Netherlands, and it is registered with the commercial register of the Chamber of Commerce and Industries for Amsterdam under number 53972139.

Capitalisation

The authorised share capital of the Issuer is EUR 90,000, divided into 90,000 ordinary shares with a par value of EUR 1 each. As at the date of this Prospectus, the Issuer's issued share capital is EUR 18,000, consisting of 18,000 ordinary shares which have been issued and fully paid at par and are directly owned by Access Bank.

The net proceeds of the issue will be used to provide the Loan to Access Bank. Access Bank will use the proceeds from the Loan in accordance with the section "*Use of Proceeds*".

Business

As set out in Article 3 of its Articles of Association, the Issuer was incorporated primarily for the purpose of raising funds in the international capital markets and lending such funds to Access Bank or its subsidiaries. The Issuer has been established as a special purpose vehicle and has no employees or subsidiaries.

The Issuer has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Prospectus.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had since the date of its incorporation, significant effects on the Issuer's financial position or profitability.

Financial Statements

Since the date of its incorporation and at the date of this Prospectus, the Issuer has not commenced operations, although it has prepared audited financial statements for the period from 17 November 2011 to 31 December 2011. The Issuer has engaged KPMG Accountants N.V., a company with certified accountants, who are registered in The Netherlands with Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*), to conduct annual audits of its financial statements. The Issuer is not required to, and does not intend to, produce interim financial statements. The Issuer's audited financial statements for the period from 17 November 2011 to 31 December 2011 are included elsewhere in this Prospectus.

Management

The Issuer's management structure consists of a board of managing directors (the "**Managing Board**") and a board of supervisory directors (the "**Supervisory Board**"). The Managing Board currently consists of two members, being Mr. Ebenezer Sunday Olufowose and TMF Management B.V. ("**TMF**"), a private company with limited liability incorporated under the laws of The Netherlands and registered with the commercial register of the Chamber of Commerce and Industries for Amsterdam under number 33203015. The Supervisory Board currently consists of two members, being Dr. Mohammed Mahmoud Isa-Dutse and Mrs. Tamramat Mosunmola Belo-Olusoga.

The business address of the members of the Managing Board and the Supervisory Board and the managing directors of TMF is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands. The Managing Board is authorised to represent the Issuer. Two managing directors acting jointly are also authorised to represent the Issuer. The managing directors of TMF are Mr. Jacob Cornelis Willem van Burg, Mr. Robert Willem de Koning and Mr. Franciscus Willem Josephine Johannes Welman, each jointly authorised to represent TMF as a managing director of the Issuer.

There are no potential conflicts of interest between any duties owed to the Issuer and the private interests or any other duties of the Managing Board or the Supervisory Board.

Except for Mr. Ebenezer Sunday Olufowose and current members of the Supervisory Board, who act as a managing director and supervisory directors respectively of the Issuer and as directors of Access Bank (see also the section entitled "*Management*" below), the managing directors and the supervisory directors of the Issuer perform no principal activities outside the Issuer, which are significant with respect to the Issuer.

There are no potential conflicts of interests between any duties of the managing directors of TMF towards either the Issuer or TMF and their private interests and/or other duties. The managing directors of TMF perform no principal activities outside TMF, which are significant with respect to either TMF or the Issuer.

General Information

The business address of the Issuer is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands and its telephone number is +31 20 5755600. Administrative services are provided to the Issuer by TMF whose business address is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth certain historical consolidated financial information derived from the Access Bank Financial Statements. The Access Bank Financial Statements have been prepared in accordance with IFRS and are presented in Naira.

Following the Acquisition on 14 October 2011, the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group's consolidated financial statements for the fourth quarter of 2011 and as at 31 December 2011. Accordingly, the Access Bank Group's results for the twelve-month period ended 31 December 2011 and the three-month period ended 31 March 2012 are not directly comparable to those for any prior financial period included herein and are not indicative of results that would have been achieved excluding for the effects of the Acquisition and Merger.

In addition, in January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. Accordingly, Access Bank changed its financial year end from 31 March to 31 December in 2009, resulting in a nine-month financial reporting period from 1 April 2009 to 31 December 2009. The Access Bank Group's results for the nine-month period ended 31 December 2009 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2009.

For a discussion of the risks involved in the consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition and the change of the Access Bank Group's financial year end, see *“Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group's and the Intercontinental Bank Group's financial year end in 2009, make comparisons difficult and may result in additional tax liabilities”*.

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in *“Management's Discussion and Analysis of Results of Operations and Financial Condition”*, *“Selected Statistical and Other Information”* and the Access Bank Interim Financial Statements, the Access Bank Annual Financial Statements, and the related notes thereto.

Consolidated statement of financial position of the Access Bank Group

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
	(₦ millions, except percentages)			
Assets				
Cash and cash equivalents	328,006	191,518	123,958	155,076
Non pledged trading assets	7,464	10,812	30,970	11,563
Pledged assets	62,358	66,191	59,930	7,591
Derivative financial instruments	47	10	1,111	3,003
Loans and advances to banks	1,641	776	610	71
Loans and advances to customers	539,610	576,229	447,810	385,313
Insurance receivables	1,319	1,405	—	—
Investments in equity accounted investee	2,813	2,813	—	300
Investment securities	559,151	561,734	69,893	73,745
Trading properties	5,908	6,688	—	—
Investment properties	16,166	16,097	12,943	1,404
Property and equipment ⁽¹⁾	66,833	67,648	25,312	27,680
Intangible assets ⁽¹⁾	3,043	3,278	3,111	2,881
Deferred tax assets	2,657	2,931	2,459	3,779
Other assets ⁽¹⁾	141,583	120,874	18,111	16,927
Total assets	1,738,598	1,629,003	796,217	689,334
Liabilities				
Deposits from banks	286,698	146,808	69,890	43,217
Deposits from customers	1,024,654	1,101,704	484,723	442,335
Derivative financial instruments	—	9	725	1,833
Debt securities issued	—	—	—	2,604
Current tax liabilities	8,378	9,747	3,492	6,982
Other liabilities	169,342	142,650	49,978	28,723
Claims payable ⁽²⁾	329	450	—	—
Liabilities on investment contracts ⁽²⁾	61	61	—	—
Liabilities on insurance contracts ⁽²⁾	3,267	2,703	—	—
Interest-bearing loans and borrowings	34,326	29,258	22,760	3,377
Contingent settlement provisions ⁽²⁾	3,548	3,548	—	—
Total liabilities	1,530,602	1,436,938	631,569	529,071
Equity				
Share capital and share premium	176,631	155,105	155,105	154,292
Accumulated loss	(7,410)	(6,745)	(10,786)	(9,981)
Other components of equity	32,097	20,650	19,629	15,093
Total equity attributable to owners of the Bank	201,318	169,010	163,949	159,404
Non controlling interest	6,678	23,055	699	858
Total equity	207,996	192,065	164,648	160,262
Total liabilities and equity	1,738,598	1,629,003	796,217	689,334

(1) 'Property and equipment', 'Intangible assets' and 'Other assets' amounts in 2010 have been reclassified to conform to the Access Bank Interim Financial Statements' and Access Bank 2011 Financial Statements' presentation.

(2) 'Claims payable', 'Liabilities on investment contracts', 'Liabilities on insurance contracts' and 'Contingent settlement provisions' consist of liabilities arising from the Acquisition. Therefore, these line items do not appear in the Access Bank 2010 Financial Statements and the Access Bank 2009 Financial Statements.

Consolidated statement of comprehensive income of the Access Bank Group

	For the three months ended 31 March		For the year ended 31 December		For the nine months ended 31 December
	2012	2011	2011	2010	2009
			(₦ millions)		
Interest income	53,071	19,321	107,609	69,241	67,914
Interest expense	(14,889)	(6,390)	(37,026)	(21,820)	(30,142)
Net interest income	38,182	12,931	70,483	47,421	37,772
Fee and commission income	6,727	4,828	22,966	12,989	10,331
Fee and commission expense	(2)	—	—	—	—
Net fee and commission income	6,725	4,828	22,966	12,989	10,331
Net trading income	1,276	864	2,759	6,839	7,311
Net (loss) income from other financial instruments at fair value through profit or loss	—	—	—	(724)	114
Other operating income	1,527	747	4,367	2,299	1,861
	2,803	1,611	7,126	8,414	9,286
Underwriting profit	316	—	657	—	—
Operating income	48,027	19,369	101,332	68,824	57,389
Net impairment loss on financial assets	(6,054)	(1,246)	(9,251)	(7,772)	(23,965)
Net operating income after net impairment loss on financial assets	41,972	18,124	92,081	61,052	33,424
Personnel expenses	(13,280)	(3,005)	(23,327)	(15,428)	(11,365)
Operating lease expenses	(553)	(285)	(1,992)	(1,539)	(1,132)
Depreciation and amortisation	(3,708)	(1,094)	(6,595)	(5,694)	(3,912)
Other operating expenses	(9,300)	(6,638)	(37,679)	(25,806)	(20,195)
Total expenses	(26,841)	(11,022)	(69,593)	(48,468)	(36,604)
Share of profit/(loss) of equity accounted investee	—	—	(10)	—	(775)
Profit/(loss) before income tax	15,131	7,102	22,477	12,584	(3,955)
Income tax (expense)/credit	(3,730)	(1,562)	(7,099)	(4,857)	1,867
Profit/(loss) for the year/period	11,401	5,539	15,378	7,727	(2,088)
Other comprehensive income net of income tax:					
Foreign currency translation differences for foreign operations	(637)	1,177	(108)	(637)	(686)
Fair value gains/(losses) on available-for-sale investments recognised in equity	205	260	(1,273)	323	(3,492)
Fair value (losses)/gains on property and equipment	61	—	16	(487)	539
Other comprehensive loss for the year, net of tax	(371)	1,437	(1,366)	(801)	(3,639)
Total comprehensive income/(loss) for the year/period	11,030	6,976	14,012	6,926	(5,727)
Profit/(loss) attributable to:					
Owners of the Bank	11,153	5,557	14,499	7,904	(1,880)
Non-controlling interest	248	(18)	879	(176)	(0.208)
Profit/loss for the year	11,401	5,539	15,378	7,727	(2,088)
Earnings per share—Basic (kobo)	50	31	86	44	(12)
Diluted (kobo)	50	31	86	44	(12)
Total comprehensive income attributable to:					
Owners of the Bank	10,828	6,994	13,133	7,102	(5,520)
Non-controlling interest	202	(18)	879	(176)	(208)
Total comprehensive income/(loss) for the year/period	11,030	6,976	14,012	6,926	(5,727)

Key ratios

	As at and for the three months ended 31 March	As at and for the year ended 31 December		As at and for the nine months ended 31 December
	2012	2011	2010	2009
		(%)		
Profitability ratios:				
Return on average equity ⁽¹⁾	24.1	8.7	4.9	(1.2)
Return on average assets ⁽²⁾	2.6	1.2	1.1	(0.3)
Net interest margin ⁽³⁾ (Nigerian GAAP, Access Bank only)	9.7	6.8	7.0	7.5
Net interest income/operating income	79.5	69.7	68.9	55.6
Cost to income ratio ⁽⁴⁾	55.9	68.7	70.4	63.8
Operating expenses/average total assets ⁽⁵⁾	6.4	5.7	6.5	5.3
Effective tax rate	24.7	31.6	38.6	47.2
Balance sheet ratios:				
Loans to customers, net/total assets	32.0	35.4	56.2	55.9
Loans to customers, net/customer deposits	52.7	52.3	92.4	87.1
Deposits from customers/total assets	58.9	67.6	60.9	64.2
Total equity/total assets	12.0	11.8	20.7	23.2
Liquid assets ⁽⁶⁾ /total assets	33.9	28.3	19.5	27.8
Liquid assets ⁽⁶⁾ /total deposits	44.9	36.9	27.9	39.5
Liquid assets ⁽⁶⁾ /customer deposits	57.5	41.9	32.0	43.4
Liquid assets ⁽⁶⁾ /liabilities of up to three months	51.9	45.0	30.5	41.1
Capital adequacy ratios:				
Total capital ⁽⁷⁾	21.0	22.0	23.8	32.7
Tier 1 capital ⁽⁷⁾	19.0	21.0	22.9	31.4
Credit quality ratios:				
Non performing loans ⁽⁸⁾ /gross loans ⁽⁹⁾	10.6	9.0	14.9	17.6
Allowances for impairment losses ⁽¹⁰⁾ /non performing loans	73.0	86.0	42.6	38.3
Allowances for impairment losses ⁽¹⁰⁾ /total gross loans to customers	7.7	7.7	6.3	6.7
Impairment charges/average net loans ⁽¹¹⁾	0.8	2.1	1.8	4.8

(1) Return on average equity is calculated as Access Bank Group's net profit for the year attributable to equity holders of the Guarantor divided by the average of opening and closing balances of equity attributable to equity holders of the Guarantor.

(2) Return on average assets is calculated as Access Bank Group's net profit for the year attributable to equity holders of the Guarantor divided by the average of opening and closing balances of its total assets.

(3) Net interest margin is calculated on the basis of Nigerian GAAP as net interest income divided by the average balance of interest bearing assets during the applicable period (presented on page 154 of this document). Net interest margins for the three months ended 31 March 2012 and the nine months ended 31 December 2009 are presented on an annualised basis.

(4) Cost to income ratio is calculated as operating expenses divided by operating income

(5) Calculated as operating expenses divided by the average of opening and closing balances of its total assets.

(6) Liquid assets include cash and cash equivalents, treasury bills, trading assets and government bonds.

(7) See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Capital adequacy". On 3 September 2010, the Nigerian Accounting Standards Board announced a staged implementation for IFRS reporting by Nigerian companies and set 1 January 2012 as the date of transition to IFRS reporting for all public listed Nigerian companies. As a result, beginning in fiscal year 2012, Nigerian public listed companies, including Access Bank, have started preparing all of their financial statements in accordance with IFRS. The CBN continues to assess Access Bank's compliance with the CBN's capital requirements and the CBN Prudential Guidelines based on financial information prepared in accordance with Nigerian GAAP, not IFRS. The CBN is in the process of preparing an IFRS template for assessing Nigerian banks' compliance with the CBN Prudential Guidelines and capital adequacy requirements going forward and it is expected that this new IFRS template will be launched later in 2012. See "Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group's primary regulator will determine compliance with the CBN Prudential Guidelines and capital adequacy requirements based on financial information prepared in accordance with Nigerian GAAP. These information may differ from those produced under IFRS which will be available to investors" and "Annex A—Summary of Significant Differences between Nigerian GAAP and IFRS".

(8) NPLs are loans to customers that are more than 90 days overdue, with the exception of specialized loans (in project finance, asset finance, real estate finance and SME finance), which are considered NPLs after being 180 days overdue.

(9) Non performing loans to gross loans ratio is calculated as NPLs to customers divided by gross loans to customers.

(10) Allowances for impairment losses include allowances for specific impairment that relates to individually significant exposures, and allowances for collective loans, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

(11) Loan loss expenses to average net loans ratio is calculated as impairment charges for the period divided by the average of opening and closing balances of net loans.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ACCESS BANK GROUP

PART (A): BASIS OF PREPARATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ACCESS BANK GROUP

The unaudited *pro forma* financial information of the Access Bank Group has been prepared to illustrate the effect of the Acquisition of Intercontinental Bank on the income statement of the enlarged Access Bank Group. The unaudited *pro forma* consolidated income statement of the enlarged Access Bank Group for the year ended 31 December 2011 reflects the Acquisition, assuming that the Acquisition completed on 1 January 2011 (as set out in Part (B): “*Unaudited Pro Forma Consolidated Income Statement of the enlarged Access Bank Group for the year ended 31 December 2011*”).

The TIA was executed between Access Bank for itself and represented by Project Star Investments Limited, a wholly owned special purpose entity (the “**Investor Group**”) and Intercontinental Bank effective 6 July 2011. The Access Bank Group acquired 75 per cent. of the outstanding issued share capital of Intercontinental Bank on 14 October 2011.

As both the Access Bank Group and the Intercontinental Bank Group prepare their audited financial statements in accordance with IFRS (see pages F-2 to F-563 of this Prospectus), the unaudited *pro forma* financial information has been prepared on the following basis:

- (a) for the Access Bank Group, the unadjusted *Pro Forma* Financial Information has been extracted, without material adjustment, from the Access Bank 2011 Financial Statements, which have been prepared on the basis of accounting policies in compliance with IFRS, and are set out on pages F-74 to F-237 of this Prospectus (The consolidated statement of comprehensive income (the income statement) in the Access Bank 2011 Financial Statements have been presented on the basis that the Acquisition completed on 1 October 2011 and therefore consolidate the relevant financial information of the acquired Intercontinental Bank Group for the period from 1 October 2011 to 31 December 2011.); and
- (b) for the Intercontinental Bank Group, the unadjusted *Pro Forma* Financial Information has been extracted, without material adjustment, from the Intercontinental Bank Financial Statements, which have been prepared on the basis of accounting policies in compliance with IFRS, and are set out on pages F-498 to F-563 of this Prospectus.

(See “*Presentation of Financial and Certain Other Information*”).

The unaudited *pro forma* financial information has been prepared on the basis of IFRS for illustrative purposes only and, because of its nature, it addresses a hypothetical situation and does not purport to represent what the enlarged Access Bank Group’s actual financial position would have been for the year ended 31 December 2011 or what those results will be for any future periods if the Acquisition had occurred at any period subsequent to the assumed completion date.

**PART (B): UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED
ACCESS BANK GROUP FOR THE YEAR ENDED 31 DECEMBER 2011**

	Access Bank Group	Intercontinental Bank	
	12 months	9 months	
	31 Dec 2011	30 Sept 2011	Pro forma total
	Note (a)	Note (b)	Note (c)
	"000	"000	"000
Interest income	107,609,276	40,128,000	147,737,276
Interest expense	(37,026,264)	(39,081,000)	(76,107,264)
Net interest income	70,583,012	1,047,000	71,630,012
Fee and commission income	22,966,003	13,064,000	36,030,003
Fee and commission expense	—	—	—
Net fee and commission income	22,966,003	13,064,000	36,030,003
Net trading income	2,758,884	4,550,000	7,308,884
Net loss from other financial instruments at fair value through profit or loss	—	(319,000)	(319,000)
Underwriting profit	657,000	1,095,000	1,752,000
Other operating income	4,367,201	6,871,000	11,238,201
	7,783,085	12,197,000	19,980,085
Operating income	101,332,100	26,308,000	127,640,100
Net impairment loss on financial assets	(9,251,498)	(26,443,000)	(35,694,498)
Net operating income after net impairment loss on financial assets	92,080,602	(135,000)	91,945,602
Personnel expenses	(23,327,351)	(25,079,000)	(48,406,351)
Operating lease expenses	(1,992,319)	(1,929,000)	(3,921,319)
Depreciation and amortisation	(6,594,698)	(5,958,000)	(12,552,698)
Other operating expenses	(37,678,892)	(58,473,000)	(96,151,892)
Total expenses	(69,593,260)	(91,439,000)	(161,032,260)
Share of (loss)/profit of equity accounted investee	(10,000)	172,000	162,000
Profit/(loss) before income tax	22,477,342	(91,402,000)	(68,924,658)
Income tax expense	(7,099,020)	(152,130,000)	(159,229,020)
Profit/(loss) for the period	15,378,322	(243,532,000)	(228,153,678)
Other comprehensive income net of income tax			
Foreign currency translation differences for foreign operations	(108,232)	296,000	187,768
Undistributable reserve	—	(2,696,000)	(2,696,000)
Fair value gains/losses on available-for-sale investments recognised in equity	(1,273,241)	(4,791,000)	(6,064,241)
Fair value gains on property and equipment	15,509	—	15,509
Other comprehensive income/(loss) for the period, net of tax	(1,365,964)	(7,191,000)	(8,556,964)
Total comprehensive income/(loss) for the period	14,012,358	(250,723,000)	(236,710,642)
Profit attributable to			
Owners of the Bank	14,499,229	(244,362,000)	(229,862,771)
Non-controlling interest	879,093	830,000	1,709,093
Profit/(loss) for the period	15,378,322	(243,532,000)	(228,153,678)
Total comprehensive income attributable to			
Owners of the Bank	13,133,265	(249,893,000)	(236,759,735)
Non-controlling interest	879,093	(830,000)	49,093
Total comprehensive income/(loss) for the period	14,012,358	(250,723,000)	(236,710,642)

Notes to the unaudited pro forma consolidated income statement of the enlarged Access Bank Group for the year ended 31 December 2011.

Note (a): The consolidated financial information of the Access Bank Group has been extracted from the audited consolidated financial statements of the Access Bank Group for the year ended 31 December 2011 prepared on the basis of accounting policies in compliance with IFRS set out on pages F-74 to F-237 of this Prospectus.

Note (b): The unadjusted consolidated financial information of the Intercontinental Bank Group has been extracted from the audited consolidated financial statements of the Intercontinental Bank Group for the nine-month period ended 30 September 2011 prepared on the basis of accounting policies in compliance with IFRS set out on pages F-498 to F-563 of this Prospectus.

There was no adjustment on the income statement as both the Access Bank Group and Intercontinental Bank Group adopt the same accounting policies.

Note (c): The business combination that results based on the TIA assumes a parent-subsidiary relationship. The acquirer (Access Bank) is the parent and the acquiree (Intercontinental Bank) is the subsidiary of the acquirer. In these circumstances, Access Bank has accounted for this transaction as an investment in subsidiary and has consolidated the financial statements of Intercontinental Bank.

No adjustment has been made to reflect the trading results of the Access Bank Group or the Intercontinental Bank Group since 31 December 2011.

The consolidated statement of comprehensive income (the income statement) in the Access Bank 2011 Financial Statements has been presented on the basis that the Acquisition completed on 1 October 2011 and therefore consolidates the relevant financial information of the acquired Intercontinental Bank Group for the period from 1 October 2011 to 31 December 2011.

Subsequent to the Acquisition, the Access Bank Group has made and expects to continue to make a number of material changes to the Intercontinental Bank Group in order to integrate it into the Access Bank Group. See “*Description of the Acquisition and Merger*” below for a summary description of these changes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Access Bank Group's results of operations and financial condition. Historical results may not indicate future performance. Some of the information in this section, including information in respect of the Access Bank Group's plans and strategies for its business and expected sources of financing, contains forward-looking statements that involve risk and uncertainties and is based on assumptions about the Access Bank Group's future business. Actual results could differ materially from those contained in such forward-looking statements as a result of a variety of factors, including the risks discussed in "Risk Factors" included elsewhere in this Prospectus. Potential investors should read "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the business, results of operations or financial condition of the Access Bank Group.

The following discussion should be read in conjunction with the section entitled "Selected Statistical and other Information" and the Access Bank Financial Statements, including accompanying notes, appearing elsewhere in this Prospectus. The financial information set out below and referred to in this section has been extracted without material adjustment from the Access Bank Financial Statements or has been extracted without material adjustment from Access Bank's accounting records, which formed the underlying basis of the financial information included in the Access Bank Financial Statements.

The Access Bank Group prepared the Access Bank Financial Statements on a consolidated basis. However, certain monthly average financial information and data were prepared using the historical financial information of Access Bank only. Accordingly, in the discussion of the results of operations of the Access Bank Group, there are certain references to average balance sheet data of Access Bank. In the three months ended 31 March 2012 and each of the past three financial years (except for the year ended 31 December 2011 during which operating income from Access Bank represented approximately 67.5 per cent. of the Access Bank Group's total operating income primarily due to the Acquisition of Intercontinental Bank, which was considered a subsidiary until the Merger on 23 January 2012), operating income from Access Bank accounted for over 85.0 per cent. of the Access Bank Group's total operating income, and assets of Access Bank at the end of each such financial period accounted for over 88.0 per cent. of the Access Bank Group's total assets.

Following the Acquisition on 14 October 2011, the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group's consolidated financial statements for the fourth quarter of 2011 and as at 31 December 2011. Accordingly, the Access Bank Group's results for the twelve-month period ended 31 December 2011 and the three-month period ended 31 March 2012 are not directly comparable to those for any prior financial period included herein and are not indicative of results that would have been achieved excluding for the effects of the Acquisition and Merger.

In addition, in January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks' financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. Accordingly, Access Bank changed its financial year end from 31 March to 31 December in 2009, resulting in a nine month financial reporting period from 1 April 2009 to 31 December 2009. The Access Bank Group's results for the nine month period ended 31 December 2009 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2009.

For a discussion of the risks involved in the consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition and the change of the Access Bank Group's financial year end, see "Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group's and the Intercontinental Bank Group's financial year end in 2009, make comparisons difficult and may result in additional tax liabilities".

Overview

The Access Bank Group provides a wide range of banking and other financial services in Nigeria and the sub-Saharan Africa region, as well as the United Kingdom, serving approximately 5.1 million customers from 375 branches, including 349 banking branches (of which 310 are located in Nigeria, 3 are located in the United Kingdom, with the remaining banking branches located in other sub-Saharan African countries) and 26 non-banking branches (primarily providing insurance-related services) as at 31 March 2012, with total assets of ₦1,739 billion as at that date. Financial products and services offered by the Access Bank Group include granting of loans and advances, equipment leasing, corporate and trade finance operations, treasury and investment services, retail banking (including current and savings accounts, credit cards, ATM services, electronic banking and retail lending), money market activities, private banking/wealth management services, foreign exchange services, funds transfer services, bullion/cash services and bank guarantees.

On 14 October 2011, Access Bank acquired an initial 75 per cent. equity stake in Intercontinental Bank and completed the subsequent Merger of the Intercontinental Bank Group on 23 January 2012, to create a unified business operation. Prior to the Acquisition, the focus of the Access Bank Group had been corporate clients (institutional and commercial), who are seen as part of the growth sectors of the economy and include market leaders in various economic sectors. Through the addition of the Intercontinental Bank Group's extensive retail branch and customer network (as at the date of the Acquisition, the Intercontinental Bank Group had a large retail banking presence consisting of approximately 3.8 million customers through its network of 366 branches spread across the 36 states of Nigeria and the Federal Capital Territory, Abuja), the Acquisition and subsequent Merger have provided the Access Bank Group with the ability to expand its retail banking business and provided the Access Bank Group with an increased and diversified funding base. For details on the background, process and implementation of the Acquisition and subsequent Merger, see "*Description of the Acquisition and Merger*".

Significant factors affecting results of operations

The Access Bank Group's performance and results of operations have been and continue to be affected by a number of external factors. There are also various specific factors Access Bank believes have affected the Access Bank Group's results of operations in the past and that Access Bank expects will continue to affect its results in the future. In this section, the Access Bank Group sets out those material factors that have had, or may have had, an effect on its results.

Acquisition of the Intercontinental Bank Group by Access Bank

On 14 October 2011, Access Bank acquired an initial 75 per cent. equity stake in Intercontinental Bank. The total consideration paid by the Access Bank Group for this controlling stake in Intercontinental Bank was ₦50 billion. Following the Acquisition, Intercontinental Bank became a consolidated subsidiary of Access Bank, and the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group's consolidated statements for the fourth quarter of 2011 and as at 31 December 2011. The Merger of the Intercontinental Bank Group with the Access Bank Group was completed on 23 January 2012, as a result of which the Intercontinental Bank Group ceased to exist as a separate legal entity.

The Acquisition had a significant impact on the Access Bank Group's balance sheet and income statement items for the year ended 31 December 2011 and the three months ended 31 March 2012, and is expected to have an impact thereafter. For the year ended 31 December 2011, the Intercontinental Bank Group contributed gross earnings of ₦16.1 billion and profit before taxation of ₦5.1 billion. If the Acquisition had occurred on 1 January 2011, the consolidated revenue would have been ₦204.1 billion and consolidated loss before tax for the year would have been ₦68.9 billion. For more details, see "*Unaudited Pro Forma Financial Information of the enlarged Access Bank Group*" for the unaudited *pro forma* consolidated income statement of the enlarged Access Bank Group for the year ended 31 December 2011, which was prepared to show the impact of the Acquisition on the Access Bank Group's income statement for the year ended 31 December 2011, as if the Acquisition had occurred on 1 January 2011.

Among other effects, as a result of the Acquisition, the Access Bank Group significantly increased its investment in AMCON bonds. The Acquisition also led to a reduction in the Access Bank Group's total capital adequacy ratio (calculated on the basis of the Access Bank Group's Nigerian GAAP financial statements) from 21.7 per cent. as at 30 June 2011 (prior to the Acquisition) to 21.1 per cent. as at 31 December 2011 (after the Acquisition). As at 31 March 2012, the Access Bank Group's total capital adequacy ratio was 21.0 per cent. In addition, the Acquisition had an impact on the Access Bank Group's loans to deposit ratio and liquidity ratio. The Access Bank Group's loans to deposit ratio decreased from 86.3 per cent. as at 30 June 2011 (prior to the Acquisition) to 52.3 per cent. as at 31 December 2011 (after the Acquisition), and the liquidity ratio increased from 36.6 per cent. as at 30 June 2011 (prior to the Acquisition) to 70.2 per cent. as at 31 December 2011 (after the Acquisition). As at 31 March 2012, the Access Bank Group's loans to deposit ratio and liquidity ratio were 52.7 per cent. and 70.0 per cent., respectively.

As a result of the Acquisition and subsequent Merger, Access Bank expects to reduce its funding costs and diversify its funding base through an increased volume of deposits, number of depositor customers and franchises, and large corporate customers. Access Bank also expects to diversify its revenue, increasing its ability to capture an increased transaction fee income from an enlarged customer base. In addition, Access Bank believes that the increased funding base after the Merger provides the Access Bank Group with an increased capacity to provide credit and services to a larger wholesale and retail client base, as well as increased access to credit lines from international finance institutions for on-lending.

Nigeria's economic condition and political stability

The majority of the Access Bank Group's assets and customers are located in, or have businesses related to, Nigeria. As a result, the Access Bank Group is substantially affected by Nigerian economic conditions. In addition, the Access Bank Group is substantially affected by regulatory developments in the banking sector, as well as political stability in Nigeria as it affects economic growth generally. For more information on the economic and political conditions of Nigeria, see "*Nigeria*" and "*The Nigerian Banking Sector*". See also "*Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Nigerian banking sector—the banking sector is affected by changes in*

the Nigerian economy” and “Risk Factors— Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks Relating To Nigeria and the West African sub-region in which the Access Bank Group operates—There are risks related to political instability, religious differences, ethnicity and regionalism in Nigeria”.

The following table sets forth certain Nigerian economic indicators as at and for the periods indicated.

	As at or for the three months ended 31 March	As at or for the years ended 31 December			
	2012 ⁽¹⁾	2011 ⁽¹⁾	2010	2009	2008
GDP at market exchange rates (U.S.\$ billions)	273.0	238.9	196.8	168.6	207.1
Real GDP growth (%)	6.17	7.19	7.98	6.96	5.98
GDP per capita (U.S.\$ at purchasing power parity (“PPP”) market exchange rates)	2,722	2,578	2,420	2,276	2,164
Inflation (all items, year on year change, as at December in each year) (%)	12.1	10.3	11.7	13.9	15.2
Population (million)	164.8	160.3	156.1	151.9	147.8
Total external debt (U.S.\$ billions)	5.91	5.67	4.6	3.9	3.7
Total external debt (% of GDP)	2.16	2.36	2.4	2.4	2.0
Exchange rate ₦/U.S.\$ (average)	155.89	151.83	150.30	147.27	117.78

Sources: IMF, EIU (Economic Intelligence Unit), NBS, CBN.

(1) Data as at or for the three months ended 31 March 2012 and as at or for the year ended 31 December 2011 is provisional.

As demonstrated in the table above, the state of the Nigerian economy improved steadily from 2008 to 2010, with 5.98 per cent., 6.96 per cent. 7.98 per cent. real GDP growth respectively, although according to provisional figures, the real GDP growth dropped slightly to 7.19 per cent. in 2011. In the first quarter of 2012, real GDP growth in Nigeria is estimated at 6.17 per cent. In 2009, GDP growth was not as robust as initially expected due to a crisis in the Niger Delta region which adversely affected oil production thereby reducing the petroleum industry’s contribution to GDP. The Nigerian economy is highly influenced by oil prices and by the country’s level of oil and gas production. The oil and gas sector accounted for 16.3 per cent of GDP and 69.4 per cent of total gross federally collectible revenue in 2009 (source: NBS). For the year ended 31 December 2011, according to the NBS, the oil and gas sector accounted for 14.71 per cent of GDP, up from 13.54 per cent. for the year ended 31 December 2010. The decline in international oil prices between 2008 and 2009 had a significant impact on the Access Bank Group which had extended credit to several companies in the downstream oil and gas sector. Crude oil prices declined from an average of U.S.\$101.15 per barrel in 2008 to U.S.\$62.08 in 2009, increasing in 2010 to an average of U.S.\$78.80 per barrel and increasing in 2011 to an average of U.S.\$110.10 per barrel. The average price of crude oil was U.S.\$118.64 per barrel for the three months ended 31 March 2012. As at 21 June 2012 however, the price of crude oil declined sharply to U.S.\$89.25. As at 31 March 2012, 20.7 per cent. of the Access Bank Group’s total gross loans were extended to companies in the oil and gas sector, compared to 19.7 per cent. as at 31 December 2011, 20.7 per cent. as at 31 December 2010 and 19.4 per cent. as at 31 December 2009.

The global financial crisis that began at the end of 2008 had a significant impact on the Nigerian economy. The reduction of external reserves which triggered speculative currency trading, coupled with the reduction in oil prices, led to a devaluation of the Naira against the U.S. Dollar from a high of ₦116.64 in 2008 to an average of ₦150.30 for 2010. As at 31 March 2012, the Official Exchange Rate was ₦155.51:U.S.1.00. In addition, in 2008, the NSE posted the biggest decline among 89 global indices tracked by Bloomberg. Any deterioration in economic conditions in Nigeria has affected, and may in the future affect, the Nigerian banking sector and the Access Bank Group’s results of operations.

Interest rate environment and funding

One of the most significant factors affecting the Access Bank Group’s profitability is the level of, and fluctuations in, interest rates in Nigeria over time, which in turn (along with the volume of loans and deposits) influence the interest income generated by the Access Bank Group’s assets (primarily loans and advances to customers) and the interest expense associated with its liabilities (primarily deposits). Increases in interest rates have tended to increase net interest income as the Access Bank Group’s assets have tended to reprice more quickly than liabilities. Movements in short and long-term interest rates also have affected the Access Bank Group’s level of gains and losses on its investment and trading portfolio.

Interest rates in Nigeria have been substantially affected by the financial crisis. In September 2008, the CBN began to gradually decrease the MPR, initially from 10.25 per cent. to 9.75 per cent. Further decreases in April and July 2009 brought the rate to 6.0 per cent. The MPR was held constant for most of 2010 but at the beginning in September 2010, the CBN began to increase the MPR and, through a series of increases, raised the MPR to 12.0 per cent. on 10 October 2011. On 21 and 22 May 2012, the Monetary Policy Committee voted to maintain MPR at 12.0 per cent. with a symmetric band of +/- 200 basis points. Notwithstanding the trend in the MPR, lending rates in Nigeria increased in 2008 and remained high in 2009 as a result of the financial crisis, although interbank lending rates declined significantly in 2009 when the CBN announced that it would guarantee interbank lending. In addition, in 2008 and 2009, in advance of the CBN’s Special Examination, interest rates on deposits were relatively high, as banks sought to attract funding. Interest rates on deposits declined in early 2010, and

average interest rates for all of 2010 were lower than in 2009, as concerns over liquidity in the banking sector eased. Interest rates on loans also decreased across the Nigerian banking sector in 2010 as a result of the intervention of the CBN, which put an end to distressed borrowing by intervened banks, which were driving up the average interest rate on loans.

The Access Bank Group generates the majority of its interest income from loans and advances to customers and investment securities. The average interest rate on the Access Bank's loans and advances to customers (calculated on the basis of Nigerian GAAP) was 19.4 per cent. in the three months ended 31 March 2012, 13.9 per cent. in the year ended 31 December 2011, 15.0 per cent. in the year ended 31 December 2010, and 19.4 per cent. in the nine months ended 31 December 2009. The average interest rate on Access Bank's investment securities was 12.9 per cent. in the three months ended 31 March 2012, 8.2 per cent. in the year ended 31 December 2011, 3.5 per cent. in the year ended 31 December 2010, and 5.4 per cent. in the nine months ended 31 December 2009.

Demand for the Access Bank Group's products

The Access Bank Group generates the majority of its interest income from loans and advances to customers and investment securities. In addition, a significant portion of the Access Bank Group's fee and commission income, which consists of fees arising from transaction and banking activity, facility fees and administrative fees, is associated with the volume of loans extended by the Access Bank Group. Demand for the Access Bank Group's loans and other products, and the Access Bank Group's ability to continue to create loans, affect the size of the Access Bank Group's loan portfolio and, in turn, the Access Bank Group's results of operations. Demand for the Access Bank Group's loans and other products depend on several factors, which include economic and political conditions in Nigeria and elsewhere in Africa, conditions prevailing in the Nigerian banking sector, the Access Bank Group's competitive environment and the Access Bank Group's ability to take advantage of growth opportunities.

Loans and advances to customers decreased to ₦539,610 million as at 31 March 2012 from ₦576,229 million as at 31 December 2011, after increasing from ₦447,810 million as at 31 December 2010 and ₦385,313 million as at 31 December 2009. The decrease of ₦36,619 million in loans and advances to customers in the first quarter of 2012 was primarily due to the repayment of outstanding loan obligations by key downstream oil and gas customers during this period, as these customers did not renew loans as a result of the partial removal of the petroleum subsidies in Nigeria. See "*Nigeria—The Nigerian Economy—Power Sector*". This decrease was partially offset by an increase in loans and advances to individuals in the first quarter of 2012, due primarily to an increase in retail banking customers as a result of the acquired retail franchise from the Intercontinental Bank Group. The increase from 2009 to 2011 was primarily due to emerging lending opportunities in the Nigerian real (non-financial) sector of the economy, particularly the oil and gas, power, manufacturing and telecommunications sectors, as well as the Group's ability to take advantage of these opportunities. Loans and advances to corporate entities and other organisations constituted 90.4 per cent., 93.7 per cent., 98.0 per cent. and 96.1 per cent. of the Access Bank Group's loan portfolio as at 31 March 2012, 31 December 2011, 31 December 2010 and 31 December 2009, respectively, reflecting the Access Bank Group's focus on corporate clients (institutional and commercial) during these periods.

CBN measures to stimulate the Nigerian economy

The global financial crisis and the resulting decline in the Nigerian equities market resulted in significant provisions and high NPLs at a number of Nigerian banks. In 2009, the CBN undertook a number of measures designed to stimulate growth and improve liquidity within the Nigerian banking sector, including removing interest rate caps, reducing the MPR, reducing mandatory reserve levels from four per cent. to one per cent., and providing guarantees of all interbank lending (which expired in September 2011, except for banks negotiating merger and acquisition transactions within the Nigerian banking industry, which guarantees expired in December 2011). The increased liquidity levels from these measures have resulted in increased competition in lending, and a decline in yields on the Access Bank Group's loans and advances to customers.

In July 2010, AMCON was established to assist banks in Nigeria to improve their capital and liquidity positions, with the aim of fuelling a recovery of the Nigerian banking sector and capital markets. Among its functions, AMCON is mandated to provide liquidity to banks by buying their NPLs (including margin loans). As at 31 March 2012, Access Bank has sold NPLs with a total gross value of ₦62.1 billion in exchange for AMCON bonds with a face value of ₦57.1 billion and as at 23 January 2012 (being the date the Merger completed), Intercontinental Bank had sold NPLs with a total gross value of ₦523.1 billion in exchange for AMCON bonds with a face value of ₦222.8 billion. In addition, as part of the Acquisition, AMCON provided an initial financial accommodation amount (the "**Financial Accommodation Amount**") of approximately ₦548.3 billion to Intercontinental Bank in the form of AMCON bonds (with an aggregate discounted value equivalent to such Financial Accommodation Amount) to cover provisions made for its remaining NPLs, diminution in value of other assets and other obligations due and unpaid and to restore Intercontinental Bank's net asset value ("**NAV**") to zero. See also "*Description of the Acquisition and Merger*" and "*The Nigerian Banking Sector*". As at the date of this Prospectus, Access Bank is awaiting receipt of AMCON bonds with a face value of ₦25.8 billion as additional Financial Accommodation Amount relating to NPLs on the balance sheet of Intercontinental Bank.

AMCON's consideration bonds are three year zero coupon bonds with a yield to maturity of 10.125 per cent and are fully guaranteed by the Government. The Access Bank Group may sell more NPLs to AMCON in the future as AMCON seeks to reduce concentration risk at Nigerian banks. A sale of NPLs to AMCON reduces the Access Bank Group's NPL ratio and reduces the size of the Access Bank Group's loan portfolio.

In addition, Access Bank is required to contribute to a sinking fund to cover any net deficits incurred by AMCON. On this basis, effective 1 January 2011, each Nigerian bank is required to contribute to the sinking fund an amount equal to 0.30 per cent. of its total assets as at 31 December each year in respect of the immediately preceding financial year.

In late 2009 and early 2010, the CBN introduced an aggregate of ₦500 billion of stimulus measures administered through the Bank of Industry (the “BOI”) to stimulate the economy. Of the total amount, ₦300 billion is intended for power projects and ₦200 billion is intended for the refinancing/restructuring of banks’ existing loan portfolios to the small and medium-sized enterprises (“SME”) and manufacturing sectors. The CBN has also established a ₦200 billion Small and Medium Enterprise Credit Guarantee Scheme (“SMECGS”) for promoting access to credit by SMEs in Nigeria. Other sector-specific measures were also introduced, particularly in agriculture. As part of these measures, the CBN established, in collaboration with the Federal Ministry of Agriculture and Water Resources, the Commercial Agriculture Credit Scheme for promoting commercial agriculture in Nigeria. The scheme was financed from the proceeds of a ₦200 billion seven-year bond raised by the Nigerian Debt Management Office (“DMO”) and proceeds were made available to participating banks for state governments to borrow for on-lending to farmers cooperatives in their states. In addition, in July 2010 the BOI granted the Access Bank Group a ₦18,145 million facility as an intervention fund for SMEs and in October 2011, a further ₦3,450 million facility as intervention credit for power and airline companies.

For more information on the banking sector in Nigeria and the special measures taken by the CBN in response to the global financial crisis, see “*The Nigerian Banking Sector*”.

Level of deposits

Similar to other banks in Nigeria, the Access Bank Group has historically relied almost exclusively on corporate and retail depositors to meet their funding needs as access to other funding sources, including the capital markets, has been limited. Nigerian companies usually withdraw their deposits on a frequent basis and are not typically in a position to place significant funds in deposits on a long-term basis. The CBN requires Nigerian banks to maintain a 30.0 per cent. liquidity ratio to meet short term liquidity needs. Decreases in corporate deposits and/or unexpected withdrawals of retail deposits can increase the Access Bank Group’s costs of funding when other sources of funding are not available on commercially reasonable terms or in time to meet the Access Bank Group’s funding requirements. In addition, the CBN’s requirement to maintain a 30.0 per cent. liquidity ratio results in certain constraints on Access Bank’s ability to lend, which in turn affects the size and growth of its loan portfolio. As at 31 March 2012, the Access Bank Group’s liquidity ratio was 70.0 per cent.

Competition

The banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure on the loan rates chargeable by the Access Bank Group, particularly in the corporate segment. The Access Bank Group’s net interest margin (defined as net interest income divided by average interest earning assets of Access Bank on a stand-alone basis and calculated on the basis of Nigerian GAAP) was 9.7 per cent. for the three months ended 31 March 2012 (annualised), 6.8 per cent. for the year ended 31 December 2011, 7.0 per cent. for the year ended 31 December 2010 and 7.5 per cent. for the year ended 31 December 2009 (annualised).

The Nigerian banking industry encountered significant difficulties during the recent global economic and financial crisis primarily related to high loan growth prior to and at the early stage of the crisis and consequent risk management and credit quality related issues. The CBN has undertaken a number of initiatives to stabilise and improve conditions in the industry which have had a significant positive impact. As a result, the Nigerian banking industry has improved and Access Bank believes that this improvement will result in continuing and increasing competition in the future. Further, Access Bank believes that consolidation in the industry may further increase competition, as larger banks seek to take advantage of economies of scale and greater capacity to undertake larger loans and other operations. This increased competition is likely to result in a further narrowing of spreads between deposit and loan rates.

Effect of the Acquisition on the Access Bank Group’s results for the year ended 31 December 2011 and the three months ended 31 March 2012 and change of financial year end in 2009

Following the Acquisition on 14 October 2011, the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group’s consolidated statements for the fourth quarter of 2011 and as at 31 December 2011. **Accordingly, the Access Bank Group’s results for the twelve month period ended 31 December 2011 and the three month period ended 31 March 2012 are not directly comparable to those for any prior financial period included herein and are not indicative of results that would have been achieved excluding for the effects of the Acquisition and Merger.**

In addition, in January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks’ financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. Accordingly, Access Bank changed its financial year end from

31 March to 31 December in 2009, resulting in a nine month financial reporting period from 1 April 2009 to 31 December 2009. **The Access Bank Group's results for the nine month period ended 31 December 2009 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2009.**

For a discussion of the risks involved in the consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition and the change of the Access Bank Group's financial year end, see *"Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group's and the Intercontinental Bank Group's financial year end in 2009, make comparisons difficult and may result in additional tax liabilities"*.

Non-banking subsidiaries

In October 2010, the CBN issued regulations on the scope of banking activities, which took effect from May 2012. The former universal banking guidelines were repealed and banking activities were segregated into commercial banking, merchant banking and specialised banking (including non-interest banks, microfinance banks, development banks and mortgage banks). Accordingly, Access Bank has undertaken a process to divest, wind up or integrate its non-banking subsidiaries and has been granted an extension until May 2013 by the CBN to undergo this process in light of the Acquisition and Merger. Access Bank completed the integration of Access Homes and Mortgages Limited into Access Bank in March 2011 and sold United Securities Limited in June 2011. Access Bank is in the process of divesting, winding up or integrating further non-banking subsidiaries, including former Intercontinental Bank subsidiaries. See *"Business—Subsidiaries—Non-banking subsidiaries"*. For the three months ended 31 March 2012, these non-banking subsidiaries contributed to less than one per cent. to the Access Bank Group profit before tax and, as at 31 March 2012, comprised less than one per cent. of the Access Bank Group's assets on its consolidated balance sheet.

Significant accounting policies

The Access Bank Group's consolidated financial position and results of operations presented in the Access Bank Financial Statements and the notes thereto, as well as selected statistical and other information appearing elsewhere in this Prospectus are prepared in accordance with IFRS and depend upon the Access Bank Group's accounting policies, which in some cases involve a significant amount of management judgment. Access Bank has identified accounting policies that it believes are the most important to an understanding of the consolidated results of operations and financial condition of the Access Bank Group. The Access Bank Group's significant accounting policies are described in Note 4 to the Access Bank Annual Financial Statements. These critical accounting policies require management's subjective and complex judgment about matters that are inherently uncertain.

Results of operations

The following table sets forth the Access Bank Group's results of operations for the three months ended 31 March 2012 and 2011, for the years ended 31 December 2011 and 2010 and for the nine months ended 31 December 2009.

	For the three months ended 31 March		For the year ended 31 December		For the nine months ended 31 December
	2012	2011	2011	2010	2009
	(₦ millions)				
Interest income	53,071	19,321	107,609	69,241	67,914
Interest expense	(14,889)	(6,390)	(37,026)	(21,820)	(30,142)
Net interest income	38,182	12,931	70,483	47,421	37,772
Fee and commission income	6,727	4,828	22,966	12,989	10,331
Fee and commission expense	(2)	—	—	—	—
Net fee and commission income	6,725	4,828	22,966	12,989	10,331
Net trading income	1,276	864	2,759	6,839	7,311
Net (loss) income from other financial instruments at fair value through profit or loss	—	—	—	(724)	114
Other operating income	1,527	747	4,367	2,299	1,861
	2,803	1,611	7,126	8,414	9,286
Underwriting profit	316	—	657	—	—
Operating income	48,027	19,369	101,332	68,824	57,389
Net impairment loss on financial assets	(6,054)	(1,246)	(9,251)	(7,772)	(23,965)
Net operating income after net impairment loss on financial assets	41,972	18,124	92,081	61,052	33,424
Personnel expenses	(13,280)	(3,005)	(23,327)	(15,428)	(11,365)
Operating lease expenses	(553)	(285)	(1,992)	(1,539)	(1,132)
Depreciation and amortisation ⁽¹⁾	(3,708)	(1,094)	(6,595)	(5,694)	(3,912)
Other operating expenses ⁽¹⁾	(9,300)	(6,638)	(37,679)	(25,806)	(20,195)
Total expenses	(26,841)	(11,022)	(69,593)	(48,468)	(36,604)
Share of profit/(loss) of equity accounted investee	—	—	(10)	—	(775)
Profit/(loss) before income tax	15,131	7,102	22,477	12,584	(3,955)
Income tax (expense)/credit	(3,730)	(1,562)	(7,099)	(4,857)	1,867
Profit/(loss) for the year/period	11,401	5,539	15,378	7,727	(2,088)

(1) Amounts for 'Depreciation and amortisation' and 'Other operating expenses' in 2010 have been reclassified to conform the Access Bank Interim Financial Statements' and Access Bank 2011 Financial Statements' presentation.

Three months ended 31 March 2012 compared to three months ended 31 March 2011

Net interest income

The following table sets out certain information relating to the Access Bank Group's net interest income for the periods indicated.

	Three months ended 31 March		Variation
	2012	2011	2012/2011
	(₦ millions)		(%)
Interest income ⁽¹⁾	53,071	19,321	174.7
Interest expense	(14,889)	(6,390)	133.0
Net interest income	38,182	12,931	195.3

(1) Interest income for the three months ended 31 March 2012 includes ₦794 million accrued on impaired financial assets. Interest income for the three months ended 31 March 2011 includes ₦589 million accrued on impaired financial assets.

Net interest income was ₦38,182 million for the three months ended 31 March 2012 and ₦12,931 million for the three months ended 31 March 2011. The increase in net interest income was due primarily to both an increase in average balances of loans and advances to customers and of investment securities and an increase in the average rates earned on such balances. The increase was partially offset by an increase in interest expense, which reflected mainly an increase in average balances of interest-bearing deposits from banks and customers as a result of the Acquisition. Excluding the effects of the Acquisition, net interest income in the first quarter of 2012 increased primarily as a result of growth in the average balances of loans and advances to customers.

Interest income

The following table sets out details of the Access Bank Group's interest income for the periods indicated.

	Three months ended 31 March				Variation 2012/2011
	2012	% of total	2011	% of total	
	(<i>₦ millions, except %</i>)				(%)
Cash and cash equivalents	1,373	2.6	538	2.8	155.2
Loans and advances to banks and customers	37,371	70.4	14,957	77.4	149.9
Investment securities	14,327	27.0	3,826	19.8	274.5
Total interest income⁽¹⁾	53,071	100.0	19,321	100.0	174.7

(1) Interest income for the three months ended 31 March 2012 includes ₦794 million accrued on impaired financial assets. Interest income for the three months ended 31 March 2011 includes ₦589 million accrued on impaired financial assets.

Total interest income increased to ₦53,071 million for the three months ended 31 March 2012 from ₦19,321 million for the three months ended 31 March 2011, primarily due to an increase in average balances of loans and advances to banks and customers and of investment securities. Interest income from loans and advances to banks and customers increased to ₦37,371 million for the three months ended 31 March 2012 from ₦14,957 million for the three months ended 31 March 2011, primarily due to a significant increase in average balances of investment securities and average balances of loans and advances to customers in 2011, combined with an increase in average interest rates earned on these investment securities and loans and advances. Interest income from investment securities increased to ₦14,327 million for the three months ended 31 March 2012 from ₦3,826 million for the three months ended 31 March 2011, primarily due to a significant increase in AMCON bonds as a result of the Acquisition and the sale of NPLs to AMCON. The AMCON bonds are three-year zero coupon bonds with a yield to maturity of 10.125 per cent. and are fully guaranteed by the Government. Excluding the effects of the Acquisition, the increase in interest income in the first quarter to 2012 was primarily due to organic growth in the average balance of loans and advances to customers over the course of 2011, as well as an increase in average interest rates earned on these loans and advances.

Interest expense

The following table sets out details of the Access Bank Group's interest expense for the periods indicated.

	Three months ended 31 March				Variation 2012/2011
	2012	% of total	2011	% of total	
	(<i>₦ millions, except %</i>)				(%)
Deposits from banks	4,581	30.8	1,967	30.8	132.9
Deposits from customers	9,684	65.0	4,157	65.1	133.0
Securities dealing	591	4.0	252	3.9	134.5
Other borrowed funds	26	0.2	11	0.2	136.4
Other interest expense	7	0.0	3	0.0	133.3
Total interest expense	14,889	100.0	6,390	100.0	133.0

Total interest expense incurred by the Access Bank Group increased to ₦14,889 million for the three months ended 31 March 2012 from ₦6,390 million for the three months ended 31 March 2011. The increase in total interest expense was primarily due to an increase in interest expense incurred on deposits from customers and deposits from banks. Interest expense on deposits from customers increased to ₦9,684 million for the three months ended 31 March 2012 from ₦4,157 million for the three months ended 31 March 2011, and interest expense on deposits from banks increased to ₦4,581 million for the three months ended 31 March 2012 from ₦1,967 million for the three months ended 31 March 2011. These increases were mainly as a result of significant increases in average balances of both deposits from customers and banks following the Acquisition, as well as an increase in average rates on deposits from customers and banks due to certain expensive deposits acquired from the Intercontinental Bank Group, some of which Access Bank was able to reprice downwards in the three months ended 31 March 2012. Excluding the effects of the Acquisition, the increase in total interest expense was primarily due to the increase in the average balance of deposits from customers.

Interest expense from securities dealing increased to ₦591 million for the three months ended 31 March 2012 from ₦252 million for the three months ended 31 March 2011. This increase was primarily due to a slight increase in held-to-maturity government bonds purchased at a premium, which premium is amortized over the life of the bond.

Interest expense from other borrowed funds increased to ₦26 million for the three months ended 31 March 2012 from ₦11 million for the three months ended 31 March 2011, primarily due to a slight increase in borrowed funds resulting from the Acquisition.

Fee and commission income

The following table shows the composition of fee and commission income for the periods indicated.

	Three months ended 31 March		Variation
	2012	2011	2012/2011
	<i>(₦ millions)</i>		<i>(%)</i>
Credit related fees and commissions	2,146	1,166	84.0
Other fees and commissions	4,581	3,662	25.1
Total fee and commission income	6,727	4,828	39.3

Total fee and commission income increased to ₦6,727 million for the three months ended 31 March 2012 from ₦4,828 million for the three months ended 31 March 2011 due to an increase in credit related fees and commissions and other fees and commissions. Credit related fees and commissions increased to ₦2,146 million for the three months ended 31 March 2012 from ₦1,166 million for the three months ended 31 March 2011, primarily due to growth in the average balance of Access Bank's loan portfolio and an increase in fees from letters of credit in 2012. Other fees and commission increased to ₦4,581 million for the three months ended 31 March 2012 from ₦3,662 million for the three months ended 31 March 2011, resulting from an increase in banking transaction related services, such as e-channel usage fees.

Net trading income

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and changes in fair value. Net trading income increased to ₦1,276 million for the three months ended 31 March 2012 from ₦864 million for the three months ended 31 March 2011. The increase in net trading income was primarily due to an increase in foreign exchange trading income, which reflected mainly an increase in the Access Bank Group's foreign trading activities, such as interbank trading and the purchase and sale of foreign currency from and to customers.

Other operating income

The Access Bank Group had other operating income of ₦1,527 million for the three months ended 31 March 2012, as compared with other operating income of ₦747 million for the three months ended 31 March 2011. This increase resulted mainly from dividend earned on investment and rental income.

Net impairment loss on financial assets

Net impairment loss on financial assets for the three months ended 31 March 2012 was ₦6,054 million, as compared with net impairment loss on financial assets of ₦1,246 million for the three months ended 31 March 2011. This increase was primarily due to an increase in collective impairment resulting from management's re-assessment of the probability of default on its financial assets related to an enlarged loan book following the Acquisition. Specific impairment declined primarily due to recovery of certain NPLs.

The following table sets out certain information relating to the Access Bank Group's impairment allowance on loans and advances for the periods indicated.

	Three months ended 31 March 2012	Year ended 31 December 2011
	<i>(₦ millions, except %)</i>	
Impairment allowance on loans and advances:		
Balance at 1 January	48,311	30,328
Acquired through business combination	—	61,535
Impairment loss for the period/year:		
Charge for the period/year	8,938	19,554
Recoveries	(4,172)	(8,573)
Net impairment for the period/year	4,766	10,981
Effect of foreign currency movements	(81)	105
Write offs	(7,778)	(54,639)
Balance at 31 March or 31 December	45,218	48,311
Non-performing loans/gross loans and advances	10.6%	9.1%
Allowances for impairment losses/non performing loans	73.0%	86.0%
Allowances for impairment losses/gross loans and advances	7.7%	7.7%
Impairment charges/average net loans and advances ⁽¹⁾	0.8%	2.1%
NPLs sold to AMCON		
Gross value	—	49,010
Provisions	—	12,915
Face value (or redemption value) of consideration bonds issued by AMCON	—	53,466
Gain	—	3,000

(1) Averages based on opening and closing balances of the Access Bank Group.

Impairment allowance on loans and advances decreased to ₦45,218 million as at 31 March 2012 from ₦48,311 million as at 31 December 2011. The decrease in impairment allowance on loans and advances in the first quarter of 2012 was primarily due to recoveries achieved during this period.

The Access Bank Group's NPLs as at 31 March 2012 increased to ₦61,978 million, representing 10.6 per cent. of gross loans and advances, from ₦56,230 million or 9.0 per cent. of gross loans and advances as at 31 December 2011. The Access Bank Group's NPLs increased in the first quarter of 2012 primarily due to the Access Bank Group adopting a more prudent approach to NPLs by impairing loans showing sign of default.

Underwriting profit

Underwriting profit arose as a result of the inclusion of profits from Intercontinental WAPIC Insurance Plc, a subsidiary of Intercontinental Bank acquired in the Acquisition. Underwriting profit was ₦316 million for the three months ended 31 March 2012.

Operating expenses

The following table sets out the principal components of the Access Bank Group's operating expenses for the periods indicated.

	Three months ended 31 March				Variation 2012/2011
	2012	% of total	2011	% of total	
	(₦ millions, except %)				(%)
Personnel expenses	13,280	49.5	3,005	27.3	341.9
Operating lease expenses	553	2.1	285	2.6	94.0
Depreciation and amortisation	3,709	13.8	1,094	9.9	239.0
Other operating expenses ⁽¹⁾	9,300	34.6	6,638	60.2	40.1
Total operating expenses	26,841	100.0	11,022	100.0	143.5

(1) Other operating expenses comprise other premises and equipment costs, professional fees, insurance, travelling, AMCON surcharge and general administrative expenses.

Operating expenses increased to ₦26,841 million for the three months ended 31 March 2012 from ₦11,022 million for the three months ended 31 March 2011. This increase in operating expenses was primarily due to an increase in personnel expenses, which was primarily related to the Acquisition. Increases in depreciation and amortisation and other operating expenses also contributed, to a lesser extent, to the increase in the Access Bank Group's operating expenses.

Personnel expenses

The following table sets out details of the Access Bank Group's personnel expenses for the periods indicated.

	Three months ended 31 March		Variation 2012/2011
	2012	2011	
	(₦ millions)		(%)
Wages and salaries	6,652	2,898	129.5
Increase in liability for defined benefits	459	2	22,850.0
Contributions to defined contribution plans	464	105	341.9
Termination benefits	3,726	—	n/a
Other staff benefits ⁽¹⁾	1,979	—	n/a
Total personnel expenses	13,280	3,005	341.9

(1) Other staff benefits consist of performance bonuses and long term incentive benefits.

Total personnel expenses increased to ₦13,280 million for the three months ended 31 March 2012 from ₦3,005 million for the three months ended 31 March 2011. The significant increase in personnel expenses was primarily due to termination benefits in the amount of ₦3,726 million the Access Bank Group paid to 2,045 former employees of Intercontinental Bank Group following the Merger on 23 January 2011, as well as an increase in wages and salaries to ₦6,652 million for the three months ended 31 March 2012 from ₦2,898 million for the three months ended 31 March 2011. The increase in wages and salaries in 2012 was primarily due to a significant increase in the number of employees following the Acquisition. The Access Bank Group had 3,100 full-time equivalent employees as at 31 March 2012 compared to 1,767 full-time equivalent employees as at 31 March 2011.

Operating lease expenses

Operating lease expenses increased to ₦553 million for the three months ended 31 March 2012 from ₦285 million for the three months ended 31 March 2011. The increase in operating lease expenses was primarily due to an increase in leased property as a result of the Acquisition.

Depreciation and amortisation

Depreciation and amortisation increased to ₦3,709 million for the three months ended 31 March 2012 from ₦1,094 million for the three months ended 31 March 2011. The increase in depreciation and amortisation was primarily due to an increase in property, plant and equipment resulting from the Acquisition.

Other operating expenses

The following table sets out details with respect to the Access Bank Group's other operating expenses for the periods indicated.

	Three months ended 31 March				Variation 2012/2011
	2012	% of total	2011	% of total	
	(₦ millions)				(%)
Other premises and equipment costs	1,214	13.1	627	9.4	93.6
Professional fees	450	4.8	232	3.5	94.0
Insurance	196	2.1	101	1.5	94.1
Travelling	1,265	13.6	653	9.8	93.7
AMCON surcharge ⁽¹⁾	1,190	12.8	709	10.7	67.8
General administrative expenses	4,985	53.6	4,316	65.0	15.5
Total other operating expenses	9,300	100.0	6,638	100.0	40.1

(1) The AMCON surcharge represents the Access Bank Group's contribution to AMCON's sinking fund. Effective 1 January 2011, each Nigerian bank is required to contribute 0.3% of its total assets (determined under Nigerian GAAP) as at the preceding year end to AMCON's sinking fund in line with existing guidelines.

The Access Bank Group's other operating expenses increased to ₦9,300 million for the three months ended 31 March 2012 from ₦6,638 million for the three months ended 31 March 2011. The increase in other operating expenses primarily resulted from an increase in other premises and equipment costs, travelling expenses and AMCON surcharge (which is linked to the increase in the Access Bank Group's total assets in 2011).

Income tax expense

Income tax expense for the three months ended 31 March 2012 increased to ₦3,730 million from ₦1,562 million for the three months ended 31 March 2011. The Access Bank Group's effective income tax rate in the three months ended 31 March 2012 increased to 24.7 per cent, as compared to 22.0 per cent for the three months ended 31 March 2011. The increase in income tax expense and effective tax rate resulted mainly from the increase in profit before income tax to ₦15,131 million for the three months ended 31 March 2012 from ₦7,102 million for the three months ended 31 March 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

Net interest income

The following table sets out certain information relating to the Access Bank Group's net interest income for the periods indicated.

	Year ended 31 December		Variation 2011/2010
	2011	2010	
	(₦ millions)		(%)
Interest income ⁽¹⁾	107,609	69,241	55.4
Interest expense	(37,026)	(21,820)	69.7
Net interest income	70,583	47,421	48.8

(1) Interest income for the year ended 31 December 2011 includes ₦4,354 million accrued on impaired financial assets. Interest income for the year ended 31 December 2010 includes ₦3,863 million accrued on impaired financial assets.

Net interest income was ₦70,583 million for the year ended 31 December 2011 and ₦47,421 million for the year ended 31 December 2010. The increase in net interest income was due primarily to an increase in average balances of loans and advances to customers and investment securities. The increase was partially offset by an increase in interest paid on deposits from banks and deposits from customers and a resulting decrease in net interest margin. Excluding the effects of the Acquisition, the increase in net interest income in 2011 reflected mainly growth in loans and advances to banks and customers (which was almost entirely attributable to organic growth of the Access Bank's loan portfolio).

Interest income

The following table sets out details of the Access Bank Group's interest income for the periods indicated.

	Year ended 31 December				Variation 2011/2010 (%)
	2011	% of total	2010	% of total	
	(₦ millions, except %)				
Cash and cash equivalents	3,546	3.3	1,610	2.3	120.2
Loans and advances to banks and customers	79,428	73.8	60,294	87.1	31.7
Investment securities	24,635	22.9	7,338	10.6	235.7
Total interest income⁽¹⁾	107,609	100.0	69,242	100.0	55.4

(1) Interest income for the year ended 31 December 2011 includes ₦4,354 million accrued on impaired financial assets. Interest income for the year ended 31 December 2010 includes ₦3,863 million accrued on impaired financial assets.

Total interest income increased to ₦107,609 million for the year ended 31 December 2011 from ₦69,241 million for the year ended 31 December 2010, primarily due to an increase in loans and advances to banks and customers and investment securities. Interest income from loans and advances to banks and customers increased to ₦79,428 million for the year ended 31 December 2011 from ₦60,294 for the year ended 31 December 2010, primarily due to a significant increase in average balances of loans and advances to customers in 2011. Interest income from investment securities increased to ₦24,635 million for the year ended 31 December 2011 from ₦7,338 million for the year ended 31 December 2010, primarily due to a significant increase in AMCON bonds as a result of the Acquisition and on the average interest rate earned on investment securities. Excluding the effects of the Acquisition, the increase in interest income in 2011 was primarily due to organic growth in average balances of loans and advances to customers in 2011.

Interest expense

The following table sets out details of the Access Bank Group's interest expense for the periods indicated.

	Year ended 31 December				Variation 2011/2010 (%)
	2011	% of total	2010	% of total	
	(₦ millions, except %)				
Deposits from banks	9,647	26.1	2,827	13.0	241.2
Deposits from customers	24,468	66.1	17,304	79.3	41.4
Securities dealing	2,574	7.0	1,503	6.9	71.3
Other borrowed funds	104	0.3	187	0.9	(44.4)
Other interest expense	232	0.6	—	—	n/a
Total interest expense	37,026	100.0	21,821	100.0	69.7

Total interest expense incurred by the Access Bank Group increased to ₦37,026 million for the year ended 31 December 2011 from ₦21,820 million for the year ended 31 December 2010. The increase in total interest expense is primarily due to an increase in interest expense incurred on deposits from customers and banks. Interest expense on deposits from customers increased to ₦24,468 million for the year ended 31 December 2011 from ₦17,304 million for the year ended 31 December 2010, and interest expense on deposits from banks increased to ₦9,647 million for the year ended 31 December 2011 from ₦2,827 million for the year ended 31 December 2010. These increases were mainly as a result of significant increases in average balances of both deposits from customers and deposits from banks, combined with an increase in the average interest rates paid on these deposits. Most of the increase in the average balances of deposits from customers and deposits from banks was attributable to the Acquisition. In addition, the deposits acquired with the Acquisition generally bore higher interest rates at the time of the Acquisition. Excluding the effects of the Acquisition, the increase in total interest expense was primarily due to an increase in the average interest rates paid on deposits from banks and deposits from customers, which increased in line with a general rise in interest rates linked to increases in LIBOR and MPR during this period.

Interest expense from securities dealing increased to ₦2,574 million for the year ended 31 December 2011 from ₦1,503 million for the year ended 31 December 2010. This increase was primarily due to an increase in investment securities (which included held-to-maturity government bonds purchased at a premium, which premium is amortized over the life of the bond).

Interest expense from other borrowed funds decreased to ₦104 million for the year ended 31 December 2011 from ₦187 million for the year ended 31 December 2010, primarily as a result of a decrease in average interest rates on other borrowings.

Fee and commission income

The following table shows the composition of fee and commission income for the periods indicated.

	Year ended 31 December		Variation 2011/2010
	2011	2010	
	<i>(₦ millions)</i>		<i>(%)</i>
Credit related fees and commissions	16,952	9,788	73.2
Other fees and commissions	6,014	3,201	87.9
Total fee and commission income	<u>22,966</u>	<u>12,989</u>	<u>76.8</u>

Total fee and commission income increased to ₦22,966 million for the year ended 31 December 2011 from ₦12,989 million for the year ended 31 December 2010, primarily due to an increase in credit related fees and commissions to ₦16,952 million for the year ended 31 December 2011 from ₦9,788 million for the year ended 31 December 2010. The increase in credit related fees and commissions resulted mainly from growth in the average balance of the Access Bank Group's loan portfolio and an increase in fees from letters of credit in 2011. An increase in other fees and commission to ₦6,014 million for the year ended 31 December 2011 from ₦3,201 million for the year ended 31 December 2010, resulted in part from recoveries on written-off loans. An increased number of banking transactions related to an enlarged customer base following the Acquisition also contributed to the increase in total fee and commission income.

Net trading income

Net trading income decreased to ₦2,759 million for the year ended 31 December 2011 from ₦6,839 million for the year ended 31 December 2010. The decrease in net trading income was primarily due to generally higher interest rates in 2011, which resulted in a lower yield on securities. In addition, volatility in the interest rate environment led to a reduction in trading activity.

Other operating income

The Access Bank Group had other operating income of ₦4,367 million for the year ended 31 December 2011, as compared with other operating income of ₦2,299 million for the year ended 31 December 2010. This increase resulted mainly from an increase in dividends earned on investments, trading profit from an acquired trading property company (Intercontinental Properties Limited), and profit on the sale of a subsidiary, United Securities Limited.

Net impairment loss on financial assets

Net impairment loss on financial assets for the year ended 31 December 2011 was ₦9,251 million, as compared with net impairment loss on financial assets of ₦7,772 million for the year ended 31 December 2010. This increase was primarily due to NPLs acquired from Intercontinental Bank as a result of the Acquisition.

The Access Bank Group's NPLs as at 31 December 2011 decreased to ₦56,230 million, representing 9.0 per cent. of gross loans and advances, from ₦71,303 million or 14.9 per cent. of gross loans and advances as at 31 December 2010. The Access Bank Group's NPLs decreased in 2011 primarily due to NPLs sold to AMCON increased recoveries during 2011.

The following table sets out certain information relating to the Access Bank Group's impairment allowance on loans and advances for the periods indicated.

	Year ended 31 December	
	2011	2010
	(₦ millions, except %)	
Impairment allowance on loans and advances:		
Balance at 1 January	30,328	27,792
Acquired through business combination	61,535	—
Impairment loss for the year:		
Charge for the year	19,554	9,652
Recoveries	(8,573)	(2,311)
Net impairment for the year	10,981	7,341
Effect of foreign currency movements	105	(389)
Write offs	(54,639)	(4,383)
Balance at 31 December	48,311	30,361
Non-performing loans/gross loans and advances	9.0%	14.9%
Allowances for impairment losses/non performing loans	86.0%	42.6%
Allowances for impairment losses/gross loans and advances	7.7%	6.3%
Impairment charges/average net loans and advances ⁽¹⁾	2.1%	1.8%
NPLs sold to AMCON		
Gross value	49,010	13,095
Provisions	12,915	10,425
Face value (or redemption value) of consideration bonds issued by AMCON	53,466	3,619
Gain	3,000	21

(1) Averages based on opening and closing balances of the Access Bank Group.

Impairment allowance on loans and advances increased to ₦48,377 million as at 31 December 2011 from ₦30,361 million as at 31 December 2010. The increase in impairment allowance on loans and advances in 2011 was primarily due to acquired provisions from Intercontinental Bank. Write-offs increased in 2011 primarily as a result of a CBN circular that mandated all Nigerian banks to write off all loans fully provided for as at 31 December 2010.

During the year ended 31 December 2011, Access Bank sold non-performing loans to AMCON with a total gross value of ₦49,010 million and total provisions of ₦12,915 million in exchange for consideration bonds issued by AMCON with a face value (or redemption value) of ₦53,466 million. The discounted value of these AMCON consideration bonds is ₦39,095 million. The Access Bank Group recorded a gain of ₦3,000 million, representing the difference between the discounted value of the AMCON consideration bonds and the net amount after provisions of the loans sold to AMCON. This has been accounted for as part of loan impairment. See “—Significant factors affecting results of operations—CBN measures to stimulate the Nigerian economy” above.

Underwriting profit

Underwriting profit arose as a result of the inclusion of profits from Intercontinental WAPIC Insurance Plc, a subsidiary of Intercontinental Bank acquired in the Acquisition. Underwriting profit was ₦657 million for the year ended 31 December 2011.

Operating expenses

The following table sets out the principal components of the Access Bank Group's operating expenses for the periods indicated.

	Year ended 31 December				Variation 2011/2010
	2011	% of total	2010	% of total	
	(₦ millions)				(%)
Personnel expenses	23,327	33.5	15,428	31.8	51.2
Operating lease expenses	1,992	2.9	1,539	3.2	29.4
Depreciation and amortisation ⁽¹⁾	6,595	9.5	5,694	11.2	21.8
Other operating expenses ⁽¹⁾⁽²⁾	37,679	54.1	25,806	53.8	44.4
Total operating expenses	69,593	100.0	48,467	100.0	43.6

(1) Amounts for 'Depreciation and amortisation' and 'Other operating expenses' in 2010 have been reclassified to conform to the Access Bank Interim Financial Statements' and Access Bank 2011 Financial Statements' presentation.

(2) Other operating expenses comprise other premises and equipment costs, professional fees, insurance, travelling, AMCON surcharge, loss on disposal of investment properties, rent and rates and general administrative expenses.

Operating expenses increased to ₦69,593 million for the year ended 31 December 2011 from ₦48,467 million for the year ended 31 December 2010. This increase was primarily due to an increase in personnel expenses and an increase in other operating expenses, both related to the Acquisition. Excluding the effects of the Acquisition, the Access Bank Group's operating expenses increased slightly.

Personnel expenses

The following table sets out details of the Access Bank Group's personnel expenses for the periods indicated.

	Year ended 31 December		Variation
	2011	2010	2011/2010
	<i>(₦ millions)</i>		<i>(%)</i>
Wages and salaries	21,647	15,027	44.1
Increase in liability for defined benefits	1,100	—	n/a
Contributions to defined contribution plans	486	416	16.8
Decrease in liability for share appreciation rights	95	(15)	n/a
Total personnel expenses	23,327	15,428	51.2

Total personnel expenses increased to ₦23,327 million for the year ended 31 December 2011 from ₦15,428 million for the year ended 31 December 2010. The increase in personnel expenses was almost entirely attributable to an increase in wages and salaries to ₦21,647 million for the year ended 31 December 2011 from ₦15,027 million for the year ended 31 December 2010. The increase in wages and salaries in 2011 was primarily due to the absorption of approximately 4,575 employees from the Intercontinental Bank Group following the Acquisition. An increase in wages and salaries of the Access Bank Group's mid-management in October 2011 also contributed, to a lesser extent, to the increase in personnel expenses.

The following table sets out details with respect to the Access Bank Group's cash settled share-based payments for the periods indicated.

	Year ended 31 December	
	2011	2010
	<i>(₦ millions)</i>	
SARs granted to senior management (number of shares, as at 31 December 2011 or 31 December 2010, as applicable)	288	296
Effect of changes in the fair value of SARs	53	(15)
(Credit)/expense from rights exercised during the year	42	(27)
Total (credit)/expense recognised as personnel expenses	95	(42)
Total carrying amount of liabilities for cash-settlement arrangements	2,996	2,980

The total carrying amount of liabilities for cash settlement arrangements remained relatively stable at ₦2,996 million for the year ended 31 December 2011 and ₦2,980 million for the year ended 31 December 2010.

Operating lease expenses

Operating lease expenses increased to ₦1,992 million for the year ended 31 December 2011 from ₦1,539 million for the year ended 31 December 2010. The increase in operating lease expenses was primarily due to an increase in leased property as a result of the Acquisition.

Depreciation and amortisation

Depreciation and amortisation increased to ₦6,595 million for the year ended 31 December 2011 from ₦5,694 million for the year ended 31 December 2010. The increase was primarily due to an increase in property, plant and equipment resulting from the Acquisition.

Other operating expenses

The following table sets out details with respect to the Access Bank Group's other operating expenses for the periods indicated.

	Year ended 31 December				Variation 2011/2010 (%)
	2011	% of total	2010	% of total	
	(₦ millions)				
Other premises and equipment costs	2,914	7.7	1,333	5.2	118.6
Professional fees	4,437	11.8	2,042	7.9	117.3
Insurance	4,541	12.1	3,019	11.7	50.4
Travelling	1,398	3.7	1,224	4.7	14.2
AMCON surcharge ⁽¹⁾	2,713	7.2	—	—	n/a
General administrative expenses	21,675	57.5	18,188	70.5	19.2
Total other operating expenses	37,679	100.0	25,806	100.0	46.0

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

The Access Bank Group's other operating expenses increased to ₦37,679 million for the year ended 31 December 2011 from ₦25,806 million for the year ended 31 December 2010. The increase in other operating expenses in 2011 mainly resulted from an increase in accrued advisory fees and other premises and equipment costs. The increase in other premises and equipment costs was primarily due to rent expense incurred on certain branches of the Intercontinental Bank Group.

Income tax expense

Income tax expense for the year ended 31 December 2011 increased to ₦7,099 million from ₦4,857 million for the year ended 31 December 2010. The increase in income tax expense in 2011 resulted mainly from an increase in profit before income tax of 22,477 million for the year ended 31 December 2011 compared to 12,584 million for the year ended 31 December 2010. The Access Bank Group's effective income tax rate in 2011 declined to 31.6 per cent, as compared to 38.6 per cent in 2010, principally due to an increase in tax-exempt income.

Year ended 31 December 2010 compared to nine months ended 31 December 2009

As noted in “—Significant factors affecting results of operations—Change of financial year end in 2009” above, the comparability of the Access Bank Group's results of operations for the nine months ended 31 December 2009 is affected by the shorter reporting period. The effect of this factor is not discussed separately throughout this section. See also “Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group's and the Intercontinental Bank Group's financial year end in 2009, make comparisons difficult and may result in additional tax liabilities”.

Net interest income

The following table sets out certain information relating to the Access Bank Group's net interest income for the periods indicated.

	Year ended 31 December 2010	Nine months ended 31 December 2009	Variation 2010/2009
	(₦ millions)		(%)
Interest income ⁽¹⁾	69,241	67,914	2.0
Interest expense	(21,820) ⁽²⁾	(30,142)	(27.6)
Net interest income	47,421	37,772	25.5

(1) Interest income for the year ended 31 December 2010 includes ₦3,863 million accrued on impaired financial assets. Interest income for the nine months ended 31 December 2009 includes ₦4,048 million accrued on impaired financial assets.

Net interest income was ₦47,421 million for the year ended 31 December 2010 and ₦37,772 million for the year ended 31 December 2009. Aside from the shorter period in 2009, the increase in net interest income from 2009 to 2010 reflected mainly a decrease in interest expense on interest-bearing liabilities, which decreased in 2010 primarily because the Access Bank Group was able to reprice its deposits from customers downwards following the return to relative stability in the Nigerian banking sector.

Interest income

The following table sets out details of the Access Bank Group's interest income for the periods indicated.

	Year ended 31 December 2010	% of total	Nine months ended 31 December 2009	% of total	Variation 2010/2009
		(₦ millions, except %)			(%)
Cash and cash equivalents	1,610	2.3	1,802	2.7	(10.7)
Loans and advances to banks and customers	60,294	87.1	62,166	91.5	(3.0)
Investment securities	7,338	10.6	3,946	5.8	86.0
Total interest income⁽¹⁾	69,242	100.0	67,914	100.0	2.0

(1) Interest income for the year ended 31 December 2010 includes ₦3,863 million accrued on impaired financial assets. Interest income for the nine months ended 31 December 2009 includes ₦4,048 million accrued on impaired financial assets.

Total interest income increased to ₦69,242 million for the year ended 31 December 2010 from ₦67,914 million for the nine months ended 31 December 2009. Interest income from investment securities increased to ₦7,338 million for the year ended 31 December 2010, as compared to ₦3,946 million for the nine months ended 31 December 2009, primarily due to the Access Bank Group increasing its portfolio of Government bonds. However, this increase was partially offset by a decrease in interest earned on loans and advances to banks and customers to ₦60,294 million for the year ended 31 December 2010 from ₦62,166 million for the nine months ended 31 December 2009 as well as a decrease in interest earned on cash and cash equivalents to ₦1,610 million for the year ended 31 December 2010 from ₦1,802 million for the nine months ended 31 December 2009. Interest income from loans and advances to banks and customers decreased in 2010 as a result of a decrease in average interest rates on loans and advances to customers, despite an increase in average balances of loans and advances to customers in 2010. The Access Bank Group's average interest rates on loans to customers decreased in 2010 in line with a decline in interest rates in the Nigerian banking sector and reflected increased competition amongst banks to increase lending.

Interest expense

The following table sets out details of the Access Bank Group's interest expense for the periods indicated.

	Year ended 31 December 2010	% of total	Nine months ended 31 December 2009	% of total	Variation 2010/2009
		(₦ millions, except %)			(%)
Deposits from banks	2,827	13.0	1,468	4.9	92.6
Deposits from customers	17,304	79.3	27,574	91.5	(37.3)
Securities dealing	1,503	6.9	494	1.6	204.3
Other borrowed funds	187	0.9	606	2.0	(69.1)
Debt securities	—	—	—	—	—
Total interest expense	21,821	100.0	30,142	100.0	(27.6)

Total interest expense incurred by the Access Bank Group decreased to ₦21,821 million for the year ended 31 December 2010 from ₦30,142 million for the nine months ended 31 December 2009. The decrease in total interest expense is primarily due to a decrease in interest expense incurred on deposits from customers, which declined to ₦17,304 million for the year ended 31 December 2010 from ₦27,574 million for the nine months ended 31 December 2009. This decrease reflects a decline in interest rates on deposits from customers in the year ended 31 December 2010 compared to the nine months ended 31 December 2009. In 2009, prior to the CBN's Special Examination, interest rates on deposits were relatively high, as banks sought to attract funding. Interest rates on deposits declined in early 2010 as concerns over liquidity in the banking sector eased and, due to the short-term contractual nature of the majority of the Access Bank Group's deposits as well as its ability to reprice longer-term deposits, the Access Bank Group was able to decrease rates paid on deposits. Interest expense on deposits from banks increased, however, to ₦2,827 million for the year ended 31 December 2010 from ₦1,468 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, the increase in interest expense from deposits from banks was primarily due to an increase in the volume of on-lending deposits from foreign banks, combined with the appreciation of the U.S. dollar (in which most interest expense is disbursed for those deposits) against the Naira, in 2010 compared to 2009.

Interest expense from securities dealing increased to ₦1,503 million for the year ended 31 December 2010 from ₦494 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, this increase was primarily due to increased volumes of FGN bonds that were for the most part purchased at a premium (which is amortised over the life of the security).

Interest expense from other borrowed funds decreased to ₦187 million for the year ended 31 December 2010 from ₦606 million for the nine months ended 31 December 2009, primarily as a result of a decrease in the Prime Lending Rate (“PLR”), the Nigerian Interbank Offered Rate (“NIBOR”) and LIBOR to which interest rates paid by Access Bank are linked), and because of the lower interest rates Access Bank paid on its Nigerian government-sponsored on-lending facilities.

Fee and commission income

The following table shows the composition of fee and commission income for the periods indicated.

	Year ended 31 December 2010	Nine months ended 31 December 2009	Variation 2010/2009
	(₦ millions)		(%)
Credit related fees and commissions	9,788	4,387	123.1
Other fees and commissions	3,201	5,944	(41.7)
Total fee and commission income	12,989	10,331	25.7

Total fee and commission income increased to ₦12,989 million for the year ended 31 December 2010 from ₦10,331 million for the nine months ended 31 December 2009, primarily due to an increase in credit related fees and commissions to ₦9,788 million for the year ended 31 December 2010 from ₦4,387 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, the increase in credit related fees and commissions resulted from the growth in the Access Bank Group’s loan portfolio in 2010 compared to 2009. However, this increase was partially offset by a decrease in other fees and commissions to ₦3,201 million for the year ended 31 December 2010 from ₦5,944 million for the nine months ended 31 December 2009, primarily due to business strategies pursued by Access Bank to sustain its relationships with existing customers and develop relationships with new customers. These strategies included increased use of certain waivers and concessions.

Net trading income

Net trading income decreased to ₦6,839 million for the year ended 31 December 2010 from ₦7,311 million for the nine months ended 31 December 2009. The decrease in net trading income is primarily due to higher interest rates in 2010, which resulted in a lower yield in securities.

Net (loss)/income from other financial instruments at fair value through profit or loss

In 2010, the Access Bank Group recorded a loss of ₦724 million in net income from other financial instruments at fair value through profit or loss from the interest rate and currency swap it held, compared to a gain of ₦114 million for the nine months ended 31 December 2009, primarily as a result of a reduction in LIBOR in 2010.

Other operating income

The Access Bank Group had other operating income of ₦2,299 million for the year ended 31 December 2010, as compared with other operating income of ₦1,861 million for the nine months ended 31 December 2009. This increase resulted from a mark-to-market gain on trading investments (consisting mainly of real estate investment properties) to ₦347 million for the year ended 31 December 2010, as compared with a mark-to-market loss on trading investments of ₦36 million for the nine months ended 31 December 2009, as well as an increase in rental income (primarily from the lease of equipment such as agricultural and manufacturing equipment owned by the Access Bank Group) to ₦952 million for the year ended 31 December 2010 from ₦563 million for the nine months ended 31 December 2009.

Net impairment loss on financial assets

Net impairment loss on financial assets for the year ended 31 December 2010 was ₦7,772 million, as compared with net impairment loss on financial assets of ₦23,965 million for the nine months ended 31 December 2009. This decrease was primarily due to a decrease in NPLs.

The Access Bank Group’s NPLs as at 31 December 2010 decreased to ₦71,303 million, representing 14.9 per cent. of gross loans and advances, from ₦72,514 million or 17.6 per cent. of gross loans and advances as at 31 December 2009. The Access Bank Group’s NPLs decreased in 2010 primarily due to the sale of NPLs to AMCON.

The following table sets out certain information relating to the Access Bank Group's impairment allowance on loans and advances for the periods indicated.

	Year ended 31 December 2010	Nine months ended 31 December 2009
	(₦ millions, except %)	
Impairment allowance on loans and advances:		
Balance at 1 January 2010 or 1 March 2009	27,792	15,716
Impairment loss for the year/period:		
Charge for the year/period	9,652	19,499
Recoveries	(2,311)	(438)
Net impairment for the year/period	7,341	19,061
Effect of foreign currency movements	(389)	165
Write offs	(4,383)	(7,150)
Balance at 31 December	30,361	27,792
Non-performing loans/gross loans and advances	14.9%	17.6%
Allowances for impairment losses/non performing loans	42.6%	38.3%
Allowances for impairment losses/gross loans and advances	6.3%	6.7%
Impairment charges/average net loans and advances ⁽¹⁾	1.8%	4.8%
NPLs sold to AMCON		
Gross value	13,095	—
Provisions	10,425	—
Face value (or redemption value) of consideration bonds issued by AMCON	3,619	—
Gain	21	—

(1) Averages based on opening and closing balances of the Access Bank Group.

Impairment allowance on loans and advances increased to ₦30,361 million as at 31 December 2010 from ₦27,792 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, the increase in impairment allowance on loans and advances in 2010 was primarily due to additional impairment charges on margin loans and downstream oil and gas loans.

On 31 December 2010, Access Bank sold non-performing margin loans and share-backed loans to AMCON with a gross value of ₦13,095 million and total provisions of ₦10,425 million in exchange for consideration bonds issued by AMCON with a face value (or redemption value) of ₦3,619 billion. The discounted value of these AMCON consideration bonds is ₦2,690 million. The Access Bank Group recorded a gain of ₦21 million, representing the difference between the discounted value of the AMCON consideration bonds and the net amount after provisions of the loans sold to AMCON. This has been accounted for as part of loan impairment. See “—Significant factors affecting results of operations—CBN measures to stimulate the Nigerian economy” above.

Operating expenses

The following table sets out the principal components of the Access Bank Group's operating expenses for the periods indicated.

	Year ended 31 December 2010	% of total	Nine months ended 31 December 2009	% of total	Variation 2010/2009
					(₦ millions)
Personnel expenses	15,428	31.8	11,365	31.1	35.8
Operating lease expenses	1,539	3.2	1,132	3.1	36.0
Depreciation and amortisation	5,694	11.2	3,912	10.7	38.4
Other operating expenses ⁽¹⁾	25,806	53.8	20,195	55.2	29.2
Total operating expenses	48,467	100.0	36,604	100.0	32.4

(1) Other operating expenses comprise other premises and equipment costs, professional fees, insurance, travelling and general administrative expenses.

Operating expenses increased to ₦48,467 million for the year ended 31 December 2010 from ₦36,604 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, this increase was primarily attributable to inflation, and to increased costs related to infrastructure and personnel as a result of growth in business volumes.

Personnel expenses

The following table sets out details of the Access Bank Group's personnel expenses for the periods indicated.

	Year ended 31 December 2010	Nine months ended 31 December 2009	Variation 2010/2009
	(₦ millions)		(%)
Wages and salaries	15,027	10,307	45.8
Contributions to defined contribution plans	416	274	51.8
Decrease in liability for share appreciation rights	(15)	783	(102.0)
Total personnel expenses	15,428	11,364	35.8

Total personnel expenses increased to ₦15,428 million for the year ended 31 December 2010 from ₦11,364 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, the increase in personnel expenses was almost entirely attributable to an increase in wages and salaries to ₦15,027 million for the year ended 31 December 2010 from ₦10,307 million for the nine months ended 31 December 2009. Aside for the shorter period in 2009, the increase in wages and salaries in 2010 was primarily due to an increase in the average number of employees to 1,754 employees for the year ended 31 December 2010 from 1,629 employees for the nine months ended 31 December 2009, as well as a productivity bonus that was awarded to professional employees due to the profit recorded by the Access Bank Group for the year ended 31 December 2010.

The following table sets out details with respect to the Access Bank Group's cash settled share-based payments for the periods indicated.

	Year ended 31 December 2010	Nine months ended 31 December 2009
	(₦ millions)	
SARs granted to senior management (number of shares, as at 31 December 2010 or 31 December 2009, as applicable)	296	276
Effect of changes in the fair value of SARs	(15)	783
(Credit)/expense from rights exercised during the year	(27)	(28)
Dividend payment to members of the scheme	—	—
Total (credit)/expense recognised as personnel expenses	(42)	755
Total carrying amount of liabilities for cash-settlement arrangements	2,980	3,030

The total carrying amount of liabilities for cash settlement arrangements decreased to ₦2,980 million for the year ended 31 December 2010 from ₦3,030 million for the nine months ended 31 December 2009. The decrease in expenses for share-based payments is due to a decline in the market price of shares.

Operating lease expenses

Operating lease expenses increased to ₦1,539 million for the year ended 31 December 2010 from ₦1,132 million for the year ended 31 December 2009. The increase in operating lease expenses was primarily due to the longer reporting period in 2010.

Depreciation and amortisation

Depreciation and amortisation increased to ₦5,694 million for the year ended 31 December 2010 from ₦3,912 million for the nine months ended 31 December 2009. The increase was primarily due to acquisition of additional property and equipment and impairment of goodwill by Access Bank's subsidiary Access Bank Cote d'Ivoire.

Other operating expenses

The following table sets out details with respect to the Access Bank Group's other operating expenses for the periods indicated.

	Year ended 31 December 2010	% of total	Nine months ended 31 December 2009	% of total	Variation 2010/2009
					(%)
	(₦ millions)				
Other premises and equipment costs	1,333	5.1	1,711	8.5	(22.1)
Professional fees	2,042	7.8	2,657	13.2	(23.1)
Insurance	3,019	11.6	3,737	18.5	(19.2)
Travelling	1,224	4.7	808	4.0	51.5
General administrative expenses	18,469	64.7	11,282	55.9	63.7
Total other operating expenses	26,087	100.0	20,195	100.0	29.2

The Access Bank Group's other operating expenses increased to ₦26,087 million for the year ended 31 December 2010 from ₦20,195 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, the increase in other operating expenses mainly resulted from an increase in general administrative expenses to ₦18,469 million for the year ended 31 December 2010 from ₦11,282 million for the nine months ended 31 December 2009. Aside from the shorter period in 2009, the increase in general administrative expenses in 2010 was primarily due to an increase in the Access Bank Group's business and infrastructure, which involved the repair, upgrade and refurbishment of certain Access Bank branches. In addition, in 2010, the NDIC increased the deposit insurance premium to be paid by Nigerian banks due to changes to its risk base assessment formula for calculating premium payments.

Income tax expense

Income tax expense for the year ended 31 December 2010 increased to ₦4,857 million from a tax credit of ₦1,867 million for the nine months ended 31 December 2009. The increase in income tax expense in 2010 resulted mainly from the corresponding increase in profit before income tax in 2010. The statutory corporate tax rate in Nigeria is 30.0 per cent, and an additional 2.0 per cent. educational levy is charged on the assessable profit of Nigerian companies. The Access Bank Group's effective income tax rate in 2010 declined to 38.6 per cent, as compared to 47.2 per cent in 2009. In 2009, the Access Bank Group had incurred a higher tax rate mainly due to additional tax payments it was required to make in relation to the calculation of impairment on goodwill following the acquisition of Capital Bank International Plc in 2005.

Financial condition as at 31 March 2012 and 31 December 2011, 2010 and 2009

Total assets

The following table presents data regarding the Access Bank Group's assets as at the dates indicated.

	As at 31 March		As at 31 December					
	2012	% of total	2011	% of total	2010	% of total	2009	% of total
	<i>(₦ millions, except %)</i>							
Cash and cash equivalents	328,006	18.9	191,518	11.8	123,958	15.6	155,076	22.5
Non pledged trading assets	7,464	0.4	10,812	0.7	30,970	3.9	11,563	1.7
Pledged assets	62,358	3.6	66,191	4.1	59,930	7.5	7,591	1.1
Derivative financial instruments	47	0.0	10	0.0	1,111	0.1	3,003	0.4
Loans and advances to banks	1,641	0.1	776	0.0	610	0.1	71	0.0
Loans and advances to customers	539,610	31.0	576,229	35.4	447,810	56.2	385,313	55.9
Insurance receivables	1,319	0.1	1,405	0.1	—	—	—	—
Investments in equity accounted investee	2,812	0.2	2,813	0.2	—	—	300	0.0
Investment securities	559,151	32.2	561,734	34.5	69,893	8.8	73,745	10.7
Trading properties	5,908	0.3	6,688	0.4	—	—	—	—
Investment properties	16,166	0.9	16,097	1.0	12,943	1.6	1,404	0.2
Property and equipment ⁽¹⁾	66,833	3.8	67,648	4.2	25,312	3.0	27,680	4.0
Intangible assets ⁽¹⁾	3,043	0.2	3,278	0.2	3,111	0.3	2,881	0.4
Deferred tax assets	2,657	0.2	2,931	0.2	2,459	0.3	3,779	0.5
Other assets ⁽¹⁾	141,583	8.1	120,874	7.4	18,111	2.5	16,927	2.5
Total assets	1,738,598	100.0	1,629,003	100.0	796,217	100.0	689,334	100.0

(1) 'Property and equipment', 'Intangible assets' and 'Other assets' amounts in 2010 have been reclassified to conform to the Access Bank Interim Financial Statements' and Access Bank 2011 Financial Statements' presentation.

The Access Bank Group's total assets increased to ₦1,738,598 million as at 31 March 2012 from ₦1,629,003 million as at 31 December 2011, ₦796,217 million as at 31 December 2010 and ₦689,334 million as at 31 December 2009. The increase in total assets as at 31 March 2012 was primarily due to an increase in cash and cash equivalents and was partially offset by a decrease in loans and advances to customers. The increase in total assets in 2011 was primarily as a result of the Acquisition and the combination of the total assets of Access Bank and Intercontinental Bank, which led to an increase in investment securities (primarily AMCON bonds), loans and advances to customers, and other assets. The increase in total assets in 2010 was largely attributable to an increase in the Access Bank Group's corporate loan portfolio as well as an overall increase in cash and cash equivalents and investment securities during the periods under review.

Cash and cash equivalents

The following table sets out details of the Access Bank Group's cash and cash equivalents as at the dates indicated.

	As at 31 March	As at 31 December		
	2012	2011	2010	2009
	(₦ millions, except %)			
Cash on hand and balances with banks	144,250	65,363	41,224	61,658
Unrestricted balances with central banks	46,182	35,566	8,356	48,682
Money market placements	137,574	90,590	74,377	44,737
Total cash and cash equivalents	328,006	191,519	123,957	155,079

The Access Bank Group's cash and cash equivalents, consisting of cash on hand and balances with banks, 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, increased to ₦328,006 million as at 31 March 2012, as compared with ₦191,519 million as at 31 December 2011, ₦123,957 million as at 31 December 2010 and ₦155,077 million as at 31 December 2009.

The increase in cash and cash equivalents in the first quarter of 2012 was primarily due to an increase in cash on hand and balances with banks to ₦144,250 million as at 31 March 2012 from ₦65,363 million as at 31 December 2011 and an increase in money market placements to ₦137,574 million as at 31 March 2012 from ₦90,590 million as at 31 December 2011. The increase in cash on hand and balances with banks was mainly a result of the increased number of branches after the Acquisition, which increased the amount of global cash available, and an increase in cash reserve requirements. The increase in money market placements was primarily due to an increase in inter-bank placements.

The increase in cash and cash equivalents in 2011 was primarily due to unrestricted balances with central banks, cash on hand and balances with banks and money market placements. Unrestricted balances with banks increased to ₦35,566 million as at 31 December 2011 from ₦8,356 million as at 31 December 2010. Cash on hand and balances with banks increased to ₦65,363 million as at 31 December 2011 from ₦41,224 million as at 31 December 2010. Money market placements increased to ₦90,590 million as at 31 December 2011 from ₦74,377 million as at 31 December 2010. These increases arose partly as a result of debt issues proceeds in the amount of ₦32,882 million the Access Bank Group received in its role of issuing agent in a sub-national debt issue. In addition, the Acquisition contributed to the increase in cash on hand and balances with banks.

The decrease in cash and cash equivalents in the year 2010 was primarily due to a decrease in unrestricted balances with central banks and cash on hand and balances with banks, which was partially offset by an increase in money market placements. Unrestricted balances with central banks decreased to ₦8,356 million as at 31 December 2010 from ₦48,682 million as at 31 December 2009 and cash and cash balances with bank to ₦41,224 million as at 31 December 2010 from ₦61,658 million as at 31 December 2009, while money market placements increased to ₦74,377 million as at 31 December 2010 from ₦44,737 million as at 31 December 2009. In 2009, the CBN began to guarantee interbank placements and correspondent bank credit lines, which increased interbank lending, and the Access Bank Group reduced the amount of cash with central banks and cash on hand and balances with banks which was not interest-bearing.

Non pledged trading assets

The following table sets out details of the Access Bank Group's non pledged trading assets as at the dates indicated.

	As at 31 March	As at 31 December		
	2012	2011	2010	2009
	(₦ millions)			
Government bonds	2,854	7,312	1,057	1,933
Treasury bills	3,375	3,501	29,167	9,599
Equities	1,236	—	—	—
Stabilisation securities	—	—	29	31
Bankers acceptance	—	—	717	—
Total non pledged trading assets	7,465	10,813	30,970	11,563

Non pledged trading assets decreased to ₦7,465 million as at 31 March 2012 from ₦10,813 million as at 31 December 2011 and ₦30,970 million as at 31 December 2010 after an increase from ₦11,563 million as at 31 December 2009. The Access Bank Group decreased its investments in government bonds in 2010 as a result of the tightening of the MPR through successive increases during 2010, which had a negative impact on fixed income rates and made other types of investments with higher returns (such as loans and advances) more attractive. The Access Bank Group increased its investments in treasury bills in 2010 as the Access Bank Group sought to increase its investments in low-risk and stable-return securities, and

because the Access Bank Group had excess liquidity from an increase in deposits. Following a series of increases in the MPR during 2011 (to 12.0 per cent. in October 2011), the Access Bank Group restructured its portfolio to take advantage of a better yield in government bonds in 2011. In the first quarter of 2012, the Access Bank Group reduced its holding of government bonds due to lower yields on government bonds.

Pledged assets

The following table sets out the details of the Access Bank Group's pledged assets, or financial assets that may be repledged or resold by counterparties.

	As at 31 March 2012	As at 31 December 2011	2010	2009
		(₦ millions)		
Treasury bills	5,775	7,491	12,931	7,591
Government bonds	56,584	58,700	47,539	—
Total pledged assets⁽¹⁾	62,359	66,191	59,930	7,591

(1) Includes treasury bills of ₦1.5 billion as at 31 December 2011 and ₦5.7 billion as at 31 December 2010 and FGN bonds of ₦20.5 billion as at 31 December 2011 (nil as at 31 December 2010) on open buy-back and repurchase agreements to secure inter-bank takings from other banks.

Pledged assets decreased to ₦62,359 million as at 31 March 2012 from ₦66,191 million as at 31 December 2011, after increasing from ₦59,930 million as at 31 December 2010 and ₦7,591 million as at 31 December 2009. In 2010, pledged assets increased as the Access Bank Group participated in multiple funding schemes and accordingly, the Access Bank Group was required to pledge various securities in various clearing and settlement systems as a condition to receiving funds. The increase in pledged assets in 2011 reflects assets that were pledged by Intercontinental Bank before the Acquisition. Pledged assets in treasury bills decreased in 2011 primarily due to a portion of the treasury bills maturing over the course of 2011. Pledged assets decreased in the first quarter of 2012 because certain outstanding obligations for which bonds were pledged came to maturity.

Derivative financial instruments

Instruments used by the Access Bank Group to manage its exposure to foreign currency risks include forward contracts and cross currency linked forward contracts. Derivative financial instruments accounted for ₦47 million as at 31 March 2012, ₦10 million as at 31 December 2011, ₦1,111 million as at 31 December 2010 and ₦3,003 million as at 31 December 2009, of the Access Bank Group's total assets. The decrease in 2010 was due to an interest and exchange rate swap which Access Bank entered into with UBS in March 2008 and expired in March 2011. The decrease in 2010 was attributable to lower mark-to-market rates.

Loans and advances to banks

The following table sets out details of the Access Bank Group's loans and advances to banks as at the dates indicated.

	As at 31 March 2012	As at 31 December 2011	2010	2009
		(₦ millions)		
Loans and advances to banks	1,665	842	643	288
Less specific allowances for impairment	(24)	(61)	(21)	(216)
Less collective allowances for impairment	(1)	(5)	(12)	(1)
Total loans and advances to banks	1,640	776	610	71

Loans and advances to banks increased to ₦1,640 million as at 31 March 2012 from ₦776 million as at 31 December 2011, ₦610 million as at 31 December 2010 and ₦71 million as at 31 December 2009. With the gradual recovery of the economy in Nigeria in 2010, a number of microfinance institutions emerged, increasing demand for short-term lending. The increase in loans and advances to banks from 2009 to 31 March 2012 largely captures the Access Bank Group lending to these actors. In 2009, specific allowances for impairment were high as a result of impairment charges made on a legacy loan of Capital Bank International Plc, which Access Bank acquired in 2005.

Loans and advances to customers

The following table sets out details of the Access Bank Group's loans and advances to customers as at the dates indicated.

	As at 31 March 2012			As at 31 December 2011		
	Gross Amount	Impairment Allowance	Net Amount	Gross Amount	Impairment Allowance	Net Amount
	(₦ millions)					
Individuals	54,486	(4,250)	50,236	41,690	(5,896)	35,794
Corporate entities and other organisations	530,342	(40,968)	489,374	582,849	(42,414)	540,435
Total	584,828	(45,218)	539,610	624,539	(48,310)	576,229

	As at 31 December 2010			As at 31 December 2009		
	Gross Amount	Impairment Allowance	Net Amount	Gross Amount	Impairment Allowance	Net Amount
	(₦ millions)					
Individuals	10,816	(2,616)	8,200	15,934	856	15,078
Corporate entities and other organisations	467,323	(27,712)	439,610	396,954	(26,719)	370,235
Total	478,138	(30,328)	447,810	412,888	(27,575)	385,313

Loans to customers are the most significant component of the Access Bank Group's total assets. Loans and advances to customers decreased to ₦539,610 million as at 31 March 2012 from ₦576,229 million as at 31 December 2011 after increasing from ₦447,810 million as at 31 December 2010 and ₦385,313 million as at 31 December 2009.

The decrease in loans and advances to customers in the first quarter of 2012 was primarily due to a decrease in loans and advances to corporate entities and other organisations, which primarily resulted from the repayment of outstanding loan obligations by key downstream oil and gas customers during this period, as these customers did not renew loans as a result of the partial removal of the petroleum subsidies in Nigeria. See *“Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group may not be able to sustain the current level of growth in its loan book, and may have difficulty in maintaining credit quality, which could impact its profitability”* and *“Nigeria—The Nigerian Economy—Power Sector”*. This decrease was partially offset by an increase in loans and advances to individuals in the first quarter of 2012, due primarily to an increase in retail banking customers as a result of the acquired retail franchise from the Intercontinental Bank Group.

The increase in loans and advances to customers from 2009 to 2011 was primarily due to the growth of the Access Bank Group's loans and advances to corporate entities and other organisations between 2009 and 2011, as well as the increase in the Access Bank Group's loans and advances to individuals in 2011. In 2009 and part of 2010, Nigerian banks experienced a contraction in their loan book as the global financial and economic crisis caused a slowdown in economic activities, which curtailed levels of lending. With the gradual recovery of the Nigerian economy in the second quarter of 2010, aided by the intervention of various government actors (in particular, the CBN and the BOI with its on-lending intervention fund directed mainly to the manufacturing and agricultural sector and to which the Access Bank Group actively participated), loans and advances to customers increased. Emerging lending opportunities in the real sector (non-financial sector) of the economy in 2010 and in 2011, particularly the oil and gas, power, manufacturing, agriculture and telecommunications sectors, contributed to the increase in loans and advances to corporate entities. The Access Bank Group was able to sustain this growth because of an increase in deposits in 2011.

Loans and advances to corporate entities and other organisations constituted 90.4 per cent., 93.7 per cent., 98.0 per cent. and 96.1 per cent. of the Access Bank Group's loan portfolio as at 31 March 2012, 31 December 2011, 31 December 2010 and 31 December 2009, respectively, reflecting the Access Bank Group's focus on corporate clients (institutional and commercial), which Access Bank believes are growth sectors of the economy. Retail and small commercial banking customers typically have less financial strength than large companies, and are therefore more susceptible to negative developments in the Nigerian economy. Accordingly, the Access Bank Group has significantly increased its lending to large companies in key sectors (in particular, oil and gas, power, manufacturing, agriculture and telecommunications), and large companies constituted the Access Bank Group's core customer base as at 31 March 2012. The decrease in loans and advances to corporate entities and other organisation as a percentage of total loans and advances to customers in 2011 and the three months ended 31 March 2012 compared to 2010 and 2009 is due to the Acquisition of Intercontinental Bank and the acquisition of its loans and advances to customers, which focused on loans and advances to individuals.

The following table sets out the Access Bank Group's loans and advances to customers by remaining contractual maturity dates as at 31 March 2012 and 31 December 2011, 2010 and 2009.

	As at 31 March		As at 31 December					
	2012	% of total	2011	% of total	2010	% of total	2009	% of total
	(₦ millions, except %)							
Less than 3 months	178,452	33.1	139,262	24.2	159,726	35.7	254,192	66.0
3 months to 6 months	119,902	22.2	105,160	18.2	49,676	11.1	31,445	8.2
6 months to 1 year	106,387	19.7	123,320	21.4	35,835	8.0	62,732	16.3
1 year to 5 years	77,321	14.3	134,461	23.3	156,659	35.0	25,747	6.7
More than 5 years	57,548	10.7	74,036	12.8	45,914	10.3	11,197	2.9
Total	539,610	100.0	576,229	100.0	447,810	100.0	385,313	100.0

Insurance receivables

Insurance receivables comprise insurance premiums that are due and for which cash has not been received, and were inherited from Intercontinental WAPIC Insurance Plc, a subsidiary of Intercontinental Bank. Insurance receivables were ₦1,319 million as at 31 March 2012 and ₦1,405 million as at 31 December 2011.

Investments in equity accounted investee

Investments in equity accounted investee were ₦2,813 million as at 31 March 2012 and as at 31 December 2011, ₦0 as at 31 December 2010 and ₦300 million as at 31 December 2009. Investments in equity accounted investee increased in 2011 primarily due to an investment in an associate company by Intercontinental Bank Group. In 2009, investments in equity accounted investee also comprised Access Bank's investment in 116,000,000 ordinary shares of ₦1 each in Marina Securities Limited, a company incorporated in Nigeria, which represented a 29 per cent. equity interest in the company and was disposed of in 2010.

Investment securities

The following table sets out details of the Access Bank Group's investment securities as at the dates indicated.

	As at 31 March	As at 31 December		
	2012	2011	2010	2009
	(₦ millions)			
Treasury bills	45,624	53,856	—	—
Bonds:				
Government bonds	145,255	138,829	53,400	62,479
AMCON bonds ⁽¹⁾	312,343	305,643	2,691	—
Corporate bonds	4,974	5,193	3,000	—
Eurobonds	2,764	8,373	—	—
Other bonds ⁽²⁾	8,698	12,083	2,054	—
Total bonds	474,034	470,121	61,145	62,479
Underwriting commitment ⁽³⁾	—	—	3,840	3,840
Equity securities with readily determinable fair values	39,444	37,712	8,411	8,969
Unquoted equity securities at cost	3,094	3,239	268	295
Other unquoted investments	—	—	—	1,713
Less specific impairment for underwriting commitment	—	—	(3,504)	(3,256)
Less specific impairment for unquoted equity securities at cost	(3,046)	(3,195)	(268)	(295)
Total investment securities	559,151	561,734	69,893	73,745

(1) AMCON consideration bonds represent consideration bonds issued by the AMCON and fully guaranteed by the Federal Government of Nigeria. The consideration bonds were issued to banks in exchange for non-performing loans and the issue shares of the subsidiary entity, Intercontinental Bank, as part of the Acquisition by Access Bank. In accordance with the terms of the transactions, AMCON reserves the right to re-evaluate the valuation of the sale.

(2) Other bonds include bonds held by subsidiaries of Access Bank.

(3) Underwriting commitment represents the carrying value of 15,360,873 units of African Petroleum Plc shares underwritten by Access Bank in August 2008. Payment was made in respect of the underwritten shares to African Petroleum Plc in December 2009. All shares of African Petroleum Plc in the Access Bank Group's custody were sold during the year ended 31 December 2010 and the allowance for impairment taken on the underwriting commitment was written off.

Total investment securities were ₦559,151 million as at 31 March 2012, ₦561,734 million as at 31 December 2011, ₦69,893 million as at 31 December 2010 and ₦73,745 million as at 31 December 2009. The slight decrease in investment securities in the first quarter of 2012 was primarily due to a decrease in the Access Bank Group's holding of Eurobonds and other bonds,

although an increase in government bonds and AMCON bonds largely offset this decrease. The increase in investment securities in 2011 was primarily attributable to (i) AMCON bonds and Government bonds held by the Intercontinental Bank Group and (ii) additional sales of NPLs by the Access Bank and Intercontinental Bank with a gross value of ₦164,128 million to AMCON, in exchange for consideration bonds issued by AMCON with a face value (or redemption value) of ₦222,832 million. In 2011, Access Bank also increased its investment in government bonds and Eurobonds. The decrease in investment securities in 2010 was primarily due to unfavourable market conditions and Access Bank decreasing its investments in bonds in 2010.

Trading properties

Trading properties represent the cost of real estate properties held by subsidiaries of Intercontinental Bank and designated for resale to customers, which Access Bank obtained as a result of the Acquisition. Trading properties decreased to ₦5,908 million as at 31 March 2012 from ₦6,688 million as at 31 December 2011 as the Access Bank Group sold certain properties during this period.

Investment properties

Investment properties comprise properties purchased to be refurbished and resold. Investment properties amounted to ₦16,166 million as at 31 March 2012, ₦16,097 million as at 31 December 2011, ₦12,943 million as at 31 December 2010 and ₦1,404 million as at 31 December 2009. The increase in investment properties in 2011 was primarily due to investment properties obtained from the Intercontinental Bank Group following the Acquisition. The increase was partially offset by the Access Bank Group otherwise decreasing the amount in investment properties in 2011. In 2010, the Access Bank Group acquired a property for resale as settlement for a loan past due (in accordance with the conditions set out by the CBN), explaining the increase in investment properties in 2010. Access Bank intends to sell this property during 2012.

Property and equipment

Property and equipment was ₦66,833 million as at 31 March 2012, ₦67,648 million as at 31 December 2011, ₦25,312 million as at 31 December 2010 and ₦27,680 million as at 31 December 2009. The increase in property and equipment in 2011 was primarily due to property and equipment acquired from the Intercontinental Bank Group following the Acquisition.

Intangible assets

Intangible assets consists of goodwill and purchased software. Intangible assets were ₦3,043 million as at 31 March 2012, ₦3,278 million as at 31 December 2011, ₦2,719 million as at 31 December 2010 and ₦2,881 million as at 31 December 2009. The slight increase in intangible assets in 2011 mainly reflected software acquired in the normal course of business during 2011.

Net deferred tax assets

Net deferred tax assets were ₦2,657 million as at 31 March 2012, ₦2,931 million as at 31 December 2011, ₦2,459 million as at 31 December 2010 and ₦3,779 million as at 31 December 2009. The increase in net deferred tax assets in 2011 is attributable to differentials in tax write downs of value with respect to properties acquired with the Acquisition, while the increase in 2010 is primarily due to a decrease in tax carried forward as a result of tax profit in the period.

Other assets

Other assets comprise accounts receivable, prepayments, restricted deposits with central banks and subscription for investment. Restricted deposits with central banks consist of CBN cash reserve requirement and statutory deposits required by the National Insurance Commission (NAICOM) and are not available for use in the Access Bank Group's day-to-day operations. Other assets increased to ₦141,583 million as at 31 March 2012 from ₦120,874 million as at 31 December 2011 and ₦18,111 as at 31 December 2010, after decreasing from ₦25,490 million as at 31 December 2009. The increase in the first quarter of 2012 mainly reflected an increase in accounts receivable (which includes a receivable from AMCON pursuant to the TIA which is expected to be settled AMCON consideration bonds). The increase in 2011 was primarily due to an increase in restricted deposits with central banks resulting from an increased CBN cash reserve from 2 per cent. of total deposits in January 2011 to 4 per cent. of total deposits in May 2011, and an increase in AMCON receivables for financial accommodation.

Total liabilities

The following table presents data regarding the Access Bank Group's liabilities as at the dates indicated.

	As at 31 March		As at 31 December					
	2012	% of total	2011	% of total	2010	% of total	2009	% of total
(₦ millions, except %)								
Deposits from banks	286,698	18.7	146,808	10.2	69,890	11.1	43,217	8.2
Deposits from customers	1,024,654	66.9	1,101,704	76.7	484,723	77.0	442,335	83.7
Derivative financial instruments	—	—	9	0.7	725	0.0	1,833	0.3
Debt securities issued	—	—	—	—	—	—	2,604	0.5
Current tax liabilities	8,378	0.5	9,747	0.7	3,492	1.0	6,982	1.3
Other liabilities ⁽¹⁾	169,342	11.1	142,650	9.9	49,978	8.0	28,723	5.4
Claims payable ⁽²⁾	329	0.0	450	0.0	—	—	—	—
Liabilities on investment contracts ⁽²⁾	61	0.0	61	0.0	—	—	—	—
Liabilities on insurance contracts ⁽²⁾	3,267	0.2	2,703	0.2	—	—	—	—
Interest-bearing loans and borrowings	34,326	2.2	29,258	2.0	22,760	4.0	3,377	0.6
Contingent settlement provisions ⁽²⁾	3,548	0.2	3,548	0.2	—	—	—	—
Total liabilities	1,530,602	100.0	1,436,938	100.0	631,569	100.0	529,071	100.0

(1) Other liabilities include cash-settled share-based payment liability, creditors and accruals, certified cheques, recognised liability for defined benefit obligations, liability for defined contribution obligations, customers' deposits for foreign trade, collections, unclaimed dividend, deposits for shares and other current liabilities.

(2) 'Claims payable', 'Liabilities on investment contracts', 'Liabilities on insurance contracts' and 'Contingent settlement provisions' consist of liabilities arising from the Acquisition. Therefore, these line items do not appear in the Access Bank 2010 Financial Statements and the Access Bank 2009 Financial Statements.

The Access Bank Group's total liabilities increased to ₦1,531 million as at 31 March 2012 from ₦1,436,938 million as at 31 December 2011, ₦631,569 million as at 31 December 2010 and ₦529,071 million as at 31 December 2009. The increase in total liabilities in the first quarter of 2012 was primarily attributable to an increase in deposits from banks, which increase was partially offset by a decrease in deposits from customers. The increase in total liabilities in 2011 was mainly due to (i) a significant increase in deposits resulting from Acquisition and (ii) an increase in other liabilities primarily due to collections, or debt issues proceeds from transactions performed by Access Bank when acting as issuing agent in a sub-national debt issuance. The increase in total liabilities in 2010 was mainly attributable in part to growth in the volume of deposits from customers and banks and in part from the inflow of funds from the Nigerian government on-lending facilities.

Deposits from banks

The following table sets out details of the Access Bank Group's deposits from banks as at the dates indicated.

	As at 31 March		As at 31 December					
	2012	% of total	2011	% of total	2010	% of total	2009	% of total
(₦ millions, except %)								
Money market deposits	248,118	86.5	99,857	68.0	26,496	37.9	11,619	26.9
Other deposits from banks	38,580	13.5	46,952	32.0	43,394	62.1	31,598	73.1
Total deposits	286,698	100.0	146,808	100.0	69,890	100.0	43,217	100.0

Deposits from banks increased to ₦286,698 million as at 31 December 2011 from ₦69,890 million as at 31 December 2010 and ₦43,217 million as at 31 December 2009. The increase in deposits from banks in the first quarter of 2012 and 2011 was mostly driven by an increase in money market deposits, which was primarily due to an increase in trade lines with banks associated with a larger customer base. The increase in deposits from banks from 2009 to 2010 was attributable to increased short-term funds from other banks and undisbursed BOI funds.

Deposits from customers

Deposits from customers constituted 66.9 per cent. of total liabilities as at 31 March 2012, 76.7 per cent. as at 31 December 2011, 76.7 per cent as at 31 December 2010 and 83.7 per cent as at 31 December 2009.

The following table sets out details of the Access Bank Group's deposits from customers as at the dates indicated.

	As at 31 March		As at 31 December					
	2012	% of total	2011	% of total	2010	% of total	2009	% of total
<i>(₦ millions, except %)</i>								
Retail customers:								
Term deposits	63,943	6.2	195,683	17.8	6,187	1.3	1,768	0.4
Current deposits	116,298	11.3	164,134	14.9	21,824	4.5	8,153	1.8
Savings	140,449	13.7	132,334	12.0	13,325	2.7	12,481	2.8
Corporate customers:								
Term deposits	275,464	26.9	276,596	25.1	198,779	41.0	270,111	61.1
Current deposits	428,437	41.8	327,287	29.7	233,630	48.2	137,342	31.0
Other	64	0.0	5,670	0.5	10,978	2.3	12,481	2.8
Total deposits from customers	1,024,654	100.0	1,101,704	100.0	484,723	100.0	442,335	100.0

Deposits from customers decreased to ₦1,024,654 million as at 31 March 2012 from ₦1,101,704 million as at 31 December 2011, after increasing from ₦484,723 million as at 31 December 2010 and ₦442,335 million as at 31 December 2009. With the Acquisition, the Access Bank Group acquired a significant amount of deposits from the Intercontinental Bank Group (in particular, Intercontinental Bank Group's extensive retail customer base), resulting in a significant increase in deposits from retail customers in 2011. In the first quarter of 2012, as part of its strategy to reduce cost of funds, the Access Bank Group repriced certain expensive deposits acquired from the Intercontinental Bank Group, resulting in a decrease in deposits from public sector and financial institutions. Since 31 March 2012, the level of deposits to customers has increased to levels similar to 31 December 2011, however primarily as current deposits rather than time deposits.

Excluding the effects of the Acquisition, the Access Bank Group's deposits from corporate customers increased during the period under review primarily as a result of the growth of the Access Bank Group's corporate customer base during the period under review. Retail deposits also increased in 2011 as a result of the Access Bank Group's increased focus and efforts with respect to its retail strategy. In addition, the Access Bank Group benefited from a "flight to quality" in 2010, as depositors moved funds to more secure institutions following the CBN's Special Examination, resulting in an increase in the average volume of deposits from retail customers from 2009 to 2010.

The following table sets out the Access Bank Group's deposits from customers by remaining contractual maturity dates as at 31 March 2012 and 31 December 2011, 2010 and 2009.

	As at 31 March		As at 31 December					
	2012	% of total	2011	% of total	2010	% of total	2009	% of total
<i>(₦ millions, except %)</i>								
Less than 3 months	951,762	92.9	940,325	85.2	454,152	93.7	437,325	98.9
3 months to 6 months	43,084	4.2	123,319	11.2	14,273	2.9	1,143	0.3
6 months to 1 year	27,449	2.7	33,573	3.0	14,730	3.0	3,519	0.8
1 year to 5 years	2,359	0.2	4,096	0.4	1,711	0.4	85	0.0
More than 5 years	—	—	2,556	0.2	11	0.0	—	—
Gross nominal inflow/(outflow)⁽¹⁾	1,024,654	100.0	1,103,869	100.0	484,878	100.0	442,072	100.0
Carrying amount	1,024,654		1,101,704		484,723		442,335	

(1) The gross nominal inflow/(outflow) is the contractual, undiscounted cash flow on the financial liability or commitment.

Debt securities issued

Debt securities issued comprised a 14 per cent redeemable convertible bond issued by Access Bank. The final instalment of the bond was fully redeemed on 15 June 2010.

Other liabilities

The following table sets out details of the Access Bank Group's other liabilities as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions, except %)		
Cash-settled share-based payment liability	2,996	2,996	2,980	3,030
Creditors and accruals	11,403	7,281	2,158	3,613
Certified cheques	4,914	3,669	3,401	4,125
Recognised liability for defined benefit obligations ⁽¹⁾	2,144	1,796	—	—
Liability for defined contribution obligations	203	81	103	66
Customers' deposits for foreign trade ⁽²⁾	42,280	18,536	25,610	6,076
Collections	28,356	37,417	4,536	3,513
Unclaimed dividend	3,084	3,148	5,429	4,193
Deposits for shares	1,464	—	—	—
Other current liabilities ⁽³⁾	72,496	67,725	10,298	4,108
Total	169,342	142,649	49,976	28,723

- (1) Recognised liability for defined benefit obligations does not appear in the Access Bank Interim Financial Statements and the Access Bank Annual Financial Statements. It represents the defined benefit long-term incentive plan for top executive management of the Access Bank Group introduced in the first half of 2011. See “—Results of Operations—Year ended 31 December 2011 compared to year ended 31 December 2010—Operating expenses—Personnel expenses” above. Management intends to wind up the cash settled share based payment scheme in place as at 31 March 2012 and replace it with a new plan. At the 22nd annual general meeting of members of Access Bank held 27 April 2012, the directors of Access Bank were authorised to establish for the benefit of employees of the Access Bank Group an employee performance share plan for the award of units of Access Bank's shares to employees subject to certain terms and conditions. This plan is subject to regulatory approvals.
- (2) Customers' deposits for foreign trade represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letter of credit transactions.
- (3) Other current liabilities include collections and other payables.

The Access Bank Group's other liabilities increased to ₦169,342 million as at 31 March 2012 from ₦142,649 million as at 31 December 2011, ₦49,976 million as at 31 December 2010 and ₦28,723 million as at 31 December 2009. The increase in other liabilities in the first quarter of 2012 was primarily due to an increase in customers' deposits for foreign trade, reflecting an increase in the Access Bank Group's foreign trading activities, such as letter of credit transactions. The increase in other liabilities in 2011 was primarily due to collections, or debt issues proceeds from transactions performed by Access Bank in its role as issuing agent with respect to sub-national government bonds. The movements in the Access Bank Group's other liabilities between 2010 and 2009 were primarily attributable to movements in customers' deposits for foreign trade. Customers' deposits for foreign trade represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The increase in customers' deposits for foreign trade to ₦25,610 million as at 31 December 2010 from ₦6,076 million as at 31 December 2009 reflected the Access Bank Group's increased participation in international trade settlement-related transactions.

Claims payable

Claims payable consist of insurance claims that have been agreed but not paid, arising from the Intercontinental WAPIC Insurance Plc business and resulting from the Acquisition. Claims payable were ₦328 million as at 31 March 2012 and ₦450 million as at 31 December 2011.

Liabilities on investment contracts

Liabilities on investment contracts consist of deposit administration funds and other managed funds arising from the Acquisition. Deposit administration funds arose from investment contracts entered into by Intercontinental WAPIC Insurance plc. Holders of these contracts are guaranteed their funds plus interest for the tenor of the contract, in addition to life assurance cover and death benefits. Liabilities on investment contracts remained stable at ₦61 million as at 31 March 2012 and 31 December 2011.

Liabilities on insurance contracts

Liabilities on insurance contracts consist of life assurance contracts and non-life assurance contracts arising from the Acquisition. Liabilities on insurance contracts were ₦3,267 million as at 31 March 2012 and ₦2,703 million as at 31 December 2011.

Interest bearing loans and borrowings

The following table sets out details of the Access Bank Group's interest bearing loans and borrowings as at the dates indicated. The facilities listed below are for on-lending purposes.

	As at 31 March	As at 31 December		
	2012	2011	2010	2009
	(₦ millions, except %)			
Due to European Investment Bank (EIB)	366	511	1,048	2,300
Due to the Belgian Investment Company (BIC)	—	—	—	50
Due to African Development Bank (ADB)	545	644	489	1,027
Due to Nigeria Export Import Bank	—	13	102	—
Due to Central Bank of Nigeria under the Commercial Agriculture Credit Scheme	7,714	7,186	2,976	—
Due to Bank of Industry (BOI) — Intervention fund for SMEs	20,931	17,449	18,145	—
Due to Bank of Industry (BOI) — Power and Airline Intervention Fund	3,567	3,454	—	—
Other loans and borrowings ⁽¹⁾	1,202	—	—	—
Total	34,326	29,258	22,760	3,377

(1) Other loans and borrowings include borrowings by subsidiaries.

In January 2005, the European Investment Bank (the “EIB”) granted six Nigerian banks, including Access Bank, a Euro 50 million facility for a period of nine years. The principal amount and interest are repayable quarterly and semi annually based on the terms of the facilities with the obligor, with interest reset every 90 days at 2.2 per cent to 2.9 per cent above LIBOR. The facility agreement requires a minimum capital adequacy ratio, minimum loan quality requirements and total exposure limits.

In August 2007, African Development Bank (“ADB”) granted Access Bank a U.S.\$35 million facility for a period of seven years. The principal amount is repayable semi annually from 2012 and interest is payable semi annually at 3 per cent above 6 months LIBOR. The facility agreement requires Access Bank to maintain its credit rating and to continue to comply with prudential requirements. It also contains covenants which, among others, prevent the creation of certain encumbrances or liabilities.

In April 2010, the CBN, in collaboration with the Federal Government of Nigeria, granted a ₦200 billion (approximately U.S.\$1.28 billion) facility as part of the Commercial Agriculture Credit Scheme established by both CBN and the Federal Government of Nigeria for promoting commercial agricultural enterprises in Nigeria. The facility is available to the Access Bank Group for a maximum of seven years without interest. The principal amount is repayable at the expiration of the loan.

In addition, in late 2009 and early 2010, the CBN introduced sector-specific stimulus measures administered through the BOI to stimulate the economy, including refinancing/restructuring banks' existing loan portfolios to the SMEs and manufacturing sectors. As part of these measures, in July 2010, the BOI granted Access Bank a ₦18,145 million facility as an intervention fund for SMEs and Intercontinental Bank a ₦3,450 million facility as intervention credit for power and airline companies. Both facilities were granted for a period of 15 years. The SME intervention fund facility and the power and airline intervention fund facilities are secured by Nigerian government securities valued at ₦22,660 million as at 31 March 2012. Both of the intervention fund facilities require Access Bank to maintain a liquidity ratio in compliance with CBN requirements. These agreements also contain a negative pledge preventing the creation of any security over the Borrowers' assets (subject to a number of exceptions) and a restriction on financial indebtedness. Under the on-lending agreement, a management fee of 1 per cent deductible at source is paid by the Access Bank Group and the Access Bank Group is under obligation to on-lend to customers at an all-in interest rate of 7 per cent per annum. Although the facility is meant for on-lending to borrowers in specific sectors, Access Bank remains the primary obligor to the BOI and therefore assumes the risk of default to customers.

Contingent settlement provisions

According to the TIA, the deferred tax assets recognised from the acquisition of Intercontinental Bank accrue for the benefit of both AMCON and Access Bank in the ratio 75 per cent. and 25 per cent. respectively. As at 31 March 2012, the Access Bank Group had incurred contingent settlement provisions in the amount of ₦3,548 million in respect of a liability to AMCON of an amount equivalent to 75% of deferred tax assets in the event of the Access Bank Group's realisation of the deferred tax asset from future taxable profits.

Funding and Liquidity

The Access Bank Group's funding needs arise primarily from the extension of loans and advances to customers. As at 31 March 2012, the Access Bank Group's funding base consisted primarily of deposits (85.7 per cent.) and other borrowed funds (2.2 per cent.). Please see “—Financial condition as at 31 March 2012 and 31 December 2011, 2010 and 2009” above for more information on the Access Bank Group's funding sources.

Access Bank's management believes that its management of assets and liabilities have allowed the Access Bank Group to maintain prudent levels of liquidity. Additionally, the CBN Prudential Guidelines require the Access Bank Group to

maintain 30.0 per cent. of its deposits in liquid assets, which further boosts liquidity. See “*Asset, Liability and Risk Management—Liquidity Risk*” for a summary of the Access Bank Group’s undiscounted cash flows on the Access Bank Group’s financial assets and liabilities and on the basis of their earliest possible contractual maturity.

The following table sets out certain liquidity ratios for the Access Bank Group as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(%)		
Liquid assets ⁽¹⁾ /total assets	33.9	28.3	19.5	27.8
Liquid assets ⁽¹⁾ /customer deposits	57.5	41.9	32.0	43.4
Liquid assets ⁽¹⁾ /liabilities up to three months	51.9	45.0	30.5	41.1
Loans to customers, net/total assets	32.0	35.4	56.2	55.9
Loans to customers, net/customer deposits	52.7	52.3	92.4	87.1
Loans to customers, net/total equity	259.4	300.0	272.0	240.4

(1) Liquid assets include cash and cash equivalents, treasury bills, trading assets and government bonds.

Off-balance sheet arrangements

In the normal course of its activity, the Access Bank Group enters into certain financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, which include acceptances, endorsements, guarantees and letters of credit, involve varying degrees of credit risk and are not reflected in the balance sheet of the Access Bank Group. The Access Bank Group’s total off-balance sheet assets were ₦407,877 million as at 31 March 2012, ₦414,982 million as at 31 December 2011, ₦238,881 million as at 31 December 2010 and ₦138,056 million as at 31 December 2009. The Access Bank Group’s maximum exposure to credit losses for off-balance sheet arrangements is reflected in the contractual amounts of these transactions. In accordance with the CBN Prudential Guidelines, the maximum amount that can be included in off-balance sheet commercial paper and bankers acceptances is 150.0 per cent. of shareholders’ funds, and was 0.1 per cent. as at 31 March 2012.

Contingencies and contractual commitments

The following table sets out the commitments and contingent liabilities of the Access Bank Group in Naira as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions, except %)		
Contingent liabilities:				
Acceptances and guaranteed commercial papers	300	4,948	67	233
Transaction related bonds and guarantees	159,590	155,752	135,856	89,065
Guaranteed facilities	34,819	20,073	831	445
Total contingent liabilities	194,709	180,772	136,753	89,743
Commitments:				
Clean line facilities for letters of credit	213,169	234,209	102,128	48,312
Total commitments	213,169	234,209	102,128	48,312

Capital adequacy

The Access Bank Group calculates its capital adequacy ratio as the quotient of the capital base of Access Bank and Access Bank’s risk weighted asset base. In accordance with CBN regulations, a minimum ratio of 10.0 per cent is to be maintained. The Access Bank Group has applied the Basel II framework as part of its capital management strategy since 2009. Substantial enhancements were made to the risk management framework based on the guidelines of the Basel II Capital Accord.

The following table sets forth the Access Bank Group's capital adequacy as at the dates indicated, prepared in accordance with IFRS.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions, except %)		
Tier 1 capital				
Ordinary share capital	11,444	8,944	8,944	8,131
Share premium	165,187	146,161	146,161	146,161
Retained earnings	(7,410)	(6,745)	(10,786)	(9,981)
Other reserves	32,097	20,650	19,629	15,093
Non-controlling interests	6,678	23,055	699	858
	<u>207,996</u>	<u>192,065</u>	<u>164,648</u>	<u>160,262</u>
Add/(Less):				
Fair value reserve for available-for-sale securities	(4,957)	(4,624)	666	989,079
Intangible assets	(3,043)	(3,278)	(2,719)	(2,881)
Shareholders' funds	<u>199,996</u>	<u>184,163</u>	<u>162,596</u>	<u>158,371</u>
Tier 2 capital				
Fair value reserve for available-for-sale securities	4,957	4,624	(666)	(989)
Collective allowances for impairment	<u>10,221</u>	<u>4,735</u>	<u>6,805</u>	<u>7,518</u>
Total	<u>15,179</u>	<u>9,358</u>	<u>6,138</u>	<u>6,529</u>
Total regulatory capital	<u>215,175</u>	<u>193,522</u>	<u>168,734</u>	<u>164,900</u>
Risk-weighted assets	<u>1,035,372</u>	<u>895,301</u>	<u>709,640</u>	<u>504,285</u>
Capital adequacy ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	21.0%	22.0%	23.78%	32.70%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19.0%	21.0%	22.91%	31.41%

The CBN expresses its capital adequacy ratio requirement on the basis of Nigerian GAAP, and the CBN requires Nigerian banks to maintain a total capital adequacy ratio of 30.0 per cent. The Acquisition of the Intercontinental Bank Group, which required a significant allocation of capital, led to a reduction in the Access Bank Group's total capital adequacy ratio (calculated on the basis of the Access Bank Group's Nigerian GAAP financial statements) from 21.7 per cent. as at 30 June 2011 (prior to the Acquisition) to 21.1 per cent. as at 31 December 2011 (after the Acquisition).

As at 31 March 2012, the Access Bank Group's total capital adequacy ratio (calculated in accordance with IFRS) was 21.0 per cent.

BUSINESS DESCRIPTION

Overview

The Access Bank Group provides a wide range of banking and other financial services in Nigeria and the sub-Saharan Africa region, as well as the United Kingdom, serving approximately 5.1 million customers from 375 branches, including 349 banking branches (of which 310 are located in Nigeria, 3 are located in the United Kingdom, with the remaining banking branches located in other sub-Saharan African countries) and 26 non-banking branches (primarily providing insurance-related services) as at 31 March 2012, with total assets of ₦1,739 billion as at that date. Financial products and services offered by the Access Bank Group include granting of loans and advances, equipment leasing, corporate and trade finance operations, treasury and investment services, retail banking (including current and savings accounts, credit cards, ATM services, electronic banking and retail lending), money market activities, private banking/wealth management services, foreign exchange services, funds transfer services, bullion/cash services and bank guarantees.

On 14 October 2011, Access Bank acquired an initial 75 per cent. equity stake in Intercontinental Bank and completed the subsequent Merger of the Intercontinental Bank Group on 23 January 2012, to create a unified business operation. Prior to the Acquisition, the focus of the Access Bank Group had been corporate clients (institutional and commercial), who are seen as part of the growth sectors of the economy and include market leaders in various economic sectors. Through the addition of the Intercontinental Bank Group's extensive retail branch and customer network (as at the date of the Acquisition, the Intercontinental Bank Group had a large retail banking presence consisting of approximately 3.8 million customers through its network of 366 branches spread across the 36 states of Nigeria and the Federal Capital Territory, Abuja), the Acquisition and subsequent Merger have provided the Access Bank Group with the ability to expand its retail banking business and provided the Access Bank Group with an increased and diversified funding base. For details on the background, process and implementation of the Acquisition and subsequent Merger, see "*Description of the Acquisition and Merger*".

The Access Bank Group applies a value chain model ("VCM") as a strategy to acquire and retain market share, by aiming to develop and align its products and services to the activities of its corporate clients and all stakeholders who participate in creating value for these corporate clients, such as suppliers, distributors, customers, employees (including their family members) and shareholders of such corporate clients, as well as government authorities and regulators who interact with those corporate clients. In line with its aim of expanding its offering of retail services, this VCM approach has enabled, and will continue to enable, the Access Bank Group to tap into the retail segment within the "value chain" of its corporate clients.

The Access Bank Group's main business activities include the following:

- ***Institutional Banking business***, whose main clients are companies with turnover in excess of ₦13 billion. The Institutional Banking business focuses primarily on companies with significant market shares in the larger sectors of the economy, such as upstream and downstream oil and gas, telecommunications, fast moving consumer goods, food and beverages, tobacco, aviation and conglomerates.
- ***Commercial Banking business***, which focuses on corporates and organisations with an annual turnover of between ₦500 million and ₦13 billion.
- ***Financial Markets business*** (formerly known as the Investment Banking Division), which maintains a significant presence in Nigerian financial markets, offering clients a wide range of financial services including treasury (trading in fixed income and currency products), corporate finance, project finance and structured finance (acquisition and leveraged finance services). This division is also responsible for the Access Bank Group's relationships with domestic and international financial institutions (including development finance institutions ("DFIs")).
- ***Products and Retail Banking business*** (formerly known as the Retail Banking Division), which focuses on smaller businesses with annual turnover below ₦500 million and individuals.

The Access Bank Group's core business segments are supported by its Transaction Services division which provides transaction processing services and technical support and infrastructure for the rest of the Access Bank Group's divisions. Services provided include, amongst other things, payment and collections services and trade finance services. See "*Description of Business—Transactional Services division*".

Access Bank was incorporated as a private limited liability company on 8 February 1989 with registration number RC 125384 and commenced business on 11 May 1989. Access Bank was converted to a public limited liability company on 24 March 1998 and its shares were listed on the NSE on 18 November 1998. Access Bank was issued a universal banking licence by the CBN on 5 February 2001, and has applied for an international commercial banking licence under the new CBN licensing regime (as described below), for which Access Bank has received approval in principle from the CBN in January 2011, and currently expects to receive final approval and the new licence by 31 May 2013.

As at the date of this Prospectus, Access Bank had ten banking subsidiaries and sixteen non-banking subsidiaries (including the three banking subsidiaries and ten non-banking subsidiaries acquired as a result of the Acquisition and subsequent Merger with the Intercontinental Bank Group, although two of the acquired banking subsidiaries have been merged within the Access Bank Group as a result of the Acquisition and Merger). See “—*Subsidiaries—Banking subsidiaries*” below.

Access Bank’s registered office is located at Plot 999C, Danmole Street, Victoria Island, Lagos, Nigeria and its telephone number is +234 1 461 9264-9.

History

The Access Bank Group commenced operations in Nigeria as a privately-held bank in 1989. In November 1998, Access Bank was listed on the Nigerian Stock Exchange through an initial public offering of its shares through which it raised over ₦715 million. Access Bank used the proceeds of the initial public offering, as well as a further ₦2.1 billion raised through a combination of public offerings and bonus issues between 2001 and 2005, to fund its branch expansion, invest in working capital and upgrade its information technology systems.

Access Bank obtained a universal banking licence from the CBN on 5 February 2001, and was appointed a settlement bank by the CBN in February 2006, as well as a primary dealer/market maker for FGN Bonds by the DMO in June 2006.

From 2001 to August 2005, Access Bank undertook a series of capital raisings and recapitalisation processes aimed at meeting the then minimum capital requirements of ₦2 billion and then ₦25 billion set by the CBN (including as part of its recapitalisation and consolidation plan for the Nigerian banking industry in 2004), through a combination of public issues and bonus issues of approximately ₦15.0 billion in aggregate.

Since 2002, Access Bank embarked upon a plan of rapid growth (its “**strategic transformation agenda**”) in order to reposition itself in line with its strategy to become one of Nigeria’s leading financial institutions and top three banks by 2012. Access Bank’s current Managing Director and Deputy Managing Director were appointed to the Board of Directors in 2002 in order to progress this mandated strategy for the Access Bank Group, recruiting additional members from leading local and international banks to form part of their management team.

In December 2005, Access Bank acquired Capital Bank International Plc (formerly Commercial Bank Credit Lyonnaise Limited) and Marina International Bank Limited, raising approximately ₦12.1 billion of capital in connection with these acquisitions.

From 2006, Access Bank proceeded to further expand its branch network (in particular, expanding its retail division through opening more branches), invested in its subsidiaries and pursued business strategies such as acquiring the assets (such as branches and deposits) and liabilities of selected financial institutions which did not meet the ₦25 billion minimum capital requirements imposed by the CBN. In order to further fund its strategic growth objectives, Access Bank made a public offer by way of subscription and raised over ₦136 billion, including by means of a U.S.\$300 million Global Depository Receipt (“**GDR**”) issuance in 2007.

Acquisition and Merger of the Intercontinental Bank Group

On 14 October 2011, Access Bank acquired an initial 75 per cent. equity stake in Intercontinental Bank. The total consideration paid by the Access Bank Group for this controlling stake in Intercontinental Bank was ₦50 billion (the “**Investment Amount**”). The subsequent Merger of the Intercontinental Bank Group’s assets, liabilities and undertakings was completed on 23 January 2012.

Management believes that the combination of the Access Bank Group and the Intercontinental Bank Group will enhance the Access Bank Group’s competitive position in the Nigerian banking and financial services market by increasing the Access Bank’s Group’s reach and scale, and enable it to diversify and strengthen its existing products offering. In particular, one of the primary benefits management expects the Acquisition and Merger to have is to assist the Access Bank Group in expanding its presence in the retail banking sector through the addition of the Intercontinental Bank Group’s extensive retail branch and customer network. In addition, management believes that the Access Bank Group’s increased deposit base following the Acquisition and Merger provides a significant source of funding that will assist the Access Bank Group with the planned expansion of its operations in both the corporate and retail banking sectors. Management also expects that the Merger of Intercontinental Bank Group’s business into the Access Bank Group’s business will generate various revenue and cost synergies. See “*Description of the Acquisition and Merger*”. However, there is a risk that the anticipated synergies may not be achieved. See “*Risk Factors – Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group’s business—The Access Bank Group may not achieve the synergies anticipated with the Acquisition and Merger*”.

Intercontinental Bank was established as a merchant bank in February 1989 and became a commercial bank in 1999. Intercontinental Bank became a publicly quoted company listed on the Nigerian Stock Exchange in 2002 through an initial

public offering of 283,995,000 ordinary shares, and participated actively in the CBN's recapitalisation and consolidation plan for the Nigerian banking industry, merging with three other banks (Equity Bank of Nigeria Plc, Global Bank Plc and Gateway Bank Plc) in October 2005, resulting in an enlarged banking operations network. Intercontinental Bank was identified as one of the "Intervened Banks" following the Special Examination of Nigerian banks in 2009, characterised by low capital adequacy and liquidity ratios, weak corporate governance structures and a high level of NPLs (see "*Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Nigerian banking sector—Lack of confidence in the Nigerian banking system resulting from the global financial crisis may affect the Access Bank Group's performance*"). As a result, prior to the commencement of the Acquisition process, Intercontinental Bank was supported by an injection of ₦100 billion of Tier II capital from the CBN, and had its executive management team removed and replaced with a CBN-appointed executive management team (see "*Description of the Acquisition and Merger*"). As at the date of the Acquisition, the Intercontinental Bank Group had large retail banking presence consisting of approximately 3.8 million customers through its network of 366 branches spread across the 36 states of Nigeria and the Federal Capital Territory, Abuja. However, some of these branches have subsequently been closed as part of the Merger process (see "*—Branches*" below).

For further details on the background, process and implementation of the Acquisition, please see "*Description of the Acquisition and Merger*".

Key Strengths

Access Bank believes its key strengths include:

Strong brand awareness which is recognised for its customer service

Management believes that "Access Bank" is a well-recognised and trusted brand in Nigeria, which has been fostered by adhering to its core values of excellence, teamwork, customer service and high ethical standards. Access Bank has received numerous awards in Nigeria as well as internationally in areas of trade finance, sustainable banking and social responsibility. These awards include "Best Bank in West Africa" at the African Banker Awards (2012); IFC: "Most Active Global Trade Finance Program (GTFP) Issuing Bank in Africa" (2010); FT/IFC: "Sustainable Bank of the Year Award" for Africa and Middle East Region (2011) and FT/IFC: "Socially Responsible Bank of the Year" African Banker Magazine (2010). The Access Bank Group has become the fourth largest bank in Nigeria in terms of total assets and shareholders' equity (according to the published unaudited management financial statements of Nigerian banks as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS)) largely through organic growth. In addition, Access Bank has strived to maintain a strong culture of client service and has been consistently ranked within the top four of all Nigerian banks in the corporate customers portion of the customer services survey conducted by KPMG Professional Services, which assesses banks based on sampled customer feedbacks on various areas including financial stability, image and reputation, proximity/ accessibility of branch network, pricing and access to credit.

Acquisition and subsequent Merger of Intercontinental Bank

Management believes that the Acquisition and subsequent Merger of Intercontinental Bank has further strengthened Access Bank's competitive abilities through increased scale, market share and profitability by consolidating business practices and resources. The Acquisition and Merger have enhanced the Access Bank Group's capacity to finance larger transactions, reduced the cost of funds for the Access Bank Group, diversified the Access Bank Group's revenue and deposit base and increase its earnings. Furthermore, the Acquisition and subsequent Merger has given the Access Bank Group a platform to enter new markets and strengthen existing businesses, including for example, significantly increasing the Access Bank Group's scale and presence in the retail banking market in Nigeria, as well as increasing its scale of operations in order to capture further opportunities to expand its corporate/commercial customer base. These synergies have enabled Access Bank to become the third-largest bank in Nigeria in terms of its retail business, and the fourth-largest Nigerian bank in terms of assets, equity and deposits holdings, according to the published unaudited management financial statements of Nigerian banks as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS.

Strong and experienced management

The Access Bank Group's senior management team has extensive experience within the financial services sector, with an average of more than 24 years of experience gained in leading local and international banks across various economic sectors and a combined experience of approximately 150 years of executive management. The Access Bank Group's Managing Director, Mr. Aigboje Aig-Imoukhuede and the Deputy Managing Director, Mr. Herbert Wigwe, each have approximately 20 years of banking experience. The senior management team has a proven record of implementing innovative and industry leading initiatives, in particular in guiding the Access Bank Group to focus on best business practices and customer service, and helping it to achieve its strategic transformation agenda that saw the Access Bank Group grow into being one of the 10 largest Nigerian banks between 2002 and 2007, and to then become the fourth-largest Nigerian bank in terms of assets, equity and deposits holdings following the Acquisition, according to the published unaudited management financial statements of Nigerian banks as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS. Access Bank believes the experience of its senior management team will continue to be a key strength in succeeding in an increasingly competitive industry.

Strong presence in telecoms, food and downstream oil and gas sectors

Access Bank believes that the Access Bank Group is one of the leading providers of financial services to major players in the telecoms, foods and downstream oil and gas sectors, and is ranked amongst the top three banks for the major players in the telecoms industry in Nigeria such as MTN, Airtel, Globalcom, Visafone and Etisalat. Furthermore, management believes that approximately 20 per cent. of the revenue and sales generated by the downstream oil and gas business is collected and held in accounts with Access Bank, allowing it to gain a deep industry knowledge and expertise and facilitating the provision of banking services to major oil and gas dealers like TOTAL, Oando and Sahara.

Strong relationships with development finance institutions, multilateral agencies and international correspondent banks

As part of its strategic objectives, the Access Bank Group has sought to actively build strategic relationships with DFIs and multilateral agencies. Access Bank has leveraged on these relationships to develop a strong risk management framework that it has sought to align with global best practice, including the adoption of environmental and social risk management policy and procedures. This has enabled Access Bank to obtain medium term funding in excess of U.S.\$150 million in the past five years from many DFIs including the European Investment Bank, Belgian Investment Company for Development, the Finnish Fund Industrial Cooperation Limited, the African Development Bank, the International Finance Corporation (“**IFC**”) and the Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V. (“**FMO**”). Such medium term funding is not generally available in the Nigerian market due to the short duration of funding available in the domestic banking industry. Certain of these DFIs have also obtained an equity interest in Access Bank through the exercise of their conversion rights in convertible loans previously issued to Access Bank. The Access Bank Group has also established trade finance relationships with several international correspondent banks such as Citibank, UBS, BNP Paribas, ANZ, HSBC and Commerzbank, which often impose more stringent requirements on reporting and governance. Developing its relationship with these DFIs, multilateral agencies and international correspondent banks has led the Access Bank Group to further enhance its corporate governance and global risk management framework, such as the number of independent directors on its board of directors, developing and implementing the Enterprise Risk Management Framework, implementation of Basel II, as well as adoption of IFRS financial reporting. Access Bank has also benefited from additional capacity and technical expertise through these relationships, for example through staff exchange programmes and technical assistance in developing certain business lines (including its retail business).

Product expertise

The Access Bank Group provides product expertise in the areas of cash management, trade finance and government securities trading, as demonstrated by the integrated payments, collections, cash management and payroll solutions offered to its clients, as well as its market share and position in trade finance and government securities trading. According to data from the CBN, as at 31 March 2012, the Access Bank Group was the third leading bank in Nigeria in the Nigerian foreign exchange business with an 11 per cent. market share and has won a number of awards over the past few years including the IFC “Most Active Global Trade Finance Program (GTFP) Issuing Bank in Africa Award” in 2010. Management believes that Access Bank is a market leader in government securities trading and has developed Nigeria’s first bond index—the Access Bank Nigerian Government Bond Index.

The Access Bank Group has also sought to extend its expertise into other areas of activities that are complementary to its business. For example, Access Bank was the first Nigerian bank to introduce and commence use of Visa credit cards, including introduction of The Black Card—Visa Infinite to the market, holders of which are accorded special recognition and enjoy exclusive benefits and privileges (see also “—*Research and Development*” below). Access Bank differentiates itself from other Nigerian banks based on its focus on the VCM, implemented through offering value added products/services for its customers across the value chain, both domestically and via its international subsidiaries.

Strong Information Technology and E-business platform

Access Bank believes that it has one of the most efficient information technology platforms among Nigerian banks. For example, Access Bank launched a data centre in 2010, which it believes to be one of the most technologically-advanced data centres in financial services in Africa. The data centre serves the Access Bank Group’s IT system by acting as a primary site for hosting its core banking applications, enterprise applications and ATM systems, with a consistent power supply and sophisticated power management and cooling system. Pursuant to the Acquisition, this is now also further supported by a secondary data centre as well as a disaster recovery centre (which previously served as Intercontinental Bank Group’s primary data centre and disaster recovery centre, respectively), thereby seeking to ensure continual availability of all Access Bank’s IT services across its network and to support the Access Bank Group’s growth into the future. Also during 2010, Access Bank automated many of its front-, middle- and back-office treasury processes, implemented automated asset and liability and market risk applications and automated its international trade and payment business.

Access Bank’s information systems are synchronised to ensure consistent and coordinated customer information, regardless of the location from which the information is being accessed. Access Bank’s branches have real time access to system-wide information, helping to increase speed and efficiency in customer transactions. In addition, Access Bank provides what it

believes to be efficient integrated payments, collections, cash management and payroll solutions for its clients. These solutions can be integrated into the customer's systems to provide efficient and cost effective bulk payments and collections and reporting capabilities, as well as allowing customers to integrate their payments and collections systems and processes.

Access Bank intends to continue strengthening its information technology systems to provide greater efficiency and to continue servicing customer demands with new, improved and innovative products.

Investment in staff

Management believes that its staff are a significant strength and instrumental in maintaining its enthusiasm and focus on customer service throughout the Access Bank Group's business.

The Access Bank Group recognises that as a service organisation, its people are an essential element in its quest for excellence in banking services delivery and is therefore focused on the recruitment, development and retention of high quality staff. The Access Bank Group continues to recruit top graduates from the best local and international universities and qualified people from the financial sector. The Access Bank Group provides employees with extensive training and development in various areas including finance, accounting and economics in the Access Bank Group's training school (Access Bank School of Banking Excellence) that aims to meet the developmental needs of staff and in leading business schools as part of an active learning and capacity- building process. The Access Bank Group also aims to offer a competitive range of employee benefits in order to recruit and retain high quality personnel.

According to the most recent Agosto and Co.'s 2010 rating report, Access Bank's productivity per employee (measured by net earnings) as at 31 December 2010 was ₦42.8 million, ranking amongst the top three in the Nigerian financial services industry. Management believes that the Access Bank Group's commitment to employing trained and skilled employees is a key strength that allows it to be more competitive in the industry.

Strategy

The Access Bank Group's objectives are to:

- focus on growth of the business and become one of Nigeria's top three financial services providers during the course of 2012, measured by total assets, total deposits, profitability and return on equity, through, amongst others things, successful integration of the Intercontinental Bank Group to achieve economies of scale and be able to effectively offer the greater reach of financial capacity of larger banks;
- improve and sustain operational efficiency; and
- consolidate its existing footprints in key markets in Africa.

In order to achieve these objectives, Access Bank intends to implement the following strategies:

Provide banking services across the "value chain" of its large corporate customers

Access Bank intends to continue leveraging its corporate relationships to provide services across the "value chain", by providing banking products and services to stakeholders such as suppliers, distributors, customers, employees and shareholders of its corporate clients, as well as government authorities and regulators who interact with such corporate clients. Management sees the VCM as the Access Bank Group's competitive strategy for differentiating itself from competitors, and for acquiring and maintaining market share. Management believes that a focus on corporate and institutional clients is an expedient and cost-efficient strategy in the short to medium term. Through its team of relationship managers, Access Bank believes that it has the requisite skills as well as the product expertise to address the specific needs of distinct customer segments.

The VCM approach is premised on aligning Access Bank's products and services to the activities and financial services requirements of large corporate institutions and all stakeholders in the value chain of such organisations. An in-depth understanding of the clients' businesses and operating environment enables the Access Bank Group to anticipate their needs, and provide suitable products and services tailored to meet the needs of the various stakeholders in the value chain. The key to optimising the VCM is to develop banking solutions that satisfy multiple stakeholders simultaneously, an example being the cash management services that Access Bank offers to its institutional clients as well as the distributors and suppliers within the client's value chain, which enables the client to more efficiently collect payments from distributors and make payments to suppliers. Through the VCM, Access Bank is able to offer tailored products and services to its institutional clients and certain of their stakeholders, allowing them to enjoy seamless business transactions. For example, the Commercial Banking business offers distributors of large corporate clients certain credit facilities to finance the purchase of goods from these corporate clients at favourable interest rates in exchange for exclusive rights to collect cash for the goods sold. Cash flows are retained in the bank by ensuring that all sources of inflows and outflows to corporate clients are run through accounts at Access Bank. In addition, the informal risk mitigating structure of the VCM enables competitive pricing for credit transactions.

Focus on key areas of growth within Nigeria

Access Bank believes there are many opportunities for growth and expansion in light of the economic and political reforms in the region, in particular, in the oil and gas, power, telecommunications, manufacturing, mining and project and infrastructure finance sectors, as well as in the expanding retail sector. Management intends to focus on key areas of economic growth within Nigeria by providing premium services to the corporate institutions within these sectors.

- *Consolidating and developing corporate relationships.* Access Bank believes that there are many opportunities for growth and expansion in the oil and gas, power, telecommunications, manufacturing, mining, project and infrastructure finance sectors. Access Bank intends to capture these growth opportunities through its geographic presence in the sub-Saharan Africa region and the United Kingdom, and through the wide range of products and services that it provides to its customers. In addition, management believes that the increased scale of its operations resulting from the Acquisition and Merger will provide it with further opportunities to expand its corporate/commercial customer base, including from existing clients of the Intercontinental Bank Group as well as the development of new corporate/commercial client relationships.
- *Establishing an increased market presence in the Nigerian retail banking sector.* Management believes the emerging middle class in Nigeria will have an increasing need for banking and financial services, and it expects that this middle class will grow significantly in the medium term as a result of the continued implementation of planned economic reforms. The Access Bank Group will seek to capture this growth by providing services to local entrepreneurs, high net worth individuals, and professionals, in addition to the retail customers within the value chain of its institutional clients. In addition, the Access Bank Group has invested significantly, and continues to invest, in branch expansion nationwide to facilitate access into key market areas, and in alternative delivery channels, such as ATMs, points of sale and telephone, internet and mobile banking, enabling it to access remote communities. Management believes that the acquisition of the Intercontinental Bank Group's extensive retail branch and customer network, together with the Access Bank Group's existing retail customer base, will provide a platform for the Access Bank Group to execute a successful retail strategy (see also "*Description of Business—Products and Retail Banking business*").

Enhance the Access Bank Group's product and service offering

Access Bank also believes there are opportunities for growth through enhancing and modifying its existing products and services and creating new products and services.

- *Enhancement of the product offering to corporate clients.* Access Bank intends to continue to enhance its products and service offerings to corporate customers. One of the planned enhancements is to provide an integrated corporate electronic banking service to increase productivity and manage cash flows for corporate clients on an increasingly global basis.
- *Develop specialist finance functions.* The macroeconomic reforms in Nigeria, particularly in the infrastructure sector, have created an opportunity for financial intermediaries to provide specialist advice on infrastructure finance and project and structured finance. Management intends to further develop specialist finance functions to take advantage of this opportunity.
- *Continued improvements in service quality.* Management believes that service quality is increasingly becoming an important differentiating factor as stability and confidence returns to the banking industry in Nigeria. Management has introduced several initiatives to promote and improve the quality of services offered—one initiative is the "five star" project, which ranks branches from one star to five stars using parameters such as ambience, customer service, turnaround time and customer feedback/survey. This enables management to identify branches which require improvement. The Access Bank Group also provides incentives and imposes sanctions as a way of encouraging branches to meet higher standards.

Improve the Access Bank Group's operational efficiency

Management believes that the Access Bank Group has the management capability and expertise to achieve its desired growth while ensuring that operating efficiencies are improved. With the Merger of Intercontinental Bank, management expects that the Access Bank Group will achieve cost savings through combining resources and centralising activities. The Access Bank Group, through the integration and post-integration processes, has aimed and will continue to aim to eliminate duplication in back office technology and processing activities, while minimising the impact on front office services. Both the Access Bank Group and the Intercontinental Bank Group have made significant investments in the same core banking applications, such as Flexcube and other technology infrastructure including data centres, disaster recovery sites and call centres. This has facilitated technology integration and cost optimisation synergies. The operational efficiencies that have resulted from the integration of other areas, including rationalisation of branches, increasing the effectiveness and productivity of staff and implementing centralised procurement policies, are all expected to reduce the enlarged Access Bank Group's operating expenses. Specifically, Access Bank intends to:

- *Control its cost base.* The Access Bank Group has a moderate cost to income ratio relative to other Nigerian banks which it feels can be further improved. In view of this, management is focusing on controlling costs whilst ensuring that the quality of services is not jeopardised. The Access Bank Group monitors, reviews and adjusts its budget on a monthly basis, and Access Bank intends to continue to improve its cost to income ratio.
- *Improve efficiency in its business process.* Management believes that optimising and streamlining existing business processes are key to reducing cost and improving customer satisfaction. In order to achieve the desired business optimisation, the Access Bank Group will continue to invest in improved IT and business support systems and tools. The Access Bank Group has invested approximately ₦5,795 million in the last three years and Access Bank intends to invest an additional ₦4,262 million in 2012.

Consolidating existing footprints in key monetary/economic zones in sub-Saharan Africa

There has been significant economic growth in the sub-Saharan African region due to the general improvement in the region's political and economic stability. Trade flows between Nigeria and other sub-Saharan African countries have also increased as Nigerian businesses begin to export products into sub-Saharan Africa. Access Bank has already established a presence in a number of sub-Saharan African countries and intends to consolidate and build on its existing operations by focusing on establishing strong corporate relationships with multinational businesses which operate in more than one country and providing cross-border relationship support for such businesses across the geographies in which they operate, thereby aiming to ensure that Access Bank is regarded as the preferred bank for customers. This will also enable Access Bank to derive the expected synergies from its international operations.

Market Position and Competition

In July 2004, the CBN embarked on a recapitalisation and consolidation plan for the Nigerian banking sector, increasing the minimum capital requirement from ₦2.0 billion to ₦25.0 billion, which led to numerous capital raisings and consolidation within the industry, ultimately reducing the number of banks operating in Nigeria from 89 in July 2004 to 24 in September 2007. The subsequent global financial and economic crisis and the resulting decline in the Nigerian equities market in 2009 resulted in significant provisions and high NPLs at a number of Nigerian banks, and this result, coupled with the declining oil price in the international markets, led to a number of Nigerian banks experiencing liquidity challenges. The CBN Special Examination of the banking sector in 2009 led to the identification of a number of "intervened banks" as having suffered from significant asset quality, capital adequacy, liquidity and corporate governance deficiencies. The CBN and AMCON intervened by providing bail-out funds to enable such banks to meet their minimum capital adequacy ratios and continue operations. At this time, opportunities arose for further sector consolidation, including acquisition of some of the "intervened banks" by stronger banks. In addition to the Acquisition and Merger of Intercontinental Bank and Access Bank, other recent strategic transactions include the acquisition of a majority shareholding in Finbank by First City Monument Bank Plc, the acquisition of a majority shareholding in Oceanic Bank by Ecobank Transnational Incorporated, the merger of Equitorial Trust Bank and Sterling Bank (following which Sterling Bank is expected to be the majority shareholder of the combined group) and the acquisition of a majority shareholding in Union Bank by the African Capital Alliance Consortium. See also "*The Nigerian Banking Sector*".

Notwithstanding the significant changes in the competitive landscape of the Nigerian banking sector, the Access Bank Group has continued to perform well, moving from being amongst the top 10 Nigerian banks in 2008 to the fourth-largest Nigerian bank in terms of assets, equity and deposits holdings following the Acquisition, according to the published unaudited management financial statements of Nigerian banks as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS. The Access Bank Group considers its main competitors to be FBN, Zenith Bank, GT Bank and UBA in the retail market segment, where it competes on the basis of distribution network, number of customers and the range of retail products and services offered, while it also faces competition in the corporate customer segment from FBN, Zenith Bank, GT Bank, Standard Chartered Nigeria and Stanbic IBTC Bank plc, where it competes on the provision of structured financial products, services and price in key industry sectors such as oil and gas, telecommunications and manufacturing. Access Bank believes it has maintained its competitive position as a result of a number of factors, including its product expertise and innovation in a number of areas, growing its customer base through implementation of the VCM, and providing high standards of customer service.

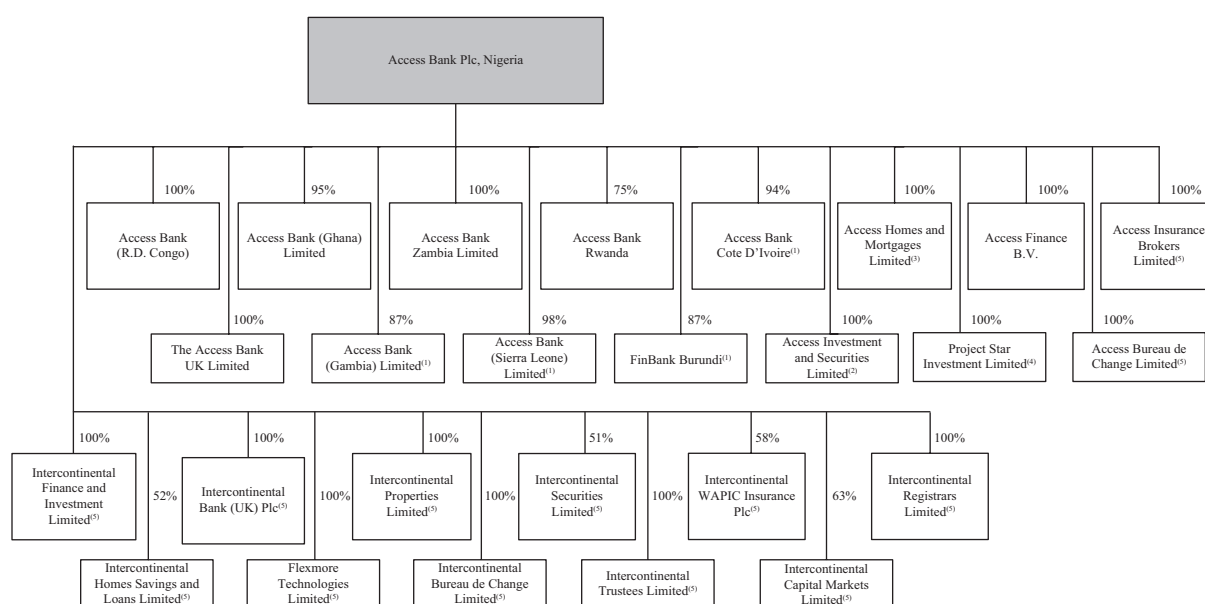
Management believes that further sector consolidation, aided by AMCON, is reducing the number of existing banks and changing the Nigerian banking landscape. The concentration of capital among the non-Intervened Banks is expected to increase and so increase the share of the market in the hands of the stronger "large banks", and the sector transformation will be further facilitated by the CBN's repealing of the singular universal banking licence. Management believes that, despite maintaining strong capital levels so far (21.0 per cent. calculated on the basis of IFRS as at 31 March 2012, and above the 10 per cent. minimum requirement), in order to meet the competition driven by a more concentrated Nigerian banking industry, it will be critical for the Access Bank Group, through successful integration of the Intercontinental Bank Group and otherwise, to achieve economies of scale and be able to effectively offer the greater reach and financial capacity of larger banks.

Although integration and post-Merger operations may present its challenges, management believes that successfully achieving the anticipated benefits and synergies of the Merger will continue to help significantly improve the Access Bank Group's

market position, and provide it with the requisite profitability and economies of scale (based primarily on enhanced market share, a larger distribution network and access to a larger, low cost deposit base) to move from being a mid-sized bank to breaking into the top tier of “large banks” in Nigeria. The Acquisition and Merger has also enabled Access Bank to become the third-largest bank in Nigeria in terms of its expanded retail business, as well as the fourth-largest Nigerian bank in terms of assets, equity and deposits holdings, according to the published unaudited management financial statements of Nigerian banks as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS. See also “*Description of the Acquisition and Merger*”. However, there are also various risks associated with the Acquisition and Merger, including in relation to achieving the anticipated synergies, loss of customers or successful strategic alliances, and inability to recruit and retain qualified personnel. See the section entitled “*Risk Factors*” above, including “—*Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group’s business—The Access Bank Group may not be able to successfully complete integration of the Intercontinental Bank Group or completing the integration may prove to be more costly and time consuming than initially expected*”; “—*The Access Bank Group may not achieve the synergies anticipated with the Acquisition and Merger*”; “—*The Acquisition and Merger may result in a loss of the Access Bank Group’s or Intercontinental Bank Group’s customers or strategic alliances*”; and “—*The Access Bank Group’s inability to recruit and retain qualified personnel, and to integrate the Intercontinental Bank Group’s personnel into the Access Bank Group’s business culture, could have an adverse effect on its business*”.

Corporate Structure

The following chart shows the corporate structure of the Access Bank Group as at the date of this Prospectus.



- (1) Currently undergoing divestment process. See “—*Subsidiaries—Banking subsidiaries*” below.
- (2) Ceased trading and currently undergoing a divestment process. See “—*Subsidiaries—Non-banking subsidiaries*” below.
- (3) Currently undergoing a voluntary winding up process, following completion of the integration of its mortgage business into Access Bank’s retail banking business, and transfer of its assets and liabilities to Access Bank, in March 2011. See “—*Subsidiaries—Non-banking subsidiaries*” below.
- (4) Currently undergoing a voluntary winding up process, following completion of the Acquisition and Merger. See “—*Subsidiaries—Non-banking subsidiaries*” below.
- (5) Currently undergoing winding up/divestment process. See “—*Subsidiaries*” below.

Compliance Plan with Central Bank of Nigeria’s Regulation on the Scope of Banking Activities

In October 2010, the CBN issued the Regulation on the Scope of Banking Activities and Ancillary Matters (the “**CBN Banking Activities Regulation**”), which took effect from May 2012. Pursuant to the CBN Banking Activities Regulation, the former universal banking guidelines were repealed and banking activities were segregated into commercial banking, merchant banking and specialised banking (including non-interest banks, microfinance banks, development banks and mortgage banks).

The CBN Banking Activities Regulation prohibits Nigerian banks from holding any interests in any subsidiary, associated company or enterprise unless such an entity is a custodian, or a banking institution incorporated outside Nigeria with the permission of the CBN or a company jointly established by two or more banks with the approval of the CBN for the purpose of promoting the development of the money market or improving the delivery of banking services in Nigeria. The CBN Banking Activities Regulation also prohibits Nigerian banks from acquiring real estate or immovable property (except such property is for its own use), granting any loan to any person to invest in the primary issues of any stock of any bank, granting a loan or any form of financial accommodation to any person to facilitate the acquisition of any of its subsidiaries or granting

any loan, donation, gift or other form of financial accommodation to a political party or for political purposes. It requires every bank currently operating under a universal banking licence to submit for CBN approval a compliance plan duly approved by the bank's board of directors.

The CBN Banking Activities Regulation also requires Nigerian banks to divest all non-banking businesses and apply for a new type of banking licence or to adopt a non-operating holding company structure in compliance with the regime if they wish to engage in non-core banking activities, in each case as determined by the relevant bank's board of directors and by May 2012. See "*The Nigerian Banking Sector—Banking Sector Reform—2009 to present*" below. In view of the intricacies of the recapitalisation process for the Intervened Banks and the need to take a holistic view of the entire banking system however, the CBN has granted an extension of the period of time within which the enlarged Access Bank Group is required to comply with the CBN Banking Activities Regulations to May 2013.

Access Bank's compliance plan was duly approved by its Board of Directors on 28 October 2010 and submitted to the CBN on 15 December 2010. On 20 January 2011, the CBN approved the compliance plan in principle and authorised Access Bank to commence a re-organisation of its activities. The main features of Access Bank's compliance plan are as follows:

Proposed type of banking licence

The management of Access Bank reviewed the options provided by the new licensing regime instituted by the CBN and resolved that Access Bank would apply for an international commercial banking licence pursuant to which Access Bank would carry out the permitted activities as described in the CBN Scope, Conditions and Minimum Standards for Commercial Banks Regulation of July 2010.

Under the terms of the international commercial banking licence, Access Bank is permitted to accept deposits, maintain current and savings accounts for its depositors, provide retail banking services such as mortgage products, provide finance and credit facilities, deal in foreign exchange and provide foreign exchange services, subject to CBN approval act as a settlement bank, provide treasury management services, provide custodial services, provide financial advisory services incidental to commercial banking (which do not require regulatory filing with the Nigerian SEC), invest in non-convertible debt instruments, subject to CBN approval enter into derivative transactions, undertake fixed income trading and subject to CBN approval provide non-interest banking services.

Also under the terms of the international commercial banking licence, Access Bank is prohibited from engaging in the following lines of business: undertaking insurance underwriting, loss adjusting services, re-insurance services, asset management services, issuing house activities, underwriting services, investing in equity or hybrid equity instruments (save for investments permitted by BOFIA), proprietary trading and financial advisory services not incidental to commercial banking (which require regulatory filing with the Nigerian SEC).

Divestment of non-banking subsidiaries

As at the date of this Prospectus, the Access Bank Group had sixteen non-banking subsidiaries (including ten non-banking subsidiaries acquired as a result of the Acquisition and subsequent Merger of the Intercontinental Bank Group). In order to comply with the CBN Banking Activities Regulation and meet the requirements under the international commercial banking licence, Access Bank is in the process of divesting, winding up and/or merging the business of some of these non-banking subsidiaries, and intends to divest all of the non-banking subsidiaries by the May 2013 deadline set by the CBN. See "*—Subsidiaries—Non-banking subsidiaries*" below.

Description of Business

The Access Bank Group offers a wide range of financial products and services to corporate, commercial and individual clients, and its principal business activities include: the Institutional Banking business, the Commercial Banking business, the Financial Markets business, the Products and Retail Banking business and the Transaction Services division. The products and services offered by the Access Bank Group's various businesses are described below.

Institutional Banking

The Access Bank Group's Institutional Banking business offers a wide range of services to multinationals, large domestic corporate and other institutional clients with an annual gross revenue of ₦13 billion and above. The Institutional Banking business aims to provide strong relationship management to top tier corporate clients by providing tailored banking products and services to these clients as well as the various stakeholders within the value chain of these corporate clients. This division also seeks to build long-term relationships with the Access Bank Group's clients via a thorough understanding of their businesses and the environment in which they operate, which management believes has enhanced the Access Bank Group's ability to provide tailored products, services and solutions.

As at 31 March 2012, the Access Bank Group had over 150 institutional banking clients. With the Acquisition and Merger of Intercontinental Bank, Access Bank intends to develop relationships with Intercontinental Bank's institutional and corporate banking business clients, which principally comprise blue chip corporate and multinational institutions, with specific emphasis on certain key sectors of the Nigerian economy, such as oil and gas, power and infrastructure, food and beverages, manufacturing, telecommunications and information technology, and transport and logistics. As at the date of the Acquisition, the Intercontinental Bank Group had approximately 40 institutional banking clients.

The Access Bank Group's Institutional Banking business operates through five principal sub-groups that provide tailored industry-based services:

- *Telecommunications sub-group:* provides banking products and services to a wide range of operators and service providers in the Nigerian telecommunications industry, including Global System for Mobile Communications ("GSM") and Code Division Multiple Access ("CDMA") service providers as well as Emerging Markets Telecommunication Services (Etisalat), original equipment manufacturers, internet service suppliers, infrastructure providers and dealers. Products and services offered include cash management, receivables discounting, liquidity management, dealer credit programmes and supplier finance schemes.
- *Oil and gas sub-group:* provides specialised banking services to upstream and downstream oil and gas companies, including long term developmental infrastructure finance, short term trade finance, refined petroleum products financing, export financing for crude oil and syndicated infrastructure financing.
- *Transportation and Household Utilities sub-group:* provides services to various sectors including aviation, automobiles, shipping, packaging, personal care, metal fabrication and enamelware manufacture. Products and services offered include cash management, liquidity management, distributors' support programme, structured finance and vendor/supplier payment schemes. Leveraging on its geographical spread in Africa and the United Kingdom, the Access Bank Group also helps these clients to obtain structured trade services from its partner institutions such as multilateral finance institutions, export credit agencies, and correspondent banks.
- *Foods and beverages sub-group:* focuses on the foods and beverages industry in the fast moving consumer goods sector, and services provided include cash management, liquidity management, distributors' support programme, structured finance and vendor/supplier payment scheme.
- *Cement and flour sub-group:* services the major players in the cement and flour industry including manufacturers and importers operating in Nigeria. Some examples of the products and services offered include debt and equity finance for the construction of new cement facilities and the execution of capital projects for manufacturers and cement importers, distributor credit finance facilities, vendor and supplier financing, equipment lease financing and structured trade finance facilities for the importation of raw materials, spares and finished goods.

For the three months ended 31 March 2012, the Institutional Banking business generated ₦4,289 million, or 30.0 per cent., of the Access Bank Group's profit on ordinary activities before tax, compared to ₦2,133 million, or 30.0 per cent., of the Access Bank Group's profit on ordinary activities before tax for the three months ended 31 March 2011. For the years ended 31 December 2011 and 2010 and the nine months ended 31 December 2009, the Institutional Banking business incurred losses on ordinary activities before tax of ₦1,979 million, ₦4,149 million and ₦4,722 million, respectively. The increase in profit on ordinary activities before tax generated by the Institutional Banking business for the three months ended 31 March 2012 compared to the three months ended 31 March 2011 is primarily due to an increase in interest income and fees and commissions generated from institutional clients as a result of a larger customer base following the Acquisition, and a decrease in loan provisions as a result of NPLs sold to AMCON over the course of 2011. The losses incurred by the Institutional Banking business between 2009 and 2011 were mainly due to provisions for impaired loans, the majority of which were from customers in the oil and gas, and manufacturing sectors.

The Access Bank Group's Institutional Banking business accounted for ₦592,852 million or 34.1 per cent. of total assets as at 31 March 2012, ₦462,036 million or 28.4 per cent. of total assets as at 31 December 2011, ₦329,713 million or 41.4 per cent. of total assets as at 31 December 2010 and ₦357,910 million or 51.9 per cent. of total assets as at 31 December 2009. The increase in the Institutional Banking business' assets in 2011 and the first quarter of 2012 was a result of the Acquisition and Merger. The decrease in Institutional Banking business' contribution to total assets between 2009 and 2010 is primarily due to the expansion of retail banking business as part of Access Bank's strategy and was further amplified in 2011 as a result of the Acquisition and Merger.

Lending

To meet the needs of the Institutional Banking business' clients, and to enhance the Access Bank Group's customers' ability to meet their financial obligations and operate effectively, the Access Bank Group offers financing assistance in the form of:

- working capital financing options, which include drawing against un-cleared bank cheques, overdraft facilities, revolving credit facilities, invoice discounting, distributor credit plans, trade finance, and leases;

- long term financing, including term loans, project finance, syndicated loans, and note issuance facilities; and
- local and international trade-related products, including advance payment guarantees, bid bonds, performance bonds (where Access Bank undertakes to meet the shortfall in the estimated cost for project construction in the event of a default by the developer or contractor), and retention bonds (where Access Bank guarantees that a contractor will carry out all necessary work to correct structural and other defects discovered immediately after the completion of the contract, even if full payment has already been made to the contractor).

Within the Institutional Banking business, the Access Bank Group's loans are spread across the various industries and segments covered by each sub-group. As at 31 March 2012, the Access Bank Group's gross loans to customers totalled ₦584,828 million, approximately 59.5 per cent. of which were loans to institutional clients. As at 31 December 2011, the Access Bank Group's gross loans to customers totalled ₦624,539 million, approximately 50.5 per cent. of which were loans to institutional clients. As at 31 December 2010, the Access Bank Group's gross loans to customers totalled ₦478,138 million, approximately 46.4 per cent. of which were loans to institutional clients. As at 31 December 2009, the Access Bank Group's gross loans to customers totalled ₦412,888 million, approximately 42.5 per cent. of which were loans to institutional clients.

By virtue of the applicable standard terms of such loans, all of the Access Bank Group's loans in Naira pay interest at a floating rate linked to its PLR, the CBN's MPR or NIBOR, and all of its loans in U.S. dollars pay interest at a floating rate linked to LIBOR for loans in U.S. dollars. The Access Bank Group typically applies PLR as the reference rate for bilateral loans in Naira and NIBOR as the reference rate for syndicated loans in Naira. Loans to institutional banking customers are generally charged at a margin over the applicable NIBOR or over the MPR or PLR for Naira loans, and a margin over the applicable LIBOR for U.S. dollar loans. In addition, a facility fee and a management fee is generally charged on each loan.

Deposits and Other Funding Sources

The deposit products offered to customers of the Access Bank Group's Institutional Banking business consist of on-demand and term deposits. In addition to deposit accounts, some of the products and services offered to such customers include the issuance of local drafts, local fund transfers between accounts, cash in transit and draft in transit services, batch payments, bill payments, third party transfers, safe custody services, duty payments and government remittances.

As at 31 March 2012, the Access Bank Group's deposits from customers totalled ₦1,024,654 million, approximately 9.3 per cent. of which were from institutional clients. As at 31 December 2011, the Access Bank Group's deposits from customers totalled ₦1,101,704 million, approximately 6.3 per cent. of which were from institutional clients. As at 31 December 2010, the Access Bank Group's deposits from customers totalled ₦484,723 million, approximately 22.9 per cent. of which were from institutional clients. As at 31 December 2009, the Access Bank Group's deposits from customers totalled ₦442,335 million, approximately 18.4 per cent. as at 31 December 2009. Deposits from customers increased significantly in 2011 as a result of Access Bank acquiring the Intercontinental Bank's customer base following the Acquisition, although the dominance of public sector, financial services and retail clients in the Intercontinental Bank Group's business had led to a decrease in the percentage of total deposits held by institutional clients. The decrease in deposits from customers from 31 December 2011 to 31 March 2012 was largely due to the fact that some deposits that were acquired from Intercontinental Bank had been re-priced in line with the Access Bank Group's strategy to control its cost base. See also "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition—Deposits from Customers*".

As at 31 March 2012, 31 December 2011, 31 December 2010 and 31 December 2009, 18.3 per cent., 22.0 per cent., 23.5 per cent. and 21.7 per cent., respectively, of the Access Bank Group's deposits from customers were denominated in U.S. dollars and other foreign currencies, the majority of which were from institutional banking customers. The increase in the proportion of deposits denominated in U.S. dollars is in line with the Access Bank Group's strategy to obtain foreign-currency funding that it may use to support the businesses of its institutional clients, particularly those active in the Nigerian oil and gas and power sectors where the clients often obtain foreign-currency denominated loans (primarily U.S. dollars) for their foreign trade activities.

Cash Management

The Access Bank Group aims to provide its corporate customers with tailored cash management solutions, designed to facilitate the management of their payments and receivables processes. The Access Bank Group works closely with its customers to gain an in-depth understanding of their business operations and to identify areas in which the Access Bank Group can add value, subsequently structuring tailored solutions designed to optimise customers' back office process efficiency, aiming to give them greater control over their cash flow positions and providing them with timely and accurate information on their accounts. The products and services offered include: Access Bank Collection Services; Access Bank Payment Solutions; Access Bank Liquidity Management Solutions; Access Bank Correspondent Banking Services; and Access Bank Information Solutions, which can either be integrated into customers' systems or offered as standalone products depending on the customers' needs.

Commercial Banking

The Access Bank Group's Commercial Banking business is segmented geographically across Nigeria and focuses on serving middle-market entities such as manufacturers, suppliers, distributors, transporters, contractors and other medium-sized corporate organisations with annual gross turnover between ₦500 million and ₦13 billion, including those that are stakeholders of the Institutional Banking business' clients. This is in line with the Access Bank Group's strategic focus of banking the entire value chain of its institutional clients. Clients of the Commercial Banking business also include public sector (Federal and State Government ministries, agencies and parastatals) and wealth management clients.

In addition, the Acquisition and Merger of the Intercontinental Bank Group has enabled the Access Bank Group to expand its commercial banking business and provided the Access Bank Group with a larger public sector client base. As at 31 March 2012, the Access Bank Group had approximately 165,733 commercial banking customers and 14,234 public sector customers.

The Access Bank Group's commercial banking customers are organised by geographic regions within Nigeria. These customers are usually owner managed, have smaller turnovers and are usually less structured than Access Bank's institutional banking customers, and do not require the same level of complexity for their banking products and services needs.

The Commercial Banking business offers a wide range of banking services and products to meet the needs of the customers by following the value chain of customers, including various lending and deposit products, the issuance of local drafts, local transfers between accounts, cash-in-transit and draft-in-transit services, batch payments, bill payments, third party transfers, safe custody services, duty payments and government remittances. Significant successes have been recorded with the application of the value chain strategy showing the potential for growth in the business with more rigorous implementation of this strategy. An example of such success is with MTN, the largest mobile operator in Nigeria, where Access Bank designed a "distributor credit plan" that allows MTN to provide its distributors, one of the critical stakeholders in its value chain, with credit on airtime purchases, which credit is backed by a guarantee from Access Bank. This provided a solution for MTN, which was not willing to take the credit risk on distributors, and has allowed MTN to realise the available sales potential, as well as supporting distributors in their businesses. Due to its success, this product has been deployed across a wide range of industries with similar structure.

For the three months ended 31 March 2012, the Commercial Banking business generated ₦7,688 million, or 53.8 per cent., of the Access Bank Group's profit on ordinary activities before tax, compared to ₦3,823 million, or 53.8 per cent., of the Access Bank Group's profit on ordinary activities before tax for the three months ended 31 March 2011. The Commercial Banking business generated profit on ordinary activities before tax of ₦15,833 million for the year ended 31 December 2011 and ₦10,293 million for the year ended 31 December 2010, and incurred a loss on ordinary activities before tax of ₦1,833 million for the nine months ended 31 December 2009. The increase in profit on ordinary activities before tax in the three months ended 31 March 2012 compared to the three months ended 31 March 2011 was primarily due to increased interest income, credit related fees, commissions and transaction income derived from an enlarged customer base resulting from the Acquisition and Merger. The increases in 2011 and 2010 were primarily due to increases in loans and advances to customers, fees and commissions and transaction income following the recovery of the global and Nigerian economy in 2010. The loss of profit on ordinary activities in 2009 was mainly related to the banking crises in Nigeria, which led to higher provisioning and adversely affected the Commercial Banking business's performance.

The Access Bank Group's Commercial Banking business accounted for ₦438,012 million or 25.2 per cent. of total assets as at 31 March 2012, ₦676,058 million or 41.5 per cent. of total assets as at 31 December 2011, ₦231,625 million or 29.1 per cent. of total assets as at 31 December 2010 and ₦259,071 million or 37.6 per cent. of total assets as at 31 December 2009. The decrease in the Commercial Banking business' assets in the first quarter of 2012 was primarily due to a reclassification of AMCON Bonds from the Commercial Banking business to the Financial Markets business. The increase in the Commercial Banking business' assets in 2011 was primarily due to bonds received from AMCON in exchange for NPLs and an increase in loans and advances to customers, while the decrease in 2010 was mainly due to repayment of certain outstanding obligations. The decrease in the Commercial Banking business' contribution to total assets in the first quarter of 2012 is primarily due to an increase in the total assets of the Access Bank Group as a result of the Acquisition and Merger, as well as a reclassification of the AMOCN Bonds received from the sale of Intercontinental Bank NPLs and the financial accommodation received for Intercontinental Bank from the Commercial Banking business to the Financial Markets business in 2012. The increase in the Commercial Banking business' contribution to total assets in 2011 is primarily due to AMCON Bonds received in 2011. The decrease in the Commercial Banking business' contribution to total assets in 2010 was mainly due to repayment of certain outstanding obligations.

Lending

The Access Bank Group offers a range of lending products, including overdraft facilities, term loans, shorter-term time loans, lease financing and invoice discounting to its commercial banking customers, and also offers other contingent facilities such as performance bonds, guarantees and import finance facilities (through letters of credit). These facilities are usually short term in nature and range from one to four years. Within the Commercial Banking business, the Access Bank Group's lending activities are spread among industries and geographies, with loans to customers in sectors such as the oil and gas, telecommunications, projects and infrastructure, real estate, manufacturing, automobile, aviation, food and beverages, fast-moving consumer goods and general commerce sectors, and with customers spread throughout the country. These

customers are largely distributors, suppliers and other service providers (that is, stakeholders in the value chain) of the large corporate clients of Access Bank's Institutional Banking business, as well as of other emerging, large Nigerian corporations whose turnover or business structure may not yet allow them to qualify as clients of the Institutional Banking business. The majority of loans to commercial customers (including loans made by the Institutional Banking business) are secured, primarily by real estate.

Deposits

The typical deposit products offered to customers in the Commercial Banking business consist of current accounts, banker's acceptances, term deposits and fixed rate deposits.

Wealth Management and Gender Empowerment sub-groups

In 2010, the Commercial Banking business redefined its structure and adopted a new organisational model that is based on customer segments. Whilst the Commercial Banking business had already been carrying out wealth management and gender empowerment businesses before then, specific sub-groups were created to combine businesses with similar profile. The Wealth Management sub-group focuses on high net worth individuals with minimum investible funds of ₦100 million. The Gender Empowerment sub-group is specifically targeted at business women empowerment and development.

Wealth Management sub-group

The Wealth Management sub-group provides clients with integrated wealth management products and services such as portfolio management, concierge and custodian services, aiming to present a one-stop shop where wealth management needs are met.

The identified needs of high net worth individuals are a personalised and timely service, confidentiality, funds administration, convenience and financial advisory services. Products and services offered by the Wealth Management sub-group include credit cards, portfolio management services (including dedicated wealth managers), credit facilities, core banking products (including VIP current and savings accounts) and other exclusive privileges (including custody and safekeeping services, hold-mail services and concierge/ passenger assist services).

Gender Empowerment sub-group

The Gender Empowerment sub-group offers the same products and services offered by other sub-groups in the Commercial Banking business, although with an emphasis on providing financial support to small and medium scale companies owned and managed by female entrepreneurs, and aims to help meet the professional development as well as financing needs of women managing their own businesses. The group also organises capacity building workshops for female entrepreneurs from time to time. The Gender Empowerment sub-group will partner with and support women in business in the following ways:

- Networking opportunities—organising regular networking sessions for women entrepreneurs under the Gender Empowerment Programme, to ensure customers have access to key contacts and information to help their businesses;
- Business development workshops—designing training workshops and development programmes to educate, showcase and support female business owners as they seek capital and grow their companies;
- Business advisory services—engaging consultants to work on a one-on-one basis with clients, providing professional advice in the areas of management, marketing, human resources and procurement; and
- Finance—providing female entrepreneurs with access to financial products and services to help them fulfil their business obligations. A designated account officer is assigned to provide clients with the relevant loan eligibility requirements and assist them through the process.

Public Sector sub-group

The focus of Public Sector sub-group within the Commercial Banking business is all institutions operating under the auspices of Government, including within the executive, legislative and judiciary branches, and at the Federal, State and/or Local Government levels. Some of the products and services offered to the public sector include batch payments, revenue collection schemes, cash management, deposit and investment, electronic payroll systems, offshore remittances and foreign exchange and project finance.

Financial Markets

The Access Bank Group reorganised its investment banking business at the beginning of the 2011 financial year and renamed it the Financial Markets business. This business comprises three sub-groups: Treasury, Corporate Finance and Financial Institutions.

The Financial Markets business aims to provide innovative finance solutions to meet the short, medium and long term financing needs of clients, and offers services to multinationals, large domestic corporate, and other institutional, commercial and retail clients. Products offered include treasury, financial advisory services and corporate finance (including project finance and structured finance) products and services. However, in line with the repeal of the universal banking guidelines in Nigeria and the subsequent issue of the CBN Banking Activities Regulation, the Access Bank Group with effect from May 2013 will no longer be able to provide financial advisory services that require filings with the Nigerian SEC (including issuing house (which covers merger, acquisitions and divestiture financial advisory services) and capital markets and equity underwritings) under the international commercial banking licence that it has applied and received approval in principle from the CBN for. The cessation of these services is not expected to have a significant impact on the Access Bank Group's business, given the revenue generated from these types of financial advisory services only accounted for less than 1.5 per cent. of the Access Bank Group's revenue for the year ended 31 December 2011 and for the three months ended 31 March 2012, respectively.

Investment banking functions are facilitated through the Treasury sub-group and Corporate Finance sub-groups. The Treasury sub-group is a market leader in fixed income and currency trading in Nigeria based on volume traded, according to data released by Central Securities Clearing Systems Limited ("CSCS"), while the Corporate Finance sub-group continues to build core competence in structured finance and advisory transactions that continue to be permissible under the terms of Access Bank's new international commercial banking licence.

The Access Bank Group's Financial Markets business has developed a core competency in debt financing transactions and its expertise is recognised both locally and internationally. For example, through the division, Access Bank acted as lead arranger on a ₦82.5 billion and U.S.\$100 million loan facility agreement for Etisalat as borrower, with a syndicate of nine Nigerian banks as local lenders. Since 2006, the business has also been a primary dealer and market maker in Nigerian sovereign, sub-national (including state governments, other governmental agencies and parastatals) and corporate bonds, executing trades in excess of ₦1.47 trillion in 2010, which represented 10.72 per cent. of the total traded volume in the secondary Nigerian market, and it has consistently maintained a market share in excess of 10 per cent. across the various financial instruments that it trades in (source: CSCS). The products and services provided by the Financial Markets business have received a number of awards in the past, including the "Sustainable Bank of the Year Award (Middle East & Africa)" in 2011, the "Most Active Global Trade Finance Programme (GTFP) Issuing Bank in Africa Award" in 2010 and the "Best Global Trade Finance Bank Award" in 2008. In addition, Access Bank Group employees have been invited as key speakers at different market development conferences across the globe, including Bloomberg's Eye on Africa conference in London and at the opening event in Mauritius of the first organised currency exchange in Africa. Access Bank believes that the success of its Financial Markets business is based in part on the strong relationships and partnerships it has with multilateral finance institutions and DFIs, which has enabled it to benefit from additional capacity and technical expertise and allowed it to enhance its own corporate governance and global risk management framework. See "*Key Strengths—Strong relationships with development finance institutions, multilateral agencies and international correspondent banks*" above.

For the three months ended 31 March 2012, the Financial Markets business generated ₦1,951 million or 13.7 per cent., of the Access Bank Group's profit on ordinary activities before tax, compared to ₦970 million, or 13.7 per cent., of the Access Bank Group's profit on ordinary activities before tax for the three months ended 31 March 2011. For the years ended 31 December 2011 and 2010 and the nine months ended 31 December 2009, the Financial Markets business generated profit on ordinary activities before tax of ₦5,218 million, ₦8,217 million and ₦2,666 million, respectively. The increase in profit on ordinary activities before tax in the three months ended 31 March 2012 compared to the three months ended 31 March 2011 was primarily due to an increase in foreign exchange income and interest income earned on bonds. The decrease in 2011 was primarily due to less favourable yield in government bonds as a result of successive increases to the MPR in 2011 to 12.0 per cent. in October 2011, while the increase in 2010 was mainly due to higher yields on AMCON and government bonds.

The Access Bank Group's Financial Markets business accounted for ₦559,151 million or 32.1 per cent. of total assets as at 31 March 2012, ₦230,926 million or 14.1 per cent. of total assets as at 31 December 2011, ₦224,720 million or 27.9 per cent. of total assets as at 31 December 2010 and ₦45,509 million or 6.6 per cent. of total assets as at 31 December 2009. The increase in the Financial Markets business' assets and the Financial Markets business' contribution to total assets in the first quarter of 2012 is primarily due to a reclassification of the AMCON Bonds received from the sale of Intercontinental Bank NPLs and the financial accommodation received for Intercontinental Bank from the Commercial Banking business to the Financial Markets business in 2012. The decrease in the Financial Markets business' contribution to total assets in 2011 was mainly due to an increase in the total assets of the Access Bank Group as a result of the Acquisition and Merger, which reduced the contribution of the Financial Markets business to the total assets of the Access Bank Group. In 2010, the Financial Markets business' assets and the Financial Markets business' contribution to total assets increased mainly as a result of an increase in the Access Bank Group's holding of government bonds.

Treasury sub-group

The Treasury sub-group works closely with corporate customers, pension funds and Federal and State governments to deliver currency and fixed income solutions tailored specifically for their requirements. The Treasury sub-group focuses on structuring risk management solutions to help mitigate interest rate and foreign exchange risks for the Access Bank Group and

its customers. It offers the Access Bank Group's customers a broad array of money market and foreign exchange services that enable them to carry out their business operations locally and internationally. The Treasury sub-group's activities are carried out through two units: the Asset and Liability Management ("ALM") unit and the Sales & Trading ("ST") unit.

The ALM unit is primarily responsible for managing market and liquidity risk, analysing loans to deposit ratios, cost of funds and the Access Bank Group's overall balance sheet structure and ensuring Access Bank complies with regulatory prudential requirements.

The ST unit focuses on foreign exchange and fixed income trading. The ST unit, through the foreign exchange desk, is responsible for the Access Bank Group's currency trading. The Access Bank Group's currency trading involves primarily direct buying and selling of major international currencies through spot, swap and forward contracts. The Access Bank Group can buy and sell foreign currency directly in interbank transactions, rather than trading only with the CBN.

The fixed income desks are responsible for purchases and sales of debt instruments, primarily bonds and treasury bills. Since 2006, Access Bank has been one of the primary dealers and market makers in the Nigerian bond market and has been an active participant in the market, trading Government bonds with various maturities. Access Bank's trading securities consist of publicly listed debt instruments such as sovereign, sub-national and corporate bonds of varying maturities. In the local currency money market, Access Bank remains one of the few banking institutions authorised to operate as a market maker in all types of Government securities.

Apart from trading on its own account, the Access Bank Group also trades securities on behalf of its clients as primary dealer.

Following the CBN's repeal of the universal banking licence regime, Access Bank received an approval in principle for its compliance plan to obtain an international commercial banking licence. With the new international commercial banking licence (for which it currently expects to receive final approval and the new licence by 31 May 2013), Access Bank will still be licensed to provide treasury management services, including but not limited to the provision of money market, fixed income and foreign exchange investment on behalf of clients.

Access Bank was admitted to the membership of the International Swaps and Derivatives Association in January 2010.

Corporate Finance sub-group

The Corporate Finance sub-group specialises in the provision of investment banking activities covering financial advisory, debt raising, project finance and structured finance advisory services. The Corporate Finance sub-group is also actively involved in various strategic initiatives concerning the Access Bank Group, including the execution of Access Bank's own international and domestic capital markets transactions.

Through the Corporate Finance sub-group, Access Bank has participated in a number of debt raisings, including participating in a consortium with other Nigerian banks in providing a ₦650 billion financing facility to Emerging Markets Telecommunication Services Limited, in March 2011. In addition, Access Bank has acted as lead arranger and/or co-lead arranger on a number of high profile Nigerian financing transactions in the last five years, including a U.S.\$280 million syndicated loan for Neconde Energy in 2011.

In addition, the Corporate Finance sub-group has been very active in encouraging foreign direct investment in Nigeria—it maintains strategic relationships with international development finance institutions, such as IFC, FMO, African Export Import Bank, and the ADB, and assists Nigerian companies in obtaining funding from international sources. It also helps clients explore other potential avenues of access to international funding facilities.

Following the CBN's repeal of the universal banking guidelines, under the new international commercial banking licence that Access Bank has applied and received approval in principle from the CBN for, it will no longer be able to conduct financial advisory services that require filings with the Nigerian SEC. However, Access Bank will be able to continue to undertake debt syndications (including "club deals" which are syndicated loans, typically by a small number of banks), project finance advisory work, balance sheet restructurings, sourcing for medium-long term foreign currency on-lending lines, agent bank mandates, corporate restructuring services and receiving bank mandates.

Financial Institutions sub-group

The Financial Institutions sub-group manages Access Bank's relationship with various financial institutions such as insurance companies, other banks, pension funds, trustees, and asset and investment management firms. By developing and maintaining relationships with these clients and a deep understanding of their unique business needs, the Financial Institutions sub-group aims to deliver tailored financial products and advisory services to these financial institutions to meet their identified needs, including cash management services, liquidity management solutions, correspondent banking services and debt/equity raising programmes. The sub-group also focuses on developing long term relationships with these clients by aiming to provide innovative value-adding solutions and correspondent banking services.

For example, leveraging on its extensive branch network, Access Bank offers corresponding banking services to its non-bank financial institution (“NBFI”) clients by setting up a joint account/client’s mandate. Access Bank will open a joint cheque account in the name of both the NBFI and NBFI’s customer. The NBFI will set an agreed limit (for example, daily withdrawal limit) for each of its customers for over-the-counter transactions and advise Access Bank of such limits, and customers are allowed to withdraw funds up to the maximum limit and in accordance with the client’s mandate as advised by the NBFI. No confirmation needs to be sought from the NBFI when NBFI customers transact over the counter and NBFI customers can transact at any of Access Bank’s branches in Nigeria leveraging on Access Bank’s online real time technology system. This allows the NBFI to extend its reach to customers where it has limited branch network and to provide its customers with a full suite of banking services. Another example of products offered is the cash management account, which is offered to other Nigerian banks and NBFIs that are not members of the clearing house but wish their customers to have their cheques cleared through Access Bank. Access Bank would open a cash management account in all locations where its bank and NBFI clients desire such service and issue cash management chequebooks to these clients, who then re-issue them to their own customers, who will then use the chequebook to effect payment in Access Bank.

Products and Retail Banking

The Access Bank Group’s Products and Retail Banking business is structured to develop and promote the retail business generally through traditional branches, as well as electronic banking channels and the provision of services to individual account holders. As at 31 March 2012, the Products and Retail Banking business served over 4 million customers providing financial products and services to individuals and small businesses in the value chain of the Access Bank Group’s corporate clients (including suppliers, distributors, customers, employees and shareholders of the corporate clients), and the Access Bank Group has recently changed its focus to target a broader segment of the Nigerian retail market.

Following completion of the Acquisition and subsequent Merger, the Access Bank Group has significantly expanded its presence in the Nigerian retail banking business by the addition of the Intercontinental Bank Group’s extensive retail branch and distribution and customer networks. As at 31 March 2012, the Access Bank Group had 349 banking branches in total, with 310 banking branches in Nigeria, 3 banking branches in the United Kingdom and 36 banking branches in other sub-Saharan African countries, as well as approximately 1,552 ATMs.

The Access Bank Group’s Products and Retail Banking business is organised by geographic regions within Nigeria and is structured along three broad customer segments:

- employees and major shareholders of corporate organisations (from medium to high income professional within an annual income bracket of ₦1 million to ₦35 million);
- small businesses independently owned and operated by an individual or a group of individuals, with no more than a hundred employees and an annual sales turnover of ₦500 million or below; and
- customers of large corporate organisations (buyers or users of products of corporate organisations).

The Access Bank Group’s products and services range from standard to specialised savings, current and investment accounts. This division offers credit products including personal loans, advances, mortgages, asset finance, small business loans, and credit cards. E-business products offered include internet banking, mobile banking, merchant services and customised corporate solutions.

For the three months ended 31 March 2012, the Products and Retail Banking business generated ₦116 million, or 0.8 per cent., of the Access Bank Group’s profit on ordinary activities before tax, compared to ₦58 million, or 0.8 per cent., of the Access Bank Group’s profit on ordinary activities before tax for the three months ended 31 March 2011. For the years ended 31 December 2011 and 2010 and the nine months ended 31 December 2009, the Products and Retail Banking business generated profit on ordinary activities before tax of ₦1,276 million for the year ended 31 December 2011, ₦1,981 million and ₦163 million, respectively. The increase in profit on ordinary activities before tax in the three months ended 31 March 2012 compared to the three months ended 31 March 2011 was primarily due to increases in fees, commissions, and transaction income as a result of the Access Bank Group’s enlarged customer base as a result of the Acquisition and Merger. The slight decrease in 2011 was primarily due to expenses incurred by the Access Bank Group in its strategy to increase its retail banking business, while the increase in 2010 was mainly due to successful launches of new retail products which resulted in increased customer transactions and increased income.

The Access Bank Group’s Products and Retail Banking business accounted for ₦74,511 million or 4.3 per cent. of total assets as at 31 March 2012, ₦36,425 million or 2.2 per cent. of total assets as at 31 December 2011, ₦12,608 million or 1.6 per cent. of total assets as at 31 December 2010 and ₦23,504 million or 3.4 per cent. of total assets as at 31 December 2009. The increase in the Products and Retail Banking business’ assets the first quarter of 2012 and in 2011 is primarily due to the Acquisition and Merger. The decrease in the Products and Retail Banking business’ assets in 2010 mainly resulted from Access Bank Group’s focus on increasing customer deposits as opposed to increasing loans to individuals in 2010.

Lending

Currently, retail lending in Nigeria is constrained by the lack of a comprehensive credit bureau, a legal framework that makes it difficult to register and pledge land as collateral and the lack of a national identity card system. See *“Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Nigerian banking sector—The high credit risk of Nigerian borrowers and the lack of a fully-developed central credit bureau in Nigeria may adversely affect the Access Bank Group’s retail loan portfolio”*. Loans to individuals are generally only made when individuals pass certain credit reference checks in accordance with applicable regulations.

As at 31 March 2012, ₦54,486 million or 9.3 per cent. of the Access Bank Group’s total gross loans were loans to individuals (the majority, in principal amount of which, were to retail banking customers), compared with ₦41,690 million or 6.7 per cent. as at 31 December 2011, ₦10,816 million or 2.3 per cent. as at 31 December 2010 and ₦15,934 million or 3.9 per cent. as at 31 December 2009. The increase in gross loans to individuals in 2011 and the first quarter of 2012 was primarily due to an increase in retail banking customers as a result of the acquired retail franchise from the Intercontinental Bank Group. The decrease in gross loans to individuals in 2010 reflects the decrease and cessation of margin lending to individuals, in line with Access Bank’s revised risk policies following the recent economic crisis and resulting declines in the values of securities listed on the NSE and the sale of NPLs to AMCON. See also *“Management’s Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition—Loans and Advances to Customers”*.

The range of loan products offered to retail customers include term loans, overdrafts, lease financing (to assist small and medium enterprise customers with equipment and machinery requirements), invoice discounting (purchasing account receivables from customers for cash, allowing customers to benefit from immediate cash flow whilst still retaining sales accounting and credit control functions; offered to small and medium enterprise customers who have receivables from Access Bank’s large corporate clients), revolving credit facilities (usually to assist customers finance their permanent working capital and usually with a maximum tenor of 3 years).

Other lending/credit products include Visa credit card, Auto Online (an online product designed to assist customers with the acquisition of new vehicles) and a Facility Upgrade Support Scheme Credit Programme, which provides short and medium term financing to schools for the purpose of bridging short-term funding gaps, infrastructure development and asset acquisition.

Deposits

As at 31 March 2012, ₦320,689 million or 31.3 per cent. of the Access Bank Group’s total deposits from customers, were deposits from retail customers, compared to ₦492,150 million or 44.7 per cent. as at 31 December 2011, ₦41,335 million or 8.5 per cent. as at 31 December 2010 and ₦22,401 million or 5.1 per cent. as at 31 December 2009. With the Acquisition, the Access Bank Group acquired the extensive retail customer base of the Intercontinental Bank Group, resulting in an increase in deposits from retail customers in 2011. In the first quarter of 2012, as part of its strategy to reduce cost of funds, the Access Bank Group repriced certain expensive deposits acquired from the Intercontinental Bank Group, resulting in a decrease in deposits from public sector and financial institutions. See also *“Management’s Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition—Deposits from Customers”*.

The Access Bank Group conducts its retail banking operations primarily through its network of 310 banking branches in Nigeria and 39 banking branches elsewhere in sub-Saharan Africa and the United Kingdom (as at 31 March 2012) and other distribution channels such as ATMs, points of sale and the internet. See *“—Distribution Channels”* below.

The deposit products offered to retail customers include current accounts, domiciliary accounts (offering interest bearing foreign currency denominated accounts in U.S. dollars, pounds sterling and euros), Solo accounts (targeted at students and young adults), Access Premier Account (providing competitive interest rates for individual customers who maintain a minimum daily balance of ₦100,000), and a number of savings accounts, including Access Early Savers (aimed for children until they are teenagers), Access IPSA Account (hybrid savings account with certain features and benefits of a current account, such as allowing direct deposits of cheques), and Investment Savings Account (suitable for regular savings).

Following the Acquisition and Merger, one of the Access Bank Group’s key areas of focus is to increase the number and volume of deposits held with the Access Bank Group and reduce the current levels of account dormancy within the large retail banking business of the Intercontinental Bank Group. One of the ways in which the Access Bank Group hopes to achieve this is by encouraging employees to carry out more market-facing functions in order to help drive deposit mobilisation.

The Access Bank Group also offers MPower Biz Gold and Platinum business accounts, specially designed for business owners, SMEs, sole traders, professional firms, non-government organisations, schools and churches. They provide access to financial advisory services provided by the Access Bank Group and the Access SME Toolkit, which is a financial services tool designed by Access Bank to help business owners to set up, grow and manage their businesses more effectively.

Electronic Banking

The Access Bank Group also aims to provide reliable electronic banking (“**E-Banking**”) solutions to enhance customers’ experience. Access Bank intends to leverage on its E-Banking platform, strengthened by the Intercontinental Bank Group’s E-Banking platform, to accelerate growth in retail banking and cash management. These services provide customers with added convenience, as banking can be conducted from anywhere and at anytime. The key ideas behind the provision of E-Banking facilities are convenience, simplicity and security.

- *Access Internet Banking:* the Access Bank Group’s “easy to use” web-based internet banking application that allows customers to view the latest information on their accounts, track transactions and download and print their account statements from anywhere with online access. Customers can also set up, view and amend standing instructions.
- *Access Telephone Banking:* giving customers access to their account over the phone.
- *Access Mobile Banking:* providing customers with access to account information through the SMS facility available on any of the GSM networks.
- *Access Debit and Credit Cards:* allowing customers to carry out transactions without the need to carry around large sums of cash.

Transaction Services division

Through the Transaction Services division, the Access Bank Group supports the operations of each of its other divisions by providing the infrastructure such as branches and day-to-day transactional banking services such as payments and collections, trade finance, operating units and retail products, to facilitate the transaction processing requirements of its customers. The division aims to provide quality-of-service delivery, quality-of-process execution and efficiency of operations, and products and services offered include telegraphic transfers, cash deposits, cash withdrawals, cheque deposits, draft issuance and letters of credit, which enable other divisions to carry out their services. Examples of some of the products and services offered include:

- *Collections:* The Access Bank Group’s Collections products are designed to expedite the receipt of funds into customers’ accounts and to help them manage their receivables process with greater efficiency.
- *Payments:* The Access Bank Group’s Payments products are designed to facilitate the management of customers’ payments processes. For example, Access Pay is a product that is designed to integrate the customers’ internal processing systems with Access Bank’s online payment platform and supports all types of payments including payments to suppliers and vendors, salaries and allowances to employees, pension fund payments and tax payments. The result is a reduction in routine administrative tasks and increased payment efficiency.
- *Account Information:* The Access Bank Group can provide customers with detailed account information to facilitate accounts reconciliation processes.

The Transaction Services division has in place relationship models for engaging the different categories of the Access Bank Group’s customers, which is designed to facilitate differentiated offerings to customers suited to their differing requirements and expectations. The three main categories of customer identified in this engagement model include: institutional and public sector clients; corporate and large commercial customers; and smaller commercial and individual clients.

Distribution Channels

The Access Bank Group distributes its products and services through a variety of channels, including through its network of branches and ATMs across the various locations where it operates, as well as online and electronically through its internet and mobile banking platforms, as well as through provision of point of sale terminals. Access Bank also has dedicated relationship management teams throughout its branch network, who are responsible for marketing its products and services.

In addition to branches and ATMs, the Access Bank Group also offers electronic banking products, which include, amongst others, AccessPay, AccessDirect, mobile banking, call centres, Visa cards, Access Online (on-line real time account balance enquiry, transfers and print statement), Access Alert, and AccessFX (supports on-line customers’ foreign exchange transactions). The Access Bank Group aims to continue expanding the channels through which it distributes products and service customers, including, where possible, development of more convenient and/or accessible channels to suit the needs of its customers.

Branches

As at 31 March 2012, the Access Bank Group had a total of 375 branches and cash centres (including 349 banking branches, of which 310 are located in Nigeria, 3 are located in the United Kingdom, with the remaining banking branches located in other sub-Saharan African countries). The Access Bank Group's branch network is spread across Nigeria, other countries in Africa where it operates (including Cote D'Ivoire, Sierra Leone, Gambia, Zambia, Rwanda, Burundi, Ghana and the Democratic Republic of Congo) as well as in the United Kingdom.

The Access Bank Group uses a widespread network of branches which are built to serve diverse sets of customers and businesses in line with the Transaction Services division's engagement model described above. Each branch's product and service offering is tailored to suit the needs of the customers it serves. Through the Merger, the Access Bank Group expanded its branch network with Intercontinental Bank's 367 branches (including 366 in Nigeria and 1 in the United Kingdom), although 140 branches (including both Access Bank Group and Intercontinental Bank Group branches) were rationalised across Nigeria during the Merger process in order to optimise available resources and deploy resources more efficiently (see "*Description of the Acquisition and Merger—Structure of the Acquisition and Merger—Branch Network*"). The Combination Business Plan (defined below) of the Access Bank Group assigns branches within four categories, ranging from full service branches to leaner branches that offer largely pay and receive services only. Branch categorisation is based on the size and characteristic of deposits and customers served by each branch, and is closely aligned with services provided to key customer markets and segments.

The operations of each branch are subject to internal regulations and to oversight by Access Bank's head office in Lagos, Nigeria. Each branch is linked in real time to the head office via either VSAT or fibre cable, and each branch has its own power generation system to supplement the main power network.

ATM network

The location of ATMs is determined on the basis of the size and location of the relevant branch, and some branches may have more than one ATM.

As at 31 March 2012, Access Bank owned and operated 1,552 ATMs, including the 1,208 ATMs that Intercontinental Bank owned and operated which it acquired through the Merger. In addition, in common with many other retail banks in Nigeria, customers of the Access Bank Group can use the ATM networks of other Nigerian banks for a nominal fee per withdrawal.

Other Distribution Channels

Other distribution channels include electronic and online banking products and services, including electronic fund transfers at points of sale, telephone banking, internet banking, mobile banking, the Access Bank Group's call centres and use of new media platforms. Furthermore, in addition to being able to use its branches, ATMs and the network of third party ATMs available throughout Nigeria, under arrangements between Access Bank and third party vendors, the Access Bank Group's customers are currently entitled to use Access Bank's card products to pay for goods or services at trade service outlets throughout Nigeria.

The Access Bank Group has invested significantly in technology (Flexcube software, VSAT communications system and radio links) which interfaces with electronic delivery systems that facilitate multiple delivery channels to customers, including its ATM networks, on mobile devices and over the internet. The Access Bank Group's range of internet, electronic and online banking products and services offer customers services such as collections and remittances of bills (including utility bills), real-time internet banking, purchase of mobile phone airtime, funds transfers, cheque requisitions and confirmations, balance enquiries and statement services. These products and services include:

- *Visa Classic*—allows customers access to an internationally accepted credit card from Access bank's range of Visa products. These cards have a wide range of features such as protection against fraud, lost/ stolen card reporting and worldwide acceptance.
- *Visa Gold and Platinum*—avails customers a wider range of benefits than the Visa Classic, with additional features and premium services such as auto rental insurance, emergency cash and card assistance, and travel and emergency services.
- *Access Visa Debit Card*—this is a dual currency card linked to an individual's U.S. dollar domiciliary and Naira accounts, giving customers access to cash from their accounts and enabling them to make cashless payment for goods and services.
- *Access Online*—an application that allows customers access to real time banking transactions on the internet. Customers are able to access a wide range of online services, including tracking their transactions and printing statements.
- *Access Pay*—a web-based enterprise suite of payments and collections solutions that facilitates online, real time payments to merchants across banks, one-off and recurrent payments and fund remittances.

- *Point of Sale (“POS”) terminals*—allows customers to make cashless payments for purchases. In response to the CBN’s new policy on cash-based transactions and drive towards a “cashless economy” aimed at encouraging more electronic-based transactions, and thereby reducing the amount of physical cash circulating in the economy, Access Bank has increased the number of its POS terminals significantly. As at 31 March 2012, Access Bank had 7,309 POS terminals in strategic locations across the country. These POS terminals are placed with retail merchants across the nation and are owned by merchant acquirers (such as Visa and Interswitch), with Access Bank acting as bankers to these merchants. POS terminals support the businesses of Access Bank’s merchant customers by allowing their customers to pay for transactions without cash, and further improves Access Bank’s relationship within this value chain.
- *Access Mobile*—allows customers to carry out basic banking transactions from the convenience of their mobile phones. Available transactions include funds transfers, balance enquiries, purchase of mobile phone airtime and payment of bills.
- *Access Direct*—an integrated electronic funds transfer solution that allows local money transfers from an Access bank account to any other account in Access Bank and to a non-account holder for pick-up in any of Access Bank’s branches nationwide.
- *Access Trade*—a web-based portal that provides customers with access to straight-through processing for trade transactions, including updates on import documentary credit applications and allowing customers to initiate requests for issuance of guarantees.

Subsidiaries

Banking subsidiaries

As at the date of the Prospectus, the Access Bank Group had ten banking subsidiaries (including three banking subsidiaries acquired as a result of the Acquisition and subsequent Merger of the Intercontinental Bank Group, although two of those have been merged within the Access Bank Group as described further below).

Prior to the completion of the Acquisition, Access Bank had nine international banking subsidiaries, including Access Bank (R.D. Congo), Access Bank Cote d’Ivoire, Access Bank (Gambia) Limited, Access Bank (Ghana) Limited, Access Bank Rwanda, Access Bank (Sierra Leone) Limited, The Access Bank UK Limited, Access Bank Zambia Limited and FinBank Burundi. The majority of these international banking subsidiaries experienced losses for the year ended 31 December 2011, largely due to a combination of loan loss provisions/expenses, high cost of funds experienced within the relevant period and/or foreign exchange losses. However, as at 31 March 2012, other than Access Bank Cote d’Ivoire, Access Bank (Gambia) Limited, Access Bank Zambia Limited and Access Bank (R.D. Congo), these Access Bank international banking subsidiaries had begun to be profitable. Access Bank Cote d’Ivoire made losses in 2011 largely as a result of the political situation in Cote d’Ivoire leading to a significant disruption to the economic activities in that country for most of 2011. Access Bank (Gambia) Limited and Access Bank (R.D. Congo) made losses in 2011 as a result of loan provisions, whilst Access Bank Zambia Limited made losses in 2011 due to the high costs associated with expansion activities during the year. Following review of the operational performance of the international banking subsidiaries, management currently intends to dispose of Access Bank’s interests in Access Bank Cote d’Ivoire, Access Bank (Gambia) Limited, FinBank Burundi and Access Bank (Sierra Leone) Limited, given the continuing operational losses that some of these subsidiaries incur as well as the management belief that the performance of these subsidiaries is not in line with the long term risk and return profile of the Access Bank Group, including the potential social, economic and political risks connected with operating in these countries. See “*Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—There are risks relating to other countries in which the Access Bank Group operates that could adversely affect the Access Bank Group’s future business, operating results, cash flows and/or financial condition*”.

Pursuant to the Acquisition and Merger, Access Bank acquired a further three banking subsidiaries, including Intercontinental Bank and its two international banking subsidiaries, Intercontinental Bank Ghana Limited and Intercontinental Bank (UK) Plc. As part of the Merger process, Intercontinental Bank was dissolved as a legal entity on 23 January 2012, the legal merger between Intercontinental Bank Ghana Limited and Access Bank (Ghana) Limited was completed on 9 April 2012, and Intercontinental Bank (UK) Plc is in the process of being sold to a suitable investor, which Access Bank currently expects to complete during the second half of 2012.

Non-banking subsidiaries

As at the date of this Prospectus, the Access Bank Group had sixteen non-banking subsidiaries (including ten non-banking subsidiaries acquired as a result of the Acquisition and subsequent Merger of the Intercontinental Bank Group).

Prior to the Acquisition, Access Bank had the following five non-banking subsidiaries: United Securities Limited (a securities registrar and provider of data administration services), Access Investment and Securities Limited (an investment

management and securities dealing firm), Access Homes and Mortgages Limited (a mortgage banking services provider), Access Bureau de Change Limited (a provider of foreign exchange services) and Access Insurance Brokers Limited (an insurance brokerage service provider). In order to comply with the CBN Banking Activities Regulation, as explained in more detail in “—*Compliance Plan with Central Bank of Nigeria’s Regulation on the Scope of Banking Activities*” above, Access Bank has undertaken to divest, wind up and/or integrate these subsidiaries as follows:

- *United Securities Limited*, a wholly owned subsidiary of Access Bank, was a Nigerian SEC licensed provider of securities register and data administration services. The company was acquired by Access Bank in 2008. The Board of Directors resolved to sell United Securities Limited as a going concern and in June 2011 completed the sale of this subsidiary to Marina Securities Limited for a consideration of ₦550 million.
- *Access Investment and Securities Limited*, a wholly owned subsidiary of Access Bank, is the investment management subsidiary of Access Bank. The company commenced operations in 2008 and currently has an authorised share capital of ₦500 million. The Board of Directors resolved that Access Investment and Securities Limited would undergo a members’ voluntary winding up. Pursuant to approval from the Nigerian SEC, all assets under management were returned to beneficiaries. Although the company ceased trading with the intention of undergoing a members’ voluntary winding up pursuant to a shareholders’ resolution, before the voluntary winding up process is concluded, a potential buyer indicated its interest in purchasing the business. A share purchase agreement has, therefore, been signed pursuant to which Access Investment and Securities Limited is to be sold to the potential buyer for a consideration of ₦100 million. The potential buyer and Access Bank are currently seeking regulatory approval for the sale and Access Bank expects the transaction to be completed by the end of 2012.
- *Access Homes and Mortgages Limited*, a wholly owned subsidiary of Access Bank, was incorporated in 2008 and licensed by the CBN to carry on mortgage banking business in January 2009 with an authorised share capital of ₦1 billion. The Board of Directors resolved in October 2010 that Access Bank would integrate the mortgage operations of Access Homes and Mortgages Limited into its retail banking operations, and that the assets and liabilities of Access Homes and Mortgages Limited would be transferred to Access Bank. The integration was completed in March 2011 and the company is undergoing a voluntary winding up process which is expected to be completed by the end of 2012.
- *Access Bureau de Change Limited*, a wholly owned subsidiary of Access Bank, was incorporated in July 2009 in response to CBN’s liberalisation of bureau de change operators and as a step to further Access Bank’s objective to become a major player in the Nigerian foreign exchange market. However, before the company commenced operation, the introduction of the CBN Banking Activities Regulation led to the Board of Directors resolving in April 2012 to opt not to pursue this opportunity and to wind up this company. The voluntary winding up process has already commenced and is expected to be completed by the end of 2012.
- *Access Insurance Brokers Limited*, a wholly owned subsidiary of Access Bank, was incorporated in December 2008 as part of management’s plan to expand the Access Bank Group into a leading Nigerian financial institution. The company was established with the aim to provide insurance brokerage services to Access Bank’s customers. However, before the company commenced operation, the introduction of the CBN Banking Activities Regulation led to the Board of Directors resolving in April 2012 to wind up this company. The voluntary winding up process has already commenced and is expected to be completed by the end of 2012.

As part of the Acquisition process, Access Bank established Project Star Investment Limited (“PSI”), a special purpose vehicle, for the sole purpose of facilitating the proposed Acquisition and Merger. As the Merger has now completed, Access Bank is in the process of winding up PSI (after receiving Board approval on 27 April 2012) and expects the process to be completed during the second half of 2012.

As a result of the Acquisition and subsequent Merger of Intercontinental Bank, Access Bank has also acquired an interest in the following ten domestic non-banking subsidiaries of Intercontinental Bank: Intercontinental WAPIC Insurance Plc, Intercontinental Capital Markets Limited, Intercontinental Securities Limited, Intercontinental Homes Savings and Loans Limited, Intercontinental Properties Limited, Intercontinental Finance and Investment Limited, Intercontinental Registrars Limited, Intercontinental Trustees Limited, Flexmore Technologies Limited and Intercontinental Bureau de Change Limited. As at the date of the Acquisition, the Intercontinental Bank Group’s ten non-banking subsidiaries had total assets of ₦36,683 million and profit before tax of ₦2,265 million. As mentioned in “—*Compliance Plan with Central Bank of Nigeria’s Regulation on the Scope of Banking Activities*” above, as an Intervened Bank, Intercontinental Bank has an extended period of time within which to comply with the requirement to divest its non-banking subsidiaries. The Access Bank Group has been working with professional advisers to formulate an appropriate plan for the integration and/or disposal of such non-banking subsidiaries in a manner that is intended to allow Access Bank to retain the appropriate value of its investment in the Intercontinental Bank Group, and that also aims to comply with applicable regulations and law (including BOFIA). Management has approved the winding up of Intercontinental Capital Markets Limited, Intercontinental Registrars Limited, Intercontinental Securities Limited, Intercontinental Trustees Limited, Intercontinental Finance and Investment Limited, Flexmore Technologies Limited and Intercontinental Bureau de Change Limited due to the operational losses some of these subsidiaries continue to incur, as well as the management belief that, operationally, they do not fit in within the Access Bank

Group's strategy. Winding up proceedings have commenced for these subsidiaries and receiver managers have been appointed. Access Bank expects this process to complete by the end of 2012. On a similar basis, management has also decided to divest of Access Bank's holdings in Intercontinental Homes Savings and Loans Limited. Financial advisers have already been appointed to assist with the divestment process, which is also expected to complete by the end of 2012. Further, to comply with the CBN Banking Activities Regulation, which prevents banks from holding any non-banking subsidiaries without establishing a holding company structure (which Access Bank currently does not intend to pursue), Access Bank is seeking disposal of Intercontinental WAPIC Insurance Plc and Intercontinental Properties Limited through schemes of arrangement. Financial advisers have been appointed to assist with the divestment and Access Bank intends to complete the divestment by the May 2013 deadline.

Based on its compliance and restructuring plan, Access Bank received approval in principle for an international commercial banking licence from the CBN in January 2011. Access Bank expects to receive the final approval and new licence by 31 May 2013. The Issuer, Access Finance B.V., is also a wholly-owned subsidiary of Access Bank.

Equity Interests

As at the date of this Prospectus, and following completion of the Merger, Access Bank, through its subsidiary Intercontinental Bank, had an interest in three associates, including a 38 per cent. interest in Associated Discount House Limited, one of the largest discount houses in Nigeria. The other two associates are Intercontinental Blue Microfinance Limited (a micro finance bank) and Magnate Technologies Limited (specialising in the provision of security and communications solutions and local area and wireless area networking solutions). Access Bank is in the process of divesting Intercontinental Blue Microfinance Limited and winding up Magnate Technologies Limited due to the operational losses they continue to incur, as well as the management belief that, operationally, they do not fit in within the Access Bank Group's strategy. Access Bank expects this process to be completed by the end of 2012.

Anti-Money Laundering

Access Bank has implemented an Anti-Money Laundering/Combating Financing of Terrorism programme (the "**AML/CFT Programme**") that is maintained and reviewed to help ensure compliance by Access Bank and its employees with the provisions of the Money Laundering (Prohibition) Act of 2011, the CBN's "Know Your Customer" Manual of 2003 and the Wolfsberg Principles (anti money laundering principles for private banking drafted by a group of international global banks published in May 2002) as well as the FATF 40 Recommendations of Combatting Money Laundering and the Financing of Terrorism & Proliferation. The AML/CFT Programme is designed to try and ensure that there are appropriate systems in place to prevent, promptly detect and report money laundering activities within the Access Bank Group.

The objectives of the AML/CFT Programme are to engender a compliance culture, mitigate the impact of certain operational, reputational and legal risks, protect the safety and soundness of Access Bank, and protect employees from risks that may be occasioned from carrying out their duties and obligations in compliance with the AML/CFT Programme.

Anti-money laundering and combating financing of terrorism policies and procedures have been approved by Access Bank's senior management and the Board of Directors and adopted across the Access Bank Group. The policies and procedures require Access Bank to properly identify each new customer and to accurately verify all of the information and documents provided by such customer. KYC (Know Your Customer) and EDD (enhanced due diligence) procedures are carried out at all times and suspicious transaction and currency transaction reports are rendered to the Nigeria Financial Intelligence Unit ("**NFIU**") periodically. Access Bank also carries out transaction monitoring and filtering against approved watch lists, such as the European Union list, the United Nations list and the United States Office of Foreign Assets Control (OFAC) list. A Chief Compliance Officer is appointed at the senior management level who is in charge of overseeing the AML/CFT Programme and reports to the Board of Directors. In addition, Access Bank trains its staff on anti-money laundering and combating financing of terrorism to raise staff awareness. Access Bank also has an internal audit team that conducts an internal audit at least once a quarter to ensure adherence to the AML/CFT Programme. The audit report generated is circulated to the Board of Directors through the Board Audit Committee, as well as the heads of each relevant department. Access Bank also carries out periodic self assessments using anti-money laundering/combating financing of terrorism consultants and is subject to review by the CBN and NFIU.

Information Services/Technology

The Access Bank Group strives to use state of the art infrastructure, processes and security to help ensure the smooth and efficient delivery of all its transactional banking products and services.

The Access Bank Group has a robust information technology system that enables effective support of the Access Bank Group's business strategy for business growth and sustainability. Key automation projects have been successfully implemented which Access Bank believes have resulted in business optimisation and delivered competitive advantage for the business, including improved process efficiency and cost reductions, and include:

- Automation of the front, middle and back office treasury processes. This has brought about significant improvements in efficiency, accuracy, controls and significantly improved capability to effectively serve the Access Bank Group's customers.

- As a key development of the Access Bank Group's Enterprise Risk Management Framework, automated Asset and Liability and Market Risk applications were implemented. These applications have transformed the Access Bank Group's ability to take an integrated and enterprising approach to risk management. A comprehensive risk management dashboard also provides management with up to date information of business performance across all risk categories.
- Successful automation of the Access Bank Group's global trade and payments business. This platform automates the global trade and payment process bringing about improvements in responsiveness to customers, process quality and risk management. There is a customer facing portal to enable customer self service with straight through processing and transaction tracking.
- Successful delivery and implementation of the Access Bank Group's suite of integrated payments, collections, cash management and payroll solutions for the clients. These solutions can be integrated into the customers' systems to provide efficient and cost effective bulk payments, collections and reporting capabilities, helping customers integrate their payments and collections systems and processes.

As part of the Access Bank Group's continued significant investment in core technology, a data centre was launched in 2010. As one of the most sophisticated data centres in financial services in Africa, it aims to serve the Access Bank Group's computing requirements by acting as a primary site for hosting its core banking applications, enterprise applications and ATM systems, with a consistent power supply and sophisticated power management and cooling systems. The data centre provides a platform for all of the Access Bank Group's IT services with high processing capacity and uptime and has been built to support the Access Bank Group's growth into the future.

The Access Bank Group also actively participated and led in shaping the electronic payment services and the shared service initiative of the CBN. Access Bank was a standing member of the CBN committees on payment system reforms. It also chaired various work streams and provided technical input into the process.

The Access Bank Group continues to develop its enterprise architecture for IT enabled business transformation to enable sustainable business growth into the future. As the Intercontinental Bank Group also used Flexcube as its core banking platform, the Access Bank Group has adopted a single, common technology platform/infrastructure as part of the Merger, in order to enable integration of customers' accounts and products and with the aim of allowing customers of the enlarged Access Bank Group to be able to continue to operate their accounts and Access products in a seamless manner. All enterprise systems now operate on a common platform and an upgrade to a higher version of the core banking platform is currently scheduled for the fourth quarter of 2012, intended to further assist the Access Bank Group to effectively leverage technology into the future. This is expected to result in more efficient and faster processing times with integrated corporate and retail databases, which will improve customer turnaround times and reduce costs of operations.

The Access Bank Group will continue to undergo significant changes to its information technology systems as it seeks to integrate the information technology systems across the enlarged Access Bank Group and operations, including by combining resources and centralising activities. The Access Bank Group aims to do so in a manner that seeks to minimise any impact on its operations and customer service. Access Bank currently uses its pre-Acquisition existing primary data centre as the primary data centre for the enlarged Access Bank Group, and the Intercontinental Bank Group's primary data centre as a secondary data centre for the enlarged Access Bank Group. Both data centres are located on Lagos Island. The Intercontinental Bank Group's disaster recovery centre, in mainland Lagos, is being used as disaster recovery centre for the combined entity. Management is currently also exploring new locations for a disaster centre recovery outside of Lagos. Real time replication of core banking applications is also in the process of being set up between the primary data centre and the disaster recovery centre and is expected to be completed during the course of 2012.

See also *"Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems as well as to integrate such systems with those of the Intercontinental Bank Group"*.

Insurance

Insurance policies are used as a way to mitigate operational risks. These policies are current and remain applicable in the Access Bank Group's operating environment. Insurance coverage is purchased at the Access Bank Group or cluster (subsidiaries grouped by geographical proximity) level to discharge statutory and regulatory duties, or to meet counterparty commitments and stakeholder expectations. The primary insurance policies currently maintained by the Access Bank Group include comprehensive crime and electronic crime insurance, directors' and officers' liability insurance and professional indemnity insurance. The Access Bank Group also purchases insurances for tangible assets such as cars, equipment and cash, and maintains fire insurance.

See *"Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group may not have adequate insurance to cover losses suffered as a result of a breakdown in its internal control policies and procedures"*.

Marketing

The marketing strategy of Access Bank typically has a 5-year planning horizon in line with the corporate objectives of Access Bank. This is developed based on a detailed study of the present and forecast operating environment in which the Access Bank Group operates, and the internal capabilities of the Access Bank Group. To assure stakeholders of its commitment to continuous delivery of excellent financial services and solutions and to meet and exceed customers' expectations, Access Bank launched "The Graduate Advert" campaign in November 2009, which is intended to leverage Access Bank's employee training programme to promote the quality of its services and products. More recently, in September 2011, to encourage and promote young savers, Access Bank entered into a strategic partnership with Nickelodeon, the global family entertainment brand, for the launch of a new retail banking product, the "Early Savers Account".

These strategies have provided the basis for Access Bank's expansion across Africa and the United Kingdom, and management believes that acceptance, recognition and support received by the brand has significantly enhanced Access Bank's corporate and brand positioning across borders. The successful implementation of this strategy has earned Access Bank a number of domestic and international recognitions and awards in the past which include, amongst others, "Best Bank in West Africa" at the African Banker Awards 2012, This Day Newspaper's "Best Bank Payment System Award" in 2009, Nigerian Banker's "Best Gender Responsive Bank Award" in 2008, Global Business Alliance's "Most Innovative Bank Award" in 2008 and This Day Newspaper's "Brand of the Year Award" in 2008.

Following completion of the Merger, the Access Bank Group strategy and brand has been adopted across the enlarged Access Bank Group, as management believes that the recognition, perception and strength of the Access Bank brand will benefit the enlarged Access Bank Group and offer quality, value and cost and time saving benefits. This approach also seeks to reduce the costs of rebranding, leverages the existing Access Bank brand name and goodwill, and aims to ensure the preservation of the Access Bank brand.

Research and Development

Through its Research and Development ("R&D") functions, the Access Bank Group seeks to maintain a sound basis for creating market driven products and services.

In this regard, the Access Bank Group has invested in the development of market driven products which aim to meet the demands of the evolving industry, including Access FX, Black Card product and Access Trade.

- Access FX is an innovative product that provides corporate and institutional customers online access to foreign currency transactions.
- The Black Card—VISA Infinite is the highest card level in VISA's range of card products. Holders of The Black Card, which bears the unique VISA Infinite logo, are accorded special recognition wherever their card is presented and enjoy the exclusive benefits and privileges accorded to VISA Infinite card holders, including travel arrangements.
- Access Trade is an innovative product designed to facilitate seamless trade transactions between Access Bank's customers and their trade partners in any part of the world. The product is a web-enabled application which supports online, real-time initiation and tracking of transaction by customers of Access Bank from anywhere where internet access is available.

Access Bank believes that it can as a result provide value to customers by designing its products and services to achieve cost savings for customers or increase their capacity to generate more revenues. For example, Access Bank successfully automated its global trade and payments business by establishing a platform that improves responsiveness to customers, process quality and risk management—a customer facing portal has been set up to enable customers to carry out online, real-time transactions and to track transactions from anywhere that internet access is available.

In line with what Access Bank believes is consistent with trends seen in the financial service industry in developed economies, Access Bank intends to continue making a conscious effort to strengthen R&D as part of its objective of becoming a top three financial banking group in Nigeria during the course of 2012 and realise its vision of becoming a world class financial services provider.

Access Bank Group Culture

The Access Bank Group places great emphasis on creating a culture founded on values of excellence, ethics, trust, teamwork, continuous learning and a passion for customer service. As part of the Merger process, Access Bank provided training and support to the Intercontinental Bank Group's management and personnel with a view to integrating them into the Access Bank Group's business culture. Access Bank is continuing to provide training and support to foster a global corporate culture within the Access Bank Group, with the aim of continuing to improve service delivery standards.

Employees

As at 31 March 2012, the Access Bank Group employed a total number of 12,821 staff, comprising of 4,292 professional staff and 8,529 outsourced staff, compared to 6,781 professional staff and 11,244 outsourced staff at the end of 2011, an average of 1,310 professional staff and 1,266 outsourced staff for the year ended 31 December 2010 and an average of 1,421 professional staff and 1,355 outsourced staff for the year ended 31 December 2009.

Professional staff are permanent staff that handle core functions of Access Bank and are hired directly by Access Bank. Outsourced staff are provided by service contractors and handle non-core functions, such as administrative officers, secretaries and security guards. In connection with the planned growth of its retail banking business, including pursuant to the Acquisition and Merger of Intercontinental Bank, the Access Bank Group hired additional employees and contractors in the second half of 2011 and expects to hire more employees and contractors in 2012 to support and implement this strategy. As a means to improve efficiencies, the Access Bank Group conducts employee training sessions, and outsources its non-core positions with low skill requirements by hiring independent contractors to fill low skill positions. For a further description of the Access Bank Group's employee integration plans following completion of the Acquisition and Merger, see "*Description of the Acquisition and Merger—Structure of the Acquisition and Merger—Human resources*".

Access Bank has established a performance bonus incentive scheme which seeks to attract and retain high performing employees. Awards to individuals are based on the job level, business unit performance and individual performance. Subject to approval of its shareholders, the Access Bank Group is in the process of establishing an Employee Performance Share Plan which will award Access Bank's shares to its employees, subject to such terms and conditions as the Board of Directors may determine from time to time. In addition, the Access Bank Group has put in place a long-term incentive programme, which rewards senior and executive management for loyal service to the Access Bank Group for a period in excess of 10 years.

Commitment to Community

Corporate social responsibility continues to form an important part of the Access Bank Group's operations. The Access Bank Group continues to actively support activities that have positively impacted education, health, the arts, the Nigerian economy and the environment, such as: renovating and providing class rooms, toilets and a borehole at Methodist Primary School, Ranle Road, Apapa in partnership with the Lagos State Primary Education Board; sponsoring the Commonwealth Business Council Summit and reconstructing Oyin Jolayemi Street in Victoria Island, Lagos in partnership with seven other organisations resident on the street. The Access Bank Group also supports the Heart of Africa Project, an initiative by the Nigerian Government designed to project the positive aspects of the country and its people, and participates in The Friends of the Global Fund Africa (Friends Africa), a project launched in November 2006 to tackle the triple-pandemic of HIV/Aids, tuberculosis and malaria prevalent in Africa.

Property, plant and equipment

As at 31 March 2012 and 31 December 2011, the Access Bank Group leased 3.5 per cent. and 3.3 per cent., respectively, of its premises from third parties pursuant to medium term renewable leases and owns the remaining branch network buildings. For the three months ended 31 March 2012 and the years ended 31 December 2011 and 2010, the Access Bank Group paid a total amount of ₦220 million under its leases, ₦544 million and ₦495 million under its leases, respectively. Property and equipment (comprising leasehold improvement and buildings, computer hardware, furniture and fittings, motor vehicles and capital work in progress) of the Access Bank Group was ₦66,833 million (including equipment on lease of ₦1,365 million) as at 31 March 2012, ₦67,648 million (including equipment on lease of ₦1,561 million) as at 31 December 2011 and ₦25,312 million (including equipment on lease of ₦1,121 million) as at 31 December 2010.

Legal Proceedings

The Access Bank Group in the ordinary course of business was, as at 31 March 2012, involved in 950 cases as a defendant. The total amount claimed in the 950 cases instituted against the Access Bank Group is estimated at ₦476,215 million. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Access Bank Group is aware) which may have, or have had during the 12 months prior to the date of this Prospectus, significant effects on the Access Bank Group's financial position or profitability.

Related Party Transactions

Save as disclosed in Note 47 to each of the Access Bank Interim Financial Statements and the Access Bank 2011 Financial Statements and Note 41 to each of the Access Bank 2010 Financial Statements and the Access Bank 2009 Financial Statements appearing elsewhere in this Prospectus, the Access Bank Group has not entered into any related party transactions with any related party during the three-month period ended 31 March 2012, the year ended 31 December 2011, the year ended 31 December 2010 and the nine months ended 31 December 2009, or during the period between 31 March 2012 and 10 July 2012 (the latest practicable date prior to the date of this Prospectus). As at 31 March 2012 and 31 December 2011, 13.8 per cent. and 14.4 per cent. of the Access Bank Group's gross loans and advances to customers were made to related parties, respectively.

Save as disclosed in Note 39 to the Intercontinental Bank Financial Statements appearing elsewhere in this Prospectus, no member of the Intercontinental Bank Group has entered into any related party transactions with any related party during the nine month period ended 30 September 2011 and the year ended 31 December 2010, or during the period between 30 September 2011 and 23 January 2012 (being the date when the Merger completed).

DESCRIPTION OF THE ACQUISITION AND MERGER

Background

Following the impact of the global financial crisis on the Nigerian financial sector, the CBN and the NDIC conducted the Special Examination of the 24 deposit money banks in Nigeria in 2009. The exercise revealed that some banks, including Intercontinental Bank, were found to be in a 'grave situation' (as defined in BOFIA), characterised by low capital adequacy and liquidity ratios, weak corporate governance structures and a high level of NPLs. In order to improve liquidity position and corporate governance standards, the CBN intervened in the Intervened Banks, by removing their board and executive management teams and injecting a total of ₦620 billion in the Intervened Banks (as well as Wema Bank and Unity Bank) to enable them to meet their minimum capital adequacy ratios and continue operations. In the case of Intercontinental Bank, the CBN injected ₦100 billion of Tier II capital and the executive management team of Intercontinental Bank was removed and replaced with a CBN-appointed executive management team. Thereafter, the board of directors of Intercontinental Bank, with the assistance of the CBN, was directed to work towards the effective recapitalisation of Intercontinental Bank.

In addition, as described in the section entitled "*The Nigerian Banking Sector*", AMCON was established in July 2010 to acquire NPLs from all Nigerian banks (including Access Bank) and provide financial support to the Intervened Banks by way of equity investment in order to ensure their recapitalisation, with the broader objective of restoring stability to the Nigerian banking sector. On 31 December 2010 and 6 April 2011, Intercontinental Bank sold NPLs worth approximately ₦480 billion and received Federal Government of Nigeria guaranteed zero coupon bonds with a total discounted value of approximately ₦127.5 billion as consideration for such NPLs. The sale of such NPLs was, however, insufficient to restore the deficit on shareholders' funds reported by Intercontinental Bank for the year ended 31 December 2010.

Accordingly, with the aim of resolving its negative NAV and attaining capital adequacy ratios prescribed by the CBN, Intercontinental Bank entered into discussions with several prospective strategic investors. Access Bank believed that, as a result of its capital position, mergers and acquisition experience and a track record of successful integrations, it was well-positioned to seek to participate in the acquisition opportunities presented by the banking sector restructuring, particularly in relation to opportunities that supported its business strategies, including the expansion of its retail banking business. Therefore, in December 2009, Access Bank submitted an Initial Expression of Interest to the CBN in respect of a potential investment opportunity in Intercontinental Bank and, following due diligence carried out on Intercontinental Bank and the subsequent submission of a binding bid, Access Bank was selected by the board of directors of Intercontinental Bank as its preferred investor for a potential acquisition of Intercontinental Bank.

The TIA was entered into on 6 July 2011 (as amended on 15 August 2011 and as further amended on 11 October 2011) by Intercontinental Bank, Access Bank and Project Star Investments Limited ("**PSI**"), a special purpose vehicle established by Access Bank for the sole purpose of facilitating the proposed Acquisition and Merger. The TIA set out the definitive terms and conditions under which a scheme of arrangement for the reorganisation of Intercontinental Bank's capital (the "**Scheme**"), the Acquisition, and the Merger were to be implemented, including the recapitalisation of Intercontinental Bank by AMCON and Access Bank (through PSI). The Acquisition was effected such that, pursuant to the terms of the TIA, Intercontinental Bank's NAV would be restored to zero following provision of the Financial Accommodation Amount by AMCON while Access Bank would make a capital injection of ₦50 billion through its wholly-owned subsidiary, PSI, thus enabling Intercontinental Bank to operate at the minimum regulatory capital adequacy and liquidity ratios required in order to preserve its going concern status and meet the deadline set by the CBN (which was 30 September 2011) for the recapitalisation of Intervened Banks. As part of the Merger process, the Intercontinental Bank Group ceased to exist as a separate legal entity on 23 January 2012.

Access Bank established a project management office to effect the Acquisition and subsequent Merger, with a 38 person team drawn from both Access Bank and Intercontinental Bank and advised by Accenture. The integration effort was formalised upon the signing of a memorandum of understanding in March 2011 and the boards of directors and management teams of Access Bank and Intercontinental Bank have been fully involved in the process since that time, with the Merger completed on 23 January 2012.

Rationale for the Acquisition and Merger and Expected Benefits

Access Bank management believes that the Acquisition and subsequent Merger of the Intercontinental Bank Group with the Access Bank Group will provide it with a number of benefits, enabling the Access Bank Group to:

- strengthen the Access Bank Group's competitive position through increased scale of operations, market share and profitability through a consolidation of business practices and resources;
- significantly increase Access Bank's position in the Nigerian retail banking segment, including expanding provision of electronic- business and banking services, and delivering technology-enabled products and services to a larger customer base;
- enhance the Access Bank Group's capacity to finance larger transactions, reduce its cost of funding and diversify its revenue and deposit base;

- benefit from the CBN intervention which resulted in the de-risking of the Intercontinental Bank balance sheet; and
- realise operating cost and revenue synergies from the enlarged entity, including synergies in employee and branch productivity, integrating the Access Bank Group's and the Intercontinental Bank Group's information technology systems and infrastructure, implementation of centralised procurement policies, and adopting a common brand management model.

Management also expects that the Acquisition and Merger will enable the Access Bank Group to increase its revenue and market penetration in the corporate and institutional banking segments through cross-selling of specific treasury and financial markets products and services to the corporate and institutional banking customers of the Intercontinental Bank Group, as well as through its ability to attract new corporate/commercial clients due to its increased scale of operations.

The Acquisition and Merger has enabled the Access Bank Group to become the third-largest bank in Nigeria in terms of its retail business, and the fourth-largest Nigerian bank in terms of assets, equity and deposits holdings, according to the published unaudited management financial statements of Nigerian banks as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS.

Notwithstanding the successful integration of the two banks, there remain various risks associated with the Merger, including in relation to achieving the anticipated synergies, loss of customers or successful strategic alliances, and inability to recruit and retain qualified personnel. See the section entitled “Risk Factors” above, including “*Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group’s business—The Access Bank Group may not be able to successfully complete integration of the Intercontinental Bank Group or completing the integration may prove to be more costly and time consuming than initially expected*”; “*—The Access Bank Group may not achieve the synergies anticipated with the Acquisition and Merger*”; “*—The Acquisition and Merger may result in a loss of the Access Bank Group’s or Intercontinental Bank Group’s customers or strategic alliances*”; and “*—The Access Bank Group’s inability to recruit and retain qualified personnel, and to integrate the Intercontinental Bank Group’s personnel into the Access Bank Group’s business culture, could have an adverse effect on its business*”.

Structure of the Acquisition and Merger

The Acquisition and Merger process of Intercontinental Bank by Access Bank was divided in two key stages: stage 1 consisted of the restructuring, recapitalisation and acquisition of Intercontinental Bank; and stage 2 consisted of the merger and integration of the Intercontinental Bank Group with the Access Bank Group.

Stage 1: Restructuring, Recapitalisation and Acquisition

As at 14 October 2011 (the date of the Acquisition), Intercontinental Bank’s issued and paid-up share capital was ₦9,453 billion comprising of 18.906 billion ordinary shares of 50 kobo each and 560 million preference shares of 50 kobo each. As a result of the significant cost implication and administrative challenges of increasing its share capital to accommodate shares to be issued to AMCON and PSI, the Acquisition was undertaken through a reorganisation of Intercontinental Bank’s share capital, followed by a recapitalisation of Intercontinental Bank by AMCON and the Investor Group (comprising Access Bank and its subsidiary, PSI), as described further below.

The requisite shareholder approvals of Intercontinental Bank and Access Bank shareholders, respectively, were obtained on 26 September 2011, following which Intercontinental Bank applied and received the required sanctions and approvals for the Scheme from the Federal High Court of Nigeria in October 2011, following which the court sanction was also filed at the Nigerian Corporate Affairs Commission. All other approvals and consents required, including of the Nigerian SEC and the CBN to approve the terms and conditions of the Scheme, were also duly obtained and satisfied.

Pursuant to the Scheme, the share capital of Intercontinental Bank was reorganised firstly by reducing the amount of Intercontinental Bank’s issued share capital, in order to (a) cancel shares of Intercontinental Bank acquired by Intercontinental Bank with its own funds either directly or with the assistance of third parties; (b) redeem any preference shares in issue; and (c) reduce *pro rata* the holdings of the pre-Acquisition shareholders such that existing shareholders retained 1 ordinary share of 50 kobo each in the recapitalised Intercontinental Bank credited as fully paid up for every 7 ordinary shares of 50 kobo previously held by them prior to the effective date of the Scheme.

The authorised ordinary share capital of Intercontinental Bank was subsequently increased to the target share capital amount of ₦10 billion comprising 20 billion ordinary shares of 50 kobo each, of which, under the terms of the TIA, an aggregate of 90 per cent. was subsequently allotted to AMCON (15 per cent.) and PSI (75 per cent.) by means of a private placement exercise (approved by the Nigerian SEC) in consideration for:

- (a) the transfer from AMCON to Intercontinental Bank of the Financial Accommodation Amount of approximately ₦548.3 billion, in the form of AMCON Bonds with an aggregate discounted value equivalent to such Financial Accommodation Amount, to restore Intercontinental Bank’s NAV to zero; and

(b) the transfer from PSI to Intercontinental Bank of the Investment Amount,

with the remaining 10 per cent. of the recapitalised Intercontinental Bank allotted to pre-Acquisition shareholders of Intercontinental Bank.

The Acquisition was completed on 14 October 2011, following the injection of approximately ₦548.3 billion of AMCON Bonds, which restored Intercontinental Bank's NAV to zero, and the investment of ₦50 million by PSI to recapitalise Intercontinental Bank to a capital adequacy ratio of 15 per cent., as required under the terms of the TIA. Upon completion of the Acquisition, application was made to the NSE to delist Intercontinental Bank, which took place on 13 October 2011.

Stage 2: Merger of Access Bank and Intercontinental Bank

In accordance with the terms of the TIA and approval from the CBN, Nigerian SEC, the Nigerian Corporate Affairs Commission and the Federal High Court of Nigeria, Access Bank completed the Merger on 23 January 2012.

Intercontinental Bank operated as a subsidiary of Access Bank from the date of the Acquisition until the Merger was completed. Intercontinental Bank was then also dissolved as an entity on 23 January 2012. Pursuant to the terms of the TIA and in accordance with the terms of the Merger, the pre-Merger shareholders of Intercontinental Bank received fully paid ordinary shares of Access Bank, determined on the basis of the relative value of both Access Bank and Intercontinental Bank on the date of completion of the Merger, and based on the net asset value method of valuation.

The share exchange ratio adopted pursuant to the Merger provided that the pre-Merger shareholders of Intercontinental Bank would receive 1 (one) fully paid ordinary share of Access Bank for every 4 (four) ordinary shares held by them in Intercontinental Bank. In addition, the shares of Access Bank which were to be allotted to PSI (in its capacity as the majority shareholder of Intercontinental Bank) were distributed and allotted to the pre-Merger shareholders of Access Bank on a *pro rata* basis in accordance with their shareholdings in Access Bank.

Upon conclusion of the Merger, the shareholding structure of Access Bank was as follows:

<u>Shareholder</u>	<u>% Holding</u>	<u>No. of Shares</u>
Pre-Merger Access Bank shareholders	94.54%	21,638,251,478
AMCON	3.28%	750,000,000
Pre-Merger Intercontinental Bank minority shareholders (i.e. pre-Merger shareholders of Intercontinental Bank other than AMCON and PSI)	2.18%	500,000,000
Total	100%	22,888,251,478

Combination Business Plan

The Combination Business Plan, which was approved by the Board of Directors of Access Bank for the purpose of the Acquisition on 28 July 2011 (the “**Combination Business Plan**”), elaborates a strategy for the integration of the Intercontinental Bank Group into the Access Bank Group along core principles identified by management, which include, among other things:

- minimal disruption to customers;
- focus on resource optimisation and revenue growth;
- improved efficiency and increased profit; and
- early integration of teams from both businesses.

The combination/restructuring of the Intercontinental Bank Group was executed in two phases. The first phase, called the “**Subsidiary Phase**” consisted of the conversion of Intercontinental Bank into a full subsidiary of Access Bank. The second phase, or the “**Integration Phase**”, related to the combination of the businesses of both banks.

The main objective of the Subsidiary Phase was the restructuring and conversion of Intercontinental Bank into a performing subsidiary of Access Bank. To achieve this goal, Access Bank focussed on the following:

- resource optimisation to drive revenues in line with Access Bank's moderate risk appetite;
- resource rationalisation and transfer to reduce costs;
- adoption and institutionalisation of Access Bank's policies and procedures, including operational standards, within the enlarged Access Bank Group, and replacement of legacy standards and policies; and
- focus on customer retention and service delivery.

Corporate governance, board of directors and management

During the Subsidiary Phase, Intercontinental Bank operated under the management control of Access Bank and adopted Access Bank's corporate governance principles and structure, as well as Access Bank's code of conduct.

Upon completion of the Acquisition, the board of directors of Intercontinental Bank was reconstituted by Access Bank, effective 14 October 2011, to include qualified individuals appointed by Access Bank to provide direction and management oversight of Intercontinental Bank as a subsidiary, including some of Access Bank's senior management team.

Subsidiaries

Pursuant to the Acquisition, Access Bank acquired a further three banking subsidiaries, including Intercontinental Bank and its two international banking subsidiaries, Intercontinental Bank Ghana Limited and Intercontinental Bank (UK) Plc. As part of the Merger process, Intercontinental Bank was dissolved as a legal entity on 23 January 2012, the legal merger between Intercontinental Bank Ghana Limited and Access Bank (Ghana) Limited was completed on 9 April 2012, and Intercontinental Bank (UK) Plc is in the process of being sold to a suitable investor, which Access Bank currently expects to complete during the second half of 2012. In addition, as a result of the Acquisition and Merger, Access Bank has also acquired an interest in ten domestic non-banking subsidiaries of Intercontinental Bank. As mentioned in "*Business Description—Subsidiaries*" above, the Access Bank Group is currently working with professional advisers to formulate an appropriate plan for the integration and/or disposal of such non-banking subsidiaries in a manner that is intended to allow Access Bank to retain the appropriate value of its investment in the Intercontinental Bank Group, and that also aims to comply with applicable regulations and law (including BOFIA). Management has approved the winding up of Intercontinental Capital Markets Limited, Intercontinental Registrars Limited, Intercontinental Securities Limited, Intercontinental Trustees Limited, Intercontinental Finance and Investment Limited, Flexmore Technologies Limited and Intercontinental Bureau de Change Limited due to the operational losses some of these subsidiaries continue to incur, as well as the management belief that, operationally, they do not fit in within the Access Bank Group's strategy. Winding up proceedings have commenced for these subsidiaries and receiver managers have been appointed. Access Bank expects this process to complete by the end of 2012. On a similar basis, management has also decided to divest of Access Bank's holdings in Intercontinental Homes Savings and Loans Limited. Financial advisers have already been appointed to assist with the divestment process, which is also expected to complete by the end of 2012. Further, to comply with the CBN Banking Activities Regulation, which prevents banks from holding any non-banking subsidiaries without establishing a holding company structure (which Access Bank currently does not intend to pursue), Access Bank is seeking disposal of Intercontinental WAPIC Insurance Plc and Intercontinental Properties Limited through a scheme of arrangement. Financial advisers have been appointed to assist with the divestment and it is currently intended that Access Bank will complete the divestment by the May 2013 deadline.

Risk management

Access Bank's risk management policies and guidelines have been applied to the integrated areas of the enlarged Access Bank Group that formerly comprised the Intercontinental Bank Group, and a single, centralised enterprise risk management framework has been implemented aligning, among other things, risk limits across business lines and products, application of group-wide credit approval limits and a centralised loan workflow process. Internal audit procedures based on the Access Bank Group's standards are also being applied across the enlarged Access Bank Group.

Branding

Following completion of the Merger, the Access Bank Group strategy and brand have been adopted across the enlarged Access Bank Group, as management believes that brand recognition, perception and appeal of the Access Bank brand will benefit the enlarged Access Bank Group and offer quality, value and cost and time saving benefits. This approach also seeks to reduce the costs of rebranding, leverage the existing Access Bank brand name and goodwill and aiming to ensure the preservation of the Access Bank brand.

Customers and products

Access Bank has migrated most or all of the corporate banking clients of the Intercontinental Bank Group to Access Bank, as part of the Merger process, and will seek to capture a larger part of these customers' banking business. Following the Merger, one of the Access Bank Group's key areas of focus in respect of its retail banking business is to increase the number and volume of deposits held with the Access Bank Group and reduce the current levels of account dormancy within the large retail banking business of the Intercontinental Bank Group. One of the ways in which the Access Bank Group hopes to achieve this is by encouraging employees to carry out more market-facing functions in order to help drive deposit mobilisation. In addition, the Access Bank Group will also seek to adopt uniform pricing and terms of engagement for customers and introduce a service quality program across all customer bases to help drive product service delivery.

Operating model and funding

Post-Merger, a single Treasury function has been implemented, initially as a co-location arrangement, and combined central and head office functions. The consolidation of treasury activities across the enlarged Access Bank Group is

intended to maximise economies of scale and reduce cost of funding by creating common products and pricing, common processes and common policies with respect to treasury activities. In addition, in line with its strategy of reducing its cost of funding and diversifying its funding base to be less reliant on traditionally more expensive interbank funding, on or around the date of the Acquisition, the Access Bank Group repaid a ₦100 billion CBN facility previously granted to Intercontinental Bank, as well as ₦310 billion of Intercontinental Bank's interbank funding obligations. Operations (mail, payments, cash management, ATM, cash centres, mortgages and card processing), services (human resources, finance support, procurement credit and property), information technology and corporate functions (legal, finance, human resources, risk, strategy, investor relations, corporate affairs and audit/compliance) have also been integrated.

Branch Network

On completion of the Acquisition, the Access Bank Group had a total of approximately 515 branches (including the Intercontinental Bank Group's branch network). As part of the Merger process, the Access Bank Group adopted a consolidated maintenance and management model for its distribution channels, and as part of the post-Merger process, carried out an analysis of the current branch network with a view to identifying and rationalising overlapping and non-performing branches. Criteria applied in its analysis include identification of branches with overlap in terms of proximity, economic viability of branch locations, profitability and visibility of branches, branch customer profile, general branch layout and ownership status of the branches. 140 branches have subsequently been rationalised across Nigeria and as at the date of this Prospectus, Access Bank has 375 branches in total (with 310 banking branches in Nigeria). Relevant personnel have also been redeployed following the rationalisation process, in order to optimise available resources, deploy resources more efficiently across its network and enhance the provision of services to customers.

Human resources

After the Acquisition, Access Bank deployed significant resources in training and culturally integrating the Intercontinental Bank Group's personnel. The Access Bank Group's personnel also assisted the Intercontinental Bank Group's employees in getting familiar with Access Bank's process and policies, performance goals, commercial strategy, culture and moderate risk appetite. This process of training and support is ongoing, and is designed to foster a global corporate culture within the enlarged Access Bank Group, with the aim of continuing to improve service delivery standards. The Access Bank Group also aims to increase the effectiveness of staff by establishing key performance indicators for different position levels within the organisation, identifying employee development needs and creating career development/progression plans. There is, however, a risk that dissatisfied employees of either Access Bank or Intercontinental Bank may leave or those that are negatively affected by the Acquisition may institute litigation against the Access Bank Group. (See *"Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group's inability to recruit and retain qualified personnel, and to integrate the Intercontinental Bank Group's personnel into the Access Bank Group's business culture, could have an adverse effect on its business, and—Legal proceedings relating to the Acquisition"* in the section entitled *"Risk Factors"*.) Termination payments have also been made to a number of former Intercontinental Bank Group employees who were made redundant following completion of the Acquisition and Merger (See *"Management's Discussion and Analysis of Results of Operations and Financial Condition—Results of operation—Three months ended 31 March 2012 compared to three months ended 31 March 2011—Operating expenses—Personnel expenses"*).

Information technology

The restructuring of Intercontinental Bank technology and its integration into the Access Bank Group's information technology systems is a critical aspect of a successful Merger (see *"Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems as well as to integrate such systems with those of the Intercontinental Bank Group"*). Intercontinental Bank used the same core banking applications as Access Bank (albeit in different versions). In the period following completion of the Acquisition and leading up to the Merger, Access Bank worked towards streamlining technologies aligned with the Access Bank Group's policies, processes and standards, while rationalising duplicated applications. Access Bank intends to perform an upgrade of core applications across both banks with the aim of meeting target growth projections for the business combination, facilitating customer transaction processing and increasing service turnaround time. It is intended that the core banking application licences will be consolidated into a single licence contract and maintenance agreements will be unified which, if successful, should lead to cost savings. The Access Bank Group hopes to benefit from further synergies and process efficiencies by improving the utilisation of the Intercontinental Bank Group's IT assets, the deployment of a shared infrastructure (including the IT support structure), integration and harmonisation of technology platforms and appropriate resource reallocation.

In addition, the Access Bank Group has undergone data centre rationalisation during early 2012. In accordance with management's plans, Access Bank currently uses its pre-Acquisition existing primary data centre as the primary data centre for the enlarged Access Bank Group, and the Intercontinental Bank Group's primary data centre as a secondary data centre for the enlarged Access Bank Group. Both data centres are located on Lagos Island. The Intercontinental Bank Group's disaster recovery centre, in mainland Lagos, is being used as disaster recovery centre for the combined entity. Management is currently also exploring new locations for a disaster recovery centre outside of Lagos.

Potential benefits of successful IT integration include prompt service delivery to customers using branch service, quality, transparency and speed of managerial and financial reporting, the ability to access information about each client across the enlarged Access Bank Group's operations (which could provide additional benefits for cross-selling and efficient sales/service interactions among the Access Bank Group's various business units), full centralisation of risk management systems and risk monitoring processes, and an increase in the level of operational efficiency.

Central resources and head office processes

In the period following completion of the Acquisition and leading up to the Merger, Access Bank and Intercontinental Bank maintained separate head offices, and head office functions of each that did not form part of the shared services structure described above continued to run separately until full integration on 23 January 2012. Following completion of the Merger, Access Bank relocated its head office to the former head office of Intercontinental Bank at Plot 999C, Danmole Street, Victoria Island, Lagos, Nigeria. The Access Bank Group has also examined opportunities for cost savings and other economies of scale presented by the larger size and scale of the Access Bank Group post-Merger, and consolidated all enterprise functions as part of a shared services structure, such as general services and procurement to align vendor services, service level agreements, and monitoring and payment terms. As part of the consolidations and rationalisation process, the Access Bank Group has also centralised vendor management, and expense approval and management processes.

With respect to financial management and regulatory reporting, Access Bank has been providing technical support and infrastructure to support integrated Intercontinental Bank subsidiaries with the conversion of its systems to IFRS in compliance with regulatory requirements, and the subsequent implementation of such IFRS systems. Access Bank has implemented its accounting manual and fixed assets management policy, as well as its cost management and control policies process and practices, within the enlarged Access Bank Group.

ASSET, LIABILITY AND RISK MANAGEMENT

General

The principal risks inherent in the Access Bank Group's business include funding and liquidity risk, market risk, interest rate risk, foreign exchange risk, credit risk, operational risk, compliance risk and reputational risk.

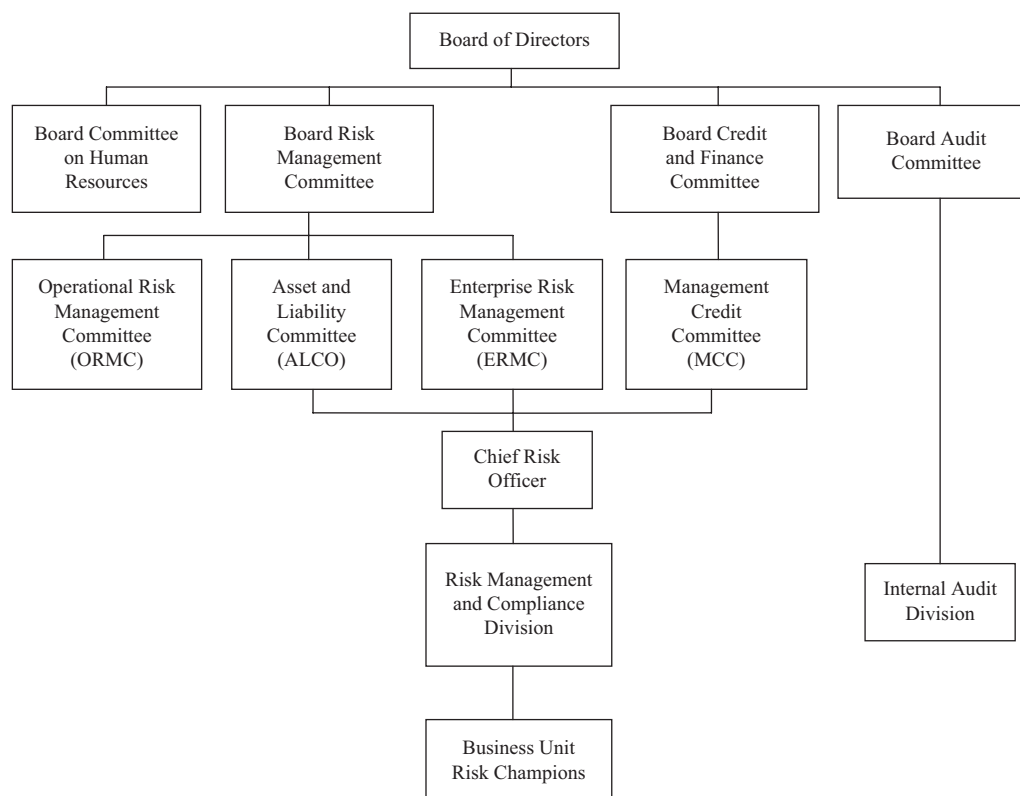
The Access Bank Group's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. The Access Bank Group also encourages a culture of risk awareness and recognition of personal responsibility throughout the Access Bank Group. The Access Bank Group's overall risk tolerance is established in the context of the Access Bank Group's earnings power, capital, and diversified business model.

Access Bank believes that taking pre-emptive action to reshape its portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing will help mitigate the impact of a cyclical downturn in its core markets.

The Access Bank Group's risk profile as at 31 March 2012 is marked by a number of key developments, characterised mainly by an increase in operational risk as a result of the Acquisition and Merger. Following the Acquisition and subsequent Merger, the integration of informational technology systems, people and culture of the Access Bank Group and the Intercontinental Bank Group led to an increase in the Access Bank Group's operational risk. Access Bank aims to manage this risk through the provision of trainings to staff, upgrading of information technology systems and review of operational and control processes within the Access Bank Group. See also "*Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group's business—The Access Bank Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems as well as to integrate such systems with those of the Intercontinental Bank Group*" and "*Description of the Acquisition and Merger—Structure of the Acquisition and Merger—Human resources—Information technology*". The Access Bank Group has low exposure to higher-risk asset classes, and has maintained vigilance and discipline in responding to the challenging environment. It also has a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior management team.

Risk Management

The Access Bank Group's risk management governance structure is depicted below:



The Board determines the Access Bank Group's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of the Access Bank Group to

assume risk, weighed against the expected rewards. The umbrella risk policy is detailed in the ERM Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner. Specific policies are also put in place to manage credit, market, compliance, operational and reputational risks. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The review is done in either or both of the following ways: through continuous self-evaluation and monitoring by the Access Bank Group's risk management and compliance departments in conjunction with internal audits and through independent evaluation by external auditors, examiners and consultants. In addition, stress testing and scenario analyses are used to assess the financial and management capability of the Access Bank Group to continue operating effectively under extreme but plausible trading conditions.

The Board has overall responsibility for the establishment and oversight of the Access Bank Group's risk management framework via its committees:

- the Board Audit Committee, which assists the Board in ensuring the independence of the internal audit function of the Access Bank Group;
- the Board Risk Management Committee, which provides advice and recommendations on matters relevant to risk management;
- the Board Committee on Human Resources, which advises the Board in relation to compensation, benefits and all other human resource matters affecting the directors and employees of Access Bank; and
- the Board Credit and Finance Committee, which considers and approves loan applications above the limits set by the Board and approved by the Management Credit Committee ("MCC") and initiates credit policy changes when appropriate.

These committees meet on a regular basis and report regularly to the Board and also on an ad-hoc basis, as may be required based on the relevant circumstances. Membership of most committees includes senior management of the Access Bank Group.

The Board committees are assisted by various management committees in identifying and assessing risks arising from day to day activities of the Access Bank Group. The management committees include the MCC, the Asset and Liability Committee ("ALCO"), the Enterprise Risk Management Committee ("ERMC") and the Operational Risk Management Committee ("ORMC").

The Chief Risk Officer has primary responsibility for risk management and the review of the ERM Framework and to provide updates to the management teams based on quantitative and qualitative metrics. All amendments to the Access Bank Group's ERM Framework require Board approval. The Risk Management Division headed by the Chief Risk Officer is responsible for the enforcement of the Access Bank Group's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

The Risk Management Division enforces risk policy throughout the Access Bank Group by setting policies and defining limits for other units the Access Bank Group; performing group-wide risk monitoring and reporting; receiving relevant data from other units in regards to risk monitoring and reporting and identifying potential risks in the unit's line of business, and providing a framework to the units for managing such risks; collaborating with market-facing units to design new products; co-ordinating activities with internal audit to provide a holistic view of risks across the Access Bank Group; making recommendations with respect to capital allocation, pricing and rewards or sanctions based on risk reports; and receiving relevant user report from information technology support group in respect of the various risk management software.

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

Liquidity Risk

Liquidity risk arises when the Access Bank Group 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 Access Bank Group aims 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 Access Bank Group 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 on a quarterly basis. These stress tests specify additional liquidity requirements that are to be met by holdings of liquid assets.

The Access Bank Group has historically maintained a liquidity ratio well above the applicable minimum regulatory requirements of the CBN (currently 30.0 per cent. of liquid assets (cash and cash equivalents, treasury bills, trading assets and

government bonds) to total deposits) and has met and continues to meet the requirements of CBN's stress tests. Global funding and liquidity risk management entities are centralised in the Access Bank Group's Treasury division (a sub-group within the Financial Markets business) which analyses and monitors the Access Bank Group's liquidity risk. The Access Bank Group aims to continuously maintain excess liquidity and to access diverse funding sources including its deposit base. Overall oversight at management level is provided by ALCO while the Board Risk Management Committee provides governance at Board level.

The Board approves the Access Bank Group's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. ALCO, in conjunction with the Board and its committees, monitors the Access Bank Group's liquidity position and reviews the impact of strategic decisions on the Access Bank Group's liquidity. The Treasury division is responsible for the day-to-day funding and liquidity management of the Access Bank Group and reports to ALCO and Board committees which provide oversight, as it implements their strategic decisions. Liquidity positions are measured by calculating the Access Bank Group's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

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

The following table shows the Access Bank Group's ratio of net liquid assets to deposits from customers (calculated on the basis of Nigerian GAAP) for the periods indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
			(%)	
At end of period	70.3	70.2	36.9	42.8
Average for the period	74.2	42.4	39.6	32.3
Maximum for the period	77.1	70.2	50.8	42.8
Minimum for the period	70.3	33.2	34.8	25.5

The following tables summarise the Access Bank Group's assets and liabilities by maturity as at the dates indicated and contain certain information regarding the liquidity risk facing the Access Bank Group:

	As at 31 March 2012						
	Carrying amount	Gross nominal inflow/ (outflow) ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
				(₦ millions)			
<i>Non-derivative assets</i>							
Cash and cash equivalents	328,006	328,006	206,255	110,875	10,877	—	—
Non-pledged trading assets	7,464	7,464	—	959	4,174	2,096	236
Pledged assets	62,358	62,358	7,300	12,258	2,000	21,000	19,800
Derivative financial instrument	47	47	47	—	—	—	—
Loans and advances to banks	1,641	1,641	1,641	—	—	—	—
Loans and advances to customers	539,610	539,752	183,794	119,902	106,387	77,321	57,548
Insurance receivables	1,319	1,319	1,319	—	—	—	—
Investment securities	559,151	559,151	3,812	11,177	60,171	325,664	158,328
	<u>1,499,597</u>	<u>1,499,739</u>	<u>404,167</u>	<u>255,172</u>	<u>183,609</u>	<u>426,081</u>	<u>235,911</u>
<i>Non-derivative liabilities</i>							
Deposits from banks	286,698	286,698	151,666	86,321	48,711	—	—
Deposits from customers	1,024,654	1,024,654	951,762	43,084	27,449	2,359	—
Derivative financial instruments	—	—	—	—	—	—	—
Claims payable	329	329	329	—	—	—	—
Liabilities on investment contracts	61	61	61	—	—	—	—
Interest bearing loans & borrowings	34,326	34,326	919	4,652	5,045	4,663	19,046
	<u>1,346,068</u>	<u>1,346,068</u>	<u>1,104,736</u>	<u>134,058</u>	<u>81,205</u>	<u>7,023</u>	<u>19,046</u>
Gap (asset—liabilities)	153,529	153,671	(700,569)	121,114	102,404	419,058	216,864
Cumulative liquidity gap	153,529	307,200	(393,369)	(272,255)	(169,851)	249,207	466,072

As at 31 December 2011

	As at 31 December 2011						
	Carrying amount	Gross nominal inflow/ (outflow) ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
	(¥ millions)						
<i>Non-derivative assets</i>							
Cash and cash equivalents	191,518	191,518	161,881	16,873	2,274	5,539	4,952
Non-pledged trading assets	10,812	10,812	3,612	62	4,851	195	2,092
Pledged assets	66,191	66,191	26,158	2,163	3,750	160	33,960
Derivative financial instrument	10	10	—	10	—	—	—
Loans and advances to banks	776	748	110	639	—	—	—
Loans and advances to customers	576,229	576,237	139,260	105,160	123,320	134,461	74,036
Insurance receivables	1,405	1,405	1,405	—	—	—	—
Investment securities	561,734	561,734	53,856	46,708	387,190	73,979	—
	<u>1,408,675</u>	<u>1,408,656</u>	<u>386,282</u>	<u>171,615</u>	<u>521,385</u>	<u>214,334</u>	<u>115,040</u>
<i>Non-derivative liabilities</i>							
Deposits from banks	146,808	146,808	82,956	51,494	9,534	—	2,824
Deposits from customers	1,101,704	1,103,869	940,325	123,319	33,573	4,096	2,556
Derivative financial instruments	9	9	—	9	—	—	—
Claims payable	450	450	450	—	—	—	—
Liabilities on investment contracts	61	61	61	—	—	—	—
Interest bearing loans & borrowings	29,258	29,258	40	3,213	1,011	7,590	17,405
	<u>1,278,291</u>	<u>1,280,456</u>	<u>1,023,832</u>	<u>178,035</u>	<u>44,118</u>	<u>11,686</u>	<u>22,786</u>
Gap (asset—liabilities)	130,384	128,199	(637,550)	(6,420)	477,267	202,648	92,254
Cumulative liquidity gap	130,384	258,583	(378,967)	(385,387)	91,880	294,528	386,782

(1) The gross nominal inflow/(outflow) is the contractual, undiscounted cash flow on the financial liability or commitment.

As at 31 December 2010

	As at 31 December 2010						
	Carrying amount	Gross nominal inflow/ (outflow) ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
			(¥ millions)				
<i>Non-derivative assets</i>							
Cash and cash equivalents	123,958	123,011	116,610	420	549	5,432	—
Non-pledged trading assets	30,970	31,016	31,016	—	—	—	—
Pledged assets	59,930	39,820	3,450	1,500	750	160	33,960
Loans and advances to banks	610	592	84	—	—	346	163
Loans and advances to customers	447,810	483,561	195,478	49,676	35,835	156,659	45,914
Investment securities	69,893	62,577	—	2,031	4,600	24,969	30,977
	<u>733,171</u>	<u>740,578</u>	<u>346,638</u>	<u>53,627</u>	<u>41,734</u>	<u>187,566</u>	<u>111,013</u>
<i>Non-derivative liabilities</i>							
Deposits from banks	69,890	69,739	52,132	5,679	—	—	11,928
Deposits from customers	484,723	484,878	454,152	14,273	14,730	1,711	11
Interest bearing loans & borrowings	22,760	22,686	971	88	150	5,275	16,202
	<u>577,374</u>	<u>577,303</u>	<u>507,255</u>	<u>20,041</u>	<u>14,880</u>	<u>6,986</u>	<u>28,142</u>
Gap (asset—liabilities)	155,797	163,275	(160,617)	33,586	26,854	180,580	82,872
Cumulative liquidity gap	155,797	319,072	158,455	192,042	218,895	399,476	482,347

(1) The gross nominal inflow/(outflow) is the contractual, undiscounted cash flow on the financial liability or commitment.

As at 31 December 2009

	Carrying amount	Gross nominal inflow/ (outflow) ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
	(₦ millions)						
<i>Non-derivative assets</i>							
Cash and cash equivalents	155,076	154,774	105,990	49,086	0	—	—
Non-pledged trading assets	11,563	12,488	12,469	17	2	0	—
Pledged assets	7,591	7,591	1,555	4,586	1,450	—	—
Loans and advances to banks	71	71	—	71	—	—	—
Loans and advances to customers	385,313	385,296	154,175	31,445	62,732	25,747	11,197
Investment securities	73,745	69,419	4,868	15,200	2,493	13,655	33,203
	<u>633,360</u>	<u>629,638</u>	<u>279,057</u>	<u>100,405</u>	<u>66,677</u>	<u>39,402</u>	<u>44,400</u>
<i>Non-derivative liabilities</i>							
Deposits from banks	43,217	39,033	27,492	15,724	0	0	—
Deposits from customers	442,335	442,072	437,325	1,143	3,519	85	—
Interest bearing loans & borrowings	2,604	2,604	—	2,604	—	—	—
	3,377	3,132	4	31	231	2,065	802
	<u>491,533</u>	<u>486,842</u>	<u>464,820</u>	<u>19,502</u>	<u>3,750</u>	<u>2,151</u>	<u>802</u>
Gap (asset—liabilities)	141,827	142,796	(185,763)	80,903	62,927	37,252	43,598
Cumulative liquidity gap	141,827	284,623	98,860	179,763	242,689	279,940	323,538

(1) The gross nominal inflow/(outflow) is the contractual, undiscounted cash flow on the financial liability or commitment.

The following are some of the methods employed by the Access Bank Group to mitigate liquidity risks:

Quantifications

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

- (a) funding and liquidity plan;
- (b) liquidity gap analysis; and
- (c) ratio analysis.

The funding and liquidity plan defines the Access Bank Group's sources and channels of utilisation of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between the Access Bank Group's assets and liabilities. The liquidity gap analysis quantifies the daily and cumulative gap in a "business as usual" environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Access Bank Group monitors the cumulative gap as a plus or minus 20 per cent. of (a) total assets and (b) total deposit liabilities.

Limit management and monitoring

Access Bank believes that active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators where relevant information and data are compared against limits that have been established. The Access Bank Group's Treasury division is responsible for maintaining sufficient liquidity by maintaining a sufficiently high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure (namely, the active management of liquidity through the framework of limits and control and proper monitoring capabilities) is calculated and monitored by the Risk Management Division. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Access Bank Group. Liquidity risk is reported to the Board on a quarterly basis.

Contingency funding plan

The Access Bank Group has a contingency funding plan which incorporates early warning indicators to monitor market conditions. Such early warning indicators include, among others, declines in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash. The Access Bank Group monitors its liquidity position and funding strategies on an ongoing basis, but recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Treasury division prepares a liquidity worksheet twice a month that projects sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations, and is an integral component of the contingency funding plan.

The contingency funding plan covers the available sources of contingent funding to supplement cash flow shortages; the lead times to obtain such funding; the roles and responsibilities of those involved in the contingency plans; and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

Market Risks

The Access Bank Group's ability to meet its business objectives could 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. The Access Bank Group is also exposed to market risk through interest rate risk from non-traded assets (such as loans) held in its banking book.

The Access Bank Group's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk.

Market risk is managed in line with principal risks and control policy requirements approved by the Board Risk Management Committee. The Board approves the acceptable level of risk in relation to trading and non-trading activities and risk limits are set within the context of the approved market risk appetite. The Market Risk unit in the Access Bank Group's risk management division monitors exposures against these limits.

The Access Bank Group 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 and credit spread risk.

At group level, ALCO is responsible for approving position limits, which are sometimes specific medium-term investment cases and other times strategic (or have the potential of becoming strategic) in the medium term. This is based on the risk appetite set by the Board.

The position limits, or any changes to them, are proposed either by the head of trading or the head of market risk. The position limits are subject to ALCO's approval after being accepted by management—specifically by the Chief Risk Officer, the Executive Director (Financial Markets), the Group Deputy Managing Director and the Group Managing Director. The size of each position limit is based on consideration of a number of factors, including but not limited to the underlying liquidity of the relevant instrument, the Access Bank Group's overall risk appetite as set by the Board, as well as regulatory limitations on individual positions imposed by authorities in Nigeria.

Each trading unit within the Access Bank Group is required to adhere to the general rules set out by the Board and the specific trading limits approved by ALCO. Moreover, each trading unit has its own set of working procedures and rules that further specify their targets, limits and scope in trading which defines their exposure to applicable market risks.

All market risks are reported by the Chief Risk Officer to the Board Risk Management Committee daily and quarterly with recommendations made concerning the risk profile, including risk appetite, limits and utilisation. The head of each business/trading unit, 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/trading unit by the central market risk team.

The principal tool used to measure and control market risk exposure within the Access Bank Group's trading portfolios is the open position limits using the earnings at risk approach. Specified limits have been set for open positions limits, which reflect the maximum permissible exposure the Access Bank Group is to be exposed to. Risk management activities are aimed at optimising net interest income given market interest rate levels consistent with the Access Bank Group's business strategies.

Risk of losses arising from future potential adverse movements in market rates, prices and volatilities are measured using a Value at Risk ("VaR") methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the maximum potential future loss in market value in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses/units and products over time and can be set against actual daily trading profit and loss outcome. To assess their predictive accuracy, 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.

Risk limits are set and reviewed at least annually to control the Access Bank Group's trading activities in line with the defined risk appetite.

Interest rate risk

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

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

The Access Bank Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rated assets and liabilities, the Access Bank Group is also exposed to basis risk, which can arise due to the movement in the various floating rate indices, such as the savings rate and the 90-day NIBOR, until maturity. Non-traded interest rate risk arises in the bank's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the Access Bank Group balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Access Bank Group. Overall non-trading interest rate risk positions are managed by the Treasury division, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Access Bank Group's non-trading activities.

Interest-rate risk is monitored centrally with a Gap report. A limits framework is in place to ensure that retained risk remains within approved limits. Interest rate risk also arises in each of the subsidiary treasuries in the normal course of business. The risk is managed by local treasury functions, subject to modest risk limits and other controls advised by both country and Group ALCO.

The following tables shows a summary of the Group's interest rate gap position on non-derivative assets and non-derivative liabilities for the dates indicated.

	As at 31 March 2012					
	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
	(₦ millions)					
<i>Non-derivative assets</i>						
Cash and cash equivalents	328,006	212,537	104,592	10,877	—	—
Pledged assets	62,358	6,957	12,601	2,000	21,000	19,800
Loans and advances to banks	1,641	1,641	—	—	—	—
Loans and advances to customers	539,610	178,452	119,902	106,387	77,321	57,548
Insurance receivables	1,319	1,319	—	—	—	—
Investment securities	559,151	3,812	11,177	60,171	325,664	158,328
	<u>1,492,085</u>	<u>404,718</u>	<u>248,272</u>	<u>179,435</u>	<u>423,985</u>	<u>235,675</u>
<i>Non-derivative liabilities</i>						
Deposits from banks	286,698	185,144	86,321	15,233	—	—
Deposits from customers	1,024,654	948,426	46,420	27,449	2,359	—
Claims payable	329	329	—	—	—	—
Liabilities on investment contracts	61	61	—	—	—	—
Interest bearing loans & borrowings	34,326	919	4,652	5,405	4,663	19,046
	<u>1,346,068</u>	<u>1,134,878</u>	<u>137,394</u>	<u>47,727</u>	<u>7,023</u>	<u>19,046</u>
Total interest re-pricing gap	146,018	(730,160)	110,879	131,708	419,962	216,629

As at 31 December 2011						
	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
<i>Non-derivative assets</i>						
Cash and cash equivalents	191,518	161,881	16,873	2,274	5,539	4,952
Pledged assets	66,191	28,321	3,750	3,750	160	30,210
Loans and advances to banks	776	110	666	—	—	—
Loans and advances to customers	576,229	139,260	105,152	123,320	134,461	74,036
Insurance receivables	1,405	1,405	—	—	—	—
Investment securities	561,734	—	53,856	46,708	387,190	73,979
	1,397,853	330,977	180,297	176,053	527,350	183,177
<i>Non-derivative liabilities</i>						
Deposits from banks	146,808	82,956	51,494	9,534	—	2,824
Deposits from customers	1,101,704	940,325	121,153	33,573	4,096	2,556
Claims payable	450	450	—	—	—	—
Liabilities on investment contracts	61	61	—	—	—	—
Interest bearing loans & borrowings	29,258	40	3,213	1,011	7,590	17,405
	1,278,281	1,023,832	175,860	44,118	11,686	22,786
Total interest re-pricing gap	119,571	(692,855)	4,437	131,935	515,664	160,391

As at 31 December 2010						
	Carrying amount	Less than 3 months	3 to 6 months	6 to 12 months	12 months to 5 years	More than 5 years
<i>Non-derivative assets</i>						
Cash and cash equivalents	123,958	117,976	5,981	—	—	—
Trading securities	30,970	30,970	—	—	—	—
Pledged assets	59,930	5,192	2,258	1,129	241	51,111
Loans and advances to banks	610	86	—	—	355	169
Loans and advances to customers	447,810	181,026	46,003	33,186	145,077	42,519
Investment securities	69,893	336	—	4,887	28,732	35,937
	733,171	335,587	54,242	39,202	174,404	129,736
<i>Non-derivative liabilities</i>						
Deposits from banks	69,890	52,281	5,680	—	—	11,929
Deposits from customers	484,723	454,137	14,209	14,663	1,703	11
Interest bearing loans & borrowings	22,760	980	89	152	5,326	16,213
	577,374	507,399	19,977	14,815	7,030	28,153
Total interest re-pricing gap	124,828	(202,781)	34,264	24,387	167,375	101,583

As at 31 December 2009						
	Carrying amount	Less than 3 months	3 to 6 months	6 to 12 months	12 months to 5 years	More than 5 years
<i>Non-derivative assets</i>						
Cash and cash equivalents	155,076	155,076	—	—	—	—
Trading securities	11,563	11,563	—	—	—	—
Pledged assets	7,591	1,555	4,586	1,450	—	—
Loans and advances to banks	71	71	—	—	—	—
Loans and advances to customers	385,313	168,571	32,070	55,282	118,777	10,684
Investment securities	73,745	45,109	2,315	1,890	5,891	18,540
	633,360	381,945	38,971	58,622	124,668	29,224
<i>Non-derivative liabilities</i>						
Deposits from banks	43,217	25,847	17,370	—	—	—
Deposits from customers	442,335	441,353	571	318	92	—
Debt from customers	2,604	—	—	—	2,604	—
Interest bearing loans & borrowings	3,377	3	34	248	2,227	865
	491,533	467,203	17,976	566	4,923	865
Total interest re-pricing gap	141,827	(82,258)	20,995	58,055	119,745	28,359

As at 31 March 2012, if interest rates on floating rates and liabilities held at amortised cost and assets and liabilities accounted at fair value through profit or loss had increased by 200 basis points with all other variables constant, the impact on profit or loss would have been set out in the table below.

	As at 31 March		As at 31 December					
	2012		2011		2010		2009	
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
	(₦ millions)							
Decrease	(2,531)	(1,772)	(404)	(283)	(1,973)	(1,381)	(173)	(121)
Increase	2,531	1,772	404	283	1,973	1,381	173	121

Foreign exchange risk

Foreign exchange risk is the exposure of the Access Bank Group's financial condition to adverse movements in exchange rates. The Access Bank Group is exposed to foreign exchange risk primarily through its proprietary currency trading activities (largely U.S. dollar/Naira currency pairings), as well as through acting as an intermediary in foreign exchange transactions between the CBN and commercial banks. The Access Bank Group is also exposed to foreign exchange risk through granting foreign currency denominated loans to its customers. See "Risk Factor—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee – Risks relating to the Access Bank Group's business—The Access Bank Group is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies".

The Access Bank Group's foreign exchange risk is monitored at unit, country and group levels since an effective overview of such risk is a critical element of the Access Bank Group's asset/liability risk management. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and management aims to ensure that the risk tolerance 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. This net open position is measured on a daily basis and is to be kept within set limits. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in a foreign currency.

The CBN periodically advises banks on a regulatory Net Open Position Limit ("NOPL") which is currently 5 per cent. of shareholders' funds. However, the Access Bank Group has always sought to maintain a more prudent approach and the internal NOPL is set at no higher than 80 per cent. of the regulatory advised limits.

The following table shows the foreign currency asset and liabilities gap of the Access Bank Group as at the dates indicated.

	As at 31 March	As at 31 December		
	2012	2011	2010	2009
	(₦ millions)			
Net position (₦)	279,005	135,102	181,246	142,739
Net position (U.S.\$)	(123,357)	15,046	(73,158)	(3,896)
Net position (€)	(1,117)	478	1,382	(1,376)
Net position (£)	(2,002)	(1,052)	46,612	2,377
Net position (other currencies)	999	(19,190)	102	3,153
Total	153,529	130,384	156,183	142,996

Credit Risks

Credit risks may arise from the failure of an obligor of the Access Bank Group to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if any assigned collateral only partly covers the claims against the relevant obligor, or if its valuation is exposed to frequent change, such as due to changing market conditions (namely, market risk).

Extension of credit in the Access Bank Group is guided by its credit risk and portfolio management plan, which sets out specific rules for risk origination and management of the loan portfolio. The plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process.

The Access Bank Group actively safeguards and strives to continually improve the health of its loan portfolio. The Access Bank Group scrutinises all applications and aims to identify potential "bad loans" during the loan application phase, as well as constantly monitoring the existing loan portfolio.

The Access Bank Group applies credit models and systems which aim to consider relevant financial and non-financial parameters that affect an obligor to be rated, to monitor and manage credit risk. The risk rating policy incorporates credit risk

rating models which estimate risk of obligor default (covering both recovery as well as exposure risk). These models are currently based on “expert judgment” (a method of software estimation based on consultation with one or more experts with relevant experience) for retail and non-retail exposures. The Access Bank Group’s long-term goal is to adopt the Internal Rating Based (“**IRB**”) approach, based on an internal database built up over time, for calculation of its capital requirements. The development, implementation and application of these models are guided by the Access Bank Group’s policy to implement adherence to Basel II.

The pricing of each credit granted reflects the level of risks perceived to be inherent in the credit. Subject to competitive forces, the Access Bank Group aims to implement a consistent pricing model for loans to its different target markets.

The Access Bank Group’s provisions for credit losses seek to meet prudential guidelines set forth by the central banks of the countries where the Access Bank Group operates, both for loans for which specific provisions exist as well as for the portfolio of performing loans. The Access Bank Group’s credit process requires rigorous and periodic review of the quality of the loan portfolio, which helps it to identify and remediate credit issues proactively. Access Bank has also improved its credit practices through constant review of existing policies to align them with current practices in the market place. The current risk rating process is required for all obligors of and facilities provided by Access Bank. Amongst other things, the risk rating policies enable Access Bank to objectively rate all the customers based on set financial and non-financial criteria and to measure its risk appetite, identify portfolio concentration based on risk rating, allow flexibility in pricing and identify potential risks in a credit facility. The risk rating process includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to determine specific obligor risk ratings and facility risk ratings (measuring the potential loss on a facility in the event of an obligor default). Access Bank is in the process of automating its credit management solution processes, which will automate Access Bank’s loan origination and processing, reporting, scoring, calculation of loan loss provision and/or impairment and impairment triggers, loan remediation and recovery as well as documentation and collateral management. The risk rating process of each business/trading unit must be in compliance with Access Bank’s risk rating policy and any deviations must be explicitly approved. Establishing the risk rating process is the joint responsibility of the business/trading unit manager and independent credit risk manager responsible for the relevant business. The process must be documented and approved by the MCC. The risk rating process for each business/trading unit must be reviewed and approved every three years, unless more frequent review is deemed to be necessary by the independent credit risk manager or the relevant business/trading unit manager.

The Access Bank Group also has a Criticised Assets Committee which reviews credit facilities that do not meet approved terms, covenants or repayment schedules that show little or no movement during their tenor or which fail to be liquidated, which are regarded as delinquent/non-performing facilities. The Criticised Assets Committee performs a quarterly review of loans with emerging signs of weakness; the MCC and the Board Credit and Finance Committee also perform reviews of the quality of the Access Bank Group’s loan portfolio on a quarterly basis. These are in addition to daily reviews performed by credit risk management units, which, together, have overall responsibility for, among other things, managing risk asset creation and exposure management processes in the Access Bank Group.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. The Access Bank Group also defines operational risk to include the reputation and franchise risk associated with business practices or market conduct in which it is involved. The Access Bank Group manages operational risk through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes recognised ownership of the risk by the relevant business/trading unit, oversight by the Board Risk Management Committee, and independent review by the internal audit group, which is independent from the risk division, and report directly to the Board through the Board audit committee and, for day to day functions, to the Group Managing Director or CEO.

Access Bank’s operational risk strategy seeks to minimise the impact that operational risk can have on shareholders’ value. The strategy is to reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings, minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support Access Bank’s long term growth, cash flow management and balance sheet protection and eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

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

- Level 1 refers to the oversight function carried out by the Board, the Board Risk Management Committee and senior management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.
- Level 2 refers to the management function carried out by the operational risk management group. It has direct responsibility for formulating and implementing Access Bank’s operational risk management framework including methodologies, policies and procedures approved by the Board.

- Level 3 refers to the operational function carried out by all business units and support functions in Access Bank. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks. Access Bank's internal audit group provides independent assessment and evaluation of its operational risk management framework. This periodic confirmation of the existence and application of controls in compliance with approved policies and procedures, provides assurance as to the effectiveness of Access Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the Access Bank Group include: a database of operational risk events and losses; an effective risk and control self-assessment process that helps to analyse the Access Bank Group's business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an ongoing basis.

Compliance Risk

Compliance risk is the risk of damage to Access Bank's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards.

The Access Bank Group approaches compliance risk management on an enterprise and line of business level. The Access Bank Group's Compliance and Internal Control function, headed by the Chief Compliance Officer, oversees significant compliance risk issues, and develops and formulates the strategies, policies and practices for assessing and managing compliance risks across the Access Bank Group. The Chief Compliance Officer coordinates and manages compliance risk across the Access Bank Group with the assistance of designated senior officers selected along functional and business lines (including anti-money laundering, anti-bribery, anti-fraud international sanctions, legal and regulatory compliance, code of conduct, staff gifts and financial reporting) appointed as Compliance Resource Officers. Emerging compliance issues are reviewed in quarterly meetings chaired by the Chief Compliance Officer, who then seeks to formulate appropriate responses to mitigate identified compliance risks. The Chief Compliance Officer reports directly to the Group Managing Director and CEO, and reports quarterly to the ERMC and the Board Risk Management Committee, and performs these functions independently of the Chief Risk Officer.

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

Reputational Risk

Managing reputational risk is considered critical to the Access Bank Group. The Access Bank Group therefore has in place a framework to articulate, analyse and manage reputational risk factors.

Reputational risk can arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, compliance (including regulatory) and operational risk. It may also arise from the failure to comply with social, environmental and ethical standards. All staff and employees of the Access Bank Group are responsible for day-to-day identification and management of reputational risk, and are encouraged to report internal and external events or practices that may come to their attention, which are capable of exposing the Access Bank Group to reputational issues (including negative publicity). Protected whistle-blowing procedures are also provided for this purpose.

Access Bank's reputational risk management strategies and policies are approved by the Board or its delegated committee and subject to periodic review and update by senior management to ensure that it remains appropriate over time. In addition, the approach is well documented and communicated to all relevant personnel. After the occurrence of any "reputation event", a post-event review will be conducted by the internal audit group and the risk management division to identify any lessons learnt, or problems and weaknesses revealed, from the relevant event. The Board and senior management will be promptly informed of the results of any such review conducted so that they can take appropriate actions to improve the Access Bank Group's approach to managing reputational risk.

Basel II Implementation

The Access Bank Group has applied the Basel II framework as part of its capital management strategy since 2008. Substantial enhancements were made to the risk management framework based on the guidelines of the Basel II Capital Accord, including:

- design of a risk capital model to evaluate risks;
- a defined risk appetite that is aligned with business strategy optimisation;
- risk decisions based on accurate, transparent and rigorous analytics;

- stress tests to measure the potential impact to the Access Bank Group of very large changes in various types of key risk factors (for example, interest rates, liquidity, non-performing loans) as well as the potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios;
- accountability through common framework to manage risks;
- empowering risk managers to make decision and escalate issues; and
- expertise, authority and independence of risk managers.

The CBN has indicated its intention to implement Basel II and, potentially, Basel III standards in Nigeria beginning from December 2012, although no guidelines have been published yet regarding their implementation. However, the Access Bank Group is committed to the implementation of Basel II in the medium term and, where applicable, Basel III. To this end, a standing steering committee leads the Access Bank Group's Basel II effort, with the full support of the Board and senior management of the Access Bank Group.

Through an embedded risk governance structure, a continuous focus on credit, the management of the Access Bank Group's liquidity position and the monitoring of the Access Bank Group's risk-weighted assets demand and capital supply, the Access Bank Group aims to ensure its compliance with minimum regulatory and Board-approved capital targets.

The Access Bank Group also monitors, on a continuous basis, risk trends in its business and trade areas where the environment is or may be changing and/or its growth rates are increasing to ensure that the Access Bank Group remains within its set risk appetite. For each of the risk trends, the executive committee and Board are informed by the Chief Risk Officer of potential changes in the environment relating to the specific risk trend, the Access Bank Group's positioning, exposure and actions being taken or planned.

An awareness of Basel II and Basel III (as applicable) is also vital in the Access Bank Group's approach to enterprise, operational and capital risk management.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the Access Bank Group and the Intercontinental Bank Group as at and for the periods indicated. The selected statistical information should be read in conjunction with the Access Bank Financial Statements and the Intercontinental Bank Financial Statements, and the information included in *“Management’s Discussion and Analysis of Results of Operations and Financial Condition”*. Investors should note that certain monthly average financial information and data (including average balances and interest rates) were prepared based on the management accounts of the Access Bank Group or the Intercontinental Bank Group as the case may be, which are maintained in accordance with Nigerian GAAP (see *“Presentation of Financial and Certain Other Information”*). It is stated in the disclosure below where such Nigerian GAAP information or data is presented in this section.

The Access Bank Group prepared its consolidated financial statements as at and for the three months ended 31 March 2012, for the years ended 31 December 2011 and 2010, and for the nine months ended 31 December 2009 in accordance with IFRS. The Intercontinental Bank Group prepared its consolidated financial statements as at and for the nine months ended 30 September 2011 and the year ended 31 December 2010 in accordance with IFRS. However, certain monthly average financial information and data were prepared using the historical financial information of Access Bank or Intercontinental Bank only, as the case may be. Accordingly, in the discussion of the results of operations of the Access Bank Group included in *“Management’s Discussion and Analysis of Results of Operations and Financial Condition”*, there are certain references to average balance sheet data of Access Bank. In the three months ended 31 March 2012 and each of the past three financial years (except for the year ended 31 December 2011 during which operating income from Access Bank represented approximately 67.5 per cent. of the Access Bank Group’s total operating income primarily due to the Acquisition of Intercontinental Bank, which was considered a subsidiary until the Merger on 23 January 2012), operating income from Access Bank accounted for over 85.0 per cent. of the Access Bank Group’s total operating income, and assets of Access Bank at the end of each such financial period accounted for over 88.0 per cent. of the Access Bank Group’s total assets.

Following the Acquisition on 14 October 2011, the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group were consolidated with those of the Access Bank Group starting with the Access Bank Group’s consolidated financial statements for the fourth quarter of 2011 and as at 31 December 2011. Accordingly, the Access Bank Group’s results for the twelve-month period ended 31 December 2011 and the three-month period ended 31 March 2012 are not directly comparable to those for any prior financial period included herein and are not indicative of results that would have been achieved excluding for the effects of the Acquisition and Merger.

In addition, in January 2008, the CBN introduced a requirement that Nigerian banks change their financial year end to 31 December, with effect no later than their 2009 year end. This policy was intended to bring Nigerian banks’ financial reporting in line with international standards, assist rating agencies in their assessment and ranking of Nigerian banks and create a uniform basis for the comparison of Nigerian banks. All Nigerian banks had a common financial year end of 31 December for the first time on 31 December 2009. Accordingly, Access Bank changed its financial year end from 31 March to 31 December in 2009, resulting in a nine-month financial reporting period from 1 April 2009 to 31 December 2009. The Access Bank Group’s results for the nine month period ended 31 December 2009 are not directly comparable to those for any financial year included herein and are not indicative of results that would have been achieved for a period of twelve months ended 31 December 2009.

For a discussion of the risks involved in the consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition and the change of the Access Bank Group’s financial year end, see *“Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks relating to the Access Bank Group’s business—Consolidation of the results of operations, assets and liabilities and cash flows of the Intercontinental Bank Group with those of the Access Bank Group following the Acquisition, as well as change in the Access Bank Group’s and the Intercontinental Bank Group’s financial year end in 2009, make comparisons difficult and may result in additional tax liabilities”*.

Access Bank Group

Average balances and interest rates

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of Access Bank for the three months ended 31 March 2012, the years ended 31 December 2011 and 2010, and for the nine months ended 31 December 2009. The table also sets forth the amount of interest income earned and interest expense incurred by Access Bank for the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the average balances of assets and liabilities for Access Bank have been calculated on the basis of monthly averages. The information provided in this table has been compiled based on the management accounts of Access Bank which are maintained in accordance with Nigerian GAAP (see “Presentation of Financial and Certain Other Information”). **In the three months ended 31 March 2012 and each of the past three financial years (except for the year ended 31 December 2011 during which operating income from Access Bank represented approximately 67.5 per cent. of the Access Bank Group’s total operating income primarily due to the Acquisition of Intercontinental Bank, which was considered a subsidiary until the Merger on 23 January 2012), operating income from Access Bank accounted for over 85.0 per cent. of the Access Bank Group’s total operating income, and assets of Access Bank at the end of each such financial period accounted for over 88.0 per cent. of the Access Bank Group’s total assets.**

	For the three months ended 31 March			For the year ended 31 December						For the nine months ended 31 December		
	2012			2011			2010			2009		
	Average Balance	Interest Income/ Expense	Average Rate %	Average Balance	Interest Income/ Expense	Average Rate %	Average Balance	Interest Income/ Expense	Average Rate %	Average Balance	Interest Income/ Expense	Average Rate %
(₦ millions, except %)												
Interest-earning assets:												
Cash and cash equivalents	238,565	1,137	1.9	114,749	1,188	1.0	95,627	1,486	1.6	87,734	1,119	1.7
Trading assets ⁽¹⁾	17,224	515	12.1	23,972	1,814	7.6	20,663	1,313	6.4	40,362	1,242	4.2
Investment securities	463,014	14,765	12.9	117,826	9,703	8.2	103,561	3,613	3.5	59,691	2,373	5.4
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances to customers ⁽²⁾	592,083	28,319	19.4	452,101	63,033	13.9	352,543	52,977	15.0	398,448	57,103	19.4
Total interest-earning assets	1,310,886	44,736	13.8	708,648	75,738	10.7	572,394	59,389	10.4	586,235	61,837	14.3
Interest-bearing liabilities:												
Deposits from banks	147,051	3,515	9.7	51,439	4,478	8.7	25,671	593	2.3	26,898	1,616	8.1
Deposits from customers	939,025	8,482	3.7	506,381	22,574	4.5	388,926	15,216	3.9	374,565	24,252	8.8
Debt securities	—	—	—	—	—	—	1,401	196	14.0	5,783	810	18.9
Other borrowings	53,318	1,002	7.6	36,318	393	1.1	27,379	3,534	12.9	17,567	2,046	15.7
Total interest-bearing liabilities	1,139,394	12,999	4.6	594,138	27,445	4.6	443,377	19,539	4.4	424,813	28,723	9.1
Net interest spread ⁽³⁾			9.2			6.1			6.0			5.1
Net interest income		31,737			48,294			39,850			33,114	
Net interest margin ⁽⁴⁾			9.7			6.8			7.0			7.5

(1) Includes trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

(2) Average balances are net of impairment allowance.

(3) Net interest spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.

(4) Net interest margin is calculated as the Access Bank Group’s net interest income divided by the average balance of the Access Bank Group’s total interest-earning assets during the applicable period. Net interest margins for the three months ended 31 March 2012 and the nine months ended 31 December 2009 are presented on an annualised basis.

Interest-earning assets: yield, margin and spread

The following table sets forth Access Bank's net interest income, yield, margin and spread for the three months ended 31 March 2012, for the years ended 31 December 2011 and 2010 and for the nine months ended 31 December 2009. The information provided in this table has been compiled based on the management accounts of Access Bank which are maintained in accordance with Nigerian GAAP (see "Presentation of Financial and Certain Other Information").

	For the three months ended 31 March	For the year ended 31 December		For the nine months ended 31 December
	2012	2011	2010	2009
	(₦ millions)			
Net interest income				
Naira	28,778	38,900	33,512	28,830
Foreign currency	2,959	9,393	6,337	4,284
Total	31,737	48,294	39,849	33,114
Yield on interest-earning assets				
Naira	11.5%	8.8%	8.6%	12.5%
Foreign currency	2.4%	1.9%	1.8%	1.8%
Total	13.8%	10.7%	10.4%	14.3%
Yield on interest-bearing liabilities				
Naira	4.1%	4.1%	3.5%	8.1%
Foreign currency	0.5%	0.5%	0.9%	1.1%
Total	4.6%	4.6%	4.4%	9.1%
Net interest margin⁽¹⁾				
Naira	8.6%	5.2%	5.9%	6.5%
Foreign currency	1.1%	1.6%	1.1%	1.0%
Total	9.7%	6.8%	7.0%	7.5%
Net interest spread⁽²⁾				
Naira	7.4%	4.7%	5.1%	4.4%
Foreign currency	1.9%	1.4%	0.9%	0.7%
Total	9.2%	6.1%	6.0%	5.1%

(1) Net interest margin is calculated as Access Bank's net interest income divided by the average balance of Access Bank's total interest-earning assets during the applicable period. Average balances of total interest-earning assets are calculated as the average of monthly balances during the applicable period. Net interest margins for the three months ended 31 March 2012 and the nine months 31 December 2009 are presented on an annualised basis.

(2) Net interest spread is calculated as the difference between the average interest rate on Access Bank's interest-bearing assets and the average interest rate on Access Bank's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of monthly balances during the applicable period.

Net changes in interest income and interest expense—Volume and rate analysis

The following table provides a comparative analysis of net changes in interest income and interest expense of Access Bank by reference to changes in the average volume and average rates for the periods indicated. Net changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for interest-earning assets and interest-bearing liabilities on which interest is earned or incurred. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest bearing assets or interest bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities or (iii) changes in rate/volume. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. See “—Average balances and interest rates” above for an explanation of the calculation of the average balances. The information provided in this table has been compiled based on the management accounts of Access Bank which are maintained in accordance with Nigerian GAAP (see “Presentation of Financial and Certain Other Information”).

	Change from 31 March 2012 to 31 December 2011				Change from 31 December 2011 to 31 December 2010				Change from 31 December 2010 to 31 December 2009			
	Increase/(decrease) due to changes in				Increase/(decrease) due to changes in				Increase/(decrease) due to changes in			
	Volume	Rate	Volume/ Rate	Net change	Volume	Rate	Volume/ Rate	Net change	Volume	Rate	Volume/ Rate	Net change
	(₦ millions)											
Interest-earning assets:												
Cash and cash equivalents . . .	1,282	1,030	1,111	3,423	297	(496)	(99)	(298)	136	(149)	(13)	(27)
Trading assets ⁽¹⁾	(511)	1,095	(308)	276	210	251	40	501	(819)	886	(432)	(366)
Investment securities	28,427	5,535	16,215	50,177	499	4,915	677	6,090	2,358	(1,125)	(827)	405
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances to customers	19,517	24,662	7,636	51,814	14,961	(3,824)	(1,080)	10,056	(8,894)	(17,320)	1,995	(24,218)
Total	48,715	32,322	24,654	105,690	15,967	846	(462)	16,349	(7,219)	(17,708)	723	(24,206)
Interest-bearing liabilities:												
Deposits from banks	8,323	508	945	9,776	595	1,642	1,648	3,885	(100)	(1,563)	71	(1,591)
Deposits from customers	19,287	(4,024)	(3,438)	11,824	4,595	2,122	641	7,358	1,257	(18,130)	(695)	(17,569)
Debt securities	—	—	—	—	(196)	(196)	196	(196)	(829)	(285)	216	(898)
Other borrowings	184	2,375	1,112	3,671	1,154	(3,238)	(1,057)	(3,141)	1,545	(499)	(279)	768
Total	27,794	(1,141)	(1,381)	25,271	6,148	330	1,428	7,906	(1,873)	(20,477)	(687)	(19,290)

(1) Includes trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

Deposits

The following table shows the composition of the Access Bank Group’s average deposits, and the average rate paid on such deposits, for the periods indicated. For the purposes of this table, the average deposits and average rates on deposits for the Access Bank Group have been calculated on the basis of monthly averages.

	As at 31 March		As at 31 December		As at 31 December		As at 31 December	
	2012		2011		2010		2009	
	Volume	Rate %	Volume	Rate %	Volume	Rate %	Volume	Rate %
	(₦ millions, except %)							
Domestic branches:								
Non-interest bearing demand deposits	399,471	—	191,144	—	121,745	—	99,863	—
Interest bearing demand deposits	7,558	2.1	9,369	1.1	8,276	1.5	7,851	2.2
Savings deposits	124,449	0.9	19,049	0.9	12,516	0.9	9,338	4.1
Time deposits	194,929	10.0	183,693	8.5	166,200	6.3	172,355	15.4
Total domestic deposits	726,407		403,225		308,737		289,407	
Foreign branches	212,618	2.8	103,126	2.4	80,188	2.0	65,923	10.5
Total deposits	939,025		506,381		388,926		355,330	

The following table sets forth the maturity analysis of time deposits of the Access Bank Group as at 31 March 2012.

	Three months or less	From over three months to six months	From over six months to 12 months	Over 12 months
		(₦ millions)		
Issued by domestic offices	214,820	52,303	31,871	35
Issued by foreign offices	26,059	9,120	5,198	—
Total	240,879	61,423	37,069	35

Loan portfolio

Distribution of loans by economic sector

The following sets forth the Access Bank Group's gross loans and advances to customers by economic sector as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Agriculture	8,370	9,214	359	1,155
Arts, entertainment and recreation	2	8	298	—
Capital market	5,928	8,307	5,887	13,647
Construction	19,497	18,327	19,620	12,071
Education	564	374	186	—
Finance and insurance	11,503	12,351	10,671	33,903
General	22,564	18,501	12,433	12,048
General commerce	91,207	96,423	64,407	76,226
Government	16,951	14,087	18,397	11,096
Information and communication	68,898	64,445	64,353	79,085
Manufacturing	117,318	147,584	91,166	51,190
Oil and gas	120,961	122,993	99,372	80,153
Power and energy	1,070	1,129	101	—
Professional, technical and scientific activities	334	229	437	—
Real estate activities	29,423	29,331	28,671	25,600
Transportation and storage	8,000	6,970	5,565	2,589
Others	62,240	74,267	56,215	14,125
Total	584,828	624,539	478,138	412,888

Maturity profile of the Access Bank Group's loan portfolio

The following table sets forth the maturity analysis of the net loans and advances to customers as at the dates indicated.

	Due within 1 month	Due within 1 to 3 months	Due within 3 to 6 months	Due within 6 to 12 months	Over 12 months	Total
			(₦ millions)			
As at 31 March 2012	144,588	33,864	119,902	106,387	134,869	539,610
As at 31 December 2011	119,245	20,007	105,160	123,320	208,497	576,229
As at 31 December 2010	53,242	106,485	49,676	35,835	202,573	447,810
As at 31 December 2009	84,731	69,461	31,445	62,732	136,944	385,313

Loan concentration

The following table sets forth information on the Access Bank Group's exposure to borrowers with the ten largest balances of outstanding loans, which constituted 22.6 per cent. of total gross loans and advances, as at 31 March 2012.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Loans extended to Access Bank's 10 largest borrowers	122,174	106,158	114,709	123,517
Loans extended to other borrowers	462,654	518,381	363,429	289,371
Total gross loans and advances	584,828	624,539	478,138	412,888

Geographical distribution of the Access Bank Group's loan portfolio

The following sets forth the geographical distribution of the Access Bank Group's gross loans and advances to customers as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Abuja & North West	12,949	14,954	1,444	129
North Central	20,653	23,851	21,291	14,793
North East	11,452	13,225	3,319	681
South East	38,943	44,973	35,803	25,102
South South	15,496	17,895	9,665	6,039
South West	426,624	441,839	377,348	375,668
Nigeria	526,118	556,737	448,870	412,412
Rest of Africa	49,156	56,767	22,221	476
Europe	4,882	5,638	6,598	0
Others	4,673	5,397	449	0
Total	584,828	624,539	478,138	412,888

Non-performing loans

Loans by credit quality classification

The following table shows the Group's loans by credit quality classification as at the dates indicated.

	Loans and advances to customers				Loans and advances to banks				Investment securities			
	As at 31 March 2012	As at 31 December			As at 31 March 2012	As at 31 December			As at 31 March 2012	As at 31 December		
		2011	2010	2009		2011	2010	2009		2011	2010	2009
		(₦ millions)										
Carrying amount	539,610	576,229	447,810	385,313	1,641	776	610	71	559,151	561,734	69,893	73,745
Assets at amortised cost												
Individually impaired:												
Grade 6: Impaired	23,907	14,380	29,422	4,272	436	125	14	2	—	—	—	—
Grade 7: Impaired	17,681	15,277	3,370	12,066	—	11	0	—	—	—	—	—
Grade 8: Impaired	13,866	26,437	17,632	9,085	—	0	7	215	3,046	3,195	268	295
Gross amount	55,455	56,094	50,424	25,423	436	136	21	217	3,046	3,195	268	295
Allowance for impairment	(34,997)	(43,581)	(23,535)	(20,057)	(24)	(61)	(21)	(216)	(3,046)	(3,195)	(268)	(295)
Carrying amount	20,458	12,513	26,889	5,366	412	75	—	1	—	—	—	—
Collectively impaired:												
Grade 1-3: Low-fair risk	439,928	487,624	350,540	295,595	1,214	706	622	70	—	—	—	—
Grade 4-5: Watch list	80,711	78,369	55,404	396	—	—	—	—	—	—	—	—
Grade 6: Impaired	2,090	—	19,772	41,825	4	—	—	—	—	—	—	—
Grade 7: Impaired	2,790	—	1,086	4,607	11	—	—	—	—	—	—	—
Grade 8: Impaired	1,192	—	—	442	—	—	—	—	—	—	—	—
Gross amount	526,712	565,993	426,803	342,865	1,229	706	622	70	—	—	—	—
Allowance for impairment	(9,458)	(4,280)	(6,747)	(6,139)	—	(5)	(12)	(0)	—	—	—	—
Carrying amount	517,254	561,713	420,056	336,727	1,229	701	610	69	—	—	—	—
Past due but not impaired												
Grade 4-5: Low-fair risk	2,662	2,452	912	44,600	—	—	—	—	—	—	—	—
Gross amount	2,662	2,452	912	44,600	—	—	—	—	—	—	—	—
Allowance for impairment	(764)	(450)	(46)	(1,379)	—	—	—	—	—	—	—	—
Carrying amount	1,898	2,002	866	43,221	—	—	—	—	—	—	—	—
Past due comprises:												
90 -180 days	2,662	2,452	912	44,600	—	—	—	—	—	—	—	—
Gross amount	2,662	2,452	912	44,600	—	—	—	—	—	—	—	—
Allowance for impairment	(764)	(450)	(46)	1,379	—	—	—	—	—	—	—	—
Carrying amount	1,898	2,002	866	43,221	—	—	—	—	—	—	—	—
Total carrying amount	539,610	576,229	447,810	385,313	1,641	776	610	70	—	—	—	—
Available for sale assets:	—	—	—	—	—	—	—	—	559,151	561,734	69,893	73,745
	539,610	576,229	447,810	385,313	1,641	776	610	71	229,151	561,734	69,893	73,745

Loans and advances under close monitoring

The following table sets forth the breakdown of the Access Bank Group's performing but past due loans as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Non-performing loans	61,978	56,230	71,303	72,514
Past due but not impaired	2,662	2,452	912	44,600

(1) Included in non-performing loans as at 31 December 2010 is an amount of ₦37,815 million representing facilities on watch list.

Distribution of non-performing loans by sector

The following table presents the Access Bank Group's non-performing loans by sector as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Agriculture	24	12	12	2
Capital market	1,434	2,897	10,114	10,365
Construction	720	255	298	815
Education	265	28	101	—
Finance and insurance	1,215	800	1,156	1,070
General	1,839	1,478	2,778	1,174
General commerce	12,323	8,618	11,729	7,442
Information and communication	3,497	8,769	10,219	36,856
Manufacturing	12,565	8,284	10,342	6,224
Oil and gas	4,127	4,275	19,026	6,197
Real estate activities	4,204	4,468	4,818	2,077
Transportation and storage	17,043	13,839	662	276
Other	2,722	2,506	49	17
Total	61,978	56,230	71,303	72,514

Distribution of non-performing loans by geography

The following table presents the Access Bank Group's non-performing loans by geography as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Nigeria:				
Abuja & North West	3,879	3,520	176	—
North Central	1,403	1,273	1,242	2,684
North East	212	192	31	—
South East	3,755	3,407	6,584	2,121
South South	1,187	1,078	730	1,060
South West	41,569	37,714	53,886	48,373
Nigeria	52,006	47,183	62,649	54,239
Rest of Africa	9,972	9,047	8,654	18,275
Europe	—	—	—	—
Total	61,978	56,230	71,303	72,514

Changes in provision for loan impairment

The following table sets out details of movements in the Access Bank Group's provision for loan losses for the three months ended 31 March 2012, for years ended 31 December 2011 and 2010 and for the nine months ended 31 December 2009.

	For the three months ended 31 March	Year ended 31 December		Nine months ended 31 December
	2012	2011	2010	2009
		(₦ millions)		
Balance at the beginning of the period/year	48,377	30,361	27,792	15,716
Acquired through business combination	—	61,535	—	—
Impairment loss for the period/year:				
Charge for the year/period	8,938	19,594	9,652	19,282
Recoveries	(4,213)	(8,580)	(2,310)	(518)
Net impairment for the period/year	(4,725)	11,015	7,341	18,626
Effect of foreign currency movements	(81)	105	(389)	165
Write offs	(7,778)	(54,639)	(4,383)	(7,150)
Balance at the end of the period	45,243	48,377	30,361	27,358

(1) Averages based on opening and closing balances of the Access Bank Group.

Investment securities

The following table sets out details of the Access Bank Group's investment securities as at the dates indicated.

	As at 31 March 2012	As at 31 December		
	2012	2011	2010	2009
		(₦ millions)		
Bonds	474,035	470,121	61,145	62,479
Underwriting commitment ⁽¹⁾	—	—	3,840	3,840
Equity securities with readily determinable fair values	39,444	37,712	8,411	8,969
Unquoted equity securities at cost	3,094	3,239	268	295
Other quoted investments	—	—	—	1,713
Treasury bills	45,624	53,856	—	—
Less specific impairment for underwriting commitment	—	—	(3,504)	(3,256)
Less specific impairment for unquoted equity securities at cost	(3,046)	(3,195)	(268)	(295)
Total investment securities	559,151	561,734	69,893	73,745

(1) Underwriting commitment represents the carrying value of 15,360,873 units of African Petroleum Plc shares underwritten by Access Bank in August 2008. Payment was made in respect of the underwritten shares to African Petroleum Plc in December 2009. All shares of African Petroleum Plc in the Access Bank Group's custody were sold during the year ended 31 December 2010 and the allowance for impairment taken on the underwriting commitment was written off.

The following table shows the contractual maturity distributions of securities held as at the dates indicated.

	Maturity periods					
	Due within 3 months	Due within 3 to 12 months	Over 12 months	Total net	Allowance for impairment	Total gross
				(₦ millions)		
31 March 2012	3,811	71,348	483,991	559,151	3,046	562,197
31 December 2011	53,856	433,898	73,979	561,733	3,195	564,929
31 December 2010	7,316	6,631	55,946	69,898	3,772	73,665
31 December 2009	9,194	17,693	46,857	73,745	3,550	77,296

Contractual commitments

The following table sets forth the Access Bank Group's contractual commitments as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions)		
Letters of credit	213,169	234,209	102,128	48,312
Guarantees ⁽¹⁾	194,709	180,772	136,753	89,743

(1) Guarantees include guaranteed Bas/CP and transaction-related bonds and guarantees.

Return on assets and equity

The following table shows the Access Bank Group's return on assets and equity as at the dates indicated.

	As at 31 March 2012	As at 31 December		
		2011	2010	2009
		(₦ millions, except percentages)		
Net profit	11,153	14,499	7,904	(2,088)
Average total assets	1,683,801	1,212,610	742,775	694,775
Return on average total assets (%)	2.6	1.2	1.1	(0.3)
Return on average total equity (%)	24.1	8.7	5.0	(1.3)
Average equity	185,164	166,479	161,676	166,814

Intercontinental Bank Group

Average balances and interest rates

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of Intercontinental Bank for the nine months ended 30 September 2011 and the year ended 31 December 2010. The table also sets forth the amount of interest income earned and interest expense incurred by Intercontinental Bank for the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the consolidated average balances of assets and liabilities for Intercontinental Bank have been calculated on the basis of monthly averages. The information provided in this table has been compiled based on the management accounts of Intercontinental Bank which are maintained in accordance with Nigerian GAAP (see "Presentation of Financial and Certain Other Information").

	For the nine months ended 30 September 2011			For the year ended 31 December 2010		
	Average Balance	Interest Income/ Expense	Average Rate %	Average Balance	Interest Income/ Expense	Average Rate %
						(₦ millions, except %)
Interest-earning assets:						
Cash and cash equivalents	10,806	352	3.3	15,898	914	5.7
Trading assets ⁽¹⁾	—	—	—	—	—	—
Investment securities	274,073	20,763	7.6	147,810	11,561	7.8
Loans and advances to banks	—	—	—	—	—	—
Loans and advances to customers ⁽²⁾	113,987	11,259	9.9	143,293	50,735	35.4
Total interest-earning assets	398,865	32,374	8.1	307,001	63,209	20.6
Interest bearing liabilities:						
Deposits from banks	221,888	18,179	8.2	210,195	19,161	9.1
Deposits from customers	644,700	17,703	2.7	620,020	27,700	4.5
Securities trading	—	—	—	—	—	—
Other borrowings	108,245	3,500	3.2	107,572	5,839	5.4
Total interest-bearing liabilities	974,833	39,382	4.0	937,787	52,700	5.6
Net interest spread ⁽³⁾			43.3			15.0
Net interest income		(7,008)			10,509	
Net interest margin ⁽⁴⁾			(14.7)			3.4

(1) Includes trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

(2) Average balances are net of impairment allowance.

- (3) Net interest spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.
- (4) Net interest margin is calculated as the Intercontinental Bank Group's net interest income divided by the average balance of the Intercontinental Bank Group's total interest-earning assets during the applicable period.

Interest-earning assets: yield, margin and spread

The following table sets forth the Intercontinental Bank's net interest income, yield, margin and spread for the nine months ended 30 September 2011 and the year ended 31 December 2010. The information provided in this table has been compiled based on the management accounts of Intercontinental Bank which are maintained in accordance with Nigerian GAAP (see "Presentation of Financial and Certain Other Information").

	For the nine months) ended 30 September 2011 (NGAAP)	For the year ended 31 December 2010 (NGAAP)
	<i>(₦ millions, except %)</i>	
Net interest income		
Naira	(8,414)	7,537
Foreign currency	1,406	2,972
Total	<u><u>(7,008)</u></u>	<u><u>10,509</u></u>
Yield on interest-earning assets		
Naira	(2.1)%	2.5%
Foreign currency	0.4%	1.0%
Total	<u><u>(1.8)%</u></u>	<u><u>3.4%</u></u>
Yield on interest-bearing liabilities		
Naira	(0.9)%	0.8%
Foreign currency	0.1%	0.3%
Total	<u><u>(0.7)%</u></u>	<u><u>1.1%</u></u>
Net interest margin⁽¹⁾		
Naira	(17.5)%	2.46%
Foreign currency	3.2%	0.97%
Total	<u><u>(14.7)%</u></u>	<u><u>3.4%</u></u>
Net interest spread⁽²⁾		
Naira	(1.3)%	1.65%
Foreign currency	0.2%	0.65%
Total	<u><u>(1.0)%</u></u>	<u><u>2.3%</u></u>

- (1) Net interest margin is calculated as the Intercontinental Bank Group's net interest income divided by the average balance of Intercontinental Bank's total interest-earning assets during the applicable period. Average balances of total interest-earning assets are calculated as the average of monthly balances during the applicable period.
- (2) Net interest spread is calculated as the difference between the average interest rate on Intercontinental Bank's interest-bearing assets and the average interest rate on Intercontinental Bank's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of monthly balances during the applicable period.

Net changes in interest income and interest expense—Volume and rate analysis

The following table provides a comparative analysis of net changes in interest income and interest expense of Intercontinental Bank by reference to changes in the average volume and average rates for the periods indicated. Net changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for interest-earning assets and interest-bearing liabilities on which interest is earned or incurred. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest bearing assets or interest bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities or (iii) changes in rate/volume. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. See “—Average balances and interest rates” above for an explanation of the calculation of the average balances. The information provided in this table has been compiled based on the management accounts of Intercontinental Bank which are maintained in accordance with Nigerian GAAP (see “Presentation of Financial and Certain Other Information”).

	Change from 30 September 2011 to 31 December 2010			
	Increase/(decrease) due to changes in			
	Volume	Rate	Volume/Rate	Net change
	(₦ millions)			
Interest-earning assets:				
Cash and cash equivalents	(293)	(396)	127	(562)
Trading assets ⁽¹⁾	—	—	—	—
Investment securities	9,876	(363)	(310)	9,202
Loans and advances to banks	—	—	—	—
Loans and advances to customers	(10,376)	(36,581)	7,481	(39,475)
Total	(793)	(38,291)	(7,298)	(30,835)
Interest-bearing liabilities:				
Deposits from banks	1,066	(1,940)	(108)	(982)
Deposits from customers	1,103	(10,674)	(425)	(9,997)
Debt securities	—	—	—	—
Other borrowings	36	(2,361)	(15)	(2,340)
Total	2,205	(14,976)	(548)	(13,319)

(1) Includes trading assets and pledged assets, but excludes equity securities, as these securities are not interest earning.

Deposits

The following table shows the composition of the Intercontinental Bank Group’s average deposits, and the average rate paid on such deposits, for the periods indicated. For the purposes of this table, the average deposits and average rates on deposits for the Intercontinental Bank Group have been calculated on the basis of monthly averages.

	For the nine months ended 30 September 2011		For the year ended 31 December 2010	
	Volume	Rate %	Volume	Rate %
	(₦ millions, except %)			
Domestic branches:				
Non-interest bearing demand deposits	—	—	—	—
Interest bearing demand deposits	208,216	0.4	196,136	1.3
Savings deposits	133,928	0.4	123,762	0.8
Time deposits	242,666	5.1	250,195	8.1
Total domestic deposits	584,810	5.9	570,093	10.2
Foreign branches	59,890	7.0	49,954	7.9
Total deposits	644,700	12.9	620,047	18.1

The following table sets forth the maturity analysis of time deposits of the Intercontinental Bank Group as at 30 September 2011.

	Three months or less	From over three months to six months	From over six months to 12 months	Over 12 months
	<i>(₹ millions)</i>			
Issued by domestic offices	194,496	376	12	47,781
Issued by foreign offices	27,560	53	2	6,770
Total	222,056	429	14	54,551

Loan portfolio

Distribution of loans by economic sector

The following sets forth the Intercontinental Bank Group's gross loans and advances to customers by economic sector as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	<i>(₹ millions)</i>	
Agriculture	10	969
Capital market	12,133	67,387
Construction	—	—
Education	466	728
Finance and insurance	2,214	17,219
General	—	—
General commerce	1,783	6,877
Government	11,288	19,502
Information and communication	96	7,258
Manufacturing	8,994	16,582
Oil and gas	5,397	17,610
Power and energy	35,345	35,066
Professional, technical and scientific activities	—	—
Real estate activities	3,879	7,723
Transportation and storage	1,079	6,918
Others	84,041	106,962
Total	166,726	310,813

Maturity profile of the Intercontinental Bank Group's loan portfolio

The following table sets forth the maturity analysis of the net loans and advances to customers as at the dates indicated.

	Due within 1 month	Due within 1 to 3 months	Due within 3 to 6 months	Due within 6 to 12 months	Over 12 months	Total
	<i>(₹ millions)</i>					
As at 30 September 2011	3,344	6,689	47,885	35,023	13,597	106,538
As at 31 December 2010	14,064	28,129	18,027	13,472	56,499	130,191

Loan concentration

The following table sets forth information on the Intercontinental Bank Group's exposure to borrowers with the ten largest balances of outstanding loans, which constituted 67.3 per cent. of total loans, as at 30 September 2011.

	As at 30 September 2011	As at 31 December 2010
	<i>(₹ millions)</i>	
Loans extended to Intercontinental Bank's 10 largest borrowers	112,156	68,538
Loans extended to other borrowers	54,570	242,275
Total gross loans and advances	166,726	310,813

Geographical distribution of the Intercontinental Bank Group's loan portfolio

The following sets forth the geographical distribution of the Intercontinental Bank Group's gross loans and advances to customers as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	(₦ millions)	
Abuja & North West	13,119	15,551
North Central	683	21,232
North East	171	3,342
South East	4,723	12,388
South South	3,472	16,157
South West	98,373	214,168
Nigeria	120,541	282,838
Rest of Africa	44,277	24,460
Europe	1,909	3,515
Total	166,726	310,813

Non-performing loans

Loans by credit quality classification

The following table shows the Group's loans by credit quality classification as at the dates indicated.

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	As at 30 September 2011	As at 31 December 2010	As at 30 September 2011	As at 31 December 2010	As at 30 September 2011	As at 31 December 2010
	(₦ millions)					
Carrying amount	106,538	130,190	—	—	39,908	181,019
Assets at amortised cost Individually impaired:						
Grade 6: Impaired	—	7,693	—	—	0	0
Grade 7: Impaired	26,369	6,863	—	—	0	0
Grade 8: Impaired	46,628	166,010	—	—	10	10
Gross amount	72,997	180,566	—	—	10	10
Allowance for impairment	(58,794)	(178,708)	—	—	(10)	(10)
Carrying amount	14,203	1,858	—	—	—	—
Collectively impaired:						
Grade 1-3: Low-fair risk	79,381	127,849	—	—	16,036	15,533
Grade 4-5: Watch list	—	—	—	—	—	—
Grade 6: Impaired	1,813	151	—	—	—	—
Grade 7: Impaired	12,172	153	—	—	—	—
Grade 8: Impaired	364	2,095	—	—	—	—
Gross amount	93,729	130,247	—	—	16,036	15,533
Allowance for impairment	(1,394)	(1,915)	—	—	(3,370)	(2,510)
Carrying amount	92,335	128,332	—	—	12,666	13,023
Past due but not impaired						
Grade 4-5: Low-fair risk	—	—	—	—	—	—
Gross amount	—	—	—	—	—	—
Allowance for impairment	—	—	—	—	—	—
Carrying amount	—	—	—	—	—	—
Past due comprises:						
90 -180 days	—	—	—	—	—	—
Gross amount	—	—	—	—	—	—
Allowance for impairment	—	—	—	—	—	—
Carrying amount	—	—	—	—	—	—
Total carrying amount	106,538	130,190	—	—	—	—
Available for sale assets:						
	0	0	—	—	27,242	167,996
	0	0	—	—	39,908	181,019

Loans and advances under close monitoring

The following table sets forth the breakdown of the Intercontinental Bank Group's performing but past due loans as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	<i>(₦ millions)</i>	
Individually impaired	58,794	178,708
Collectively impaired	1,394	1,915
Past due but not impaired	0	0
Non-performing loans	<u>60,188</u>	<u>180,623</u>

Distribution of non-performing loans by sector

The following table presents the Intercontinental Bank Group's non-performing loans by sector as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	<i>(₦ millions)</i>	
Agriculture	16	1,135
Capital market	254	47,813
Construction	—	—
Education	51	404
Finance and insurance	22	13,473
General	—	—
General commerce	—	—
Information and communication	55	1,484
Manufacturing	121	2,678
Oil and gas	4,096	9,636
Real estate activities	890	5,281
Transportation and storage	1,073	1,139
Other	53,608	97,580
Total	<u>60,188</u>	<u>180,623</u>

Distribution of non-performing loans by geography

The following table presents the Intercontinental Bank Group's non-performing loans by geography as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	<i>(₦ millions)</i>	
Nigeria:		
Abuja & North West	9,739	10,820
North Central	468	10,758
North East	36	14,444
South East	306	12,024
South South	1,695	15,178
South West	45,296	113,639
Nigeria	<u>57,540</u>	<u>176,863</u>
Rest of Africa	2,432	3,541
Europe	215	218
Total	<u>60,188</u>	<u>180,623</u>

Changes in provision for loan impairment

The following table sets out details of movements in the Intercontinental Bank Group's provision for loan losses for the nine months ended 30 September 2011 and the year ended 31 December 2010.

	Nine months ended 30 September 2011	Year ended 31 December 2010
	(₦ millions)	
Balance at the beginning of the period/year	178,708	505,626
Impairment loss for the period/year:		
Charge for the year/period	42,524	126,186
Allowances reversed on transfer of loans to AMCON	(20,565)	(78,928)
Recoveries	0	(25,382)
Net impairment for the period/year	200,667	527,502
Effect of foreign currency movements	0	0
Write offs	(141,873)	(348,794)
Balance at the end of the period	58,794	178,708

(1) Averages based on opening and closing balances of the Intercontinental Bank Group.

Investment securities

The following table sets out details of the Intercontinental Bank Group's investment securities as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	(₦ millions)	
Bonds	9,668	139,172
Treasury bills	17,497	28,764
Equity securities with readily determinable fair values	87	70
Unquoted equity securities at cost	16,036	15,533
Other quoted investments	—	—
Less specific impairment for underwriting commitment	—	—
Less specific impairment for unquoted equity securities at cost	(3,380)	(2,520)
Total investment securities	39,908	181,019

The following table shows the contractual maturity distributions of securities held as at the dates indicated.

	Maturity periods					
	Due within 3 months	Due within 3 to 12 months	Over 12 months	Total net	Allowance for impairment	Total gross
	(₦ millions)					
As at 30 September 2011	10,804	7,072	24,088	39,908	3,380	43,288
As at 31 December 2010	3,483	45,241	135,955	181,019	2,520	183,539

Contractual commitments

The following table sets forth the Intercontinental Bank Group's contractual commitments as at the dates indicated.

	As at 30 September 2011	As at 31 December 2010
	(₦ millions)	
Letters of credit	14,771	10,344
Guarantees	103,945	62,793

Return on assets and equity

The following table shows the Intercontinental Bank Group's return on assets and equity as at the dates indicated.

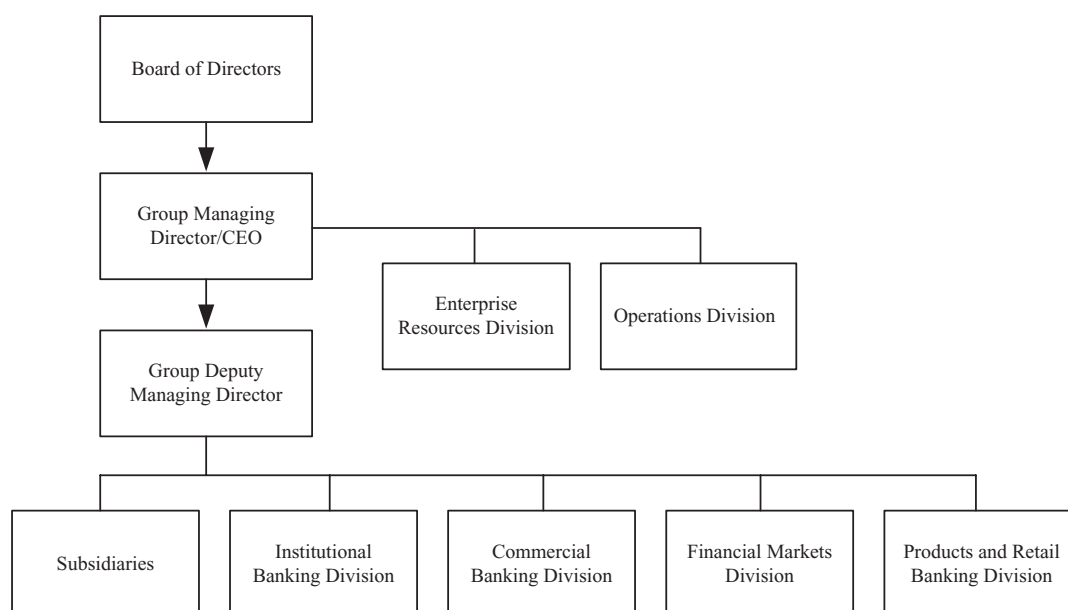
	As at 30 September 2011	As at 31 December 2010
	<i>(¥ millions, except percentages)</i>	
Net profit	(240,646)	28,896
Average total assets	625,475	692,522
Return on average total assets (%)	(38.5)%	(5.4)%
Return on average total equity (%)	(53.4)%	11.0%
Average equity	(450,461)	(339,340)

MANAGEMENT

Overview of Nigerian Company Law

The Companies and Allied Matters Act (CAMA) regulates the affairs of companies in Nigeria while the BOFIA regulates the conduct of banking operations and business. Under Nigerian law, a company acts directly through its shareholders or its board of directors or indirectly through officers or agents appointed by, or under the authority derived from, the shareholders or the board of directors. Every company is required to register a copy of its Memorandum and Articles of Association with the Corporate Affairs Commission. Once registered, the Memorandum and Articles of Association have the effect of a contract under seal between the company and its shareholders and officers and between the shareholders and officers themselves. The Memorandum of Association, among other things, states the nature of the business of the company and any restrictions on its powers. The respective powers of the shareholders and the board of directors are contained in the Articles of Association of the company. Except as otherwise contained in the articles, the business of a company is to be managed by the board of directors, who may in turn delegate its powers to board committees or the Managing Director. The Articles of Association prescribe the regulations of the company.

The Access Bank Group's management structure is as follows:



The Board

The Board comprises 15 members, which include the Chairman and seven non-executive directors, the Group Managing Director/CEO; the Group Deputy Managing Director and five executive directors. In line with best practice under the corporate governance standards of the CBN and the Nigerian SEC, there is a separation of powers between the Chairman and Managing Director.

Responsibilities of the Board

The Board is responsible for ensuring the creation and delivery of sustainable value to Access Bank's stakeholders through its management of Access Bank's business. The Board is accountable to the shareholders and is responsible for the management of Access Bank's relationship with its various stakeholders. The Board ensures that the activities of Access Bank are at all times executed within the applicable and regulatory framework. Access Bank's Board Charter, which is a set of principles which have been adopted by the Board as a definitive statement of corporate governance, defines such matters which have been reserved for the Board. The matters reserved for the Board include, but are not limited to, defining Access Bank's business strategy and objectives, formulating risk policies and making decisions on the establishment of foreign subsidiaries. Executive management is accountable to the Board for the development and implementation of these strategies and policies.

Core Values of Executive and Non-Executive Directors

Both executive and non-executive directors owe fiduciary duties and general duties of skill and care to the Access Bank Group as a whole. Under the CBN's Code of Corporate Governance and the Access Bank Board Charter, the core values expected to be displayed by directors in exercising their duties include:

- exercising reasonable skill and care and observing proper standards of market conduct. Directors shall also act in good faith and honestly in carrying out their duties;

- avoiding a conflict of interest between their personal interests and their duties to the Access Bank Group;
- at all times acting in the Access Bank Group's best interests and not for any ulterior purpose or to benefit themselves or others at the Access Bank Group's expense;
- having due regard to the interests of the Access Bank Group's employees;
- ensuring compliance by the Access Bank Group with all laws and regulations guiding its operations;
- acting with integrity at all times and not engaging in any act that would jeopardise the reputation of the Access Bank Group; and
- disclosing appropriately any information which requires notification to the statutory authorities.

Director Nomination Process

The Board Governance and Remuneration Committee is responsible for the succession planning for both executive and non-executive directors, and recommends new appointment to the Board by taking into account the existing range of skills, experience, background and diversity of members currently sitting on the Board as well as the strategic direction of the Access Bank Group. Nominations are then subject to regulatory approval by the CBN and appointment to the Board is made by shareholders at the annual general meeting upon the recommendation of the Board.

Director Profiles

Mr. Oluwagbemiga (Gbenga) Oyebode—Chairman

Mr. Gbenga Oyebode was appointed to the Board in 2002. Gbenga is the Managing Partner of Aluko & Oyebode, (Barristers and Solicitors). He is the Chairman of the Okomu Oil Palm Plc and serves on the Board of MTN Nigeria Communications Limited (“MTN Nigeria”). Over the years, he has developed significant expertise in project finance, corporate law, energy and natural resources law, telecommunications and aviation law.

He graduated with a law degree from the University of Ife (now Obafemi Awolowo University) in 1979 and holds a Master of Laws (with Honours) from the University of Pennsylvania, Philadelphia, which he obtained in 1982. He is a Barrister & Solicitor of the Supreme Court of Nigeria (called to the Bar in June 1980); an Attorney-at-law of the Supreme Court of New York State (called to the Bar in November 1983); and a member of the Nigerian Bar Association, the American Bar Association, the American Society of International Law, the International Bar Association and the Chartered Institute of Arbitrators.

Mr. Aigboje Aig-Imoukhuede—Group Managing Director/CEO

Mr. Aigboje Aig-Imoukhuede joined Access Bank in 2002 and was appointed to the Board the same year. Aigboje is an alumnus of the Harvard Business School Executive Management Programme and holds a Bachelor of Laws degree from the University of Benin (1986) and is a Barrister & Solicitor of the Supreme Court of Nigeria (called to the Nigerian Bar in June 1987). He is a Fellow of the African Leadership Institute under the auspices of Aspen Institute, Colorado USA and an honorary Fellow of the Chartered Institute of Bankers of Nigeria.

Aigboje has a banking career of over two decades, over 10 of which were spent at GT Bank. He resigned from GT Bank in March 2002 to lead a team as the Managing Director and CEO, with the mandate to transform the Access Bank Group into a leading Nigerian financial services provider. He has experience covering legal, finance, lending and risk management function at a general management level. He currently chairs the Board of Trustees of Financial Market Dealers Association of Nigeria.

In October 2007, Aigboje was ranked amongst the top 10 Most Respected CEOs in the annual PricewaterhouseCoopers Most Respected Companies and CEO in Nigeria Survey.

Mr. Herbert Wigwe—Group Deputy Managing Director

Mr. Herbert Wigwe joined Access Bank in 2002 and was appointed to the Board the same year. Herbert holds a Bachelor of Science degree (1987) in Accountancy from the University of Nigeria, Nsukka and a Masters degree (1991) in Banking and International Finance from the University College of North Wales (now University of Bangor, North Wales). He also obtained a Masters degree in 1993 in Financial Economics from the University of London. An Alumnus of the Harvard Business School Executive Management Programme, he is also a Fellow of the Institute of Chartered Accountants of Nigeria (FCA) and an honorary member of the Chartered Institute of Bankers of Nigeria.

Herbert has approximately two decades of banking experience; with over 10 years spent at GT Bank where he managed several portfolios including those of financial institutions, multinationals, local corporates and commercial banking. He left GT Bank as an Executive Director together with Aigboje Aig-Imoukhuede to lead the implementation of the mandate to transform the Access Bank Group into a leading Nigerian financial services provider.

Dr. Cosmas M. Maduka—Non-Executive Director

Dr. Maduka was appointed to the Board in 1998. Dr. Maduka (Honoris Causa University of Nigeria Nsukka, October 2003) was a member of Electric Power Reform Implementation Committee in Nigeria and a Trustee Board Member of the Human Development Fund of the United Nations Development Program (UNDP). An astute businessman, Dr. Maduka has contributed immensely towards the socio-economic growth and developments of Nigeria. He is currently the President and Chairman of the Board of Directors of the Coscharis Group.

Mr. Tijani Babatunde Folawiyo—Non-Executive Director

Mr. Tijani Babatunde Folawiyo was appointed to the Board in 2005. He holds a Bachelor of Science degree (1980) in Economics and Bachelor of Laws degree (1984) from the London School of Economics in addition to his Master of Laws degree obtained from University College London in 1985. He was called to the Bar of England and Wales in 1985. He started his law practice in Nigeria with the firm of Ogunsanya and Ogunsanya where he resigned in 1989. He has since held the position of Group Managing Director of Yinka Folawiyo Group. Mr Folawiyo is also the Managing Director of Yinka Folawiyo Power Limited and led the development of Nigeria's first independent power project, the AES Barge Project in Lagos State, which involved the installation of nine barge-mounted electricity generating units with a total nominal capacity of approximately 270 MW. He is also a director of MTN Nigeria, Aries Exploration and Production Co Ltd., F. Energy Ltd., Neconde Energy Limited and Enyo Trading Limited.

Mr. Oritsedere Samuel Otubu—Non-Executive Director

Mr. Oritsedere Samuel Otubu was appointed to the Board in 2004. Mr. Otubu obtained a Bachelors and a Masters degree in Accounting and Finance from the Houston Baptist University, USA in 1983 and 1985 respectively. He is the Executive Chairman of Senforce Insurance Brokers Limited, Chairman of Staco Insurance Plc (formerly Standard Trust Assurance Plc), director of DAAR Communications Limited, Decol Prime Link Limited, SIC Properties Limited and Blatech Ltd and director of Food Emporium International, South Africa—an international food chain which operates under the brand name “Barcelos”.

Dr. Mohammed Mahmoud Isa-Dutse—Non-Executive Director

Dr. Mohammed Mahmoud Isa-Dutse was appointed to the Board in 2005. Dr. Isa-Dutse holds a Bachelor of Science degree (1978) in Economics from Ahmadu Bello University, Zaria, Nigeria, an MBA (1982) from The Wharton School, University of Pennsylvania, USA, and a PhD in Corporate Governance from the University of Manchester. His banking experience in the Nigerian banking industry spans over 22 years. He left the United Bank for Africa Plc (UBA) in 2002 as an Executive Director, where he was at various times in charge of credit risk management, investment banking and corporate banking. He is also a non-executive director of Northern Nigeria Flour Mills Plc.

Mr. Emmanuel Ndubisi Chiejina—Non-Executive Director

Mr. Emmanuel Chiejina was appointed to the Board in July 2005. Mr. Chiejina is the Chairman and CEO of AshBard Energy Company Limited and currently serves on the board of Staco Insurance Plc (formerly Standard Trust Assurance Plc), F & C Group Ltd and Green Technologies Limited. He spent an active part of his career with Elf Petroleum Nigeria Limited where he spent 27 years and retired as Deputy Managing Director in 2007. He has a strong background in corporate planning and human resources.

Mr. Chiejina is a graduate of Law from the University of Lagos (1975) and was called to the Nigerian Bar in 1976. He has also undertaken various business-related programmes and education at a number of institutions, including Managing People and Employment Relations at Cranfield Institute of Technology in 1991, Advanced Management Programme at European Institute of Business Administration (“INSEAD”) in 1995, International Public Relations at University of London and Maximising Board Effectiveness at London Business School in 2002.

Mrs. Tamramat Mosunmola Belo-Olusoga—Non-Executive Director

Mrs. Tamramat Mosunmola Belo-Olusoga was appointed to the Board in 2007. She graduated from the Department of Economics, University of Ibadan, in 1979. She qualified as a Chartered Accountant in 1983 and is a fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Bankers of Nigeria.

Mrs. Mosunmola Belo-Olusoga served on the board of Asset and Resource Management Company and is the ex-Chairperson of Equipment and Leasing Association of Nigeria. Her banking career spans over two decades. She joined GT Bank in 1990 where she was responsible for risk management, corporate and commercial banking, investment banking, transaction service and settlements (local and foreign operations). She was subsequently appointed Executive Director—Investment Banking in 2002. She retired from GT Bank in 2006. She also served as Acting Managing Director of Trust Bank of Africa Limited in 2003. Mrs. Belo-Olusoga sits on the board of a number of companies and is the Principal Consultant and Programme Director of the KRC Limited.

Mrs. Anthonia Olufeyikemi (Kemi) Ogunmefun—Non Executive Director

Mrs. Kemi Ogunmefun was appointed to the Board in 2011. She is an experienced banker and a legal practitioner with dual jurisdiction practice licences, having been admitted to the Nigerian and the Canadian Bar. She obtained her Bachelor of Laws Degree (LL.B) from the University of Lagos in 1974 and was called to the Nigerian Bar in 1975 and Law Society of Upper Canada in 2004.

Mrs. Ogunmefun has more than 25 years of banking experience at senior management levels in several Nigerian banks, including Continental Merchant Bank (formerly Chase Manhattan Bank). Her experience includes Board membership of a Canadian charity where she served as the Chairperson of the Governance Committee.

Mrs. Ogunmefun is the managing Partner of Kemi Ogunmefun Law Office, a Law firm based in Ontario Canada.

Mr. Taukeme Koroye—Executive Director (Subsidiaries)

Mr. Taukeme Koroye joined Access Bank in 2002 and was appointed to the Board in 2004. Taukeme is a graduate of Business Administration from the University of Lagos and a Fellow of the Institute of Chartered Accountants of Nigeria. He is also an alumnus of the Harvard Business School Executive Management Programme. He began his banking career with Nigeria International Bank Limited (“NIB”, now Citibank Nigeria), a subsidiary of Citigroup, in 1987, having obtained four years of professional accounting experience with PriceWaterhouse (now PriceWaterhouseCoopers). At NIB, he worked in corporate finance, corporate banking, internal control, international trade and treasury operations, and was appointed Deputy General Manager, Operations and Technology, prior to joining Access Bank in 2002.

Mr. Okey Nwuke—Executive Director (Institutional Banking)

Mr. Okey Nwuke joined Access Bank in 2002 and was appointed to the Board in 2005. Okey holds an MBA (1998) in International Banking & Finance (Distinction) from the University of Birmingham, United Kingdom as a Chevening Scholar and a Bachelor of Science degree (1990) in Accounting from the University of Nigeria, Nsukka. He is an Associate member of the Chartered Institute of Taxation, Nigeria and a Fellow of the Institute of Chartered Accountants of Nigeria. Mr. Nwuke’s banking career spans 21 years during which he gained relevant experience across financial control, institutional/corporate banking and commercial banking. He began his career with GT Bank in 1991 in Financial Control and was appointed Assistant General Manager, Commercial Banking Group East, before moving to Access Bank in 2002.

Mr. Obeahon Ohiwerei—Executive Director (Commercial Banking)

Mr. Obeahon Ohiwerei was appointed to the Board in 2006. Obeahon holds a Bachelor of Science degree (1989) in Mathematics and an MBA (2001) from Bendel State University (now Ambrose Alli University), Ekpoma, Nigeria. He has approximately 21 years of banking experience across branch services, commercial banking, public sector and institutional/corporate banking. He began his banking career in 1991 at GT Bank and left in 1998 as a manager to join Equatorial Trust Bank. He also worked at Pacific Bank, Continental Trust Bank and Standard Trust Bank (Ghana) Ltd (“STB”) serving in various capacities. He was appointed the Managing Director and CEO of STB, Ghana in 2004 and under his leadership STB won three industry awards within 12 months of operation.

Mr. Ebenezer Sunday Olufowose—Executive Director (Financial Markets)

Mr. Ebenezer Sunday Olufowose was appointed to the Board in 2007. Ebenezer obtained a first class honours degree in Economics from the University of Lagos, Nigeria in 1982 and a masters degree in International Economics from the University of Sussex, Brighton, United Kingdom in 1984. He is an experienced investment banker with over 25 years of banking experience which started in 1985 at NAL Merchant Bank Plc. He then moved on to work at First City Monument Bank and GT Bank where he worked in various capacities as Head of the Corporate Finance Group and Group Head, Investment Banking respectively. He later helped to set up GT Bank Gambia and assisted GT Bank Gambia in obtaining a banking licence from the Central Bank of Gambia. In November 2002, he joined NIB (now Citibank Nigeria) as Vice President and Head of Corporate Finance and was later appointed an Executive Director in 2004 and a director of Citigroup in January 2007.

Mr. Victor Etuokwu—Executive Director

Mr. Victor Etuokwu holds a Bachelor of Science degree (1990) in Human Nutrition from the University of Ibadan and an MBA (1999) from the University of Benin. His career spans over 19 years, starting from Citibank Nigeria where he was appointed Manager before his move to Access Bank in 2003. His professional experience spans banking operations, cash management services and operational risk management and controls. Whilst at Citibank Nigeria, he was a resource development staff to other Citibank African franchises and was seconded to Citibank Zambia. He is an alumnus of INSEAD in Fontainebleau, France.

Victor was the Integration Director for the Access Bank merger group which saw the Access Bank Group conclude its merger integration with Capital Bank International Plc and Marina International Bank Limited in 2005. He was also seconded as the Managing Director of Intercontinental Bank, whilst it was a subsidiary of Access Bank, before the Merger was concluded.

The business address of each of the members of the Board is Access Bank’s registered office.

Save as set out below, there are no potential conflicts of interest between any duties of a member of the Access Bank Group’s Board towards the Access Bank Group and the director’s private interests and/or other duties.

Mr. Oyeboode is partner of Aluko & Oyeboode, a provider of legal services to, as well as a borrowing customer of, the Access Bank Group. He is also a shareholder of MTN Nigeria, a provider of mobile telephone services to, as well as a borrowing customer of, the Access Bank Group.

Mr. Aig-Imoukhuede and Mr. Wigwe are each shareholders of United Alliance Company of Nigeria, which holds interest in Marina Securities Limited, a provider of stock broking services to the Access Bank Group. Marina Securities Limited holds a proprietary position in listed companies including Access Bank and its subsidiary, Intercontinental WAPIC Insurance Plc.

Dr. Maduka is a director and shareholder of Coscharis Group, a borrowing customer of the Access Bank Group. Coscharis Motors Limited, a member of Coscharis Group, supplies vehicles to the Access Bank Group.

Mr. Folawiyo is a director and shareholder of DTD Services Ltd, a provider of air charter services to, and a borrowing customer of, the Access Bank Group. Mr. Folawiyo is also a director and shareholder of MTN Nigeria, which provides mobile telephone services to the Access Bank Group. Both entities are borrowing customers of the Access Bank Group. He is also a director and shareholder of Yinka Folawiyo Power Limited, Aries Exploration and Production Co Ltd, F. Energy Ltd, and Enyo Trading Limited, which are also borrowing customers of the Access Bank Group.

Mr. Otubu is a director and shareholder of Senforce Insurance Brokers Limited, which provides insurance brokerage services to the Access Bank Group, as well as a director and shareholder of Staco Insurance Plc (formerly Standard Trust Assurance Plc), which also provides insurance services to the Access Bank Group. In addition, Mr. Otubu is a director and shareholder of Decol Prime Link Limited, SIC Properties Limited and Blatech Ltd, which are borrowing customers of the Access Bank Group.

Mr. Chiejina is a director of Staco Insurance Plc (formerly Standard Trust Assurance Plc), which provides insurance services to the Access Bank Group.

Mrs. Belo-Olusoga is a director and shareholder of The KRC Limited, which provides human resources and training services to the Access Bank Group.

Mr. Koroye is a shareholder of Petrodata Management Services Ltd, which provides document management solutions to the Access Bank Group.

The potential conflicts of interest listed above mean that, from time to time, a director may have a conflict of interest between his or her duties towards the Access Bank Group and his or her private interest and other duties as a director and/or shareholder in those companies with which the Access Bank Group has a business relationship. The Access Bank Group has put in place arrangements to ensure that transactions between the Access Bank Group and a counter party in which a director is interested are concluded on an arm's length basis.

Board Committees

The Board consists of 14 members: a Chairman, Group Managing Director, Group Deputy Managing Director, five executive directors and six non-executive directors. Appointment to the Board is made by shareholders at the Annual General Meeting upon the recommendation of the Board.

The oversight functions of the Board are performed through its various committees namely: the Board Credit and Finance Committee, the Board Governance and Remuneration Committee, the Board Audit Committee and the Board Risk Management Committee.

The Board committees meet at regular intervals and reports to the full Board on a quarterly basis. These committees are constituted as follows:

Board Credit and Finance Committee

This committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been approved by the Management Credit Committee (MCC) and acts as a catalyst for credit policy changes. The Board Credit and Finance Committee meets monthly. Membership of the committee includes all of the non-executive directors (excluding the Chairman of the Board), the Group Managing Director, the Group Deputy Managing Director and three executive directors as appointed.

Board Governance and Remuneration Committee

The Board Governance and Remuneration Committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the directors and employees of Access Bank. Specifically, the committee is responsible for determining and executing the processes for board appointments, and recommending appropriate remuneration for directors (both executive and non-executive) and approving remuneration for all other staff. The committee objectives include ensuring that Access Bank's human resources are maximised to support the long term success of the institution and to protect the welfare of all employees. The committee meets quarterly. Membership of the committee includes five non-executive directors appointed by the Board, the Group Managing Director and the Group Deputy Managing Director.

Board Audit Committee

The Board Audit Committee is responsible for ensuring compliance with the Access Bank Group's accounting and reporting policies; legal and ethical practices; reviewing the scope and planning of audit requirements; making recommendations to the Board on the appointment, removal and remuneration of external auditors; and regularly reviewing the effectiveness of the Access Bank Group's system of accounting and internal control. The committee assists the Board in fulfilling its oversight responsibility relating to the integrity of Access Bank's financial statements and the financial reporting process; the independence and performance of Access Bank's internal and external auditors; and Access Bank's system of internal control and mechanism for receiving complaints regarding Access Bank's accounting and operating procedures. Access Bank's Chief Internal Auditor and Chief Compliance Officer have access to the committee and make quarterly presentations to the members of the committee. The committee includes three non-executive directors appointed by the Board who have extensive knowledge of financial management.

Board Risk Management Committee

The Board Risk Management Committee assists the Board in fulfilling its oversight responsibility relating to the establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements in the Access Bank Group. In addition, it oversees the establishment of a formal written policy on the overall risk management system. This committee also ensures compliance with established policies through periodic review of reports provided by management and ensures the appointment of qualified officers to manage the risk function. The committee evaluates Access Bank's risk policies on a periodic basis to accommodate major changes in internal or external environment. Membership of the committee includes five non-executive directors appointed by the Board, the Group Managing Director, the Group Deputy Managing Director and an executive director as appointed.

Shareholders' Audit Committee

In compliance with Section 359 of CAMA, the Access Bank Group has a Standing Shareholders Audit Committee constituted by six members. The Standing Shareholders' Audit Committee is made up of three non-executive directors representing the Board and three shareholders representing the shareholders as provided by CAMA.

Group Asset and Liability Committee (ALCO)

ALCO is a management committee, responsible for market and liquidity risk management. It is responsible for the optimum management of the Access Bank Group's balance sheet and taking relevant decisions as well as recommending to the Board prudent asset and liability management policies and procedures that would enable Access Bank Group to achieve its goals while operating in full compliance with all relevant laws and regulations. The members of the committee include the Group Managing Director, the Group Deputy Managing Director, all executive directors, all Group Heads, the Treasurer, The Chief Finance Officer, the Head of Risk Management and the Head of Market Risk Management.

Composition

The membership of the Board committees as at the date of this Prospectus is shown below:

Board Credit and Finance Committee:

Dr. Cosmas M. Maduka	Chairman
Dr. Tijani Babatunde Folawiyo	Member
Dr. Mohammed Mahmoud Isa-Dutse	Member
Mr. Emmanuel Ndubisi Chiejina	Member
Mr. Oritsedere Samuel Otubu	Member
Mrs. Tamramat Mosunmola Belo-Olusoga	Member
Mrs. Anthonia Olufeyikemi Ogunmefun	Member
Mr. Aigboje Aig-Imoukhuede	Member
Mr. Herbert Wigwe	Member
Mr. Okey Nwuke	Member
Mr. Obeahon Ohiwerei	Member
Mr. Ebenezer Sunday Olufowose	Member

Board Governance and Remuneration Committee:

Mr. Emmanuel Ndubisi Chiejina	Chairman
Mrs. Tamramat Mosunmola Belo Olusoga	Member
Dr. Tijani Babatunde Folawiyo	Member
Mr. Oritsedere Samuel Otubu	Member
Mrs. Anthonia Olufeyikemi Ogunmefun	Member
Mr. Aigboje Aig-Imoukhuede	Member
Mr. Herbert Wigwe	Member

Board Audit Committee:

Mr. Oritsedere Samuel Otubu	Chairman
Dr. Mohammed Mahmoud Isa-Dutse	Member
Mrs. Tamramat Mosunmola Belo-Olusoga	Member

Board Risk Management Committee:

Dr. Mohammed Mahmoud Isa-Dutse	Chairman
Dr. Tijani Babatunde Folawiyo	Member
Mrs. Tamramat Mosunmola Belo-Olusoga	Member
Mr. Emmanuel Ndubisi Chiejina	Member
Mrs. Anthonia Olufeyikemi Ogunmefun	Member
Mr. Aigboje Aig-Imoukhuede	Member
Mr. Herbert Wigwe	Member
Mr. Ebenezer Sunday Olufowose	Member

The Management Team

The senior management team, led by the Group Managing Director and the Deputy Managing Director, oversees the day-to-day activities of the Access Bank Group and is responsible to the Board. As at 31 March 2012, the Access Bank Group employed a total number of 12,821 staff including 4,292 professionals, out of which 153 hold managerial positions. The following members of staff occupy key management positions:

Divisional Heads

Obinna Nwosu—General Manager, Head, Retail Banking Division

Obinna holds a Bachelor of Science degree (1990) in Accountancy from the University of Nigeria, Nsukka and an MBA (1992) in Management from the same university. Obinna has over 14 years of working experience, 10 of which are in the banking sector. He was at GT Bank overseeing the Eastern Commercial Banking Group before his move to Access Bank in 2002. His banking exposure spans operations, credit and marketing. He is an alumnus of the Institute of Management Development, Lausanne, Switzerland.

Roosevelt Ogbonna—General Manager, Head, Commercial Banking, Lagos Division

Roosevelt holds a Bachelor of Science degree (1996) in Banking and Finance from the University of Nigeria, Nsukka and is a qualified Chartered Accountant. Roosevelt is an alumni of Harvard Business School and has attended several local and international business schools in Europe and America, including INSEAD and Wharton.

Roosevelt started his banking career at Lead Merchant Bank as a Money Market Dealer and moved to GT Bank in 1997 where he worked in Institutional Banking. Roosevelt was team leader of one of the largest business units in GT Bank, a position he held until 2002 when he joined Access Bank. Roosevelt's experience spans Treasury, Corporate Banking, Structured and Trade Finance and most recently commercial banking. He is currently a Divisional Director in Access Bank's Commercial Banking Division and oversees Access Bank's commercial business in Lagos.

General Managers

Gregory Jobome—Head, Enterprise Risk Management; Chief Risk Officer

Gregory holds a first class degree in Economics from the University of Maiduguri (1986), an MBA with Distinction from Obafemi Awolowo University (1990), a Master of Science (1994) and a PhD (2002) in Economics and Finance (2004) from Loughborough University. He has over 20 years of work experience obtained with GT Bank, University of Liverpool Management School and Manchester Business School. Prior to joining Access Bank, he was a Risk Management Consultant to GT Bank. Gregory is the Head of the Risk Management Division and Chief Risk Officer.

Bolaji Agbede—General Manager, Head, Group Human Resources

Bolaji Agbede holds a Bachelor of Science degree (1990) in Mathematics and Statistics from the University of Lagos and an MBA (2002) from Cranfield University School of Management, UK. She has over 17 years of experience in banking, primarily at GT Bank where she was appointed to the position of a Manager before working as a consultant. She was the CEO of JKG Limited, a consultancy firm responsible for training middle and senior cadre bank managers before she moved to Access Bank in 2003. Her banking experience spans commercial and retail banking and human capital development. She is a member of the Chartered Institute of Marketing, UK and has attended various executive programmes at Institute of Management Development in Lausanne, Switzerland and Harvard Business School.

Olusegun Ogbonnewo—General Manager, Group Head, Domestic Payments

Olusegun holds a Bachelor of Arts degree (1985) in Education and History, MPA (1989) from the University of Ilorin and MBA (2000) from IESE, University of Navarra Barcelona, Spain. He also attended Lagos Business School and has over 20 years of banking experience spanning micro credit, branch operations, commercial banking, domestic and international operations and human capital development.

Before joining Access Bank as Deputy General Manager in 2006, he had a successful career spanning 13 years at GT Bank. He has participated in several international finance and management conferences as well as attended senior management development programmes at the International Development Institute (IDI) Dublin, INSEAD France and Harvard Business School.

Ayotunde Coker—General Manager, Group Chief Information Officer

Ayotunde joined Access Bank in 2009 after 27 years in the UK. Prior to his move, he was the Group IT director for the UK Ministry of Justice, a role he took on after serving as the head of the UK criminal justice IT system, with accountability for information and IT integration across Police, Crown Prosecutions, Courts, Prisons and Probation Services in the UK. Tunde has also been Global Applications Director at BP UK and IT Director at Egg Bank UK.

His financial services experience includes serving with organisations such as ABN AMRO, UBS Singapore, JP Morgan, Merrill Lynch and Swiss Life. He was sponsored by Shell on a degree in Mechanical Engineering at Glamorgan University of Wales and by Ford Motor Company in Europe on a post graduate Masters degree in Manufacturing Systems Engineering at Cranfield Institute of Technology, UK. He was appointed Freeman of London in May 2008 and is a Fellow of the British Computer Society and member of the UK Institute of Directors.

Pattison Boleigha—General Manager, Chief Compliance Officer/Group Head, Compliance & Internal Control

Pattison holds a Bachelor of Science degree (1986) in Accounting from the University of Nigeria, Nsukka and an MBA (2001) in Management from Rivers State University of Science and Technology (2002). He is a Fellow of the Institute of Chartered Accountants of Nigeria. He is an associate member of the Chartered Institute of Taxation of Nigeria. He is also a member of the Information Systems Audit And Control Association (ISACA), certified in the Governance of Enterprise Information (CGEIT) and a certified anti-money laundering specialist. He is the Chairman of the Committee of Chief Compliance Officers of Banks in Nigeria and Association of Certified Anti Money Laundering Specialists (ACAMS) Nigeria Chapter. Pattison is the Chairman of the core group of the Convention on Business Integrity (CBI).

Pattison has over 20 years of experience in banking. He started his career at All-well Brown & Co. Chartered Accountants as an Audit Supervisor. He moved to Rivers State University of Science & Technology as an internal auditor and the National Provident Fund as a senior internal auditor. Pattison began his banking career at NIB (now Citibank Nigeria) and was appointed as Manager before joining Access Bank as Assistant General Manager. Pattison's experience covers banking operations, financial control, compliance and internal control.

Kalu Agwu—General Manager, Group Head Branch Services Group

Kalu graduated from the University of Ibadan with a Bachelors degree in Agricultural Economics (1985), and later obtained an MBA from University of Lagos in 2001. He is also an associate member of the Chartered Institutes of Bankers of Nigeria and the Chartered Institute of Management. In addition, Kalu has attended executive management programmes at Harvard Business School. He has 20 years of experience with Citibank Nigeria and Access Bank in different areas including internal audit, operations and technology and branch and channel Management.

Adebanjo Adegbohunge—General Manager, Group Head Global Payments

Adebanjo has a B.Sc. degree in Mechanical Engineering (1992) from Obafemi Awolowo University, Ile-Ife. He has over 18 years of experience with NIB (now known as Citibank Nigeria) and Access Bank. His experience spans operational risk management, various aspects of banking operations, trade finance, business process improvement and technology. He commenced his career with NIB (later Citibank Nigeria) in 1993 and became an assistant general manager in 2005. He joined Access Bank as a Deputy General Manager in 2007 and became a General Manager in 2011. He is a member of the Executive Management Committee and an honorary senior member of the Chartered Institute of Bankers of Nigeria.

Oluseyi Kumapayi—Deputy General Manager, Chief Financial Officer

Oluseyi holds a Bachelor of Science degree in Agricultural Engineering (1994) and a Master of Science degree in Mechanical Engineering (1996) from the University of Lagos. He is an associate of the Institute of Chartered Accountants of Nigeria and a member of the Global Association of Risk Professionals. He has 15 years banking experience with GT Bank, First City Monument Bank and Access Bank. His experience spans financial control, credit risk management, asset and liability management and strategy. He joined Access Bank in 2002 from First City Monument Bank where he was a financial manager.

Adedapo Olagunju—Deputy General Manager, Treasury

Adedapo is a fellow of the Institute of Chartered Accountants of Nigeria and holds a Bachelor of Science degree (1998) in Banking and Finance from Ogun State University and an MBA degree (2006) from the Said Business School of the University of Oxford.

He has varied experience spanning treasury management, fixed income and currency trading and financial control. Prior to joining Access Bank in 2003, he was the Chief Dealer at Stanbic IBTC Bank Plc. He was also a consultant to the Peacekeeping Financing Department at the United Nations, New York.

Business Address of Management Team

The business address of each of the members of the Access Bank Group's management team is Access Bank's registered office. There are no potential conflicts of interest between any duties of a member of the Access Bank Group's management team towards the Access Bank Group and the member's private interests and/or other duties.

Compliance with the Code of Corporate Governance

Management believes that the Access Bank Group complies with high standards of corporate governance and best practices. The Access Bank Group's business and operations are conducted in an open and transparent manner in line with international best practices and in accordance with the provisions of the relevant laws. The Codes of Corporate Governance for Banks in Nigeria Post Consolidation issued by the CBN, the Nigerian SEC's Code of Corporate Governance and Access Bank's Board Charter collectively provide the basis for Access Bank's corporate governance, policies and framework.

Management believes that the Access Bank Group fully complies with the Nigerian SEC's code of corporate governance requirements. Below are some examples of the Access Bank Group's compliance with the code:

- In line with the Access Bank Group's vision to maintain the highest standards and to ensure the independence of the Internal Audit function, the Board approved a Charter on the Access Bank Group's Internal Audit. This Charter isolates and insulates the Internal Audit Department from the control or influence of the Executive Management and also frees staff within the internal audit units from operational and management responsibilities that could impair their ability to make independent reviews of all aspects of the Access Bank Group's operations thereby making the department independent. Under the Charter, the Internal Auditors report directly to the Board.
- There is a balance of power and authority so that no individual or coalition of individuals has unfettered powers of decision-making.
- The number of non-executive directors exceeds that of executive directors.
- In compliance with Section 359 of CAMA, the Access Bank Group has a standing Shareholders Audit Committee to protect the interest of the Access Bank Group's shareholders.
- In accordance with the provisions of section 259 of CAMA, one-third of the directors of the Access Bank Group retire annually. The directors to retire every year shall be those who have served the longest term in office since their last election.
- The responsibilities of the Chairman are clearly separated from that of the head of management (i.e. Managing Director/CEO) such that no one individual/related party has unfettered powers of decision-making by occupying the two positions at the same time.
- A committee of non-executive directors determines the remuneration of executive directors

SHARE CAPITAL AND OWNERSHIP

Capital Structure

As at 31 March 2012, the authorised share capital of Access Bank was ₦13 billion, comprised of 24 billion ordinary shares of 50 kobo each and 2 billion preference shares of 50 kobo each. As at 31 March 2012, Access Bank's issued and fully paid up share capital was ₦11,444,125,739.00 comprised of 22,888,251,478 ordinary shares of 50 kobo each, which includes the additional 5 billion shares issued by Access Bank to pre-Merger shareholders of Intercontinental Bank (one fully paid ordinary share of Access Bank for every four ordinary shares held by them in Intercontinental Bank) pursuant to the terms of the Merger (see "*Description of the Acquisition and Merger—Structure of the Acquisition and Merger—Stage 2: Merger of Access Bank and Intercontinental Bank*").

Major Shareholders

According to the register of members as at 31 March 2012, Access Bank had 849,868 shareholders of its ordinary shares. The following table lists the shareholders of Access Bank as indicated in its share register as at 31 March 2012 that held 5 per cent. or more of its total issued share capital. All of the shareholders of Access Bank have the same voting rights.

	31 March 2012	
	<u>Number of Shares held</u>	<u>% of Shareholding</u>
Stanbic Nominees Nigeria Limited ¹	5,632,856,263	24.59

1 Stanbic Nominees Nigeria Limited holds the shares in Access Bank in its capacity as custodian.

To Access Bank's knowledge, no other person or entity controls more than 5 per cent. of Access Bank's total issued ordinary share capital.

NIGERIA

The information in this section has been extracted from documents and other publications released by various officials and other public and private sources, such as the CBN, the International Monetary Fund (“IMF”), the DMO, the NBS, the Nigerian Federal Ministry of Finance (“FMF”) and the Central Intelligence Agency (“CIA”), as indicated herein. There is not necessarily any uniformity of views among such sources as to such information provided. The Issuer and the Guarantor have not independently verified the information included in this section. The information in this section has been derived substantially from publicly available information, such as annual reports, official data published by the Nigerian government or regional agencies or other third party sources as indicated in the text. Access Bank has accurately reproduced such information and, so far as Access Bank is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Access Bank has relied on the accuracy of this information without independent verification.

Introduction

Nigeria is a sovereign nation and consists of thirty-six states and the Federal Capital Territory. Nigeria operates a federal system of government comprised of three tiers: the federal government, state governments and local governments. At both federal and state levels, there is a separation of power amongst the executive, legislative and judicial arms of the government.

According to the IMF, Nigeria is the second largest economy in Sub-Saharan Africa (after the Republic of South Africa (“South Africa”)) and the largest in West Africa. According to the CIA’s World Factbook of 10 May 2012 (the “CIA World Factbook”), Nigeria is the tenth largest oil producing country and holds the eighth largest natural gas reserves in the world. In 2011, according to provisional figures from the IMF, World Economic Outlook Database, Nigeria recorded a GDP of U.S.\$238.92 billion, GDP per capita (adjusted for PPP) of U.S.\$2,578 and a GDP real growth rate of 7.19 per cent. Nigeria is also a significant exporter of cocoa, rubber and cassava, in addition to other significant natural resources.

Nigeria gained independence from the United Kingdom in 1960 and became a republic in 1963. Due in part to Nigeria’s multi-ethnic and multi-religious population, the country has experienced numerous political changes since independence in 1960. In 1999, after 39 years of independence, 28 years of which was under military rule characterised by political instability, a peaceful transition to civilian government was completed and democracy was re-introduced to the country with the election in February 1999 of retired General Olusegun Obasanjo as president. The current constitution of Nigeria (the “Constitution”) was adopted in May 1999 and provides for a President, a National Assembly and a Judiciary. The National Assembly, with two chambers, comprises a Senate and a House of Representatives. The Senate is made up of members elected for a four-year term.

In April 2007, the late president Umaru Musa Yar’Adua was elected marking the first time that one democratically elected government had handed over power to another in Nigeria. Upon the death of President Umaru Yar’Adua on 5 May 2010, the Vice President, Goodluck Ebele Jonathan was immediately sworn in as the President of Nigeria on 6 May 2010 in accordance with the Constitution and was re-elected as President in the general elections that concluded in April 2011. The PDP is the ruling party in Nigeria and has been in power since 1999.

Area and Population

Nigeria is situated in the West African sub-region and is bordered to the north by the Republics of Niger and Chad and to the west by the Republic of Benin. It shares its eastern borders with the Republic of Cameroon down to the shores of the Atlantic Ocean forming the southern limits of the Nigerian Territory. The capital, Abuja, is located in central Nigeria, but Lagos, which is situated in the south west, is the principal commercial centre and main port in the country. According to the CIA World Factbook’s estimate as at 10 May 2012, the Nigerian population is expected to be 170.1 million by July 2012, making Nigeria the most populous country in Africa and the seventh most populous country in the world.

Key demographic information

Estimated Population (millions)	170.1
Estimated Population Growth Rate (%)	2.5
Urban Population (as a % of total)	50
Rate of Urbanisation (per annum)	3.5
Age Structure (as a % of population)	
- 0 to 14 years	40.9
- 15 to 64 years	55.9
- 65 years and over	3.1

Source: CIA- The World Factbook, 10 May 2012

The country covers an area of 923,768 square kilometres. Topography and vegetation vary considerably, and includes swamps and tropical rain forests in the south, and savannah and open woodland in the central part of the country. The northern part of the country borders the Sahara Desert.

The official language in Nigeria is English. There are three main indigenous languages spoken by the three predominant ethnic groups in the country. These ethnic groups are the Yorubas in the west, Hausa-Fulani in the north and the Igbos in the east. There is also a vernacular known as “broken/pidgin English” which is a Nigerian adaptation of the English language and is spoken and understood by almost all Nigerians. There are also over 250 other ethnic groups’ languages including Urhobo, Efik, Ijaw, and Kanuri and over 500 dialects within the ethnic groups.

According to the CIA World Factbook 2011 estimates (as included in the CIA World Factbook of 10 May 2012), Nigeria ranks 31 out of 228 countries in terms of GDP on a purchasing power parity (PPP) basis. The CIA World Factbook also estimates a labour force of 52.16 million with an average life expectancy of 47.6 years.

Constitution, Government and Political Parties

Constitution

Nigeria is a federation made up of three tiers of government—federal, state and local governments. The Constitution was adopted in May 1999. The Constitution provides for a tripartite structure of government in which power is divided among the executive, legislative and judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative) and an independent judicial system (judicial).

Executive Branch

Nigeria has adopted a presidential system of government with the executive powers of the federal government vested in the President. Such executive powers, subject to the provisions of the Constitution and of any law made by the National Assembly, may be exercised by the President directly or through the Vice-President and ministers of the government or officers in the public service of the federal government. The President has the power to appoint ministers and such appointment shall be effective if confirmed by the Senate. In appointing ministers, the President shall appoint at least one minister native to each state. The executive is accountable to the bicameral National Assembly. The President is elected by popular vote for a four-year term and is eligible to be elected to a second (and final) term. In addition to being the head of government, the President is also the Head of State and the Commander-in-Chief of the armed forces of the country.

The President’s role includes overseeing the day-to-day running of the affairs of the nation assisted by the Vice President, ministers, special assistants, special advisers and other relevant government functionaries with supervisory roles over areas of government.

The President may, in his discretion and in addition to any duties prescribed under the Constitution and other legislation, assign to the Vice-President or any minister of the federal government, responsibility for any business of the federal government, including the administration of any department of government.

Legislative Branch

The legislative powers of the federal government are vested in the National Assembly which consists of a Senate and a House of Representatives.

The current House of Representatives, formed following elections held in April 2011, has 360 members who are elected in single member constituencies. Members serve four-year terms. The number of seats per state is based on the population of each state. The Head of the House of Representatives is called the Speaker.

The Senate is made up of members elected into that upper house for a four-year term. Each state elects three senators while the Federal Capital Territory, Abuja, elects one (109 seats in total). The Head of the Senate is referred to as the Senate President.

The two houses work in collaboration with the executive branch in areas such as budgetary appropriation and the enactment of laws. A bill may originate from either of the houses but in order for it to be signed into law to by the President both Houses have to pass it.

Judicial Branch

In accordance with the Constitution, judicial authority is vested mainly in the following courts: the Supreme Court; the Court of Appeal; the Federal High Court; the High Court; Sharia Court of Appeal and Customary Court of Appeal of the Federal Capital Territory, Abuja; the High Court; Sharia Court of Appeal and Customary Court of Appeal of each state; and such other court as may be authorised by law to exercise jurisdiction over matters with respect to which the National Assembly (national legislature) may make laws or at first instance or on appeal over matters with respect to which a House of Assembly (state legislature) may make laws.

Nigerian courts are empowered to hear and determine disputes between private parties, disputes between a private party and any of the three tiers of government in the country or their agencies or disputes between government bodies. Thus, the courts have the power to review statutes and executive actions to ensure that they conform to the Constitution and other laws in force in Nigeria. The courts also have the power to adjudicate disputes between government bodies.

The courts with jurisdiction and power to deal with commercial, civil, criminal and constitutional matters, mentioned above, are described as follows:

Supreme Court of Nigeria—The Supreme Court is the highest court in Nigeria comprising the Chief Justice of Nigeria and such number of judges not exceeding 21 as may be prescribed by the National Assembly. It exercises original jurisdiction in respect of disputes between the federal government and the states, between states, between National Assembly and the President, between National Assembly and a state, and between the National Assembly and a State House of Assembly. Decisions of the Court of Appeal can also be appealed to the Supreme Court. The Supreme Court judges are appointed by the President on the recommendation of the National Judicial Council subject to confirmation of such appointment by the Senate.

Court of Appeal—The Court of Appeal comprising the President of the Court of Appeal and such number of Justices of the Court of Appeal, (not less than forty-nine) ranks immediately below the Supreme Court. It exercises original jurisdiction in respect of the election to the office of the President or Vice President of Nigeria, whether the term of those offices has ceased, and in relation to the question as to whether those offices have become vacant. The Court of Appeal has the exclusive jurisdiction to hear appeals from the Federal High Court, the High Courts, the Sharia Courts of Appeal, and the Customary Courts of Appeal of each state and the Federal Capital Territory, Abuja, as well as decisions of any court martial or any other tribunal established pursuant to the Act of the National Assembly. The president of the Court of Appeal is appointed by the President on the recommendation of the National Judicial Council subject to confirmation by the Senate. Justices of the Court of Appeal are appointed by the President on recommendation of the National Judicial Council.

Federal High Court—The Federal High Court comprising the Chief Judge of the Federal High Court and such number of judges of the Federal High Court as may be prescribed by an Act of the National Assembly is a specialised court, which hears and determines civil cases and matters arising from a number of areas including (but not limited to): the operation of the CAMA; bankruptcy and insolvency; the taxation of companies (and other bodies established or carrying on business in Nigeria) and all other persons subject to federal taxation; banking and securities regulation; foreign investments and foreign exchange.

High Court—There is a High Court for each state and the Federal Capital Territory, Abuja. Subject to the jurisdiction of the Federal High Court as stipulated in the Constitution, the High Court has jurisdiction to determine civil and criminal proceedings which originate in the High Court and those brought before the High Court in the exercise of its appellate and supervisory jurisdiction. The High Court exercises jurisdiction over matters pertaining to contract, tort and negligence among other things.

The Constitution also establishes the election tribunals and authorises the National Assembly to constitute other tribunals as may be required. The more prominent of these special “courts” are the Investment Securities Tribunal, which handles disputes in relation to capital market activities, and the National Industrial Court, which deals with labour matters.

State and Local Government

Each state is governed by a Chief Executive (known as the Governor) who is elected to a four-year term of office and is eligible for one further term. The Governor is assisted in carrying out his or her functions by a Deputy Governor. The Governor is empowered to appoint commissioners and advisers and to assign responsibilities to them.

The legislative powers of a state are vested in a unicameral legislative body called the House of Assembly. It is made up of representatives from all the local government areas within the state and exercises identical functions at the state level to those of the National Assembly at the federal level. A state House of Assembly shall consist of not less than twenty-four and not more than forty members.

State governments are vested with the power to collect personal income tax of its residents, impose sales tax and to impose and collect certain forms of stamp duties among others.

There are 774 local government councils in Nigeria. Each local government area is administered under a local government council consisting of a Chairman who is the chief executive of the local government area and other elected members who are referred to as councillors. The functions of local governments include the consideration and the making of recommendations to a state commission on economic, administrative and urban planning issues including the economic development of the state, collection of rates, radio and television licenses and establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm, naming of roads and streets and numbering of houses and such other functions as may be conferred on a local government council by the State House of Assembly.

Political Parties

Sixty three political parties are currently registered in Nigeria with the Independent National Electoral Commission (“INEC”). In addition to the ruling People’s Democratic Party, the main political parties include the Action Congress of Nigeria, All Nigeria People’s Party, All Progressives Grand Alliance, Congress for Progressive Change (“CPC”), Labour Party and National Democratic Party.

April 2011 Elections

The most recent general elections in Nigeria were held in April 2011. In the lead up to and during the course of the April 2011 elections, Nigeria experienced instances of sectarian violence, including bomb explosions in Abuja, Jos, Yenagoa and Maiduguri, in which a number of deaths were recorded. The National Assembly, presidential, gubernatorial and State Houses of Assembly elections were held at this time.

The National Assembly elections were held on 9 April 2011, and although there were alleged isolated cases of violence and other irregularities, the elections were generally reported as free, fair, peaceful and credible.

The presidential elections were held on 16 April 2011 and although the elections were reportedly to have been conducted peacefully and credibly, prior to the final announcement of the results, post-election violence and riots occurred in certain cities of some of the northern states of Nigeria (Kaduna, Gombe, Bauchi, Kano, Adamawa, Zaria and some parts of the Federal Capital Territory). The violence was reportedly as a result of the dissatisfaction with election results by supporters of an opposition party, who believed that the results declared in those states did not reflect the perceived widespread support for their candidate. Nevertheless, the INEC and international observers upheld the elections as being well-conducted and the INEC formally announced the incumbent President Goodluck Ebele Jonathan as the winner, with over 58.89 per cent. of the total votes cast. President Goodluck Ebele Jonathan secured more than 25 per cent. of the votes cast in over two-thirds of the states in Nigeria.

With respect to the gubernatorial elections, the PDP won in 16 states, Action Congress of Nigeria won in three states, All Nigeria Peoples Party won in three states, CPC won in one state whilst the election results in Imo State were declared inconclusive by the state chief returning officer. To determine the winner of the elections, supplementary elections were held in four local government regions of Imo State, in which the candidate for the All Progressive Grand Alliance, Rochas Okorocha, emerged as winner. Of the 24 states in which gubernatorial elections have been conducted, 16 incumbent governors were re-elected and 8 new governors were elected.

The Nigerian Economy

Overview

According to the IMF, Nigeria has the second largest economy in sub-Saharan Africa (after South Africa) and the largest in West Africa and is the most populous country in Africa. Nigeria has experienced steady growth in GDP between 2001 and 2008 with a slight dip in growth rate in 2009 due to significantly lower average oil prices during the year. Although historically growth was driven by oil and gas and agriculture, in recent years the economy has been diversifying into other areas such as telecoms, manufacturing and finance.

According to estimates from the CIA World Factbook, in 2011, Nigeria was the tenth largest oil producing country and held the eighth largest natural gas reserves in the world, with an estimated GDP in 2011 of U.S.\$247.1 billion and GDP per capita (adjusted for PPP) of U.S.\$2,600. Nigeria’s exports are dominated by petroleum products which account for approximately 95 per cent. of the country’s foreign exchange earnings and approximately 80 per cent. of budgetary revenues. However, escalating violence in the Niger Delta region adversely affected oil production in 2009, reducing the petroleum industry’s contribution to GDP. Despite the decline in oil output, Nigeria has recorded steady growth in GDP in recent years due to the non-oil sector’s strong performance. The size of the non-oil sector grew by 9.6 per cent. in 2007, 9.0 per cent. in 2008, and 8.6 per cent. in 2009, with contribution from sectors such as telecommunications, manufacturing, and building and construction, indicating Nigeria’s move towards a more diversified economy.

In 2010, there was an increase in the oil production attributable to the relative calm in the Niger Delta over the past two years. Crude oil and condensates production increased in the fourth quarter of 2010 to an average daily production of 2.65 million barrels per day as compared with an average daily production of 2.16 million barrels per day in the fourth quarter of 2009. The average daily production as at 31 December 2011 was 2.4 million barrels per day. These figures, together with associated figures relating to gas production, resulted in a decline in growth rate, in real terms, of 0.4 per cent. in oil GDP in the fourth quarter of 2011 compared with the 6.68 per cent. growth for the corresponding period in 2010. The oil sector has suffered from significant disruptions in recent times due to the leakages, which caused the temporary shutdown of facilities such as Bonga, a 200,000 barrel per day (bpd) facility, which supplies nearly 10 per cent. of Nigeria’s total crude output. Leakages on the Trans Forcados Pipeline (which is a major supplier to various power stations across the Niger Delta region) also resulted in The Shell Development Company of Nigeria declaring a force majeure on its Forcados export programme (which has a production capacity of 400,000 bpd) for the fourth quarter of 2011. However, the oil sector has also benefited from the high international crude oil market price and the foreign exchange market, in spite of a decline in daily average production in the fourth quarter of 2011. Overall, the oil sector contributed 14.71 per cent. to real GDP for 2011.

In the first quarter of 2012, crude oil and condensates production decreased in comparison to the corresponding quarter in 2011. The average crude oil production for the first quarter of 2012 was 2.35 million barrels per day against 2.51 million barrels per day for the same period in 2011. This also led to a decrease in the oil sector's contribution to real GDP from 17.18 per cent. in the first quarter of 2011 to 15.80 per cent. in the first quarter of 2012, as well as a decline in real terms of 2.32 per cent. in oil GDP growth compared with 0.05 per cent growth for the corresponding period in 2011.

The oil sector is recovering from the unprecedented levels of disruption caused by militant activities, vandalism and facility shut-downs in the Niger Delta between June 2008 and July 2009. Most of the onshore fields in the country that were shut down due to a lack of security (including the Bonga and Escravos fields of Royal Dutch Shell and Chevron Texaco) have been re-opened. The sector also benefited immensely from the continued upsurge in world crude oil demand which has kept prices at high levels coupled with the relative stability in the exchange rate of the Naira against the dollar. According to the NBS, overall real GDP grew by 7.98 per cent. in 2010, up from 6.96 per cent. in the previous year. The non-oil sector remained the main driver for GDP growth, accounting for 84 per cent. of the economy's total output. The Government plans to reinforce economic growth in future periods by encouraging non-oil private sector growth, which it plans to facilitate through the implementation of its Vision 20:2020 plan (see “—Reforms—Vision 20:2020” below).

Furthermore, Nigeria has benefited from a reduction in perceived country risk which has accelerated and increased FDI, which comprises equity capital, re-invested earnings and other capital inflows, from U.S.\$3.6 billion in 2005 to U.S.\$6.9 billion in 2009. However, the FDI declined to U.S.\$6.09 billion in 2010, although it increased slightly in 2011 to U.S.\$6.29 billion, according to reports by UNCTAD, Global Investment Trends Monitor. The decline in 2010 can be attributed to the global financial downturn in 2008 and 2009, as greenfield projects, which are the major basis for FDI in Africa, suffered a value decline of about 10 per cent. in 2010. Similarly, peer economies within Africa also suffered declines in FDI in 2010, such as South Africa, which recorded a decrease in FDI of 77.9 per cent., with Africa as a whole recording an average decrease in FDI of 14.4 per cent. in 2010. Additionally, under-developed infrastructure within the country has created significant unsatisfied demand and investment opportunities, which have motivated the increasing inflow of FDI outside of the energy sector (which had historically accounted for a high percentage of FDI). The Nigerian Investment Promotion Commission estimates cumulative FDI to total approximately U.S.\$47 billion over the last eight years.

Nigeria—Key Macroeconomic Indicators

Economic Indicators	2011⁽¹⁾	2012E	2013E	2014E
GDP at market exchange rates (U.S.\$ billions)	238.92	273.04	289.89	306.64
Real GDP growth (%)	7.19	7.20	6.57	6.49
GDP per capita (U.S.\$ at PPP market exchange rates)	2,578	2,722	2,866	3,014
Average Consumer Price Index (CPI) (%)	10.3	11.0	9.5	7.0
Population (million)	160.97	164.75	169.28	173.94
Total external debt (U.S.\$ billions)	5.67	5.91 ⁽²⁾	6.84	7.23
Total external debt (% of GDP)	2.36	2.16 ⁽²⁾	2.36	2.36
Exchange rate ₦/U.S.\$ (average)	151.83	156.00	156.00	156.00

Source: NBS, IMF, NBS, CBN.

(1) Data for the year ended 31 December 2011 is provisional.

(2) Current external debt as at 31 March 2012.

Provisional figures from the NBS show that the agricultural sector was the largest contributor to the nation's GDP in 2011 followed by the wholesale and retail trade sector each contributing 40.24 per cent. and 19.38 per cent. respectively. The third largest contributor to the GDP is the crude petroleum and natural gas sector. These three sectors contributed a total of 74.33 per cent. to GDP in 2011.

2011 GDP by sector contribution

Sector	%
Agriculture	40.24
Wholesale and Retail Trade	19.38
Oil and Gas	14.71
Other Sectors	6.67
Telecomm/Postal Services	5.71
Manufacturing	4.16
Finance and Insurance	3.45
Building and Construction	2.08
Real Estate	1.78
Business and Other Sectors	0.94
Hotels and Restaurants	0.52
Solid Minerals	0.36

Source: NBS (provisional data).

Oil Production

Nigeria is the world's eleventh largest producer of crude oil, with oil reserves at approximately 37.20 billion barrels, and has been producing oil for about 50 years. The Nigerian economy is highly impacted by oil and gas production, which accounted for 13.54 per cent. of GDP in 2010 and approximately 84.83 per cent. of total gross federally collected revenue in 2010. Crude oil prices declined from an average of U.S.\$101.15 per barrel in 2008 to U.S.\$62.08 in 2009, subsequently increasing in 2010 to an average of U.S.\$78.80, and to an average of U.S.\$110.87 in 2011. The average price of crude oil was U.S.\$118.64 per barrel for the three months ended 31 March 2012. As at 21 June 2012 however, the price of crude oil declined sharply to U.S.\$89.25. Oil production in 2009 and 2008 averaged 2.1 million barrels per day, compared to 2.5 million barrels per day in 2005. In 2010, oil production levels increased to an average of 2.47 million barrels per day. The average oil production was 2.4 million barrels per day as at 31 December 2011, which decreased to 2.16 million barrels per day during January 2012 due to the leakage at Shell's Bonga oil field and the Nembe Trunk pipeline in the Niger Delta. As at the end of February 2012, the average oil production rose back to 2.4 million barrels per day.

A divide between the oil producing states and the non-oil producing states has arisen over how the oil revenues should be distributed between the federal government and the states. The oil-producing states (which are predominantly situated in the southern region of the country) believe they are entitled to a greater share of revenue by virtue of the fact that the oil is produced in their region and they suffer the consequences of oil pollution and oil-related violence.

In the Niger Delta region, which is made up of nine states: Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers States, and covering approximately 112,110 square kilometres or 12 per cent. of Nigeria's land mass, sporadic violence has been a longstanding problem that the multinationals oil companies operating in the Niger Delta have faced for a number of years. The region, the world's third largest wetland, accounts for over 90 per cent. of Nigeria's oil and gas export earnings and up to 70 per cent. of revenues accruing to the Federation Accounts. Presently, Nigerian oil reserves stand at about 37.5 billion barrels, while the country's gas reserves are estimated at about 187 trillion cubic feet. Accordingly, the stability and development of the Niger Delta is critical to the economic well-being of Nigeria, the wider West African region and, to a lesser degree, global energy security.

The Niger Delta has been a source of unrest for many years. In 1995, in the face of international protests, nine Nigerian peace activists including author Ken Saro Wiwa from Ogoniland in the Niger Delta were executed by the military regime of General Sani Abacha. By 2002, unrest had grown once again throughout several states of the Niger Delta with a new wave of activism in the region. In 2006, militia forces had been formed in the Niger Delta, targeting the international oil companies by destroying oil infrastructure and kidnapping expatriate staff. The largest of the armed groups, the MEND has carried out most of its activities and attacks in the Niger Delta region but in July 2009, the assault extended to Lagos with the destruction of part of the Atlas Cove Jetty on Takwa Bay, Lagos, a major oil hub for Nigeria.

Significant efforts have been made by the Government to tackle the problems in the Niger Delta. For example, the Niger Delta Development Commission was established to, amongst other things, (i) develop the infrastructural needs of the Niger Delta; (ii) manage the sums received from upstream oil companies, and the allocation of the Federation Account for tackling ecological problems which arise from the exploration of oil minerals in the Niger Delta area; and (iii) alleviate the plight of local inhabitants. The Government has also built power plants and is working to create more jobs and improve infrastructure in the area. In addition, in 2009, the Government offered an amnesty to militants who surrendered their weapons by October 2009, in the hope that rebels would exchange their weapons for a pardon and retraining. Over 20,000 militants surrendered their arms and ammunition pursuant to the amnesty offer of the Government which expired on 4 October 2009.

The amnesty programme has significantly reduced but not eliminated tensions in the region. In December 2009, MEND claimed responsibility for an attack on an oil pipeline in the Niger Delta, breaching the ceasefire agreement with the Government. After another attack on an oil pipeline in the Niger Delta in January 2010, during late President Umaru Musa Yar' Adua's absence from office, MEND announced that it would end the indefinite ceasefire it offered in 2009, threatening further hostility in the region.

Following the accession to office by Goodluck Ebele Jonathan as President of Nigeria on 6 May 2010, militants in the Niger Delta region resumed their talks with the Government and other amnesty committees. However, on 1 October 2010, during Nigeria's celebration of the 50th anniversary of its independence, two bomb blasts occurred in the capital city of Abuja. Further attacks on oil pipelines and kidnappings took place in November 2010 and in December 2010, two bombs exploded during a political rally in Yenagoa, Bayelsa State, causing injury to several people.

As a result of militant activity in the Niger Delta, oil production has been adversely affected in the past few years. Nigeria, which has a production capacity of approximately 3.7 million barrels per day, was losing more than 1.5 million barrels in production at the peak of the conflict in the Niger Delta during the year 2010. The Government is committed to resolving the issues in the Niger Delta and continues to engage in discussions with all the stakeholders towards achieving permanent stability in the region.

The Government has placed continuous emphasis on the amnesty programme, and there has been a gradual reduction of militant activities and attacks by MEND since January 2011 and following the April 2011 general elections. Such

stability has helped increase oil production levels to approximately 2.4 million barrels per day for the twelve months ended 31 December 2011. However, this is still below the average of 2.6 million barrels during 2010, due to operational constraints faced by oil producing companies during the year.

Fiscal Deficit

The overall fiscal deficit decreased from ₦1,442.7 billion (4.94 per cent. of GDP) in 2010 to ₦990.3 billion (2.66 per cent. of GDP) in 2011. The decrease in the overall fiscal deficit for 2011 was largely as a result of relatively higher oil prices coupled with a slight decrease in recurrent expenditure. Further, the decrease in the fiscal deficit's percentage share of GDP in 2011 as compared to 2010 was as a result of the increase in average oil prices in 2011, coupled with an increase in GDP from 2010 to 2011. The 2012 Federal Budget signed by the President estimated the fiscal deficit for 2012 at ₦1,064.0 billion.

External Debt

Nigeria became the first African nation to fully repay its Paris Club debt in April 2006, after years of economic mismanagement and excessive spending led to gross external debt escalating to over U.S.\$32.0 billion by the late 1990s. In the first serious attempt at restructuring and reducing the country's debt burden, the Federal Government concluded negotiations leading in 1992 to a "Brady Bond" exchange with Nigeria's commercial bank creditors, and at the same time reducing such creditors' claims by 60.0 per cent. In 2000, the Paris Club of Creditors agreed to a restructuring of their 85.0 per cent. portion of the outstanding debt. Nigeria continued intensive negotiations with the Paris Club of Creditors and at the G8 summit in the summer of 2005 and following these negotiations, it was announced that Nigeria was successful in reaching a debt reduction agreement. The repayment plan saw Nigeria pay the Paris Club of Creditors U.S.\$12.5 billion in exchange for the remainder of its official debt, U.S.\$30.9 billion, being written off.

Following the success of the Paris Club of Creditors repayment, Nigeria repaid its debt owed to the London Club of Creditors in 2007. Nigeria's Brady debt has also effectively been paid down, following arrangements entered into with certain financial institutions in March 2007.

External debt was U.S.\$5.9 billion as at 31 March 2012.

Public Debt

As at 31 March 2012, Nigeria's total public debt was U.S.\$39.3 billion. External debt was U.S.\$5.9 billion as at 31 March 2012, a decrease from U.S.\$20.5 billion as at 31 December 2005, attributable to the repayment and subsequent cancellation of the Paris Club debt and the repayment of the London Club debt. Additionally, in December 2010 the Government entered into a U.S.\$899.5 million credit agreement with the Export-Import Bank of China for the purpose of funding certain infrastructure projects. Drawdowns under this facility are tied to project completion milestones. As at 31 December 2010 no amount had been drawn. Nigeria's domestic debt was ₦4.6 trillion, or U.S.\$29.51 billion as at 31 December 2010, compared to ₦1.5 trillion, or U.S.\$9.62 billion as at 31 December 2005. The country's domestic debt stands at ₦5.9 trillion, or U.S.\$37.84 billion as at 31 March 2012. Nigeria's domestic debt reflects the significant increase in borrowings through Government bonds in the domestic market.

Capital Markets

Following the precipitous decline witnessed in 2008, when the All Share Index lost 46.3 per cent., the market lost a further 33.8 per cent. in the year and was one of the worst performing indices in Africa (only Ghana performed worse). The NSE posted the biggest decline among 89 global indices tracked by Bloomberg.

Investment in the equities market as measured by turnover, declined to ₦688 billion in 2009 from ₦2.4 trillion in 2008, a drop of about 71.3 per cent. partly as a result of depressed prices but largely due to a decline in trading activity. Average daily volumes traded dropped from 775.65 million shares worth ₦9.55 billion in 2008 to 414.73 million shares valued at ₦2.8 billion in 2009. In contrast, there was a shift to the fixed income market where ₦18.5 trillion worth of FGN Bonds were traded in the OTC market versus ₦10.4 trillion the year before. Subscriptions to new FGN Bond issues also increased to ₦1.1 trillion in 2009 from ₦846.0 billion the year before. The corporate bond market, however, remained inactive with only one issue from GT Bank in December 2009, raising ₦13.5 billion. There was however, increased activity in the municipal bond market with Lagos, Kwara, Imo and Niger states raising a total of ₦91.5 billion from the capital markets. This level of activity in the bond market continued into 2010. The yield curve for the first half of 2010 saw greater increases towards the longer end, in line with the country's debt management strategy. In addition, a few more state governments, such as, Edo, Benue, Ebonyi, Kaduna and Bayelsa States, approached the bond market at more attractive prices, when compared to commercial lending rates, due to the increased level of investors' interest in the market given their political and economic stability. The corporate bond market also witnessed some activity in 2010 as companies such as UBA, Flour Mills of Nigeria Plc, Chellarams Plc, Nigerian Aviation Handling Company Plc and others raised funds from the corporate bond market.

There was an increase in activities in the equities market at the beginning of 2010, with the All Share Index advancing by 21.9 per cent. in the first half of the year. This performance continued the recovery of the All Share Index that

began in the second half of 2009 and saw a gain of 30.7 per cent. for that period. Factors such as the reforms in the banking sector and expansionary monetary and fiscal policies undertaken by the CBN helped to renew investors' confidence after the market collapse in 2008. Additionally, the CBN's efforts to resolve the banking crisis through the establishment of the Asset Management Corporation of Nigeria (AMCON), strong demand from institutional investors and incremental liquidity in the market spurred an overall growth in equities, giving rise to a 19 per cent. gain in the All Share Index during 2010.

The start of 2011 saw overall investor confidence shifting towards the debt market, as evidenced by the oversubscription of the Government's debut Eurobond issue. The U.S.\$500 million 6.75 per cent. Notes due 2021 was issued by the DMO on 21 January 2011, and was admitted to trading on the London Stock Exchange on 31 January 2011. The issue was oversubscribed by 250 per cent. by investors from about 18 countries, including Europe, America, Asia and Africa. The domestic debt market was also active, with state governments and some corporate raising finance through bond issuances. The equities market as at year end 31 December 2011 was trading negatively at a 16.31 per cent. year-to-date loss.

As witnessed in 2011, interest in the debt market and fixed income securities has remained dominant. The DMO has raised approximately ₦300.8 billion through the issuance of FGN Bonds since January 2012. State governments and government parastatals have also raised capital through the debt capital markets including the ₦20 billion 14.5 per cent 2018 bond issued by Ekiti State and the ₦6 billion 17.25 per cent 2017 bond issued by the Federal Mortgage Bank of Nigeria.

External Sector and Foreign Reserves

Nigeria's external sector, like most economies, was under pressure during the global financial crisis and this was reflected in the decline in foreign reserves, capital withdrawals by portfolio investors and a lower trade balance. Despite the pressure, combined monetary policy actions and exchange rate management resulted in a current account surplus, which represented 7.10 per cent. of GDP in 2011, compared to 1.28 per cent. of GDP in 2010. This increase in the current account surplus was attributable to higher exports as a result of the significant increase in international price of crude oil in 2011 as well as improvements in domestic oil production.

At the beginning of 2009, Nigeria's foreign reserves stood at U.S.\$52.8 billion and the Excess Crude Account at U.S.\$15.0 billion, creating a significant buffer against adverse economic and foreign exchange movements. By the end of 2009, foreign reserves had declined by 26.7 per cent. to U.S.\$42.5 billion while the Excess Crude Account balance declined by 56.7 per cent. to U.S.\$6.9 billion due to reduced foreign exchange earnings from oil and the subsequent dependence on the Excess Crude Account to fund budget deficits. Foreign reserves picked up in the fourth quarter of 2009 due to increased oil production coupled with higher oil prices, with over U.S.\$3.0 billion added in October 2009 alone. However, foreign reserves decreased to U.S.\$38.2 billion as at 31 December 2010 and further decreased to U.S.\$32.6 billion as at 31 December 2011. The decrease was due to active foreign exchange management by the CBN, through depleting the foreign exchange reserve in order to maintain stability in the exchange rate against increased demand for foreign exchange as a result of volatile oil prices. As at 19 June 2012, foreign reserves were at U.S.\$37.2 billion.

Foreign Exchange

Exchange rates prior to the recession were relatively resilient with the Naira strengthening to a high of ₦115.80 in May 2008 against the U.S. dollar. However, the reduction in external reserves due to the sharp decline in oil prices following the global financial crisis put significant strain on the Naira, which led to its subsequent devaluation, as well as an increased demand for foreign currencies.

In a bid to provide support for the Naira, the CBN has since 2009 established a price band for the Naira at +/- 3 per cent. of ₦150 to the U.S. dollar. Subsequently, the CBN discontinued the RDAS and re-introduced the WDAS under which the banks could bid for foreign currencies for themselves as well as on behalf of their customers, which restored some stability in the foreign exchange market.

However, with increasing uncertainty in the global economy recently, the Naira has come under intense pressure in the face of declining oil prices and foreign reserves, increased demand for foreign currencies, increased government expenditure and capital flow reversals. In October 2011, the CBN's MPC increased its benchmark interest rate (the MPR) by 275 basis points from 9.25 per cent. to 12 per cent. and implemented several tightening measures, such as reducing the limit on banks' net open position from 5 per cent. to 1 per cent. and increasing the cash reserve requirements from 4 per cent. to 8 per cent., with the intention that these measures will help to achieve the CBN's monetary policy goals for the Naira. On 21 November 2011, in order to support economic growth in Nigeria, particularly in light of the continued uncertainty in the global economy, the CBN devalued its target rate for the Naira to ₦155:U.S.\$1 but maintained the +/- 3 per cent. price band. As at 6 July 2012, the exchange rate was ₦155.9:U.S.\$1.

Inflation

Over the period from 2003 to 2007, the inflation rate dropped steadily from a high of 23.7 per cent. (year-on-year) in 2003 to a record low of 4.2 per cent. as at October 2007. The annual inflation rate rose to 6.6 per cent. as at 31 December 2007, and further to 15.1 per cent. as at 31 December 2008. Whilst it moderated slightly during the course of 2009, the inflation rate rose

again to 13.9 per cent. as at 31 December 2009, reflecting an increase in demand pressure due to fuel shortages linked to the speculation that petroleum product prices would be deregulated. In June 2010, the NBS changed its base year from May 2003 to November 2009 and re-weighted the CPI, reducing the weight of food in the inflation basket from 63.8 per cent. to 50.7 per cent. The intention was to provide for a more precise and accurate measure of inflation and is expected to result in an overall reduction in the inflation rate, given the impact of food prices when measuring the rate of inflation. Despite this, the changes in the CPI calculation resulted in an upward revision of the inflation rate in June 2010 from 10.3 per cent. to 14.1 per cent., although this upward revision was attributed to the increase in the standard of living in Nigeria from May 2003 to November 2009, due to a growing middle class, which translated to higher prices of goods and services. The year-on-year headline inflation rate remained at double digits throughout the second half of 2010. It closed at 11.8 per cent. at 31 December 2010, compared with 14.1 per cent. in June 2010 and 13.9 per cent. in the corresponding period of 2009. The high inflation rates during the review period were partly attributed to structural factors and the rebased and enlarged index of consumer prices in November 2010 to reflect current consumption patterns in the economy. The recent reforms that have strengthened monetary management have gradually helped to curb inflationary pressure, with the inflation rate (the headline Composite CPI) reducing to 10.3 per cent. year-on-year in December 2011, according to the NBS. This is a 2.5 per cent. drop from the year's high of 12.8 per cent. recorded in March 2011.

The primary driver of inflation in Nigeria so far for 2012 remains food prices, given that it accounts for 64 per cent. of the CPI basket. The CPI was 12.9 per cent. year-on-year in April 2012, a 0.8 per cent. increase from 12.1 per cent. recorded in March 2012. In line with the increase in CPI in April, there was also a 0.13 per cent. increase in the month-on-month all-item price index when compared with March 2012, due to the overall increase in prices in the economy, particular in food, as well as the full incorporation of the fuel price increase into producers' costs (contributed by the partial removal of the petroleum subsidies).

Given the liquidity injections into the banking sector, the eventual deregulation of the downstream petroleum industry sector and partial removal of the petroleum subsidy, these, together, are expected to keep pressure on inflation rates through 2012.

Interest Rates

In a bid to restore liquidity and boost lending in the economy, the CBN reduced the MPR, the benchmark for all other interest rates, to 6.0 per cent. in July 2009, down from 8.0 per cent. in June 2009. The CBN made very minimal changes to the rate in 2010 in order to avoid slowing down the pace of economic recovery, with the MPR remaining constant for most of 2010, at 6.0 per cent., rising to 6.25 per cent. on 21 September 2010 and remaining there for the rest of the year. The MPC raised the MPR by 25 basis points in January 2011, by 100 basis points in March 2011, by 50 basis points in May 2011, by 75 basis points in July 2011, by 50 basis points in September 2011 and by 275 basis points in October 2011, signalling a tightening of monetary policy further in response to increasing inflationary pressures and to support the Naira. As at 10 July 2012, the MPR stood at 12.0 per cent.. As at the same date, the spread on a CBN standing lending facility was approximately 200 basis points above the MPR, while the rate on a CBN standing deposit facility was at 200 basis points below the MPR.

In the second half of 2010, aggregate bank lending/credit within the domestic economy increased by ₦350.03 billion, or 4.06 per cent., to ₦8,962.97 billion, compared with the 8.97 per cent. increase in lending recorded in the first half of 2010. The overall growth in bank credit for 2010 was considerably lower, 13.40 per cent., than the 59.61 per cent. recorded in 2009, and fell substantially below the prescribed CBN target of 51.43 per cent. for 2010. This decrease in the rate of growth was largely attributed to a decrease in lending to the private sector, in favour of lending to the Government.

Credit to the private sector fell by ₦399.11 billion, or 3.95 per cent., in the second half of 2010, compared with a decline of ₦103.26 billion, or 1.01 per cent., in the first half of 2010. The overall decline in bank credit to the private sector for the 2010 fiscal year was 4.10 per cent., in contrast to the 26.63 per cent. increase recorded for the 2009 fiscal year (against a benchmark growth rate of 31.54 per cent.). Overall, lower lending to the private sector was influenced by the poor liquidity conditions in some of the banks and the generally cautious approach to lending in the Nigerian banking system following the recent crisis.

Reforms

Nigeria is in the process of adopting and implementing a number of reforms with the objective of making Nigeria one of the 20 largest economies in the world by 2020. The reforms are aimed at a number of areas, primarily diversifying the economy away from dependence on oil by addressing infrastructure and related deficiencies to create a more favourable environment for continued growth of the non-oil and gas sectors of the economy. A summary of some of these key reform agendas include:

Vision 20:2020

Vision 20:2020 is the Government's long-term plan to become one of the world's 20 largest economies by 2020, and the Government has adopted the First NIP as its medium-term plan to implement the first stage of Vision 20:2020. The First NIP focuses on the following six main areas:

- physical infrastructure —power, transport and housing;
- productive sector—the key sources of economic growth such as agriculture, oil and gas and manufacturing;

- human capital and social development—the social sectors of the economy including education, health, labour, employment and productivity;
- building a knowledge-based economy—building a knowledgeable workforce and ensuring widespread access to information, internet and communication technology;
- governance and general administration—election reform and combating corruption; and
- regional geopolitical zone development—fostering accelerated, sustainable social and economic development in a competitive and friendly manner.

Power Sector

Nigeria lacks a stable power supply, adequate roads, railway and other infrastructure. Nigerians have suffered from pervasive shortage of electricity and businesses have resorted to self-generation of power. It is estimated that Nigerians spend U.S.\$13 billion annually to run diesel generators. Although Nigeria currently has an installed electricity power generation capacity of approximately 8,664MW, actual electricity generated was 4,842MW as at 31 December 2011. Power generation continues to dwindle owing to disruptions of gas supplies to thermal plants and low water levels at the hydro power stations. Poor transmission and distribution infrastructure result in significant load shedding, further worsening electricity supply in the country.

In a drive to address these challenges, the Government initiated the sector reform and passed the Electric Power Sector Reform Act (2005) (“**EPSRA**”) to liberalise the sector and privatise key assets of the dominant public power provider, the Power Holding Company of Nigeria (“**PHCN**”) (formerly the National Electricity Power Authority), while promoting independent power production. The PHCN has also been separated into 18 new successor companies (which are intended to be privatised) consisting of six generating companies, one transmission company and eleven distribution companies. The EPSRA also established the Nigerian Electricity Regulatory Commission (“**NERC**”), which is responsible for licensing and regulating the generation, transmission, distribution and supply of electricity, enforcing performance standards, consumer rights and obligations and determining tariffs. The EPSRA provides for the restructuring of the Nigerian electricity supply industry and the development of a competitive electricity market for trading in electricity. In 2005, the Government also launched a capital investment programme under the NIPP. The NIPP comprises investment in gas-fired power plants and transmission lines across the country in Abia, Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Kogi, Ogun, Ondo and Rivers states respectively, and the target for the NIPP generation projects is to add a total generated capacity (of electricity) of approximately 5000MW by the year 2013.

In August 2010, the Government launched the “Roadmap for Power Sector Reform” which seeks to, among other objectives, remove obstacles to private sector investment in the power sector (including through the provision of credit enhancement and the establishment of an appropriate pricing regime), permit the privatisation of the generation and distribution companies which were unbundled from the PHCN facilitate the construction of new transmission networks and reform the fuel-to-power sector. The Government estimates that in order to meet the target of 40,000 megawatts of generating capacity by 2020, a total investment of U.S.\$10 billion per annum will be needed throughout the whole power sector until 2020, most of which it aims to achieve by incentivising the private sector to make such investments.

The Government also plans to establish an appropriate pricing regime and the NERC is currently undertaking a major review of the tariff regime to replace the national uniform tariff with a new cost-reflective ceiling on end-user tariffs. In May 2010, the Minister of Petroleum Resources announced the President’s approval for the implementation of a new gas-to-power price regime as part of its efforts to encourage more gas production for electricity generation. Under the approved price regime, gas prices were to progressively increase from 20 cents per million British thermal units (mmbtu) to U.S.\$1/mmbtu and U.S.\$2/mmbtu by the end of 2010 and 2013 respectively. However, as at 20 June 2012, the gas price already reached U.S.\$2.61/mmbtu. In addition, the Government has established and appointed the governing board of the Nigerian Bulk Electricity Trading Company Plc (the “**Bulk Purchaser**”), a government-owned bulk buyer which intends to carry out contract management and bulk trading on behalf of the successor distribution companies until the industry stabilises (including in terms of demand and pricing). The presence of the Bulk Purchaser is expected to act as an incentive for new investment into the power generation market and to help stabilise the market for the successor distribution companies of PHCN. The total proposed investment in the power sector during the First NIP period (being the National Implementation Plan for the period 2010-2013) is ₦880.98 billion. This will cover investments in four major areas: power generation; transmission; distribution; and alternative energy.

In August 2010, driven by concerns over the poor state of infrastructure across the country, the CBN created the ₦300 billion Power and Aviation Sector Intervention Fund for investment in debentures to be issued by the BOI to finance aviation and power projects. Aware of the role a stable power supply could play in the economy, the CBN further decided in September 2010 to provide guarantees to the National Pension Commission and unlock ₦400 billion from pension funds into the Power and Aviation Sector Intervention Fund to add to the initial ₦300 billion invested.

In March 2011, the CBN disbursed ₦198 billion of funds to Nigeria’s BOI for further disbursement as discounted loans to companies in both the power and aviation sectors.

In February 2012, the NERC in conjunction with the Bureau of Public Enterprises (“BPE”) announced that electricity prices are set to rise by an estimated 11 per cent. further to the removal of electricity tariffs under the NERC’s Multi-Year Tariff Order programme. The new tariff, which commenced on 1 June 2012, is part of the privatisation plan of the power sector. However, certain categories of consumers classified as “special customers” (such as hospitals and public amenities suppliers, small and medium scale enterprises, as well as residents in rural areas and impoverished urban residents), are expected to be subject to a lower tariff increase and to continue to receive a subsidy from the Government. It is expected that the increase in tariff will serve as a form of encouragement to potential investors in the power sector who were concerned with the return on their investment under the former tariff regime.

Following the announcement of removal of the older tariffs, the NERC, in March 2012, also issued two landmark regulations which would enable state and local governments, private investors and suppliers and communities to generate and distribute electricity. The “Nigerian Electricity Regulatory Commission Regulations for Independent Electricity Distribution Networks 2012” regulation permits state and local governments, private investors and suppliers and communities to generate and distribute electricity for their exclusive consumption through the use of existing facilities of electricity distribution companies or independent electricity distribution network operators. The second regulation, “Nigerian Electricity Regulatory Commission Regulations For Embedded Generation 2012”, permits state and local governments, investors and communities to invest in generating electricity for transportation through electricity distribution networks in areas without access to the grid or distribution network or areas with poorly serviced distribution networks. These regulations are intended to further support the aim of the EPRSA by privatising and creating a competitive and attractive power sector for investments.

The new regulations are expected to increase access to electricity of the approximately 40 per cent. of Nigeria’s population that does not currently have access, through the deregulation of power generation and distribution, which is expected to have a positive impact on the quality of electricity supply.

However, increased power interruptions and power failures continue to impact negatively on the country and its business sector, and most businesses continue to seek alternative and more reliable means of power-supply, including self-generation, resulting in increased operating costs.

Oil and gas sector

The Government is currently seeking to reform the petroleum industry. The National Assembly is currently considering the PIB, a major legislative proposal that would represent the most comprehensive overhaul of the structure of the oil and gas industry in Nigeria since commercial oil production began in the 1960s. The Government has also introduced measures to remove the petroleum subsidy at the beginning of 2012, although the subsidy removal was partial only following protests in January 2012 against the full subsidy removal. See also “*Risk Factors—Factors that May Affect the Guarantor’s Ability to Fulfil its Obligations under the Guarantee—Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—Nigeria is subject to risks in its economic stability*” and “*—Power Sector*” above.

Economic Reform Initiatives

The administration led by President Goodluck Ebele Jonathan is committed to creating a liberal market-oriented economy driven mainly by the private sector, while focusing on the need to alleviate poverty and advance local production. Nigeria’s reform initiatives have been primarily centred on the following:

- *Economic Stability*—Fiscal stimulus was created through draw downs from the Excess Crude Account to increase monthly revenue for the three tiers of government. In addition to the measures taken by the Nigerian SEC and the NSE to tighten regulation and reduce transaction costs, the CBN has introduced a number of measures towards stabilising the banking sector.
- *Oil and Gas / Extractive Minerals Sector Reform*—Steps taken include deregulation of the downstream sub-sector; increased supply of local inputs in the upstream sub-sector through the enactment of the Nigerian Oil and Gas Industry Content Development Act; de-regulation and development of the solid minerals sector.
- *Institutional Reform*—Civil service reforms (monetisation of public sector benefits) and increasing public services; privatisation of key state-owned institutions; and deregulation of strategic economic sectors.
- *Employment Generation and Poverty Alleviation*—The National Economic Empowerment and Development Strategy (NEEDS) is an initiative that encourages people to take an active role in the prosperity of Nigeria. The National Poverty Alleviation Programme (NAPEP) is a programme with an objective to provide micro-credit and other productive assets to rural and urban poor communities.
- *Accelerated Infrastructural Development*—The Government has committed to an ambitious investment programme to address needs in critical areas such as power, transportation, and telecommunications through private/public partnerships (PPP) initiatives.
- *Financial Sector Reform*—The Pension Reform Act; the banking and insurance sector reforms; and capital market reforms.

- *Tax Reforms*—Establishment of an effective and disciplined tax management regime to support the government's drive for improved internal revenue creation.
- *National Treasury Reform*—Restructuring of the Government's balance sheet for effective debt and reserve management, the introduction of a structured Government bond programme for financing domestic debt, and the increased role of the DMO to centrally coordinate the management of Nigeria's public debt.
- *Fiscal Reform/Public Expenditure Management*—The introduction of the Nigeria Sovereign Investment Authority Act which seeks to institutionalise the practice of saving the excess oil revenues earned above the reference oil price into the Excess Crude Account and the NSWF. See also "*Risk Factors—Factors that May Affect the Guarantor's Ability to Fulfil its Obligations under the Guarantee—Risks Relating to Nigeria and the West African sub-region in which the Access Bank Group operates—The continuing depletion of the Excess Crude Account and the uncertainties surrounding the newly established National Sovereign Wealth Fund could have adverse impacts on the Nigerian economy*".

Banking

The global financial crisis and the resulting decline in the Nigerian equities market in 2009 resulted in significant increase in non-performing loans by a number of Nigerian banks, and weaknesses in corporate governance compounded these problems. Following a special examination and investigation in 2009 of the 24 banks that comprised the Nigerian banking system, the CBN found significant irregularities and capital adequacy deficiencies at some of the banks, resulting in a number of measures being taken by CBN, including the injection of a total of ₦620 billion into the Intervened Banks, as well as Wema Bank and Unity Bank, and provision of guarantees for inter-bank lending. AMCON, a government-backed corporation, was also created to purchase a significant portion of the non-performing loans in the Nigerian banking sector and assist in recapitalising the Intervened Banks, with a view to restoring stability to the Nigerian banking sector. To achieve this objective, AMCON acquired ₦2.48 trillion of NPLs (representing approximately 80 per cent. of the banking sector's NPLs at the time) on 31 December 2010 by issuing ₦1.15 trillion of zero-coupon initial consideration bonds. On 6 April 2011, AMCON further issued an aggregate of ₦1.68 trillion bonds, part of which were swapped for the initial consideration bonds issued in December 2010, which were not tradable and therefore not liquid, with subsequent tranches being used for price discovery purposes as well as for the purchase of further NPLs.

On 20 September 2011, AMCON held an extraordinary general meeting at which an increase in the shelf value of its bond issuance programme from ₦3 trillion to ₦4.5 trillion was approved. The increase was intended to create sufficient headroom to accommodate the issuances of AMCON Bonds to Intervened Banks for the purposes of providing financial accommodation to them. See also "*The Nigerian Banking Sector—The Asset Management Corporation of Nigeria*".

Statistical Data

The following tables set out certain selected economic information about Nigeria.

	For the year ended 31 December				
	2007	2008	2009	2010	2011 ⁽¹⁾
Domestic Economy					
Nominal GDP (Naira billions)	20,657.3	24,296.3	24,794.2	29,205.7	36,552.4
Real GDP (Naira billions)	634.3	672.2	718.9	775.5	833.4
Real GDP (growth rate) (%)	6.45	5.98	6.96	7.87	7.36
	For the year ended 31 December				
	2007	2008	2009	2010	2011 ⁽¹⁾
Balance of Payments (Naira billions)					
Exports of Goods	8,309.8	9,907.6	8,832.4	11,074.4	14,234.2
Imports of Goods	(3,559.9)	(4,369.8)	(4,325.1)	(8,033.6)	(9,484.4)
Trade Balance	4,749.9	5,537.8	4,507.3	3,040.8	4,749.8
Current Account	3,879.2	3,748.3	3,408.1	372.3	2,605.3
	For the year ended 31 December				
	2007	2008	2009	2010	2011 ⁽¹⁾
Public Finance (Naira billions)					
Total Gross Federally Collected Revenue	5,715.6	7,866.5	4,844.5	7,303.6	9,987.6
Federal Government Retained Revenue	2,333.6	3,193.4	2,642.9	3,088.7	3,083.4
Total Expenditure	2,450.8	3,240.8	3,452.9	4,194.2	4,259.9
Overall Deficit	(117.2)	(47.3)	(810.0)	(1,105.4)	(1,176.5)
	For the year ended 31 December				
	2007	2008	2009	2010	2011 ⁽¹⁾
Public Debt (U.S.\$ billions)					
External Debt	3.7	3.7	3.9	4.6	5.66
Domestic Debt	18.6	17.7	21.9	29.8	37.7
Gross Public Debt as % of real GDP	13	11.6	15.4	16.0	17.5

Sources: NBS, CBN, Office of the Accountant General and DMO.

(1) Data for the year ended 31 December 2011 is provisional.

THE NIGERIAN BANKING SECTOR

According to the “Agusto Banking Industry Report 2011”, total Nigerian banking sector assets and contingents grew to ₦17.97 trillion (approximately U.S.\$115.27 billion) as at 31 December 2010, from ₦16 trillion (approximately U.S.\$102.63 billion) as at 31 December 2009. Total Naira deposits also increased to ₦10 trillion (approximately U.S.\$64.14 billion) as at 31 December 2010, from ₦9 trillion (approximately U.S.\$57.73 billion) as at 31 December 2009. Non-performing loans, as a proportion of total loans were 36.0 per cent. as at 31 December 2009, compared with 5.6 per cent. in 2008. Subsequent to the AMCON acquisition of NPLs on 31 December 2010, the industry NPL ratio dropped to 16 per cent. of the total loans. The CBN set a target across the sector for NPL levels of 5 per cent. by 31 December 2011. However, only some banks (including Access Bank) have achieved this target. Banks who have NPL levels above 5 per cent. are required to either sell those excess NPLs to AMCON or write off the excess. There are 21 banks currently in operation in Nigeria.

Retail lending penetration in Nigeria remains significantly lower than that of other countries, with such lending equalling only 0.1 per cent. of GDP as at 31 December 2009 and the economy is broadly cash based. Trade finance, cash management for large corporates and electronic banking are key areas for growth for the banking sector generally, and for the Access Bank Group in particular. Nigeria’s underdeveloped retail market is considered to be a long term market opportunity and many industry players have shifted their focus to establishing consumer risk assets with higher yields.

Supervision and Regulation of Banks in Nigeria

The major regulators of Nigeria’s financial sector are the CBN and NDIC. Since January 1999, the CBN has acted autonomously from the FMF (which formerly supervised the CBN) and now has the power to formulate and implement monetary and exchange rate policies.

The principal governing body of the CBN is its board of directors which consists of the Governor of the CBN, who acts as Chairman, five Deputy Governors, the Accountant General of the Federation, the Permanent Secretary of the FMF and five Directors. Each Deputy Governor overlooks one of the five directorates of the CBN namely: Operations, Governors’ Operations, Corporate Services, Financial System Stability and Economic Policy.

There are four departments under the remit of the Financial System Stability Directorate: banking supervision, financial policy and regulation, development finance and other financial institutions supervision. The functions of the Financial System Stability Directorate includes supervision of banks, and this involves amongst other, on-site examination of banks, especially in relation to their financial condition, internal control systems, reliability of information provided and compliance with corporate governance codes. The CBN also monitors trends in the banking sector, and generates industry reports on a monthly and quarterly basis, evaluates the development of the finance sector and monitors other financial institutions. Activities such as changes of auditors, announcements of audited financial statements, opening of branches, and changes in control and appointments of directors by banks are subject to the prior approval of the CBN.

The CBN’s monetary policy mandate encompasses issuing currency (Naira and kobo), the maintenance of Nigeria’s external reserves, promoting and maintaining monetary stability and a sound and efficient financial system, and acting as both banker and financial adviser to the federal government and the banker and lender of last resort to commercial banks.

The CBN is also the agency of the government which maintains general surveillance over the Nigerian foreign exchange system. It licenses authorised dealers who are licensed banks which may deal in foreign exchange. By virtue of Section 1(2) of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, the CBN may also make regulations from time to time pertaining to foreign exchange.

The NDIC, established by statute in 1988, insures all deposit liabilities of licensed banks and other financial institutions operating in Nigeria. The NDIC guarantees payments to depositors in case of imminent or actual suspension of payments by insured banks or financial institutions up to the maximum amount of ₦200,000.00 per depositor for primary mortgage institutions and micro finance banks, and ₦500,000.00 per depositor for deposit money banks. The NDIC is also mandated to assist monetary authorities in the formulation and implementation of banking policy in Nigeria so as to ensure sound banking practices and promote fair competition among banks in Nigeria. It also plays a major role in co-ordinating with the CBN in the liquidation of banks in Nigeria. The powers and functions of the NDIC are stated in the Nigeria Deposit Insurance Corporation Act Cap. N102 LFN 2004 No 16 of 2006 which repealed the Nigeria Deposit Insurance Corporation Decree of 1988.

As the regulator of the Nigerian banking sector, the CBN intends to introduce a more robust and risk sensitive supervisory framework in line with global best practice, including greater collaboration among the financial sector regulators and supervisory agencies. The aim is to facilitate the evaluation of the banking industry as a whole through stress-testing and other methods and to bring to the attention of regulators the risks which the operations of each entity within the industry could bring to the sector as a whole to allow regulators to take proactive remedial actions.

Banking Sector Reform—2004-2009

Pursuant to its 13-point agenda aimed at reforming the banking industry (“**13-point agenda**”), the CBN introduced a number of reforms in July 2004, including a requirement that all banks raise their minimum capital base from ₦2.0 billion to ₦25.0 billion by 31 December 2005. Banks that failed to meet these capitalisation requirements by 31 December 2005 had their licences revoked. This led to numerous capital raisings and mergers and acquisitions, and reduced the number of banks operating in Nigeria from 89 to 25. In 2007, the first post-CBN mandated consolidation was completed, with Stanbic Bank Nigeria (wholly-owned by The Standard Bank of South Africa) merging with IBTC Chartered Bank, thereby reducing the number of banks in Nigeria to 24. The result was a leaner and more highly capitalised banking sector consisting of 24 deposit money banks with enhanced capacity for rapid asset growth and branch expansion.

The consolidation exercise led to an unprecedented growth in the years between 2005 and 2008. Banking sector assets and liabilities grew by 35.8 per cent. between December 2007 and November 2008 alone, to ₦14.9 trillion. Banks aggressively increased their loan books across the board, particularly to private sector borrowers, which increased 17.9 per cent. in the first quarter of 2008, and a further 13.6 per cent. in the second quarter 2008, according to data from the CBN.

However, March 2008 marked a turning point for the economy, when the first signs of the effect of the global economic downturn on Nigeria became visible. Oil prices fell from their high of U.S.\$144 per barrel and equity prices began a steady decline, as foreign investors reduced their exposures. The effect on the Nigerian banking sector was especially significant due to its considerable exposure to international investors through the capital markets as well as the oil and gas industry. Exposure to the capital markets in the form of margin loans to operators and individuals stood at approximately ₦900 billion as at 31 December 2008, representing approximately 12 per cent. of aggregate credit (39 per cent. of shareholders’ funds of the Nigerian banking sector). As at the same date, the banking sector’s total exposure to the oil & gas industry was in excess of ₦754 billion, representing over 10 per cent. of aggregate credit (27 per cent. of shareholders funds). The economic downturn, combined with underdeveloped credit and risk management procedures as well as lax regulatory controls, led to significant impairment in asset quality, severe capital erosion, reduced liquidity, and a decline in earnings due to the slowdown in credit disbursements. The global financial crisis and the resulting decline in the Nigerian equities market in 2009 also resulted in significant provisions and high NPLs at a number of Nigerian banks.

The asset quality and liquidity problems created concerns about solvency. The CBN, under Governor Chukwuma Soludo, embarked on a number of initiatives to reduce counterparty risk concerns and improve liquidity in the sector. These initiatives included:

- reducing the Monetary Policy Rate (MPR) to 8 per cent.;
- reducing the liquidity ratio requirement from 40 per cent. to 25 per cent.;
- reducing the cash reserve requirement from 4 per cent. to 1 per cent.; and
- expansion of CBN’s discount window (the “**Extended Discount Window**”) in October 2008 to provide banks with access to funds for longer terms and to accommodate money market instruments such as Bankers Acceptances and Commercial Papers (at its peak, the banks’ total outstanding commitments under the Extended Discount Window was ₦482 billion).

Towards the end of Soludo’s term in June 2009, a cloud of uncertainty dominated the banking sector. Despite a general lack of transparency, the troubling symptoms in the banking sector began to spread to other areas of the Nigerian economy, thus weakening macroeconomic conditions through rising interest and exchange rates, 4-year low bank valuations, reduced lending to the real sector and loss of investor confidence.

Banking Sector Reform—2009 to present

The current Governor of the CBN, Sanusi Lamido Sanusi, was appointed in June 2009. The CBN’s first action under the leadership of Sanusi was to close the Extended Discount Window in July 2009 and instead provide guarantees for all inter-bank placements. Notably, 90 per cent. of the total disbursements under the Extended Discount Window between its opening and close were to five banks: Afribank, Finbank, Intercontinental Bank, Oceanic Bank and Union Bank, who were also the main net takers under Soludo’s Extended Discount Window arrangement. This prompted the CBN/NDIC to carry out a special examination of the 24 deposit money banks regarding their liquidity, capital adequacy and corporate governance issues. The examination was carried out in two phases, and phase one found the five above mentioned banks to be in a “grave situation” as defined in the BOFIA Cap. B3 Laws of the Federation Of Nigeria 2004—under capitalised with insufficient liquidity and poor corporate governance, characterised by the following:

- Non-performing loans representing 40 per cent. of their total loan portfolio;
- Failure to meet the minimum liquidity requirement and capital adequacy ratios of 25 per cent. and 10 per cent. respectively;

- Weak corporate governance and risk management; and
- Huge concentration in capital market and oil and gas portfolio exposure.

In order to prevent further deterioration in these five banks, the CBN replaced the executive management in each bank and injected a total of ₦420 billion (approximately U.S.\$2.69 billion) into the five banks.

At the conclusion of the second phase of the examination in September 2009, an additional five banks were found to be in varying degrees of distress. Of those five banks, four were found to be in a grave situation, namely ETB, Bank PHB Plc (“**Bank PHB**”), Spring Bank Plc (“**Spring Bank**”) and Wema Bank. As with the initial five banks, the executive management of ETB, Bank PHB and Spring Bank were removed. Wema changed its management in June 2009 prior to the special examination by the CBN, following which the new management was given until June 2010 to recapitalise the bank. Unity Bank was judged to have sufficient liquidity but fell short of the statutorily required capital adequacy amount. Accordingly, the CBN ordered Unity Bank to re-capitalise before June 2010. The CBN subsequently extended the grace period for compliance for both banks to October 2010. Both Wema Bank and Unity Bank successfully recapitalised by the October 2010 deadline. In the process leading to recapitalisation, Wema Bank raised ₦7.5 billion through a special placement offer and in addition, recovered ₦4 billion from debtors, while Unity Bank raised ₦17.3 billion through a rights issue to shareholders. To further ensure stability in the banking sector and increase lending capacity, the CBN announced in March 2011, that it would offer additional liquidity support to the banking sector through the provision of term loans, totalling ₦200 billion (approximately U.S.\$1.28 billion), for re-financing and restructuring loans issued by banks to the Nigerian manufacturing sector.

The CBN subsequently revoked the licenses of three of the Intervened Banks, Afribank, Bank PHB and Spring Bank for failure to show the necessary capacity and ability to recapitalise before the September 2011 deadline. In the interest of depositors and to prevent possible liquidations, the assets and liabilities of these three banks were transferred to newly formed bridge banks established pursuant to the provisions of the Nigeria Deposit Insurance Corporation Act; the assets and liabilities of Afribank, Bank PHB and Spring Bank were transferred to Mainstreet Bank Limited, Keystone Bank Limited and Enterprise Bank Limited, respectively. The NDIC subsequently entered into an agreement with AMCON whereby ownership of the bridge banks was transferred to AMCON in August 2011.

Overall, the CBN’s rationale for intervening was to resolve the immediate liquidity challenges in the country’s banking system and to restore stability and confidence to the banking sector. In total, the CBN injected ₦620 billion (approximately U.S.\$3.98 billion) of Tier II capital into the eight Intervened Banks as well as Wema Bank and Unity Bank, whilst stimulating liquidity across the sector by reducing statutory limits and guaranteeing inter-bank placements. To increase transparency, in September 2009 the CBN ordered all banks to report their results for the nine-month period ended 30 September 2009 under a prescribed pro-forma, which aimed to ensure adequate and consistent levels of disclosures. To date, there has been no run on the Intervened Banks and inter-bank rates have dropped significantly.

To manage the effects of its intervention, the CBN is facilitating the recovery of non-performing loans of the affected banks and has reaffirmed its guarantee of the domestic inter-bank market, guaranteed foreign creditors/correspondent banks’ credit lines to Nigerian banks and maintained effective communication with all stakeholders. At the March 2011 CBN MPC meeting, the CBN agreed to extend the guarantees until September 2011. Since August 2009, when the first five banks (Union Bank, Intercontinental Bank, Oceanic Bank, Afribank and Finbank) were pronounced as “grave”, the eight affected banks are reported to have recovered approximately ₦198 billion of non-performing loans. However, there have been large write-offs, as shown when the banks reported their year-end December 2009 financial results.

Furthermore, in October 2010 the CBN repealed the universal banking guidelines which had been in operation since 2000 and issued new rules and guidelines for the banking licenses regime titled “Regulation on the Scope of Banking Activities & Ancillary Matters,” No. 3, 2010. The new rules, according to the CBN, are aimed at streamlining banking operations in Nigeria as well as reducing the exposure of the banks to higher operational risks. Henceforth only commercial banks, merchant banks, and specialised banks, which include non-interest banks, microfinance banks, development banks and mortgage banks, will be permitted to carry out banking businesses in Nigeria.

The new regulation, which was issued by the CBN Governor Sanusi Lamido Sanusi pursuant to Section 57 of BOFIA, also stated that no bank shall establish, maintain or permit to exist, any related enterprise except pursuant to Sections 21(1) and 22(1)(c) of BOFIA and that such related enterprise is a banking institution incorporated outside Nigeria with the permission of the CBN and such related enterprise is a company jointly established by two or more banks with the approval of the CBN for the purpose of promoting the development of the money market or improving the delivery of banking services in Nigeria.

This rule effectively requires banks to divest from all non-banking business or to adopt a non-operating holding company structure in compliance with the regime by May 2012 if they wish to engage in non-core banking activities. In such cases, banks will be required to make a business case to their stakeholders towards deciding which structure to adopt going forward (namely, the non-operating holding company or complete divestment structures). In addition, all existing universal

banks were required to submit their plans on compliance with the new banking regime to the CBN not later than 90 days from 15 November 2010 or, in the case of Intervened Banks, following the agreement of acquisition terms with any strategic investors (which all Intervened Banks had been asked to seek). A number of banks, including Access Bank, are in the process of divesting from non-core banking activities. In view of the intricacies of the recapitalisation process for the Intervened Banks and the need to take a holistic view of the entire banking system however, the CBN has granted an extension of the period of time within which the enlarged Access Bank Group is required to comply with the CBN Banking Activities Regulations to May 2013. See also “*Business Description—Compliance Plan with Central Bank of Nigeria’s Regulation on the Scope of Banking Activities*” and “*Business Description—Subsidiaries—Non-banking subsidiaries*”. Some other banks have also applied to CBN for an extension of the deadline and CBN is considering the granting of an extension on a case by case basis.

In late 2009 and early 2010, the CBN introduced an aggregate of ₦500 billion of initiatives administered through the BOI, a development financing institution in Nigeria, to stimulate the economy. Of the total amount, the sum of ₦300 billion was to be applied to power projects and ₦200 billion was to be applied to the refinancing/restructuring of banks’ existing loan portfolios to the SME and manufacturing sectors. The CBN has also established the SMECGS for promoting access to credit by SMEs in Nigeria. Other sector-specific initiatives were also introduced, including in agriculture, power and aviation. The new regulation is intended to produce greater transparency and disclosure.

The Asset Management Corporation of Nigeria

The AMCON Bill was signed into law by President Goodluck Ebele Jonathan on 19 July 2010. AMCON was established to buy the NPLs (including margin loans) of Nigerian banks. AMCON was created to assist deposit money banks in Nigeria to improve their capital and liquidity positions, with the aim of fuelling a recovery of the Nigerian capital markets. Under the proposed terms, AMCON could have a capital base of up to U.S.\$67 million which will be jointly funded by the Nigerian Federal Ministry of Finance (FMF) and CBN. To achieve its objectives, AMCON intends to engage with the debtors of all 24 Nigerian banks, with a view to restructuring outstanding non-performing loans and negotiating more favourable terms of repayment. AMCON will also appoint asset managers to manage and seek the best returns on the underlying collateral with a view to minimising costs to the Government. AMCON has a proposed ten-year time frame in which to conduct these activities.

In November 2010, in accordance with the Asset Management Corporation of Nigeria Act 2010, which granted AMCON the power to issue debt securities with maturities up to ten (10) years, AMCON announced plans to issue up to ₦3 trillion, approximately U.S.\$19.24 billion of three-year, zero-coupon bonds (the “**AMCON Bonds**”), to finance the purchase of the NPLs from the 21 EFIs that chose to participate in the AMCON scheme in the first round. The AMCON Bonds have the full faith and credit guarantee of the Federal Government of Nigeria as set out in the Asset Management Corporation of Nigeria Act 2010. The proceeds from the sale of the AMCON Bonds were to be used to purchase approximately ₦2.48 trillion aggregate principal amount of NPLs at a discounted purchase price of just under ₦854 billion, which was intended to reflect the valuation assigned to those NPLs after making certain adjustments depending on the nature of the collateral backing the relevant NPLs. In addition, pursuant to the guidelines issued by AMCON in November 2010, AMCON has a period of 12 months (from the date of purchase of the relevant NPLs) to undertake an independent review of the valuation assigned to the relevant collateral backing the NPLs that AMCON purchased. To the extent that a lower value is assigned to those NPLs (as a result of the relevant collateral being assigned a lower value) following the review process than originally indicated at the time AMCON purchased the relevant NPLs or AMCON is not able to assume ownership of such collateral free and clear of encumbrances or liens having priority over the security interest of the relevant bank in such collateral, AMCON could ask the relevant bank to make up the difference to AMCON or repurchase the relevant NPLs.

In completion of the first stage of this process, on 31 December 2010, AMCON issued ₦1.15 trillion principal amount of ICBs, with net proceeds of ₦854 billion, to twenty-one (21) Nigerian banks, including Access Bank and Intercontinental Bank (Citibank Nigeria, ETB and Standard Chartered Nigeria elected not to participate) in consideration for margin loans of all these 21 banks and non-performing, non-margin loans of Intervened Banks. AMCON executed loan purchase and service agreements with the 21 banks to acquire NPLs with a face value of ₦2.48 trillion for just under ₦854 billion representing an estimated 80 per cent. of the banking industry NPLs, and to purchase margin loans from each of the 21 banks. 92.5 per cent. of the purchased NPLs were from the eight Intervened Banks with the remaining balance of 7.5 per cent. from the other Nigerian banks.

On 6 April 2011, in completion of its Series I bond issuance, AMCON issued an aggregate of ₦1.68 trillion additional AMCON Bonds (which are tradable and listed on the NSE) in three tranches with face values of approximately ₦1.15 trillion, ₦17.6 billion and ₦516.9 billion respectively. The first tranche of bonds (Tranche I) were issued to be swapped with and replace the ICBs issued on 31 December 2010. Unlike the ICBs which were not tradable and therefore not liquid, the Tranche I bonds are registered and tradable. Tranche II of the bonds was issued for price discovery purposes, in an attempt to determine the market price and yield for future issuances (include the Tranche III bonds). Tranche III was issued for the purpose of acquiring additional NPLs from the 22 participating Nigerian banks (Citibank Nigeria and Standard Chartered Nigeria elected not to participate).

AMCON, in anticipation of providing further financial accommodation to Intervened Banks, held an extraordinary general meeting of its bondholders on 20 September 2011, at which an increase in the shelf value of its bond issuance

programme from ₦3 trillion to ₦4.5 trillion was approved. The increase was intended to create sufficient head room to accommodate the issuances of AMCON bonds to Intervened Banks for the purposes of providing additional financial accommodation bonds to them. In consideration for issuing such bonds, AMCON is expected to be allotted a certain proportion of shares in the capital of the relevant Intervened Banks.

AMCON's Tranche I bonds have a yield of 10.125 per cent., while Tranches II and III each have a yield of 11.8 per cent. On 21 April 2011, AMCON listed its Series I bonds on the NSE for active trading. The bonds can be purchased by all Nigerian banks, qualified institutional investors such as PFAs (Pension Fund Administrators) and high net worth individuals. The bonds are registered and tradable over-the-counter and on the NSE.

Further to the increment in the shelf value of its bond issuance programme, AMCON has issued some further series of bonds, part of which was used to finance provision of the Financial Accommodation Amount into Intercontinental Bank as part of the Acquisition process.

Also, in July 2010 the CBN agreed with the then existing 24 deposit money banks in Nigeria to establish a sinking fund, the Banking Sector Resolution Cost Sinking Fund, to cover any net deficits incurred by AMCON. Each such Nigerian bank has agreed to contribute, for each of the next ten years, 30 basis points of its total assets as at the date of its audited financial statements for the immediately preceding financial year to the sinking fund. Based on Access Bank's and Intercontinental Bank's total assets as at 31 December 2010, Access Bank is expected to contribute ₦2,184 million and Intercontinental Bank is expected to contribute ₦2,104 million in 2011. The CBN will contribute ₦50 billion per year to the sinking fund. AMCON intends to use the sinking fund, plus recoveries earned on the NPLs purchased from the banks, to repay the AMCON Bonds at maturity. The memorandum of understanding between the CBN and the relevant Nigerian banks for the "Banking Sector Resolution Cost Sinking Fund", which set out the above arrangements, was signed in January 2011.

The Government estimates the total net cost to recapitalise the banks and recover the bad debts/NPLs will be between ₦1 trillion to ₦1.5 trillion, most of which the Government expects to recover from the Banking Sector Resolution Cost Sinking Fund, recoveries from the bad debts/NPLs and dividends paid on any equity capital injected into banks participating in the AMCON scheme.

Monetary Policy

In an effort to attain bank soundness and manage liquidity effectively, the CBN introduced in 2006 a new framework for monetary policy implementation in the marketplace using the short-term interest rate as its benchmark rate. The benchmark rate, the MPR, serves as an indicative rate for transactions in the inter-bank money market as well as money market rates. The ultimate goal of the new framework is to achieve a stable value of the Naira through stability in short-term interest rates around the MPR which will be determined and operated by the CBN. The MPR replaced the then-existing Minimum Rediscount Rate ("MRR"), and was set at 10.0 per cent. using the then-current rate of inflation and the expected inflation rate outcome of 9.0 per cent. for the 2007 financial year as a guide to ensure that interest rates remain positive in real terms.

The main operating principle guiding the new policy was to control the supply of settlement balances of banks and motivate the banking system to target zero balances at the CBN, through an active inter-bank trading or transfer of balances at the CBN. The aim of this was to engender symmetric treatment of deficits and surpluses in the settlement accounts, so that for any bank, the cost of an overdraft at the CBN would be equal to the opportunity cost of holding a surplus balance with the CBN. Although the new regime of MPR has been in operation for some time, it was only in February 2008 that the CBN formally announced the removal of the MRR based framework, intended to confirm to banks that the previous policy restriction in bank lending rates has come to an end.

In 2009, the CBN reviewed the MPR downwards twice, from 9.75 per cent. to 8.00 per cent. in April 2009 and to 6.00 per cent. in July 2009. The MPR remained constant for most of 2010, at 6.0 per cent., rising to 6.25 per cent. on 21 September 2010 and remaining there for the rest of the year. In 2011, the Nigerian MPC raised the MPR consecutively, by 25 basis points in January 2011, by 100 basis points in March 2011, by 50 basis points in May 2011, by 75 basis points in July 2011, by 50 basis points in September 2011 and by 275 basis points in October 2011, signalling a tightening of monetary policy further in response to increasing inflationary pressures and to support the Naira. As at 10 July 2012, the MPR was 12.0 per cent.

The following table sets out changes in the MPR and the CBN's standing lending rate and standing deposit rates:

Effective from	Monetary Policy Rate	Standing Lending Rate (%)	Standing Deposit Rate
1 April 2008	10.00	10.00	0.00
2 June 2008	10.25	10.25	0.00
18 September 2008	9.75	9.75	0.00
8 April 2009	8.00	8.00	0.00
7 July 2009	6.00	8.00	4.00
3 November 2009	6.00	8.00	2.00
2 March 2010	6.00	8.00	1.00
21 September 2010	6.25	8.25	3.25
23 November 2010	6.25	8.25	4.25
25 January 2011	6.50	8.50	4.50
22 March 2011	7.50	9.50	5.50
24 May 2011	8.00	10.00	6.00
26 July 2011	8.75	10.75	6.75
19 September 2011	9.25	11.25	7.25
10 October 2011	12.00	14.00	10.00

Other Policy and Regulatory Considerations

The CBN, under its 13-point agenda, adopted a "Framework for Risk Based Supervision of Banks in Nigeria", aimed at encouraging individual banks to develop and continuously update their internal risk management systems to ensure that such systems are commensurate with the scope and complexity of the relevant bank's operations and also, to assist Nigerian banks with the implementation of the Capital Accord Basel II. As a result, Nigerian banks have been directed to institute effective risk management systems to enable them to identify, measure, monitor and control risks in their institutions. In line with this framework, the Access Bank Group has adopted numerous risk management procedures and controls which it maintains and continuously reviews to further improve its internal systems and minimise the effect of these risks. The Access Bank Group is in compliance with Basel II and is in the process of upgrading its framework to be in compliance with Basel III, each as implemented by the CBN. See "*Asset, Liability and Risk Management*".

Prudential Guidelines

As part of its initiative of enhancing the quality of banks in Nigeria and with a view to adhering to international best practices, the CBN issued revised prudential guidelines which came into effect on 1 July 2010. The CBN Prudential Guidelines revised the previous guidelines issued in November 1990 and aimed to address various key aspects of banks' operations such as risk management, corporate governance, know-your-customer, anti-money laundering, financing of terrorism and loan loss provisioning. The CBN Prudential Guidelines are required to be regarded as minimum requirements and licensed banks are required to implement more stringent policies and practices to enhance mitigation of risks. In addition to the CBN Prudential Guidelines, the CBN also prescribes certain mandatory ratios that must be maintained by Nigerian banks.

Mandatory Ratios	CBN Maximum/Minimum Mandatory Ratio Requirements
Cash reserve ratio/requirement	8.0 per cent. of deposits to be held at the CBN
Specified liquidity ratio	30.0 per cent. of deposits
Specified capital adequacy ratio	10.0 per cent. of risk weighted assets
Guaranteed BAS/CPS to shareholders funds	150.0 per cent. of shareholder's funds
Statutory minimum capital base	Minimum capital base (inclusive of reserves) of ₦25.0 billion
Long term equity investments	25.0 per cent. of paid up capital and statutory reserves
Single exposure limit	20.0 per cent. of shareholders' funds unimpaired by losses
Statutory limit to a single obligor	33 $\frac{1}{3}$ per cent. of a bank's off balance sheet engagement
Large exposure limit	Total of all large exposures cannot exceed eight times shareholders' funds unimpaired by losses
Total outstanding exposure to all tiers of government and their agencies	10.0 per cent. of total credit portfolio

The CBN Prudential Guidelines stipulate requirements that must be met by Nigerian banks with regard to classification of assets, disclosure, provisioning and interest accruals. They also set forth the minimum standards that Nigerian banks must meet in this regard, while encouraging banks to implement even more stringent requirements.

The CBN Prudential Guidelines also require licensed banks to review their credit portfolios at least once every quarter, and to provide in their audited financial statements an analysis of whether their credit facilities are performing or non-performing. Under the CBN Prudential Guidelines, a credit facility is deemed to be performing if payments of both the principal amount and interest sums are up-to-date in accordance with the agreed terms. A credit facility is considered to be non-performing if (i) interest or principal is due and unpaid for 90 days or more; or (ii) interest payments equal to 90 days interest or more have been capitalised, rescheduled or rolled over into a new loan. A non-performing credit facility is reclassified as performing

only when the borrower pays the outstanding unpaid interest within 90 days. They also provide for a classification of non-performing credit facilities into sub-standard, doubtful and lost, depending on the number of days for which the principal amount and/or interest sums have remained outstanding. Assessment parameters in this regard include repayment performance and net value of collateral that can be realised.

The CBN Prudential Guidelines further specify that off-balance sheet engagements such as letters of credit, bonds and guarantees, indemnities and protracted litigation must also be properly appraised to determine the extent of any likely loss arising from them.

The CBN Prudential Guidelines prescribe a maximum tenure of ten years for the CEO of every bank and the Access Bank Group is in compliance with this directive, with its current CEO, Mr. Aigboje Aig-Imoukhuede, scheduled to retire by 31 March 2015. However, Mr. Aigboje Aig-Imoukhuede has elected (with approval of the Board) to retire by 31 December 2013, and it is currently intended that the current Deputy Managing Director, Mr. Herbert Wigwe, will then become the CEO of Access Bank. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO. Non-executive directors may serve a maximum of twelve years on the board of directors of a bank under the CBN Prudential Guidelines.

Additionally, the CBN Prudential Guidelines require banks to rotate their firm of external auditors after the expiration of ten years following the auditors' appointment. The auditors shall not be reappointed until an additional ten year period has passed. The Access Bank Group will change its auditors, KPMG Professional Services, effective from 1 January 2013, in compliance with this directive.

The Small and Medium Industries Equity Investment Scheme

Several challenges face SMEs in developing countries, the most significant of which is funding, as banks which constantly seek to minimise their risk profile are not very eager to fund SMEs. With a view to addressing this issue, the Bankers' Committee, a body comprised of chief executives from the CBN and other Nigerian banks, intervened in 2001 with the introduction of the Small and Medium Industries Equity Investment Scheme (the "SMIEIS").

The SMIEIS commenced in June 2001 as a government initiative for the promotion of SMEs as a vehicle for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The SMIEIS sets forth a mandatory requirement that all banks licensed in Nigeria set aside 10.0 per cent. of their annual profit after tax for equity investment in SMEs. In July 2007, the CBN however announced that participation in the SMIEIS programme would be optional going forward. The participants in the SMIEIS programme are the Nigerian government, the CBN, the Bankers' Committee and individual banks.

The SMIEIS aims to assist with the establishment of new small and medium scale projects in certain sectors of the economy including agriculture and allied industries, information technology and telecommunication, manufacturing, educational establishments, services, tourism and leisure, solid minerals, construction, and other sectors as determined by the Bankers' Committee.

In March 2010, the CBN established the SMECGS with the objectives of (i) promoting access to credit by SMEs and (ii) fast-tracking the development of the manufacturing SME sector of the Nigerian economy and setting the pace for industrialisation of the Nigerian economy. The CBN acts as the managing agent of the SMECGS and all deposit banks and development finance institutions are eligible to act as participating banks under the SMECGS. The maximum loan amount under the SMECGS is ₦100 million which can be in the form of working capital, overdrafts, term loans for refurbishments or equipment. The CBN provides 80 per cent. guarantee cover of the loan advanced by participating banks to each SMEs.

Legal and regulatory developments

The Government is in the process of implementing reforms in the oil and gas, power and shipping sectors, which may also have an impact on the Nigerian banking sector. Legislative initiatives behind these reforms include the Nigerian Content Act, the proposed PIB and the Cabotage Act. The Nigerian Content Act was enacted in April 2010. Prior to the enactment of the Nigerian Content Act, local content promotion and development in the Nigerian oil and gas industry was loosely regulated. The Nigerian Content Act provides that all operators, contractors and other entities engaged in any operation, business or transaction in the Nigerian oil and gas industry requiring financial services shall retain only the services of Nigerian financial institutions or organisations, except where this is impracticable. The Nigerian Content Act also requires all operators, contractors and sub-contractors to maintain a minimum of 10 per cent. of the total revenue accruing from their Nigerian operations in bank accounts domiciled in Nigeria. The Nigerian Content Act also contains provisions which seek to prioritise the use of Nigerian goods and services in sectors such as insurance and legal services as a first resort. The Cabotage Act contains local content provisions in connection with domestic coastal carriage of cargo and passengers, which are expected to also increase Nigerian entities' requirements for finance and financial services from Nigerian banks.

TAXATION

The following is a general summary of the United States, The Netherlands and Nigeria tax consequences as at the date hereof in relation to payments made under the Notes in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.

Certain U.S. Federal Income Tax Considerations

The discussion of tax matters set forth in this Prospectus was written in connection with the promotion or marketing of Notes and was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding penalties under any tax law. Each taxpayer should seek advice based on its particular circumstances from an independent tax adviser.

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a U.S. Holder (as defined below) that acquires the Note in the initial offering at the issue price (the first price at which a substantial amount of the Notes is sold for money to investors) of the Notes and holds it as a capital asset (generally, property held for investment). This summary does not address all aspects of U.S. federal income taxation that may be applicable to a particular investor's decision to acquire, own or dispose of a Note. In particular, this summary does not address the U.S. federal income tax consequences that apply to prospective investors subject to special tax rules, including, among others, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, U.S. Holders (as defined below) that will hold a Note as part of a "straddle", hedging transaction or "conversion transaction" for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S. Holders that own (directly or through attribution) 10 per cent. or more of the stock, by vote or value, of the Issuer or Access Bank, U.S. Holders liable for alternative minimum tax, U.S. Holders that have a "functional currency" other than the U.S. dollar and certain U.S. expatriates. In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

The discussion below is based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. In addition, there can be no assurances that the IRS would not assert, or that a U.S. court would not uphold, positions concerning the U.S. federal income tax consequences of a U.S. Holder's acquisition, ownership or disposition of a Note that are contrary to the discussion below.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds a Note, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. A partnership considering an investment in Notes should consult its own tax advisers about the consequences to its partners of the acquisition, ownership or other disposition of Notes by the partnership.

Prospective purchasers should consult their own tax advisers as to the particular tax considerations for them relating to the purchase, ownership and disposition of a Note, including the applicability of any U.S. federal, state, or local tax laws, or non-U.S. tax laws, any changes in applicable tax laws, and any pending or proposed legislation or regulations.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust.

U.S. Federal Income Tax Characterisation of the Notes

No authority directly addresses the characterisation of securities like the Notes for U.S. federal income tax purposes and no ruling will be received from the IRS as to the characterisation of the Notes for such purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for such purposes consistent with their form. It is possible, however, that the Notes could be treated as equity interests in the Issuer or the Access Bank Group, as beneficial ownership interests in the underlying Guarantees or as other types of financial instruments. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this discussion. If the Notes were treated as equity interests in the Issuer or Access Bank, U.S. Holders may be treated as owning interests in a passive foreign investment company (or "PFIC"), which could have materially adverse tax consequences for a U.S. Holder. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes, the possibility that the Notes will be classified as equity interests in a PFIC and the consequences of owning an equity interest in a PFIC. The discussion below assumes that the Notes will be treated a debt for U.S. federal income tax purposes.

Payments of Stated Interest

In general, a payment of stated interest on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it is accrued or is paid in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. In addition, if any additional amounts are paid in respect of any taxes withheld from the interest payments, a U.S. Holder will also be required to include in income as ordinary income any such additional amounts. A U.S. Holder may, subject to certain limitations, be eligible to claim a credit or deduction in respect of taxes that are withheld from the payments on the Notes. The rules relating to foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisers with regard to the application of the foreign tax credit rules to their particular situation.

Sale, Exchange, Redemption, Retirement at Maturity or other Taxable Disposition of the Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount of cash and the fair market value of any property received on the disposition (except to the extent such cash or property is attributable to accrued and unpaid stated interest, which will be treated like a payment of interest, as described above) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the amount paid for the Note.

Any gain or loss that a U.S. Holder recognises upon the sale, exchange, redemption, retirement or other disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the U.S. Holder's holding period for the Note is more than one year. The ability of U.S. Holders to use capital losses is subject to limitations.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes.

U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Information Reporting and Backup Withholding Requirements

Information returns may be filed with the IRS in connection with payments on the Notes, and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, **provided that** the required information is timely furnished to the IRS.

Tax Filing Requirements

U.S. Holders should consult their own tax advisers regarding any reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes.

The Netherlands

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of this summary it is assumed that no holder of a Note has or will have a substantial interest, or - in the case of a holder of a Note being an entity - a deemed substantial interest, in the Issuer and that no connected person (verbonden persoon) to the holder of a Note has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares

representing 5 per cent. or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent. or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of the company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of such company. An entity holding a Note has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term “**entity**” means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes. Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note. Where this Prospectus under the caption “*Taxation—The Netherlands*” refers to “The Netherlands” or “Dutch” it refers only to the European part of the Kingdom of the Netherlands.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Note.

Withholding Tax

All payments made by the Issuer of interest and principal under the Notes can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as debt that effectively functions as equity for purposes of article 10, paragraph 1, subparagraph d of the Corporate Tax Act (Wet op de vennootschapsbelasting 1969).

Taxes on Income and Capital Gains

Residents

Resident entities

An entity holding a Note which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income or a capital gain derived from a Note at the prevailing statutory rates.

Resident individuals

An individual holding a Note who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from a Note at rates up to 52 per cent. if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (Wet inkomstenbelasting 2001), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, an individual holding a Note will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Note. The deemed return amounts 4 per cent. of the value of the individual’s net assets as at the beginning of the relevant fiscal year (including the Note). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent..

Non-residents

A holder of a Note which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from a Note unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and the holder of a Note derives profits from such enterprise (other than by way of securities); or

- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (Wet inkomstenbelasting 2001), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift and Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- (i) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value Added Tax

The issuance or transfer of a Note, and payments of interest and principal under a Note, will not be subject to value added tax in The Netherlands.

Other Taxes and Duties

The subscription, issue, placement, allotment, delivery or transfer of a Note will not be subject to registration tax, stamp duty or any other similar tax or duty payable in The Netherlands.

Residence

A holder of a Note will not be, or deemed to be, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of a Note.

EC Council Directive on the Taxation of Savings Income

In accordance with EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, The Netherlands will provide to the tax authorities of another Member State (and certain non-EU countries and associated territories specified in the Directive) details of payments of interest or other similar income paid by a person within The Netherlands to, or collected by such a person for, an individual resident in such other state. See also “—*EU Savings Directive*” below.

EU Savings Directive

Under the Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or, certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Nigeria

The following is a general summary of Nigerian tax consequences as at the date hereof. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes. In

view of its general nature, it should be treated with corresponding caution. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes. Except as otherwise indicated, this summary only addresses Nigerian tax legislation, as in effect and in force at the date hereof, as interpreted and applied by the Courts or tax authorities in Nigeria, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Taxation of Noteholders

Under Nigerian law, payments of principal and interest on the Notes to an individual who is a non-resident of Nigeria or to a legal entity that is neither incorporated in Nigeria, nor has a permanent establishment in Nigeria or otherwise has no taxable presence in Nigeria (together, “**Non Nigerian Holders**”) will not be subject to taxation in Nigeria, and no withholding of any Nigerian tax will be required on any such payments. In addition, gains realised by Non Nigerian Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to capital gains tax or value added tax in Nigeria.

However, any legal entity that is either incorporated in Nigeria, or has a permanent establishment in Nigeria, or otherwise has a taxable presence in Nigeria (together, “**Nigerian Holders**”) will be subject to taxation in Nigeria, and interest or coupon payments or other income from the Notes in the hands of such Nigerian Holder will be taxable in the hands of such Nigerian Holder as part of its general taxable income. Interest or any income earned on the Notes by any individual who is resident in Nigeria is exempted from income tax pursuant to the Personal Income (Amendment) Tax 2011. There is no capital gain payable upon the disposal of any Nigerian government securities, stocks or shares in Nigeria under the provisions of the Capital Gains Tax Act C1 LFN 2004 (as amended) but there is capital gains tax on disposal of corporate bonds or other debt instruments not issued by the Federal Government of Nigeria. Thus, gains realised by such Nigerian Holders from the disposal, sale, exchange or transfer of the Notes may be subject to capital gains tax at the rate of 10 per cent..

Although the Federal Government has approved a waiver of capital gains tax and income tax on all forms of debt instruments, the legislative and administrative processes required to give legal effect to such waivers have not yet been implemented. It is unclear from the Federal Government approval whether the exemption will extend to bonds issued by non-Nigerian corporates such as the Issuer.

Save for this, the transaction between any Noteholder and the Issuer will not be liable to any form of taxation in Nigeria.

Taxation of payments under the loan from the Issuer to Access Bank

Payments of interest to foreign lenders are normally liable to withholding tax in Nigeria, and this is deemed as a final tax payable by a non-resident recipient of such payment under the provisions of the Nigerian Companies Income Tax Act (“CITA”). According to Section 78 of CITA, the current rate of such withholding tax on payments of interest is 10 per cent.. However, pursuant to an Information Circular issued by the Nigerian FIRS in February 2006, if the recipient of the interest payable on such foreign loans is based in a country which has a double taxation treaty with Nigeria, the withholding tax rate will be reduced by 25 per cent. Therefore, the effective withholding tax rate in respect of interest payable to a recipient resident in a country that has a double taxation treaty with Nigeria is 7.5 per cent..

Currently, the countries with which Nigeria has a double taxation treaty are the United Kingdom, The Netherlands, Northern Ireland, Romania, Pakistan, South Africa, China, Canada, Belgium and France.

As the Issuer is based in The Netherlands, payments of interest from Access Bank to the Issuer should be subject to withholding tax under CITA at the rate of 7.5 per cent., as long as the provisions of the double taxation treaty between Nigeria and The Netherlands remain valid and its terms are complied with. If the double taxation treaty between The Netherlands and Nigeria is inapplicable for any reason whatsoever, then payments by Access Bank to the Issuer will be subject to withholding tax at the normal rate, which is currently 10 per cent..

Withholding tax on interest payments on a foreign loan with the appropriate moratorium period may be reduced by between 40 per cent. and 100 per cent. (under Table 1 of the Third Schedule referred to in section 11 of CITA) depending on the tenor of the loan, such tenor not being less than two years. However, as at the date of this Prospectus, Access Bank cannot confirm that such tax benefit or reductions will be available.

Under the terms of the loan agreement between the Issuer and Access Bank, Access Bank has an obligation (subject to customary exceptions) to pay such additional amounts in respect of such withholding (should such withholding be required to be made by Access Bank before making payments) as shall be necessary to ensure that the Issuer receives the full amount of the payment required as if no such withholding deduction were required.

Taxation of payments under the Guarantee

Payment of interest under the Guarantee may be subject to the withholding of Nigerian tax. In the event that there is an obligation by the Guarantor to withhold such tax, the same treatment as applies to payments under the Loan from the Issuer to Access Bank, as described above, will be applicable to such interest payments.

Under the Trust Deed, Access Bank will have an obligation (subject to customary exceptions) to pay such additional amounts in respect of such withholding (should such withholding be required to be made by Access Bank before making payments) as shall be necessary to ensure that the recipient receives the full amount of the payment required as if no such withholding or deduction were required.

Stamp duties

The Trust Deed, the Agency Agreement and the Subscription Agreement (as defined below) may be liable to stamp duty in Nigeria under the Stamp Duties Act but it is unclear, if so liable, what the rate of any such stamp duty may be. The documentation relating to the loan between the Issuer and Access Bank will be liable to stamp duty in Nigeria but again it is unclear what the rate of any such stamp duty may be. Stamp duty is payable in Nigeria either on a flat rate or *ad valorem* basis. Based on the schedule to the Stamp Duties Act, the maximum rate of stamp duty payable in Nigeria in respect of security documents (including guarantees) securing payment or repayment of money where security is not a marketable security transferable by delivery is 0.375 per cent., levied on an *ad valorem* basis on the value of the underlying transaction provided for by the dutiable document, which in the case of the Guarantee and the loan between the Issuer and Access Bank could be the aggregate principal amount of the Notes or such loan, as the case may be. Based on current practice in Nigeria, it is unclear whether stamp duty will be assessed on the Trust Deed (which includes a guarantee), the Agency Agreement and the Subscription Agreement, at a flat rate or on an *ad valorem* basis. However, provided documents that would otherwise be dutiable are executed outside of Nigeria, the parties have 30 days from when the documents are brought into Nigeria to arrange for payment of stamp duty. Accordingly, it is intended that the Trust Deed, Agency Agreement, the Subscription Agreement and the documentation relating to the loan between the Issuer and the Guarantor will all be executed and held outside of Nigeria. However, if it is necessary to bring any such documentation into Nigeria for the purposes of enforcement and admissibility of such documents as evidence in Nigerian Courts, such enforcement may be subject to the payment of the relevant rate of stamp duty, as assessed by the Nigerian Commissioner for Stamp Duties. See “*Risk Factors—Factors which are material for the purpose of assessing the market risks associated with the Notes—Risks relating to the Notes generally—Enforcement of the Guarantee and the other obligations of the Guarantor under the Trust Deed, the Agency Agreement, the Subscription Agreement and the documentation relating to the Loan from the Issuer may be subject to the payment of Nigerian stamp duty*”.

Other taxes and duties

Save as set out above, no value added tax or VAT, registration fees, or any other similar documentary tax, charge or duty will be payable by the holders of Notes in respect of, or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

CERTAIN ERISA AND OTHER CONSIDERATIONS

PURSUANT TO IRS CIRCULAR 230 THE ISSUER AND ACCESS BANK HEREBY INFORM YOU THAT THE DISCUSSION HEREIN WITH RESPECT TO ERISA CONSIDERATIONS IS NOT INTENDED OR WRITTEN BY THE ISSUER, ITS COUNSEL OR THE U.S. TAX COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. THIS DISCUSSION IS LIMITED TO THE TAX ISSUES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

The following description is general in nature, is not intended to be all-inclusive, and is based on the law and practice in force at the date of this document and is subject to any subsequent changes therein. In view of the individual nature of ERISA, Code and Similar Law consequences, each potential investor that is a Benefit Plan (as defined below) or any plan subject to Similar Law is advised to consult its own legal adviser with respect to the specific ERISA, Code and any U.S. Federal, State, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Tax Code ("**Similar Law**") consequences of investing in the Notes and to make its own independent decision with respect to any such investment. The following is merely a summary and should not be construed as legal advice.

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, as well as individual retirement accounts, Keogh plans and other plans covered by Section 4975 of the Code, as well as entities deemed to hold "plan assets" of any of the foregoing for purposes of ERISA and the U.S. Department of Labor Regulation 29 CFR Section 2510.3-101 promulgated under ERISA, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**") (each such plan or entity, a "**Benefit Plan**").

Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

If the assets of the Issuer were deemed to be plan assets of Benefit Plans that purchased Notes: (a) if any such Benefit Plans are subject to ERISA, ERISA's fiduciary standards would apply to the Issuer and might materially affect the operations of the Issuer, and (b) any transactions involving the Issuer could be deemed a transaction with each Benefit Plan and may cause certain transactions into which the Issuer might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. Under the Plan Asset Regulation, the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquired an "equity interest" in the Issuer and none of the exceptions to holding plan assets contained in the Plan Asset Regulation were applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features.

However, without regard to whether the Notes are treated as an equity interest for purposes of the Plan Asset Regulation, the acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates or any other party involved in the transactions contemplated hereunder is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions and exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are:

Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by "inhouse asset managers;" PTCE 95-60, as modified, regarding investments by insurance company general accounts; PTCE 91-38, as modified, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, as modified, regarding transactions effected by "qualified professional asset managers". In addition to the class exemptions listed above, there are statutory exemptions under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction for a fee, directly or indirectly), **provided that** there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of the above-described exemptions, or any other exemption or exception, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisers regarding the applicability of any such exemption.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and employee benefit plans subject to non-U.S. law are not subject to ERISA's requirements, although they may be subject to similar provisions under Similar Law. Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA considerations discussed above, subject to satisfaction of the provisions of Similar Law.

Accordingly, by acquiring a Note (or a beneficial interest therein), each purchaser and transferee will be deemed to represent and warrant that: (a) either: (i) it is not and for as long as it holds the Notes (or any beneficial interest therein) will not be, and is not acting on behalf of (and for so long as it holds any Note or beneficial interest therein will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any "plan" as defined in and to which Section 4975 of the Code applies, any entity whose underlying assets are deemed to include "plan assets" of any of the foregoing under ERISA and the Plan Asset Regulation, or a governmental, church or non-U.S. plan subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

EACH INVESTOR CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL AND OTHER ADVISERS REGARDING WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT, TAKING INTO ACCOUNT ERISA AND THE CODE AND OTHER ISSUES DISCUSSED ABOVE, INCLUDING ANY SIMILAR LAW, AS APPLICABLE. THE SALE OF NOTES (OR ANY BENEFICIAL INTEREST THEREIN) TO A BENEFIT PLAN OR TO A PLAN SUBJECT TO SIMILAR LAW IS IN NO RESPECT A REPRESENTATION BY THE ISSUER THAT THIS INVESTMENT MEETS ALL THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENT BY BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR BY ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW, OR THAT THIS INVESTMENT IS APPROPRIATE FOR BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR FOR ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW.

SUBSCRIPTION AND SALE

Summary of Subscription Agreement

The Joint Lead Managers have, pursuant to a Subscription Agreement dated 19 July 2012 (the “**Subscription Agreement**”), severally and not jointly agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Notes at 100 per cent. of their principal amount. The Issuer has agreed to pay the Joint Lead Managers an underwriting commission and to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The net proceeds from the issue of the Notes is expected to amount to approximately U.S.\$345,500,000 after deduction of such fees and expenses. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates may provide various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, Access Bank and its affiliates (including its shareholders) and for which they will receive customary fees.

It is expected that delivery of the Notes will be made against payment on the Notes on or about 25 July 2012, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act of 1934, as amended (the “**Exchange Act**”)) in the United States following the date of pricing of the Notes (this settlement cycle is being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date hereof or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisers.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the “**distribution compliance period**”) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

“The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meanings given to them by Regulation S”.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Subscription Agreement provides that each Joint Lead Manager may directly or through its U.S. broker dealer affiliate arrange for the offer and resale of Notes within the United States only to qualified QIBs in reliance on Rule 144A.

Terms used in this section have the meanings given to them by Regulation S or Rule 144A, as applicable, under the Securities Act.

See also “*Certain ERISA and Other Considerations*” and “*Transfer Restrictions*”.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Nigeria

This Prospectus and the Notes have not been and will not be registered with the Nigerian SEC, or under the Nigerian Investments and Securities Act, No. 29, 2007 (“ISA”). Further, neither this Prospectus nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria to, or for the account or benefit of, persons resident in Nigeria, except to the extent that the Notes have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the ISA and other Nigerian securities law. The Notes may however be offered and sold in Nigeria in certain transactions exempt from the registration requirements of the ISA. Accordingly, this Prospectus is not directed to, and the Notes are not available for subscription by, any persons within Nigeria, other than the selected investors to whom the Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the ISA.

The Netherlands

In relation to the Netherlands, each of the Joint Lead Managers and the Issuer have represented and agreed that it has not made and will not make any offer of Notes which are the subject of the offering contemplated by this Prospectus in the Netherlands, unless such offer is made exclusively to persons which are qualified investors (as defined in Article 2(1)(e) of Directive 2003/71/EC, as amended (the “**Prospective Directive**”)) in the Netherlands.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Euroclear or Clearstream, Luxembourg (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Joint Lead Manager takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of the Clearing Systems or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**” and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Restricted Global Notes directly through DTC if they are Direct Participants in DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

As DTC can act on behalf of Direct Participants only, who in turn act on behalf of Indirect Participants, the ability of beneficial owners who are Indirect Participants to pledge book-entry interests in the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the Notes, may be limited.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855, Luxembourg.

DTC

The Restricted Global Note representing Rule 144A Notes of any Series will have a CUSIP number and will be deposited with a custodian for and registered in the name of Cede & Co. as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within DTC System. The address of DTC is 55 Water Street, New York, New York 10041, USA.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer, or the Guarantor, as the case may be to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Guarantor, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Notes. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg

or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Bookentry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

General

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

TRANSFER RESTRICTIONS

Because of the following transfer restrictions, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes and the Guarantee will not be registered under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to persons reasonably believed to be “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), commonly referred to as “QIBs”, in compliance with Rule 144A under the Securities Act and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act.

Restricted Global Notes (Rule 144 Notes)

Each purchaser of Restricted Global Notes offered hereby pursuant to Rule 144A, by accepting delivery of this Prospectus and the Restricted Global Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) the purchaser (a) is a QIB, (b) is acquiring the 144A Notes for its own account or for the account of one or more QIBs and (c) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the Restricted Global Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) to the Issuer or an affiliate thereof, or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and (ii) it will, and each subsequent holder of the Restricted Global Notes is required to, notify any purchaser of the Restricted Global Notes from it of the resale restrictions on the Restricted Global Notes;
- (iii) (a) either: (1) it is not and for as long as it holds the Notes (or any beneficial interest therein) will not be, and is not acting on behalf of (and for so long as it holds any Note or beneficial interest therein will not be acting on behalf of), an “employee benefit plan” as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any “plan” as defined in and to which Section 4975 of the Code applies, any entity whose underlying assets are deemed to include “plan assets” of any of the foregoing for purposes of ERISA and the Plan Asset Regulation, or a governmental, church or non-U.S. plan subject to any substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Tax Code, or (2) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any similar laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes;
- (iv) the purchaser understands that the Restricted Global Notes (to the extent they are in certificated form) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “**QIB**”) THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (“**RULE 144**”), IF AVAILABLE, (D) TO THE ISSUER, THE GUARANTOR OR AN AFFILIATE THEREOF, OR (E) PURSUANT TO

AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE NOTES.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), EACH PURCHASER AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED, THAT (A) EITHER (1) IT IS NOT AND FOR AS LONG AS IT HOLDS THE NOTES (OR ANY BENEFICIAL INTEREST THEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY NOTE OR BENEFICIAL INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, ANY “PLAN” AS DEFINED IN AND TO WHICH SECTION 4975 OF THE CODE APPLIES, ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING UNDER ERISA AND THE U.S. DEPARTMENT OF LABOR REGULATIONS UNDER ERISA, OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, OR (2) THE ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE (OR A BENEFICIAL INTEREST THEREIN) DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAWS), AND (B) IT AGREES NOT TO SELL OR OTHERWISE TRANSFER ANY INTEREST IN THE NOTES OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES.

- (v) it understands that the Issuer, the Guarantor, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Global Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantor and the Joint Lead Managers; and
- (vi) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Global Notes (Regulation S Notes)

Each purchaser of Unrestricted Global Notes pursuant to Regulation S, and each subsequent purchaser of such Notes in re sales during the period which expires on and includes the 40th day after the later of the commencement of the offering of the Notes and the Closing Date (the “**distribution compliance period**”), will be deemed to have represented, agreed and acknowledged as follows:

- (i) it is, or at the time Unrestricted Global Notes are purchased will be, the beneficial owner of such Notes, it is not a US person and it is located outside the United States (within the meaning of Regulation S); and it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that the Unrestricted Global Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes except in an offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities laws of any State of the United States;
- (iii) (a) either: (1) it is not and for as long as it holds the Notes (or any beneficial interest therein) will not be, and is not acting on behalf of (and for so long as it holds any Note or beneficial interest therein will not be acting on behalf of), an “employee benefit plan” as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any “plan” as defined in and to which Section 4975 of the Code applies, any entity whose underlying assets are deemed to include “plan assets” of any of the foregoing for purposes of ERISA and the Plan Asset Regulation, or a governmental, church or non-U.S.

plan subject to any substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Tax Code, or (2) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any similar laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes;

- (iv) the purchaser understands that each Unrestricted Global Note will contain a legend substantially in the following form:

THIS NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THIS NOTE MAY NOT BE OFFERED AND SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (I) AS PART OF ITS DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATIONS.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), EACH PURCHASER AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED, THAT (A) EITHER (1) IT IS NOT AND FOR AS LONG AS IT HOLDS THE NOTES (OR ANY BENEFICIAL INTEREST THEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY NOTE OR BENEFICIAL INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, ANY “PLAN” AS DEFINED IN AND TO WHICH SECTION 4975 OF THE CODE APPLIES, ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING UNDER ERISA AND THE U.S. DEPARTMENT OF LABOR REGULATIONS UNDER ERISA, OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, OR (2) THE ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE (OR A BENEFICIAL INTEREST THEREIN) DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAWS), AND (B) IT AGREES NOT TO SELL OR OTHERWISE TRANSFER ANY INTEREST IN THE NOTES OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES.

- (v) it understands that the Issuer, the Guarantor, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Unrestricted Global Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantor and the Joint Lead Managers.

GENERAL INFORMATION

1. Clearing Systems

The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS0807677496 and Common Code 080767749). Application has been made for acceptance of the Restricted Global Note into DTC's book-entry settlement system (ISIN US00434KAA97, CUSIP 00434K AA9 and Common Code 080767960).

2. Admission to Trading

It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or around 26 July 2012, subject only to the issue of the Global Notes. Prior to official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. The expenses in connection with the admission of the Notes to the Official List and to trading on the Market are expected to amount to approximately £7,175.

3. Authorisations

The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in The Netherlands and Nigeria in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by resolutions of the Managing Board of the Issuer passed on 6 July 2012 and 18 July 2012 and the giving of the Guarantee by the Guarantor was authorised by the Memorandum and Articles of Association of the Guarantor.

4. Material Contracts

Except for the TIA (including the amending agreements to the TIA) entered into between Access Bank, Intercontinental Bank and Project Star Investments Limited (see "*Description of the Acquisition and Merger*"), neither Access Bank nor any member of the Access Bank Group has entered into any material contract, other than in the ordinary course of business during the two years immediately preceding the date of this Prospectus.

5. Significant or material change

There has been no significant change in the financial or trading position of the Issuer since 31 December 2011, or of the Guarantor or the Access Bank Group since 31 March 2012; and there has been no material adverse change in the prospects of the Issuer since 31 December 2011, or of the Guarantor or the Access Bank Group since 31 December 2011.

6. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected in electronic format at the specified offices of each of the Paying and Transfer Agents during normal business hours:

- (a) the constitutional documents of the Issuer and of the Guarantor;
- (b) the consolidated reviewed financial statements of the Access Bank Group for the three-month financial period ended 31 March 2012 including the review report relating to such accounts;
- (c) the consolidated audited financial statements of the Access Bank Group for the financial year ended 31 December 2011, the financial year ended 31 December 2010 and the nine-month financial period ended 31 December 2009 including, in each case, the audit report relating to such accounts;
- (d) the consolidated audited financial statements of the Intercontinental Bank Group for the nine-month financial period ended 30 September 2011 including the audit report relating to such accounts;
- (e) the Trust Deed (including the Guarantee); and
- (f) the Agency Agreement.

7. Auditors

The auditors of the Issuer are KPMG Accountants N.V., a company with certified accountants, who are registered in The Netherlands with Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*), to conduct annual audits of its financial statements. The Issuer is not required to, and does not intend to, produce interim financial statements.

Access Bank's auditors are KPMG, member of the Institute of Chartered Accountants of Nigeria, who have audited the Access Bank Group's accounts, without qualification, in accordance with International Standards on Auditing for each of the financial year ended 31 December 2011, the financial year ended 31 December 2010 and the nine-month financial period ended 31 December 2009. Whilst unqualified, the audit reports in respect of the Access Bank Annual Financial Statements included an emphasis of matter, drawing the attention of readers to the fact that the audited financial statements to which each such report related were prepared in addition to the Access Bank Group's statutory consolidated financial statements (not included therein), which were prepared in accordance with Nigerian GAAP.

The auditors do not have any material interest in the Issuer or the Guarantor.

8. **Consent**

KPMG has given and not withdrawn its written consent to the inclusion of its audit report on the Intercontinental Bank Financial Statements set out on pages F-498 – F-563 of this Prospectus and the references thereto in the form and context in which they appear. KPMG has authorised the contents of those parts of this Prospectus which comprise its audit report for the purposes of 5.5.4R(2)(f) of the Prospectus Rules of the Financial Services Authority published under section 73A(4) of the FSMA, as amended from time to time, and has taken all reasonable care to ensure that the information contained in the audit reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

For the avoidance of doubt, as the Notes have not been and will not be registered under the Securities Act, KPMG has not filed a "consent" within the meaning of the Securities Act.

9. **Joint Lead Managers transacting with the Guarantor**

- (a) The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Guarantor and its affiliates in the ordinary course of business.
- (b) Save for the commissions described under "*Subscription and Sale*", so far as the Issuer and the Guarantor are aware, no person involved in the issue of the Notes has an interest material to the offer.

10. **Yield**

On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the gross real yield of the Notes is 7.25 per cent. on an annual basis.

ANNEX A: SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN NIGERIAN GAAP AND IFRS

Certain financial information included in this Prospectus (including information relating to Access Bank's compliance with the CBN Prudential Guidelines as well as certain information in the "*Selected Statistical and Other Information*") have been prepared and/or presented on the basis of the accounting policies in compliance with Nigerian GAAP, which differ in certain significant respects from financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS).

Significant differences between Nigerian GAAP and IFRS relevant to the Access Bank Group's financial statements are summarised below. This summary should not be considered as exhaustive. Investors must rely on their own examination of the Access Bank Group and its financial information and should consult their own professional advisors for an understanding of the differences between Nigerian GAAP and IFRS and how these differences might affect the financial position and performance of the Access Bank Group.

Financial Instruments: Recognition and measurement

- IFRS states that financial instruments are classified in one of the following categories on initial recognition:
 - at fair value through profit or loss;
 - held-to-maturity investments;
 - loans and receivables;
 - available-for-sale financial assets; or
 - other liabilities.

Unlike IFRS, financial assets are not defined under Nigerian GAAP. Rather the term "**investments**" is used and are classified in one of the following categories:

- short-term investments;
- long-term investments; and
- investment properties.
- IFRS states that a financial instrument may be designated on initial recognition as one measured at fair value through profit or loss only if certain criteria are met.

Unlike IFRS, it is not possible, under Nigerian GAAP to designate a financial investment or liability as one measured as at fair value through the income statement.

- Under IFRS, all financial instruments are measured initially at fair value. Financial instruments at fair value through profit or loss are measured at fair value and all changes in fair value are recognised immediately in profit or loss.

Under the Nigerian GAAP, investments are initially measured at cost. Short-term investments are valued at the lower of cost and net realisable value on an item by item basis while long-term investments are carried at cost or at a revalued amount.

- Under IFRS, loans and receivables and held-to-maturity investments are measured at amortised cost. All other financial assets are measured at fair value, with limited exceptions. All freestanding derivatives and some embedded derivatives are recognised in the balance sheet and measured at fair value. Unless they qualify as hedging instruments in a cash flow or net investment hedge, all changes in fair value are recognised immediately in profit or loss.

Under Nigerian GAAP, specifically in relation to investments in debt securities, discounts and premiums are amortised in such a manner that there is a constant yield based on the acquisition cost. This in effect is similar to measuring investments in debt securities at amortised cost, like under IFRS. However, unlike IFRS, the amortisation is in practice on a straight-line rather than effective interest basis. Also, investment properties are carried at a revalued amount under Nigerian GAAP.

- Under IFRS, changes in the fair value of available-for-sale assets are recognised directly in equity, except that foreign exchange gains and losses on available-for-sale monetary items are recognised in profit or loss. It also states that financial liabilities, other than those held for trading or designated at fair value through profit or loss, are measured at amortised cost.

However, for banks and non-bank financial institutions, under Nigerian GAAP:

- long term investments in marketable securities are stated at the lower of cost and net realisable value. Market value is disclosed.
- short term investments in marketable securities are stated at net realisable value. Cost is disclosed.
- investments in securities for which there is no active market are stated at the lower of cost and net realisable value.

Also, liabilities are measured at amortised cost; however, unlike IFRS, cost is generally amortised on a straight-line rather than effective interest basis.

- Under IFRS, a financial liability is derecognised when it is extinguished. Also, when there is objective evidence that a financial asset measured at amortised cost, or at fair value with changes recognised in equity, may be impaired, the amount of any impairment loss must be calculated and recognised in profit or loss. Some impairment losses can be reversed.

Under Nigerian GAAP, impairment losses are generally determined by comparing the carrying amounts to the expected future cash flows (undiscounted). For banks, impairment of loans is based on regulatory requirements.

Held-to-maturity assets

Under IFRS, a held-to-maturity asset is one that has a fixed maturity and fixed or determinable payments and that the entity has the positive intent and ability to hold until maturity.

The intent and ability to hold an asset to maturity must be assessed at each balance sheet date.

An entity is prohibited from classifying any financial assets as held-to-maturity if the entity has sold, reclassified, transferred or exercised a put option on more than an insignificant amount of the held-to-maturity assets in the current or previous years other than:

- when the asset was sufficiently close to maturity or the asset's call date that changes in market interest rates no longer had a significant effect on the asset's fair value;
- sales after collecting substantially all of the principal; or
- sales due to an isolated non-recurring event that is beyond the entity's control and which it could not reasonably have anticipated.

Sales for other reasons "taint" the entity's ability to classify any instruments as held-to-maturity.

If a sale or reclassification of held-to-maturity asset results in tainting, all existing held-to-maturity assets must be reclassified as available-for-sale for the current and next two full financial reporting years.

There is no Nigerian GAAP equivalent recognition for held-to-maturity assets.

Available-for-sale assets

IFRS defines any financial asset that does not fall into loans and receivables, held to maturity and available for trading category as available-for-sale. This is a financial asset that the entity intends to hold to maturity or a loan or receivable also may be designated as available-for-sale on initial recognition.

Unlike IFRS, there is no Nigerian GAAP equivalent recognition for available-for-sale assets.

Initial recognition and measurement of financial instruments

Under IFRS, financial instruments are recognised when an entity becomes subject to the contractual provisions of the instrument. A non-derivative financial asset that will be delivered in a "regular way" transaction may be recognised on the date that the transaction is committed (trade date) or on the date that the instrument is actually transferred (settlement date). The method adopted must be applied consistently to all purchases and all sales of financial assets in the same category. Also, derivatives must be recognised from the date the contract is entered into.

Although not stated in the Nigerian GAAP, generally an asset is recognised as an investment under Nigerian GAAP when all of the following conditions are met:

- appropriately validated documents (i.e., documentation evidencing the entity's legal ownership) are available to support the entity's rights in respect of the investment;
- the risks associated with the investment have been transferred to the entity; and
- the investment will generate future economic benefits in the form of interest, dividends or capital gains.

As a result, the timing of recognition of an investment may differ from IFRS if documents are not available when the entity becomes a party to the arrangement.

In addition, following the above criteria for initial recognition, trade-date versus settlement-date accounting is not relevant under Nigerian GAAP.

Under IFRS, all financial instruments are initially measured at fair value. Transaction costs are included in the initial measurement of financial instruments that are not measured at fair value through profit or loss. Transaction costs are those incremental costs directly attributable to acquiring or issuing a financial instrument and exclude internal administrative or holding costs.

Under Nigerian GAAP, investments are initially recorded at cost. There is no specific guidance on the treatment of transaction costs. In practice, treatment differs. Like the practice under IFRS, some entities include transaction costs on initial recognition of investment in debt securities while others do not. And trade and other receivables as well as trade and other payables are generally stated at invoice amounts.

Subsequent measurement

Under IFRS, the following measurement requirements apply to all financial assets and financial liabilities. Financial assets and financial liabilities that are designated as hedged items may require further adjustment in accordance with the hedge accounting requirements. The following applies under IFRS:

- *Fair value through profit or loss*

These instruments are measured at fair value and all changes in fair value (realised and unrealised) are recognised immediately in profit or loss.

- *Held-to-maturity*

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest method.

- *Loans and receivables*

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

- *Available-for-sale assets*

Available-for-sale assets are measured at fair value. Gains and losses on remeasurement of these assets, other than impairments are recognised directly in equity. For interest-bearing available-for-sale instruments, interest is calculated using the effective interest method and is recognised in profit or loss. Foreign exchange gains and losses based on the amortised cost of an available-for-sale monetary item also are recognised in profit or loss.

Amounts recognised directly in equity are transferred to profit or loss when the asset concerned is sold, realised or impaired.

Liabilities

Under IFRS, subsequent to initial recognition, liabilities are measured at amortised cost calculated using the effective interest method except for those liabilities:

- measured at fair value through profit or loss; and
- that arise when a transfer of a financial asset does not qualify for derecognition and that are accounted for using the continuing involvement approach.

The following measurement requirements apply to investments under Nigerian GAAP. Unlike IFRS, there are no modifying requirements in respect of hedge accounting:

- *Short-term investments*

These investments are valued at the lower of cost and net realisable value on an item by item basis.

- *Long-term investments*

These investments are carried at cost or at a revalued amount.

- *Investment properties*

These are carried at cost or revalued amount under Nigerian GAAP.

Also under Nigerian GAAP, the requirements for banks and non-bank financial institutions differ in the following respects:

- long term investments in marketable securities are stated at the lower of cost and net realisable value. Market value is disclosed.
- short term investments in marketable securities are stated at net realisable value. Cost is disclosed.
- investments in securities for which there is no active market are stated at the lower of cost and net realisable value.

Transfers between categories of financial assets

Under IFRS, an entity should not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued. A transfer from the available-for-sale category to the held-to-maturity category generally is permitted once any tainting period has lapsed, or if there is a change in intent and ability. The fair value immediately prior to transfer becomes the “cost” in the new category.

Under Nigerian GAAP, where long-term investments are reclassified as short-term investments, transfers are made at the lower of cost and market value. If the investment was previously revalued, any remaining revaluation surplus is reversed on the transfer. Investments reclassified from short-term to long-term are each transferred at historic cost less impairment on their value or at market value if they were previously stated at that value.

Impairment of financial assets

IFRS provides that at each balance sheet date an entity must assess whether there is objective evidence that any financial asset not measured at fair value through profit or loss is impaired or uncollectible. If there is any objective evidence that such an asset is impaired, the amount of any impairment must be calculated. Recognition of an impairment loss is not restricted to situations in which the loss is considered to be permanent. A debt security is impaired if there is an indication that the originally anticipated cash flows from the instrument are not recoverable. Therefore, a decline in the fair value of a debt instrument due to changes in market interest rates is not itself an indication of impairment. A significant or prolonged decline in the fair value of an equity instrument below its cost must be considered objective evidence of impairment.

Impairment of assets, either financial or non-financial is not dealt with under the Nigerian GAAP. In practice, impairment of trade receivables for instance is based on an “**expected loss model**” rather than an “**incurred loss model**”. Also, investments generally are impaired to the lower of their costs and net realisable value; and provision (either general or specific, or both) for bad debt or doubtful debt is recognised in respect of trade receivables when the receivable is not collected at the contractual deadline. Other receivables are generally written down to the estimated recoverable amounts.

Impairment loss calculations

Loans and receivables and held-to-maturity assets

Under IFRS, the impairment loss recognised in profit or loss is the difference between the carrying amount and the recoverable amount of the asset. The recoverable amount is calculated by discounting the estimated probable future cash flows at the original effective interest rate.

Unlike IFRS, there is no “loans and receivables” or “held-to-maturity” classification under the Nigerian GAAP.

Under Nigerian GAAP, loans and advances are measured at cost net of allowance for bad and doubtful debts. A specific risk allowance is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This allowance is determined in accordance with the CBN Prudential Guidelines from a specific assessment of each customer's account that is not performing in line with the terms of the related facility. The loans and advances portfolio is classified into specialised and non-specialised. The basis for making provision for non-performing loans and advances is as follows:

Non-specialised loans:

Interest and principal outstanding	Classification	Provision required
Less than 90 days	Performing	0%
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
Over 360 days	Lost	100%

Specialised loans:

Specialised loans include the following categories: Agricultural Finance; Mortgage Loan; Margin Loans; Object Finance; Project Finance; Real Estate Loan; Commercial Real Estate; and SME Loans. The basis for making allowance for these loans and advances differs slightly from one category to another, based on the provisions of the CBN Prudential Guidelines.

A general provision of at least 1 per cent. is made on all risk assets for which no specific provision has been made.

Where a loan is deemed not collectible this loan is written off against the related risk allowance previously established and subsequent recoveries are credited to the income statement on a cash basis.

Available-for-sale assets

Under IFRS, the basis for the write-down as a result of an impairment loss for an available-for-sale asset is its fair value. Any previous net upward revaluation in equity in respect of the asset is reversed first. Any additional write-down below the initial amount recognised for the asset is recorded as an impairment loss in profit or loss. If the asset previously was revalued through equity to an amount below its original recorded amount, then the entire amount of the revaluation for that asset below the original cost must be recognised as an impairment loss even if the estimated recoverable amount indicates that some of that decline is recoverable.

Under Nigerian GAAP there is no "available-for-sale" classification. In practice, many entities determine their impairment losses based on management judgement. For banks, the impairment calculation on loans and advances is based on the requirements of the CBN Prudential Guidelines, which have largely been incorporated into Nigerian GAAP. Also, there is no guidance on how to calculate the estimated recoverable amount under the Nigerian GAAP. In practice, it is assumed to be a straight-forward comparison of the carrying amount of the asset and the expected future cash flows (recoverable amount), with no discounting required, which is different from IFRS.

Similar to IFRS, under the Nigerian GAAP, the amount of the impairment loss is recognised in the income statement.

In summary, the following practices related to bad debt losses which are not acceptable under IFRS are common in the application of Nigerian GAAPs:

- recognising a provision for losses based on a set percentage of receivable balances having certain characteristics (for example, according to the number of days overdue) rather than actual incurred losses, without validating such percentages using historical data;
- recognising a loss for the gross expected shortfall on non-performing assets, and suspending interest accrual; and
- recognising an impairment loss in excess of incurred losses calculated based on estimated cash flows because local regulations require a specific amount to be set aside.

Derecognition of financial assets

Derecognition criteria

Under IFRS, a financial asset is derecognised when the contractual rights to the cash flows from an asset expire or the entity transfers a financial asset and certain conditions are met with respect to that transfer. After establishing that a financial asset is transferred, consideration should be given to whether that transfer qualifies for derecognition:

- If substantially all of the risks and rewards are transferred, then a financial asset is derecognised. If substantially all of the asset's risks and rewards are retained, then the asset is not derecognised.

- If some but not substantially all of the asset's risks and rewards are transferred, than an asset is derecognised if control of the asset is transferred.
- If some but not substantially all of the asset's risks and rewards are transferred, than an asset is not derecognised if control of the asset is not transferred, and the entity continues to recognise the transferred asset to the extent of its continuing involvement in the asset.

Under Nigerian GAAP, a transferred investment, trade and other receivables is derecognised when all of the recognition criteria cease to be satisfied in respect of that asset. These assets are generally derecognised when disposed of, which may result in differences with IFRS. In particular, in terms of loans or securities, Nigerian GAAP requires derecognition (recognition of a sale) when the sale is without recourse. The sale is without recourse when all the following conditions are met:

- control over the economic benefits of the assets have been passed on to the buyer;
- the seller can reasonably estimate any outstanding cost; and
- there are no repurchase obligations.

Transfers to special purpose entities (SPEs)

Under IFRS, when financial instruments are transferred to a SPE, transferred assets will be derecognised in the consolidated financial statements only if the SPE's transfer of the assets to third parties is a transaction that qualifies for derecognition or if the SPE is not required to be consolidated.

Under Nigerian GAAP, it is unlikely that a SPE would be consolidated under Nigerian GAAP. When an investment meets the criteria for derecognition in the entity's stand alone financial statements, that investment is derecognised in the consolidated financial statements.

Derecognition of financial liabilities

Modification of terms

Under IFRS, when a liability is restructured or refinanced and the terms have been modified substantially, the transaction is accounted for as an extinguishment of the old debt, with a gain or loss. The new debt is recognised at fair value. Terms are considered to have been modified substantially when the net present value of the cash flows under the new terms, using the original effective interest rate (i.e., of the original liability) differs by more than 10 per cent. from the present value of the remaining payments under the original terms.

No specific guidance is provided on accounting for a restructured or refinanced liability on substantially modified terms under Nigerian GAAP. The terms for the restructuring or refinancing of a liability are determined by the agreement between the parties. If under the agreement, a borrower is released from primary responsibility for the liability as a result of a new debt agreement, then the old debt is considered extinguished.

Troubled debt restructuring

There are no special requirements for troubled debt restructurings under IFRS. The above rules on modification of liabilities apply whether or not a borrower is experiencing financial difficulties.

Nigerian GAAP has no special requirements on accounting for troubled debt restructuring.

Hedge accounting

Under IFRS, hedge accounting is permitted only when strict documentation and effectiveness testing requirements are met. The type of hedge accounting model applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a currency exposure on a net investment in a foreign entity.

There is no guidance on hedge accounting under Nigerian GAAP. In practice, entities record only the cost of derivatives on the balance sheet and therefore changes in value of hedging instruments are not recognised, which differs from IFRS. However, Nigerian GAAP permits recognition of gains or deferral of losses when the foreign contracts are perfectly matched or hedged and the appropriate gain or loss has been recognised on the matching or hedging investment. Nigerian GAAP does not give further guidance on hedging or matching.

Financial Instruments: Presentation

- Under IFRS, an instrument is recognised as a liability if the issuer could be obliged to settle in cash or another financial instrument. This includes "puttable" shares including mutual fund units.

Under Nigerian GAAP, only instruments in the legal form of a liability are recognised as liabilities.

- Under IFRS, an instrument is recognised as a liability if it will or may be settled in a variable number of the entity's own equity instruments (for example, equal to a specified value).

Under Nigerian GAAP, the manner of settlement of an instrument does not impact the classification of that instrument.

- Under IFRS, preference shares and similar instruments must be evaluated to determine whether they have the characteristics of a liability. Such characteristics will lead to classification of these instruments as debt.

Under Nigerian GAAP, instruments issued in the legal form of shares are classified as equity.

- Under IFRS, compound instruments that have both liability and equity characteristics are split into these components. Instruments may be classified as liabilities even if they are issued in the form of shares.

Under Nigerian GAAP, there is no guidance on accounting for compound instruments, and therefore such instruments are classified only either as liability or as equity.

Classification as a liability or equity

Under IFRS, an instrument is classified as a liability (debt) when it contains an obligation to transfer resources (for example, cash or other financial assets). Such an obligation may arise from a requirement to repay principal or pay interest or dividends. Any instrument that an issuer could be obliged to settle in cash or another financial instrument is a liability regardless of the manner in which it is expected to be settled, the financial ability of the issuer to settle or the probability of settlement being required.

An instrument is classified as equity only if it does not contain any contractual obligation for the issuer to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that potentially are unfavourable to the issuer. These classification principles apply even if the instrument is in the legal form of a share. Therefore, preference shares might be classified as debt. Ordinary shares, including interests in mutual funds that are puttable to the issuer, are classified as liabilities.

Unlike IFRS, the Nigerian GAAP requires that all instruments in the legal form of a liability are recognised as a liability in the balance sheet. Conversely, all instruments that are in the legal form of shares are recognised as equity in the balance sheet.

Impact of share settlement

Under IFRS, if an instrument will or may be settled in the issuer's own equity instruments, that instrument is recognised as a liability if it includes a contractual obligation for the issuer to deliver a variable number of its own equity instruments. Also, if an instrument may be settled in own equity instruments (whether fixed or floating in number) or in cash or other financial assets at the option of the holder, then the instrument is a financial liability. In the case of derivative instruments, only an instrument that requires settlement by delivery of a fixed number of the Issuer's own equity instruments in settlement of a fixed obligation is classified as equity. Any other settlement method, even at the choice of the issuer, results in liability classification.

Under Nigerian GAAP, the manner in which an instrument could be settled does not impact the classification of the instrument.

Obligation to pay dividends

Under IFRS, a requirement to pay dividends gives rise to an obligation (for example, cumulative dividends on preference shares). This does not change even if the agreement to pay is conditioned on the entity earning sufficient distributable profits.

Under Nigerian GAAP, an obligation to pay dividends does not affect the classification of the underlying instrument.

Redemption options

Under IFRS, in some cases an instrument may be redeemable at the option of the issuer, but, through its terms and conditions, may indirectly establish an obligation for the issuer to transfer cash or other financial instrument to the holder.

Unlike IFRS, redemption options do not affect the classification of the underlying instrument under Nigerian GAAP.

Contingent obligations

Under IFRS, an obligation to transfer resources is classified as a liability if the obligation is contingent on uncertain future events outside the control of both the holder and the issuer, unless:

- the potential obligation to settle in cash (or another financial asset) is not genuine; or
- settlement in cash or another financial asset can be required only in the event of the liquidation of the issuer.

Unlike IFRS, contingent obligations do not affect the classification of the underlying instrument under Nigerian GAAP.

Compound instruments

Under IFRS, an instrument that contains both debt and equity elements (for example, a convertible bond or convertible or redeemable preference shares) is a compound instrument. Compound instruments are allocated between their debt and equity components (split accounting). The classification (and allocation) is made at initial recognition and is not revised as a result of a change in the likelihood that a conversion option will be exercised. The carrying amount of a compound instrument is allocated between its debt and equity components on initial recognition so that the liability is recognised at its fair value and the equity component is recognised as the residual balance of the total proceeds of the relevant issuance. The allocation is made as follows:

- the amount allocated to the liability element is the present value of the future interest and principal cash flows, discounted at a rate applicable to a similar liability without an equity component. The value of any embedded derivatives, other than the equity feature (the embedded call represented by the conversion feature), is included in the amount allocated to the liability; and
- the remaining issue proceeds are allocated to the equity element.

On early redemption of a convertible instrument, the redemption payment should be allocated to the liability and equity components using a method consistent with the method initially used to allocate the instrument between its debt and equity components. The fair value of the liability component is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised in income. The remainder of the redemption payment paid is recognised in equity.

Unlike IFRS, there is no guidance on compound instruments under Nigerian GAAP. Normally, entities do not use split accounting for the debt and equity components of such instruments. Therefore a convertible bond, for example, would be recognised as liability; no portion of the proceeds would be recognised in equity. On the other hand, redeemable preference shares would be classified entirely as equity.

Specifically in relation to redeemable preference shares, Nigerian GAAP requires that the redemption is to be made from either distributable profits or from proceeds of a fresh issue of shares made for the purpose of the redemption. Where the redemption is derived from distributable profits, an amount that is equal to the nominal amount of shares redeemed is transferred to a separate reserve in equity known as the Capital Redemption Reserve Fund.

Accounting for conversion

Under IFRS, upon conversion of a convertible instrument, the entity recognizes the liability component (which is extinguished when the conversion feature is exercised) as equity. The original equity component remains equity and no gain or loss is recognised in profit or loss.

Under Nigerian GAAP, upon conversion of a convertible instrument, entities normally derecognise the entire instrument and recognise the amount equal to the nominal value of shares in share capital. However, it is not clear whether any difference arising from derecognition is included in income statement or equity.

Puttable instruments

Under IFRS, financial instruments that give the holder the right to put them back to the issuer for cash or other financial assets (“**puttable instruments**”) are financial liabilities of the issuer. This applies even when the amount of cash or other financial assets is determined on the basis of an index or other variable that has the potential to increase or decrease, or when the legal form of the puttable instrument gives the holder the right to a residual interest in the assets of the issuer.

Under Nigerian GAAP, puttable instruments, such as shares issued by a limited liability company are recognised as equity if they are in the legal form of shares. This is different from IFRS.

Derivatives on own equity

Under IFRS, a derivative on own equity that will be settled only by exchanging a fixed number of own shares for a fixed amount of cash or other financial assets that requires gross physical settlement is classified as equity. The initial amount paid or received is recognised directly in equity and the instrument is not remeasured for changes in the value of the instrument. A derivative on own equity that will be or may be settled net in cash, or in a variable number of own shares to that net value, is treated as a derivative and measured at fair value with all gains and losses from changes in fair value recognised immediately in profit or loss.

There is no guidance on the accounting treatment of derivatives under Nigerian GAAP. In practice, changes in the value of a derivative on own equity, regardless of the manner of settlement, is recognised on the balance sheet.

In addition, unlike IFRS, the initial amount paid or received, is recognised in the income statement immediately under Nigerian GAAP.

Treasury shares

Under IFRS, any amounts paid by an entity to acquire its own equity instruments are debited directly to equity. This applies whether the equity instruments are cancelled immediately or are held for resale (i.e., treasury shares). Amounts received on the sale of treasury shares are credited directly to equity. No gains or losses are recognised in profit or loss on any purchase, sale, issue or cancellation of own equity instruments, or in respect of any changes in the value of treasury shares. Own equity instruments held in connection with an equity compensation plan are required to be presented as treasury shares.

There is no guidance under Nigerian GAAP as to how own equity instruments acquired by an entity should be treated. Generally, entities adopt IFRS practice as long as it does not contravene any regulatory requirement. However, in terms of presentation, Nigerian GAAP indicates that treasury shares (or own shares) are presented under either long-term or short-term investments in the balance sheet. This is different from IFRS, where treasury shares are presented as a deduction from equity.

Consolidated and Separate Financial Statements

- An SPE is an entity created to accomplish a narrow and well-defined objective. SPEs are consolidated based on control. The determination of control includes an analysis of the risks and rewards associated with an SPE. Unlike IFRS, Nigerian GAAP does not have any guidance on SPEs.
- There is no guidance on accounting for acquisitions of minority interests under IFRS.

Unlike currently effective IFRS, Nigerian GAAP provides guidance on changes in a parent's interest in a subsidiary. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions and no gains or losses are recognised in the income statement. If loss of control occurs, gains or losses are recognised in the income statement and any retained investment is re-measured to fair value and then accounted for in accordance with relevant Nigerian GAAP.

Investments in Associates and Joint Ventures

- IFRS requires that gains and losses on non-monetary contributions in return for an equity interest in a jointly controlled entity are recognised to the extent of the other investors' interests in the investee. In some cases no gain or loss is recognised.

Nigerian GAAP does not provide guidance on recognition of gains and losses on non-monetary contributions in return for an equity interest in a jointly controlled entity.

- IFRS requires that venture capital organisations, mutual funds, unit trusts and similar entities may elect to account for investments in associates and jointly controlled entities classified as fair value through profit or loss or held for trading as financial assets.

Under Nigerian GAAP, venture capital organisations, mutual funds, unit trusts and similar entities may account for interest in jointly controlled entities classified as held for trading at cost, less any provision for impairment and are therefore excluded from the scope of SAS 29.

Business Combinations

- Under IFRS, the cost of acquisition, which is determined at the date of exchange, is the amount of cash or cash equivalents paid, plus the fair value of the other purchase consideration given, including equity instruments issued and the fair value of liabilities incurred or assumed plus any costs directly attributable to the acquisition.

Unlike currently effective IFRS 3, cost of acquisition, which is determined at the date of exchange under Nigerian GAAP, is the amount of cash or cash equivalents paid, plus the fair value of the other purchase consideration given, including equity instruments issued and the fair value of liabilities assumed. This excludes any costs directly attributable to the acquisition.

Foreign Currency Translation

- Under IFRS, an entity may present its financial statements in a currency other than its functional currency (presentation currency).

Nigerian GAAP only permits entities operating in the upstream sector of the oil and gas industry to present their financial statements (for statutory purposes) in a currency other than Naira.

Translation of foreign currency financial statements

The financial information regarding foreign operations is translated as follows:

- Assets and liabilities are translated at the exchange rate at the reporting date under both IFRS and Nigerian GAAP;
- For items of revenue and expense under IFRS, translation at exchange rates at the dates of the relevant transactions, or at appropriate average rates. Nigerian GAAP requires translation at either the closing rate or exchange rates at the dates of the relevant transactions; and
- Under IFRS, the resulting exchange differences are recognised directly in equity, and are presented as a separate component of equity, often referred to as a foreign currency translation reserve; under Nigerian GAAP the resulting exchange differences are recognised directly in an equity account called Income or Revenue Reserve.

Accounting policies, errors and estimates

- Under IFRS, accounting policy changes and corrections of prior period errors are accounted for retrospectively by adjusting opening equity and comparatives, unless impracticable.

Unlike IFRS, Nigerian GAAP requires that adjustments to correct prior period errors in retained earnings should be reported net of associated taxes.

- When it is difficult to determine whether a change is a change in accounting policy or a change in estimate, IFRS requires that it is treated as a change in estimate.

There is no such guidance under Nigerian GAAP.

- IFRS requires that comparatives are adjusted, unless impracticable, if the classification or presentation of items in the financial statements is changed. In addition, when an entity restates comparative information following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements, the entity prepares additional statements of financial position (currently called balance sheet) as at the beginning of the comparative period. In such cases three statements of financial position will be presented.

Unlike IFRS, Nigerian GAAP does not provide guidance with respect to the treatment of comparatives, if the classification or presentation of items in the financial statements is changed.

Property, Plant and Equipment (PPE)

Land and buildings

In Nigeria, the Land Use Act Cap L5 LFN 2004 (“**the Land Use Act**”) vests ownership of all land in Nigeria in various tiers of governments. Individual and corporate entities which acquired land after the Land Use Act came into effect are provided the land they occupy for use under a 99-year lease arrangement. These land plots are called leasehold land. Land plots acquired before the Land Use Act came into effect are held as freehold.

Under Nigerian GAAP, land and buildings including leasehold lands are classified as property and equipment. IFRS requires land and building components to be evaluated separately for the purpose of lease classification. IFRS generally requires leasehold land to be classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

Software

Under Nigerian GAAP, software is treated as property and equipment. Under IFRS, software is accounted for as intangible assets, unless it is an integral part of the hardware in which case such software is treated as tangible assets under IAS16 Property, Plant and Equipment.

- IFRS requires an entity to start depreciating an asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating manner intended by management. Therefore, depreciation under IFRS commences when available for use and continues even if there is no usage.

Under Nigerian GAAP, no depreciation is charged until the assets are put into use.

- IFRS includes the cost of dismantling and removing the asset and restoring the site as part of the cost of PPE.

Unlike IFRS, the requirement for cost to include the cost of dismantling and removing the asset and restoring the site under Nigerian GAAP is only specific to entities engaged in upstream oil and gas activities and entities engaged in telecoms activities.

- IFRS provides that estimates of useful life and residual value, and the method of depreciation, should be reviewed at least at each annual reporting date. Any changes are accounted for prospectively as a change in estimate.

Under Nigerian GAAP, there is no requirement to annually review estimates of useful life and residual value, and the method of depreciation for indications that the current estimates or depreciation method are no longer appropriate. However, permanent impairments (when identified) which cause the recoverable amount to fall below the carrying amount are written to the income statement.

- IFRS provides that the residual value of an asset is the estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Under Nigerian GAAP, the residual value of an asset is the estimated net amount recoverable from an asset's disposal after its expected useful economic life.

- Under IFRS, when an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately.

The requirement to componentise an item of property, plant and equipment under Nigerian GAAP is only included in SAS 25.

- Under IFRS, revaluation surplus in respect of disposed property, plant and equipment is transferred to retained earnings. Alternatively, the revaluation surplus may be transferred to retained earnings as the asset is used. Transfer of revaluation surplus through profit or loss is not permitted.

Unlike IFRS, transfer of revaluation surplus in respect of disposed item of property, plant and equipment to profit and loss is permitted under Nigerian GAAP. In addition, Nigerian GAAP is silent on the transfer of revaluation surplus to retained earnings as the asset is used.

Investment Properties

- IFRS provides that property held by a lessee under an operating lease may be classified as investment property if the definition of investment property otherwise is met and the lessee measures investment property at fair value.

Unlike IFRS, Nigerian GAAP does not address whether property held by a lessee under an operating lease can be recognised in the balance sheet.

- IFRS provides that a portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a finance lease. Otherwise the entire property is classified as property, plant and equipment unless only an "insignificant" portion is held for own use.

Unlike IFRS, Nigerian GAAP provides no guidance on how to classify dual-use property but it deems a property to be occupied substantially for use if the owner or another entity within the same group occupies more than 15 per cent. of the lettable space.

- IFRS requires that subsequent to initial recognition, all investment properties are measured using either the fair value model or the cost model and if the fair value model is chosen, changes in fair value are recognised in profit or loss and, disclosure of the fair value of all investment property is required, regardless of the measurement model used.

Unlike the IFRS, the Nigerian GAAP requires that subsequent to initial recognition, investment property should be measured using either the revaluation model which requires that investment property must be revalued periodically on a systematic basis at least once in three years.

Short-term employee benefits

Low-interest loans

Under IFRS, loans granted to employees at lower than market interest rates generally are recognised as employee benefits, which must be measured at the present value of the anticipated future cash flows (discounted using a market interest rate). Loans to employees who are either directors or members of the management team often are related party transactions.

In practice, accounting for compensated absences, profit sharing and bonus plans under Nigerian GAAP generally follow the IFRS treatment. However, low-interest loans would most likely not be recognised as employee benefits as such loans are generally not discounted at the market rate of interest on initial recognition.

Scope of post-employment benefits

Under IFRS, post-employment benefits include all benefits payable after employment (before or during retirement), for example, pensions, medical benefits after employment and severance payments.

Nigerian GAAP does not refer to the term “post-employment benefits”. Instead Nigerian GAAP refers to employee retirement benefits. In practice, those benefits which would be regarded as post-employment benefits under IFRS are generally treated as retirement benefits under Nigerian GAAP.

Nigerian GAAP also recognises that retirement benefits may arise from both formal and informal arrangements between employers and employees.

Income recognition

Under IFRS, interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or, when appropriate a shorter period to the net carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of effective interest rate includes all fees and points paid or received (fees and commission), transaction costs and discounts or premiums that are an integral part of the effective interest rate. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Under Nigerian GAAP, interest income is recognised on an accrual basis over the life of the credit, except for interests on non-performing credit facilities that are overdue by more than 90 days, which are suspended and subsequently recognised on a cash basis. Non-credit related fee income charged to customers for services rendered is recognised at the time the service or transaction is considered substantially completed.

Credit-related fee income, where material (credit-related fee income will be considered material if it constitutes at least 10 per cent. of the projected average annual yield of the facility), is systematically spread over the lifespan of the facility or otherwise credited to income on occurrence.

Commissions and fees charged to customers for services rendered are recognised at the time the transaction is effected; Investment income is recognised on an accrual basis and credited to the income statement. Substantial directly related (origination) costs are deducted from related fee income before deferral and amortised over the lifespan of the facility.

Current and deferred taxation

Under IFRS, current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Under Nigerian GAAP, income tax expenses/credits are recognised in the profit and loss account. Current income tax is the expected tax payable on the taxable income for the year, using statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred taxation is provided fully on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal. Currently enacted tax rates are used to determine deferred income tax.

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Access Bank Plc

**Condensed consolidated interim financial statements
for the period ended 31 March 2012**

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

We have reviewed the accompanying condensed consolidated interim financial statements of Access Bank Plc and its subsidiaries (the "Group"), which comprise the condensed consolidated financial position as at 31 March 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial statements as set out on pages 1 to 68.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that presents in all material respect in accordance with IAS 34 *Interim Financial Reporting*, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matter

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes for the period ended 31 March 2011 were not reviewed.

KPMG

8 June 2012

Lagos, Nigeria



Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
Together with Auditor's Report

Condensed consolidated statement of financial position

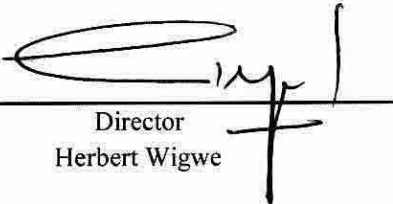
As at 31 March 2012

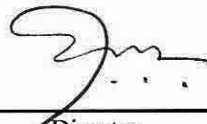
<i>In thousands of Naira</i>	<i>Notes</i>	<u>March</u> 2012	<u>December</u> 2011
Assets			
Cash and cash equivalents	8, 19	328,006,186	191,518,474
Non pledged trading assets	8, 20	7,464,475	10,812,122
Pledged assets	8, 21	62,358,494	66,191,144
Derivative financial instruments	8, 22	46,960	9,909
Loans and advances to banks	6, 8, 23	1,640,708	775,765
Loans and advances to customers	6, 8, 24	539,610,041	576,228,507
Insurance receivables	8, 25	1,318,545	1,405,000
Investments in equity accounted investee	26	2,812,805	2,812,805
Investment securities	6, 8, 27	559,151,330	561,733,704
Trading properties	28	5,907,525	6,688,000
Investment properties	29	16,165,660	16,097,044
Property and equipment	30	66,833,264	67,647,817
Intangible assets	31	3,042,781	3,277,608
Deferred tax assets	32	2,656,544	2,930,928
Other assets	33	141,583,108	120,874,368
Total assets		1,738,598,426	1,629,003,195
Liabilities			
Deposits from banks	8, 34	286,698,097	146,808,286
Deposits from customers	8, 35	1,024,654,160	1,101,703,921
Derivative financial instruments	8, 22	-	9,413
Current tax liabilities		8,378,162	9,747,004
Other liabilities	36	169,341,635	142,649,550
Claims payable	8, 37	328,659	450,000
Liabilities on investment contracts	8, 38	60,656	61,000
Liabilities on insurance contracts	39	3,266,762	2,703,000
Interest-bearing loans and borrowings	8, 40	34,326,043	29,258,273
Contingent settlement provisions	41	3,548,000	3,548,000
Total liabilities		1,530,602,174	1,436,938,447

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
Together with Auditor's Report

<i>In thousands of Naira</i>	<i>Notes</i>	March 2012	December 2011
Equity			
Share capital and share premium	42	176,631,196	155,104,963
Accumulated loss	42	(7,410,036)	(6,744,577)
Other components of equity	42	32,097,192	20,649,521
Total equity attributable to owners of the Bank		201,318,352	169,009,907
Non controlling interest	42	6,677,900	23,054,841
Total equity		207,996,252	192,064,748
Total liabilities and equity		1,738,598,426	1,629,003,195

Signed on behalf of the Board of Directors on 8 June 2012 by:


 Director
 Herbert Wigwe


 Director
 Ebenezer Olufowose

The notes on pages 9 to 68 are an integral part of these condensed consolidated interim financial statements.

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
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Condensed consolidated statement of comprehensive income

For the three months ended 31 March

<i>In thousands of Naira</i>	Notes	2012	2011 (Unreviewed)
Interest income	10	53,070,860	19,320,527
Interest expense	10	(14,888,682)	(6,389,977)
Net interest income		38,182,178	12,930,550
Fee and commission income	11	6,726,644	4,827,595
Fee and commission expense		(1,542)	-
Net fee and commission income		6,725,102	4,827,595
Net trading income	12	1,275,980	863,687
Other operating income	13	1,527,191	747,432
		2,803,171	1,611,119
Underwriting profit		316,370	-
		316,370	-
Operating income		48,026,821	19,369,264
Net impairment loss on financial assets	14	(6,054,477)	(1,245,569)
Net operating income after net impairment loss on financial assets		41,972,344	18,123,695
Personnel expenses	15	(13,279,648)	(3,004,823)
Operating lease expenses		(552,619)	(285,162)
Depreciation and amortization	30 31	(3,708,434)	(1,094,384)
Other operating expenses	16	(9,300,307)	(6,637,680)
Total expenses		(26,841,008)	(11,022,048)
Profit before income tax		15,131,335	7,101,647
Income tax expense	17	(3,729,925)	(1,562,362)
Profit for the period		11,401,410	5,539,284

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
Together with Auditor's Report

<i>In thousands of Naira</i>	Notes	2012	2011 (Unreviewed)
<i>Other comprehensive income net of income tax:</i>			
Foreign currency translation differences for foreign operations		(637,352)	1,177,034
Fair value loss/gains on available-for-sale investments recognised in equity		205,351	260,000
Fair value gains/(losses) on property and equipment		61,008	-
Other comprehensive loss for the year, net of tax		(370,993)	1,437,034
Total comprehensive income for the year		11,030,417	6,976,318
Profit attributable to:			
Owners of the Bank		11,153,206	5,556,949
Non-controlling interest		248,204	(17,665)
Profit for the year		11,401,410	5,539,284
Total comprehensive income attributable to:			
Owners of the Bank		10,828,331	6,993,983
Non-controlling interest		202,086	(17,665)
Total comprehensive income for the year		11,030,417	6,976,318
Earnings per share - Basic (kobo)	18	50	31

The notes on pages 9 to 68 are an integral part of these condensed consolidated interim financial statements.

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
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Condensed consolidated statement of changes in equity

For the three months ended 31 March

In thousands of Naira

	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 2012	8,944,126	146,160,837	4,153,575	19,276,823	(5,048,872)	3,489,080	(1,872,471)	586,000	65,385	(6,744,577)	169,009,906	23,054,841	192,064,747
Total comprehensive income for the period:													
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	11,153,206	11,153,206	248,204	11,401,410
Other comprehensive income, net of tax													
Foreign currency translation difference	-	-	-	-	-	-	-	-	(637,352)	-	(637,352)	-	(637,352)
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	205,351	-	-	-	205,351	(46,117)	159,234
Net change on revaluation of property and equipment	-	-	-	-	-	-	61,008	-	-	-	61,008	-	61,008
Total other comprehensive (loss)/income	-	-	-	-	-	-	266,359	-	(637,352)	-	(370,993)	(46,117)	(417,110)
Total comprehensive (loss)/income	-	-	-	-	-	-	266,359	-	(637,352)	11,153,206	10,782,213	202,087	10,984,300
Transactions with equity holders, recorded directly in equity:													
Transfers for the period	-	-	5,223,087	-	-	-	-	-	-	(5,223,087)	-	-	-
New issue of shares	2,500,000	19,026,233	-	-	-	-	-	-	-	-	21,526,233	(21,526,233)	-
Transfer to contingency reserve	-	-	-	-	-	-	-	32,126	-	(32,126)	-	-	-
Reclassification	-	-	-	-	-	-	6,563,365	-	-	(6,563,365)	-	-	-
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	4,947,205	4,947,205
Total contributions by and distributions to equity holders	2,500,000	19,026,233	5,223,087	-	-	-	6,563,365	32,126	-	(11,818,578)	21,526,233	(16,579,028)	4,947,205
Balance at 31 March 2012	11,444,126	165,187,070	9,376,662	19,276,823	(5,048,872)	3,489,080	4,957,253	618,126	(571,967)	(7,409,949)	201,318,352	6,677,900	207,996,252

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
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Consolidated Statement of Changes in Equity
For the three months ended 31 March

In thousands of Naira

Balance at 1 January 2011	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Contingency reserve	Foreign translation reserve	Retained earnings	Total	controlling interest	Total Equity
	8,944,126	146,160,837	5,147,247	17,227,756	(5,652,507)	3,489,080	(614,739)	-	32,618	(10,785,618)	163,948,800	699,332	164,648,132
Total comprehensive income for the period:													
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	5,556,949	5,556,949	(17,665)	5,539,284
Other comprehensive income, net of tax													0
Foreign currency translation difference	-	-	-	-	-	-	-	-	1,177,034	-	1,177,034	-	1,177,034
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	260,000	-	-	-	260,000	-	260,000
Net change on revaluation of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	0
Total other comprehensive (loss)/income	-	-	-	-	-	-	260,000	-	1,177,034	-	1,437,034	-	1,437,034
Total comprehensive (loss)/income	-	-	-	-	-	-	260,000	-	1,177,034	5,556,949	6,993,983	(17,665)	6,976,318
Transactions with equity holders, recorded directly in equity:													
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to equity holders													
Balance at 31 March 2011	8,944,126	146,160,837	5,147,247	17,227,756	(5,652,507)	3,489,080	(354,739)	-	1,209,652	(5,228,669)	170,942,783	681,667	171,624,450

The notes on pages 9 to 68 are an integral part of these condensed consolidated interim financial statements.

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
Together with Auditor's Report

Consolidated statement of cash flows

For the three months ended 31 March

		<u>March</u> 2012	<u>March</u> 2011 (Unreviewed)
<i>In thousands of Naira</i>	<i>Notes</i>		
Cash flows from operating activities			
Profit for the period		11,401,410	5,539,284
<i>Adjustments for:</i>			
Depreciation of property and equipment	30	3,319,951	1,018,702
Amortization of intangible assets	31	388,483	75,682
Gain on disposal of property and equipment		(15,247)	(11,425)
Profit on disposal of trading properties		(74,129)	(55,547)
Impairment on financial assets		6,054,477	1,245,569
Interest paid on borrowings and finance lease		26,305	26,055
Dividend received		(127)	(70,078)
Income tax expense	17	3,729,925	1,562,362
		24,831,048	9,330,604
Change in non-pledged trading assets		3,347,647	(5,959,206)
Change in pledged assets		3,832,650	59,930,096
Change in derivative financial instruments-assets		(37,051)	1,110,803
Change in loans and advances to banks and customers		31,028,508	(17,425,905)
Change in insurance receivables		167,276	-
Change in other assets		(17,945,869)	(22,568,772)
Change in deposits from banks		139,889,811	(32,618,247)
Change in interest bearing loans and advances		5,067,770	13,183,948
Change in derivative financial instrument-liabilities		(9,413)	(725,007)
Change in deposits from customers		(77,049,761)	103,408,961
Change in claims payable		(121,341)	-
Change in liabilities on investment contracts		(344)	-
Change in liabilities on insurance contracts		563,762	-
Change in other liabilities		26,692,085	17,851,016
		140,256,778	125,518,292
Income tax paid		(2,759,847)	(29,470)
Net cash provided/(used in) by operating activities		137,496,931	125,488,822

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
Together with Auditor's Report

For the three months ended 31 March

In thousands of Naira

	Notes	<u>March</u> 2012	<u>March</u> 2011 (Unreviewed)
Cash flows from investing activities			
Net sale/(purchase) of investment securities		2,731,876	(52,753,876)
Interest and dividends received		127	70,078
Acquisition of property and equipment	30	(4,407,337)	(629,001)
Proceeds from the sale of property and equipment		753,377	383,385
Acquisition of intangible assets	31	(248,256)	29,815
Acquisition of investment properties	29	(2,015,296)	-
Proceeds from disposal of investment properties		1,388,098	-
Proceeds on disposal of trading properties		977,710	-
Acquisition of trading properties		(123,106)	-
Net (cash used)/provided by investing activities		(942,807)	(52,899,600)
Cash flows from financing activities			
Interest paid on long term borrowings		(26,305)	(26,055)
Net cash used in financing activities		(26,305)	(26,055)
Net increase/(decrease) in cash and cash equivalents			
		136,527,819	72,563,167
Cash and cash equivalents at beginning of period		191,518,474	123,957,778
Effect of exchange rate fluctuations on cash held		(40,107)	(37,144)
Cash and cash equivalents at end of period	19	328,006,186	196,483,801

The notes on pages 9 to 68 are an integral part of these condensed consolidated interim financial statements.

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
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1. Reporting entity

Access Bank Plc (“the Bank”) is a company domiciled in Nigeria. The address of the Bank’s registered office is Plot 999c, Danmole Street, off Adeola Odeku/Idejo Street, Victoria Island, Lagos (formerly Plot 1665, Oyin Jolayemi, Victoria Island, Lagos). The condensed consolidated interim financial statements of the Bank as at and for the three month ended 31 March 2012 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.

2. Statement of compliance

These condensed consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements were authorised for issue by the directors on 8 June 2012.

3. Basis of preparation

(a) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

(b) Reporting period

The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2011 and comparatives for the condensed consolidated statements of income, changes in equity and cash flows have been extracted from the unreviewed condensed consolidated interim financial information for the three months ended 31 March 2011.

(c) Functional and presentation currency

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

4. New accounting standards and interpretations

As at 31 March 2012, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these condensed consolidated interim financial statements. Below, the most significant new standards are addressed:

IFRS 9 Financial Instruments: Classification and Measurement

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

IAS 1 Presentation of Financial Statements

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

IAS 19 Employee benefits

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

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

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

5. Estimates and judgements

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

6 Financial Risk Management

Access Bank's activities are continuously monitored against the level and nature of risk that the Group is willing to take in order to pursue its strategy, taking all stakeholders into consideration. Access Bank's risk taxonomy includes all applicable material risks. It is reviewed and updated annually to ensure that all material risks are identified, defined and incorporated into the risk governance framework.

This section provides an update on the Bank's credit, market, operational and liquidity risk developments over the three month period ended 31 March 2012. General information on risk management, the risk governance, risk appetite and risk types including definitions and the way these risks are managed are substantially consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

(a) Credit risk

Access Bank Plc is subject to credit risk through its lending, trading and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or where it issues guarantees. Credit risk management is governed by the Access Bank's credit risk policy framework. Based on this policy, all loans and advances are categories as either:

- Collectively impaired
- Past due but not impaired
- Individually impaired

The table below shows the impairment allowance which includes allowances against financial assets that have been individually impaired and those subject to collective impairment:

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		Loans and advances to customers		Loans and advances to banks		Investment Securities	
<i>31 March</i>		March	December	March	December	March	December
<i>In thousands of Naira</i>	<i>Note</i>	2012	2011	2012	2011	2012	2011
Carrying amount	23, 24, 27	539,610,041	576,228,507	1,640,708	775,765	559,151,330	561,733,704
Assets at amortised cost							
Individually impaired:							
Grade 6: Impaired		23,907,400	14,380,004	435,808	125,230	-	-
Grade 7: Impaired		17,681,297	15,277,296	-	10,365	-	-
Grade 8: Impaired		13,866,262	26,436,645	-	22	3,045,939	3,195,441
Gross amount		55,454,960	56,093,945	435,808	135,617	3,045,939	3,195,441
Allowance for impairment		(34,996,862)	(43,581,022)	(23,852)	(61,028)	(3,045,939)	(3,195,441)
Carrying amount		20,458,098	12,512,923	411,955	74,589	-	-
Collectively impaired:							
Grade 1-3: Low-fair risk		439,928,367	487,624,213	1,214,432	705,954	-	-
Grade 4-5: Watch list		80,711,097	78,368,977	-	-	-	-
Grade 6: Impaired		2,090,279	-	4,147	-	-	-
Grade 7: Impaired		2,790,300	-	10,886	-	-	-
Grade 8: Impaired		1,191,563	-	6	-	-	-
Gross amount		526,711,606	565,993,190	1,229,471	705,954	-	-
Allowance for impairment		(9,457,748)	(4,279,771)	(719)	(4,778)	-	-
Carrying amount		517,253,858	561,713,419	1,228,752	701,176	-	-
Past due but not impaired:							
Grade 4-5: Low-fair risk		2,661,640	2,452,168	-	-	-	-
Gross amount		2,661,640	2,452,168	-	-	-	-
Allowance for impairment		(763,555)	(450,003)	-	-	-	-
Carrying amount		1,898,085	2,002,165	-	-	-	-
<i>Past due comprises:</i>							
90 -180 days		2,661,640	2,452,168	-	-	-	-
Gross amount		2,661,640	2,452,168	-	-	-	-
Allowance for impairment		(763,555)	(450,003)	-	-	-	-
Carrying amount		1,898,085	2,002,165	-	-	-	-
Neither past due nor impaired:							
Available-for-sale assets (AFS)							
Grade 1-3: Low-fair risk		-	-	-	-	48,076,284	46,978,397
Grade 4-5: Low-fair risk		-	-	-	-	-	-
Held to maturity assets							
Grade 1-3: Low-fair risk						511,075,047	514,755,307
Grade 4-5: Low-fair risk						-	-
Total carrying amount -amortised cost		539,610,041	576,228,507	1,640,708	775,764	559,151,330	561,733,704

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

<i>In thousands of Naira</i>	Loans and advances to customers		Loans and advances to banks		Investment Securities	
	Gross	Net	Gross	Net	Gross	Net
March 2012						
Grade 6-8: Individually impaired	55,454,960	20,458,098	435,808	411,955	3,045,939	-
Total	55,454,960	20,458,098	435,808	411,955	3,045,939	-
December 2011						
Grade 6-8: Individually impaired	56,093,945	12,512,923	135,617	74,589	3,195,441	-
Total	56,093,945	12,512,923	135,617	74,589	3,195,441	-

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

<i>In thousands of Naira</i>	Loans and advances to customers		Loans and advances to banks	
	<u>March</u> 2012	<u>December</u> 2011	<u>March</u> 2012	<u>December</u> 2011
Against individually impaired	19,282,795	10,374,786	15,000	-
Against collectively impaired	235,677,239	242,966,173	-	3,033,500
Total	254,960,034	253,340,959	15,000	3,033,500

	Loans and advances to customers		Loans and advances to banks	
	<u>March</u> 2012	<u>December</u> 2011	<u>March</u> 2012	<u>December</u> 2011
Against individually impaired:				
Property	19,256,185	10,373,720	-	-
Equities	1,066	1,066	-	-
Cash	25,544	-	15,000	-
Pledged goods/receivables	-	-	-	-
Against collectively impaired:				
Property	131,409,340	131,409,340	-	-
Equities	22,541,176	22,541,176	-	-
Cash	81,726,723	89,015,657	-	-
Pledged goods/receivables	-	-	-	3,033,500
	254,960,034	253,340,959	15,000	3,033,500

Access Bank Plc and Subsidiary Companies
Condensed Consolidated Interim Financial Statements - 31 March 2012
Together with Auditor's Report

4 Credit concentration

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

		Loans and advances to customers		Loans and advances to banks		Investment Securities	
		<u>March</u>	<u>December</u>	<u>March</u>	<u>December</u>	<u>March</u>	<u>December</u>
<i>In thousands of Naira</i>	<i>Note</i>	2012	2011	2012	2011	2012	2011
Carrying amount	23, 24, 27	539,610,041	576,228,507	1,640,708	775,765	559,151,330	561,733,704
Concentration by sector:							
Corporate		470,471,527	429,446,999	-	-	44,466,282	55,032,646
Commercial		42,999,855	95,400,391	-	-	-	-
Bank		-	-	1,640,708	775,765	2,764,453	8,372,763
Retail		9,268,322	32,643,127	-	-	-	-
Government		16,870,337	18,737,990	-	-	503,222,377	498,328,296
		539,610,041	576,228,507	1,640,708	775,765	550,453,112	561,733,704
Concentration by location:							
Nigeria		471,091,482	513,824,159	176,552	775,765	510,685,828	530,544,232
Rest of Africa		60,764,053	56,766,669	-	-	39,528,552	27,529,468
Europe		7,754,506	5,637,679	1,464,156	-	8,936,951	3,660,004
		539,610,041	576,228,507	1,640,708	775,765	559,151,330	561,733,704

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

Market risks

Definition

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

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.

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

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.

Risk limits

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

(i) Interest rate risk

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

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

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

Market risks

<u>Re-pricing period</u>							
	<i>Note</i>	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
31-Mar-12							
<i>Non-derivative assets</i>							
Cash and cash equivalents	19	328,006,186	212,537,395	104,591,688	10,877,103	-	-
Pledged assets	21	62,358,494	6,957,380	12,601,114	2,000,000	21,000,000	19,800,000
Loans and advances to banks	23	1,640,708	1,640,708	-	-	-	-
Loans and advances to customers	24	539,610,041	178,452,156	119,902,204	106,387,419	77,320,728	57,547,534
Insurance receivables	25	1,318,545	1,318,545	-	-	-	-
Investment securities	27	559,151,330	3,811,811	11,177,470	60,170,584	325,663,925	158,327,540
		1,492,085,304	404,717,995	248,272,476	179,435,106	423,984,653	235,675,074
<i>Non-derivative liabilities</i>							
Deposits from banks	34	286,698,097	185,144,136	86,321,081	15,232,880	-	-
Deposits from customers	35	1,024,654,160	948,425,949	46,420,026	27,449,125	2,359,061	-
Claims payable	37	328,659	328,659	-	-	-	-
Liabilities on investment contracts	38	60,656	60,656	-	-	-	-
Interest bearing loans & borrowings	40	34,326,043	918,870	4,652,481	5,045,000	4,663,472	19,046,220
		1,346,067,615	1,134,878,270	137,393,587	47,727,005	7,022,533	19,046,220
Total interest re-pricing gap							
		146,017,689	(730,160,275)	110,878,888	131,708,101	416,962,120	216,628,854

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

(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 table below summaries the Group's assets and liabilities at carrying amount, categorised by currency as at the end of the reporting period:

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

Financial instruments by currency	Note	Total	Naira	US \$	GBP	Euro	Others
<i>In thousands of Naira</i>							
31-Mar-12							
Cash and cash equivalents	19	328,006,186	254,412,778	58,412,545	8,976,045	4,996,246	1,208,572
Non-pledged trading assets	20	7,464,475	7,464,475	-	-	-	-
Pledged assets	21	62,358,494	32,720,740	29,549,258	88,496	-	-
Derivative financial instruments	22	46,960	-	46,858	102	-	-
Loans and advances to banks	23	1,640,708	625,137	572,821	15,026	427,724	-
Loans and advances to customers	24	539,610,041	469,164,201	69,005,537	953,601	486,702	-
Insurance receivables	25	1,318,545	1,318,545	-	-	-	-
Investment securities	27	559,151,330	551,170,070	4,572,425	1,085,473	2,323,362	-
		1,499,596,739	1,316,875,947	162,159,443	11,118,743	8,234,034	1,208,572
Deposits from banks	34	286,698,097	178,916,896	100,116,512	3,940,481	3,724,208	-
Deposits from customers	35	1,024,654,160	836,673,021	173,252,048	9,174,076	5,345,831	209,184
Derivative financial instruments	22	-	-	-	-	-	-
Claims payable	37	328,659	211,550	85,755	5,767	25,587	-
Liabilities on investment contracts	38	60,656	60,656	-	-	-	-
Interest bearing loans & borrowings	40	34,326,043	22,008,991	12,061,685	-	255,367	-
		1,346,067,615	1,037,871,114	285,516,000	13,120,324	9,350,993	209,184

Financial instruments by currency		Note	Total	Naira	US \$	GBP	Euro	Others
In thousands of Naira								
31-Dec-11								
Cash and cash equivalents	19		191,518,474	111,016,908	44,525,246	11,546,440	7,261,947	17,167,933
Non-pledged trading assets	20		10,812,122	10,812,122	-	-	-	-
Pledged assets	21		66,191,144	66,191,144	-	-	-	-
Derivative financial instruments	22		9,909	-	9,909	-	-	-
Loans and advances to banks	23		775,765	775,765	-	-	-	-
Loans and advances to customers	24		576,228,508	387,764,322	151,929,715	3,605,296	641,358	32,287,817
Insurance receivables	25		1,405,000	1,405,000	-	-	-	-
Investment securities	27		561,733,704	513,329,941	35,221,269	7,466,786	-	5,715,708
			1,408,674,627	1,091,295,202	231,686,140	22,618,522	7,903,305	55,171,458
Deposits from banks	34		146,808,287	84,753,260	52,907,610	5,176,139	3,971,278	-
Deposits from customers	35		1,101,703,921	849,395,347	156,007,951	18,485,194	3,453,816	74,361,613
Derivative financial instruments	22		9,413	-	-	9,413	-	-
Claims payable	37		450,000	450,000	-	-	-	-
Liabilities on investment contracts	38		61,000	61,000	-	-	-	-
Interest bearing loans & borrowings	40		29,258,273	21,533,498	7,724,775	-	-	-
			1,278,290,894	956,193,105	216,640,336	23,670,746	7,425,094	74,361,613

(iii) Liquidity risk

The Group's approach to liquidity risk management is outlined in the annual report for the year ended 31 December 2011.

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

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

	2012	2011
At end of period/year	70%	36%
Average for the period/year	74%	37%
Maximum for the period/year	77%	41%
Minimum for the period/year	70%	33%

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

(iii)		Residual contractual maturities of financial assets and liabilities						
<i>In thousands of Naira</i>	<i>Note</i>	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
31-Mar-12								
<i>Non-derivative assets</i>								
Cash and cash equivalents	19	328,006,186	328,006,186	206,254,545	110,874,538	10,877,103	-	-
Non-pledged trading assets	20	7,464,475	7,464,475	-	958,820	4,173,943	2,096,131	235,581
Pledged assets	21	62,358,494	62,358,494	7,300,000	12,258,494	2,000,000	21,000,000	19,800,000
Derivative financial instrument	22	46,960	46,960	46,960	-	-	-	-
Loans and advances to banks	23	1,640,708	1,640,708	1,640,708	-	-	-	-
Loans and advances to customers	24	539,610,041	539,752,183	183,794,298	119,902,204	106,387,419	77,320,728	57,547,534
Insurance receivables	25	1,318,545	1,318,545	1,318,545	-	-	-	-
Investment securities	27	559,151,330	559,151,330	3,811,811	11,177,470	60,170,584	325,663,925	158,327,540
		1,499,596,739	1,499,738,881	404,166,867	255,171,526	183,609,049	426,080,784	235,910,655
<i>Non-derivative liabilities</i>								
Deposits from banks	34	286,698,097	286,698,097	151,666,275	86,321,081	48,710,741	-	-
Deposits from customers	35	1,024,654,160	1,024,654,160	951,761,768	43,084,207	27,449,125	2,359,061	-
Derivative financial instrument	22	-	-	-	-	-	-	-
Claims payable	37	328,659	328,659	328,659	-	-	-	-
Liabilities on investment contracts	38	60,656	60,656	60,656	-	-	-	-
Interest bearing loans & borrowings	40	34,326,043	34,326,043	918,870	4,652,481	5,045,000	4,663,472	19,046,220
		1,346,067,615	1,346,067,614	1,104,736,228	134,057,768	81,204,866	7,022,533	19,046,220
Gap (asset - liabilities)		153,529,124	153,671,267	(700,569,361)	121,113,758	102,404,183	419,058,251	216,864,435
Cumulative liquidity gap		153,529,124	307,200,391	(393,368,970)	(272,255,212)	(169,851,029)	249,207,222	466,071,657

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

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Capital management

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained. The following table provides an overview of the development of the capital ratios and risk-weighted assets (RWA):

<i>In thousands of Naira</i>	<i>Note</i>	Mar-12	Dec-11
Tier 1 capital			
Ordinary share capital	42	11,444,126	8,944,126
Share premium	42	165,187,070	146,160,837
Retained earnings		(7,410,036)	(6,744,577)
Other reserves		32,097,192	20,649,521
Non-controlling interests		6,677,900	23,054,841
		207,996,252	192,064,748
Add/(Less):			
Fair value reserve for available-for-sale securities		(4,957,253)	(4,623,657)
Intangible assets	31	(3,042,781)	(3,277,608)
Shareholders' funds		199,996,218	184,163,483
Tier 2 capital			
Fair value reserve for available-for-sale securities		4,957,253	4,623,657
Collective allowances for impairment	23,24	10,221,303	4,734,552
Total		15,178,556	9,358,209
Total regulatory capital		215,174,774	193,521,692
Risk-weighted assets		1,035,372,194	895,301,332

Capital ratios

Total regulatory capital expressed as a percentage of total risk-weighted assets	21%	22%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19%	21%

Operational risks

Operational risk is the risk of loss resulting from inadequate or fatal internal processes, people and systems, or from external events. This definition includes legal and compliance risk, but excludes strategy/business and reputation risk. During the three-month period ended 31 March 2012, no significant operational losses have occurred.

7. Operating segments

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

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

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

- **Institutional banking** - The institutional banking division provides bespoke comprehensive banking products and a full range of services to multinationals, large domestic corporates and other institutional clients.
- **Commercial banking** - The commercial banking division has presence in all major cities in the country. It provides commercial banking products and services to the non-institutional clients, medium and small corporate segments of the Nigerian market.

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- **Financial markets** - The financial markets division provides innovative finance solutions to meet the short, medium and long-term financing needs for the bank's clients as well as relationship banking services to the Bank's financial institutions customers. The group is also responsible for formulation and implementation of financial market products for the Bank's customers.
- **Retail banking** - The retail banking division provides financial products and services to individuals. These include private banking services, private customer current accounts, savings accounts deposits, investment savings products, custody, credit and debit cards and customer loans.

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

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

7 Operating segments (Continued)
Information about operating segments

31 March 2012

In thousands of Naira	Institutional Banking	Commercial Banking	Financial Markets	Retail Banking	Unallocated segments	Total N'000
Revenue:						
Derived from external customers	11,102,530	32,192,166	6,532,223	9,705,379	1,071,121	60,603,419
Derived from other business segments	(950,445)	173,708	361,173	415,564	-	-
Total Revenue	10,152,085	32,365,874	6,893,396	10,120,943	1,071,121	60,603,419
Interest expenses	(4,819,090)	(6,772,180)	(1,947,764)	(1,280,476)	(69,171)	(14,888,682)
	5,332,995	25,593,693	4,945,632	8,840,467	1,001,950	45,714,737
Profit on ordinary activities before taxation	4,289,483	7,688,125	1,951,116	115,905	237,892	14,282,521
Income tax expense						(3,729,925)
Profit after tax						10,552,596
Other segment information:						
Depreciation and amortisation	(241,283)	(2,272,555)	(298,179)	(857,623)	(38,794)	(3,708,434)
Assets and liabilities:						
Tangible segment assets	592,851,859	438,011,643	559,151,330	74,510,677	71,969,213	1,736,494,722
Intangible assets	-	-	-	-	3,042,781	3,042,781
Total assets	592,851,859	438,011,643	559,151,330	74,510,677	75,011,994	1,739,537,503
Segment liabilities	140,340,765	913,034,660	122,615,467	352,667,322	-	1,528,658,214
Unallocated segment liabilities	-	-	-	-	-	-
Total liabilities	140,340,765	913,034,660	122,615,467	352,667,322	-	1,528,658,214
Net assets	452,511,094	(475,023,017)	436,535,863	(278,156,645)	75,011,994	210,879,288

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In thousands of Naira	Institutional Banking	Commercial Banking	Financial Markets	Retail Banking	Unallocated segments	Total N'000
Revenue:						
Derived from external customers	4,719,086	13,683,151	2,776,495	4,125,233	455,276	25,759,241
Derived from other business segments	(403,983)	73,834	153,515	176,634	-	-
Total Revenue	4,315,103	13,756,985	2,930,010	4,301,866	455,276	25,759,241
Interest expenses	(2,068,274)	(2,906,508)	(835,948)	(549,559)	(29,687)	(6,389,977)
	2,246,829	10,850,477	2,094,062	3,752,307	425,589	19,369,264
Profit on ordinary activities before taxation	2,132,844	3,822,739	970,146	57,631	118,286	7,101,647
Income tax expense						(1,562,362)
Profit after tax						5,539,284
Other segment information:						
Depreciation and amortisation	(71,204)	(670,646)	(87,995)	(253,090)	(11,448)	(1,094,384)

31 December 2011

Assets and liabilities:						
Tangible segment assets	462,036,436	676,058,388	230,926,177	36,424,643	229,301,111	1,634,746,755
Unallocated segment assets	-	-	-	-	-	-
Total assets	462,036,436	676,058,388	230,926,177	36,424,643	229,301,111	1,634,746,755
Segment liabilities	132,187,398	1,038,038,515	156,155,009	85,256,202	26,067,422	1,437,704,546
Unallocated segment liabilities	-	-	-	-	-	-
Total liabilities	132,187,398	1,038,038,515	156,155,009	85,256,202	26,067,422	1,437,704,546
Net assets	329,849,038	(361,980,127)	74,771,167	(48,831,559)	203,233,689	197,042,209

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

<i>In thousands of Naira</i>	March	March
	2012	2011
Revenues		
Total revenue from reportable segments	60,603,419	25,759,241
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	2,313,626	-
Consolidated revenue	62,917,045	25,759,241
Profit or loss		
Total profit or loss for reportable segments	14,282,521	7,101,647
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	848,814	-
Consolidated profit before income tax	15,131,335	7,101,647
	March	December
	2012	2011
Assets		
Total assets for reportable segments	1,739,537,502	1,634,746,755
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(939,076)	(5,743,560)
Consolidated total assets	1,738,598,426	1,629,003,195
Liabilities		
Total liabilities for reportable segments	1,528,658,214	1,437,704,546
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	1,943,960	(766,099)
Consolidated total liabilities	1,530,602,174	1,436,938,447

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Geographical segments

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

March 2012

In thousands of Naira

	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	52,067,129	7,736,318	799,972	60,603,419
Derived from other segments	-	-	-	-
Total Revenue	52,067,129	7,736,318	799,972	60,603,419
Interest expense	(13,604,347)	(1,219,993)	(64,342)	(14,888,682)
Fee and commission expenses	(167)	-	(1,375)	(1,542)
Operating Income	38,462,615	6,516,325	734,255	45,713,195
Profit/(loss) before income tax	10,180,049	4,181,786	(79,314)	14,282,521

Assets and liabilities:

Total assets	1,567,463,287	59,348,328	112,725,888	1,739,537,503
Total liabilities	1,327,459,964	98,421,411	102,776,839	1,528,658,214
Net assets	240,003,322	(39,073,083)	9,949,049	210,879,289

March 2011

In thousands of Naira

	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	22,130,925	3,288,291	340,025	25,759,241
Derived from other segments	-	-	-	-
Total Revenue	22,130,925	3,288,291	340,025	25,759,241
Interest expense	(5,838,762)	(523,601)	(27,614)	(6,389,977)
Fee and commission expenses	-	-	-	-
Operating Income	16,292,164	2,764,690	312,410	19,369,264
Profit/(loss) before income tax	5,061,789	2,079,294	(39,437)	7,101,647

December 2011

Assets and liabilities:

Total assets	1,468,941,873	76,018,471	89,786,411	1,634,746,754
Total liabilities	1,271,467,526	82,234,532	84,002,489	1,437,704,547
Net assets	197,474,347	(6,216,061)	5,783,922	197,042,207

8 Financial assets and liabilities

Accounting classification measurement basis and fair values

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

<i>In thousands of Naira</i>		Derivative		Loans		Available- for-sale	Other amortized cost	Total carrying amount	Fair value
<i>Note</i>	Trading	Designated at fair value	Held-to- maturity	and receivables at amortised cost					
31 March 2012									
19	-	-	-	-	-	-	328,006,186	328,006,186	328,006,186
20	7,464,475	-	-	-	-	-	-	7,464,475	7,464,475
21	-	-	-	-	-	-	62,358,494	62,358,494	48,589,749
22	-	46,960	-	-	-	-	-	46,960	46,960
23	-	-	-	-	1,640,708	-	-	1,640,708	1,138,761
24	-	-	-	-	539,610,041	-	-	539,610,041	507,530,376
25	-	-	-	-	-	-	1,318,545	1,318,545	1,318,545
27	-	-	511,075,047	-	-	48,076,284	-	559,151,330	486,121,713
	7,464,475	46,960	511,075,047	541,250,749	48,076,284	391,683,225	1,499,596,739	1,380,216,764	
34	-	-	-	-	-	-	286,698,097	286,698,097	266,875,375
35	-	-	-	-	-	-	1,024,654,160	1,024,654,160	943,025,850
37	-	-	-	-	-	-	-	-	-
38	-	-	-	-	-	-	328,659	328,659	454,289
40	-	-	-	-	-	-	60,656	60,656	-
	-	-	-	-	-	-	34,326,043	34,326,043	36,809,199
	-	-	-	-	-	-	1,346,067,615	1,346,067,615	1,247,164,712
31 December 2011									
19	-	-	-	-	-	-	191,518,474	191,518,474	185,018,474
20	10,812,122	-	-	-	-	-	-	10,812,122	10,812,122
21	-	-	66,191,144	-	-	-	-	66,191,144	60,442,599
22	-	9,909	-	-	-	-	-	9,909	9,909
23	-	-	-	-	775,765	-	-	775,765	760,636
24	-	-	-	-	576,228,507	-	-	576,228,507	541,971,884
25	-	-	-	-	1,405,000	-	-	1,405,000	1,405,000
27	-	-	514,755,308	-	-	46,978,397	-	561,733,704	508,846,837
	10,812,122	9,909	580,946,452	578,409,272	46,978,397	191,518,474	1,408,674,625	1,309,267,461	
34	-	-	-	-	-	-	146,808,286	146,808,286	149,481,617
35	-	-	-	-	-	-	1,101,703,921	1,101,703,921	1,093,115,656
37	-	9,413	-	-	-	-	-	9,413	9,413
38	-	-	-	-	-	-	450,000	450,000	395,000
40	-	-	-	-	-	-	61,000	61,000	59,000
	-	9,413	-	-	-	-	29,258,273	29,258,273	29,243,369
	-	-	-	-	-	-	1,278,281,480	1,278,290,893	1,272,304,055

9 (a) Seasonality of operations

The Group's main business segments are not subject to seasonal fluctuations. The results of the group are relatively stable and accrue fairly evenly throughout the period except for unusual items which may adversely or positively impact on the earnings of the Group. During the period under review, there was no unusual transaction that impacted the earning capacity of the Group.

(b) Acquisition of subsidiary

During the year ended 31 December 2011, pursuant to the Transaction Implementation Agreement (TIA) executed on 6 July 2011, Access Bank Plc, through Project Star Investments Limited, acquired a controlling interest representing 75% shareholding in Intercontinental Bank and its subsidiaries effective 14 October 2011, by the injection of an investment amount of N50 billion in Intercontinental Bank, in consideration for the issuance of investor shares (15 billion shares representing 75 percent of the ordinary share capital of Intercontinental Bank).

The gain on bargain purchase, which arose on the acquisition of assets and liabilities of Intercontinental Bank through business combination were recognised during the financial year ended 31 December 2011.

(c) Group restructuring

Pursuant to the acquisition of Intercontinental Bank, the the Group was restructured based on a scheme of merger. As part of the merger process, Intercontinental Bank was dissolved as a legal entity on 23 January 2012 and its operations integrated into Access Bank Plc. The legal merger between Intercontinental Bank Ghana Limited and Access Bank Ghana was also completed on 5 March 2012, and Intercontinental Bank (UK) Plc is in the process of being sold to a suitable investor. The Board has approved the selection of an adviser but the process is not certain to be completed within 12 months. In addition, no reasonable price has been agreed, as a result Intercontinental Bank (UK) Plc was not classified as assets-held-for-sale/discontinued operation as the sale is not highly probable as at the end of the reporting period.

The Access Bank Group formulated a plan for the integration and/or disposal of non banking subsidiaries in a manner that is intended to allow Access Bank to comply with existing regulations on banking operations.

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Based on the plan, management has approved the winding up of Intercontinental Capital Markets Limited, Intercontinental Registrars Limited, Intercontinental Securities Limited, Intercontinental Trustees Limited and Intercontinental Finance and Investment Limited due to the operational losses these subsidiaries continue to incur, as well as the belief that, operationally, they do not fit in within the Access Bank Group's strategy. Winding up proceedings have commenced for these subsidiaries and liquidators have been appointed. Access Bank expects this process to complete by the end of 2012. On a similar basis, management has also decided to divest of Access Bank's holdings in Intercontinental Homes Savings and Loans Limited. Financial advisers have already been appointed to assist with the divestment process, which is also expected to complete by the end of 2012.

Further, to comply with the CBN Banking Activities Regulation, which prevents banks from holding any non-banking subsidiaries without establishing a holding company structure (which Access Bank currently does not intend to pursue), Access Bank is seeking disposal of Intercontinental WAPIC Insurance Plc and Intercontinental Properties Limited through a scheme of arrangement. Financial advisers have been appointed to assist with the divestment and it is currently intended that Access Bank will complete the divestment by the May 2013 deadline.

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10. Net interest income

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Interest income		
Cash and cash equivalents	1,372,559	538,092
Loans and advances to banks and customers	37,371,394	14,956,473
Investment securities	14,326,906	3,825,962
Total interest income	53,070,860	19,320,527
Interest expense		
Deposit from banks	(4,580,927)	(1,966,523)
Deposit from customers	(9,683,751)	(4,157,090)
Securities dealing	(590,514)	(251,987)
Other borrowed funds	(26,305)	(11,292)
Other interest expense	(7,186)	(3,085)
Total interest expense	(14,888,682)	(6,389,977)
Net interest income	38,182,177	12,930,550

Interest income for the period ended 31 March 2012 includes N794,321,000 (March 2011: N589,284,000) accrued on impaired financial assets.

11. Fee and commission income

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Credit related fees and commissions	2,145,655	1,166,156
Other fees and commissions	4,580,989	3,661,439
Total fee and commission income	6,726,644	4,827,595

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

12. Net trading income

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Fixed income securities	(101,746)	54,732
Foreign exchange	1,889,473	808,900
Equity securities	(511,747)	54
Net trading income	1,275,980	863,687

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

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13. Other operating income

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Gain on disposal of property and equipment	15,247	11,425
Profit on sale of trading properties	74,129	55,547
Rental income	80,180	60,081
Other income	1,357,634	620,379
	<u>1,527,191</u>	<u>747,432</u>

14. Net impairment loss on financial assets

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Additional/reversal of collective impairment charges on loans and advances	5,566,746	(1,280,446)
Write back/additional specific impairment charges on loans and advances	(841,731)	2,585,793
(Reversal)/impairment charge on available for sale equities	(149,502)	(59)
Additional/(reversals) of impairment allowance on other assets	1,559,785	(117,098)
(Write-back) /impairment of underwriting commitment	(80,821)	57,378
	<u>6,054,477</u>	<u>1,245,569</u>

15. Personnel expenses

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Wages and salaries	6,651,798	2,898,255
Increase in liability for defined benefit plans	458,697	1,752
Contributions to defined contribution plans	463,737	104,817
Termination benefits	3,725,937	-
Other staff benefits	1,979,479	-
	<u>13,279,648</u>	<u>3,004,823</u>

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16. Other operating expenses

For the three months ended 31 March

In thousands of Naira

	2012	2011 (Unreviewed)
Other premises and equipment costs	1,214,349	626,626
Professional fees	449,936	232,175
Insurance	196,038	101,159
Travelling	1,264,528	652,520
AMCON surcharge (see note (a) below)	1,189,974	709,475
General administrative expenses	4,985,482	4,315,725
	<u>9,300,307</u>	<u>6,637,680</u>

- a This represents accrued Group's contribution to AMCON's sinking fund for the period ended 31 March 2012. Effective 1 January 2011, the Bank is required to contribute 0.3% of its total assets as at the preceding year end (31 December 2011) to AMCON's sinking fund in line with existing guidelines. This is based on the total assets as determined under Nigerian GAAP.

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17. Income tax expense recognised in the profit or loss

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Current tax expense		
Current period	3,729,925	1,562,362
Prior year's under provision	-	-
	3,729,925	1,562,362
Deferred tax expense		
Reversal of temporary differences	-	-
Total income tax expense	3,729,925	1,562,362

Reconciliation of effective tax rate

<i>In thousands of Naira</i>	<i>March</i>	<i>March</i>	<i>March</i>	<i>March</i>
	2012	2012	2011	2011
Profit before income tax		15,131,335		7,101,647
Income tax using the domestic corporation tax rate	30%	4,539,401	30%	2,130,494
Effect of tax rates in foreign jurisdictions	-5%	(809,476)	-8%	(568,132)
Total income tax expense in comprehensive income	25%	3,729,925	22%	1,562,362

The effective income tax rate for 31 March 2012 is 26% (31 March 2011: 22%)

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18. Basic earnings per share

The calculation of basic earnings per share at 31 March 2012 was based on the profit attributable to ordinary shareholders of N11,153,206,000 (March 2011: N5,556,949,000) and a weighted average number of ordinary shares outstanding of 22,888,251,000 (March 2011: 17,888,251,000), calculated as follows:

Weighted average number of ordinary shares

	March	March
<i>In millions of shares</i>	2012	2011
Issued ordinary shares at beginning of period	17,888,251	17,888,251
Effect of new issue of shares	5,000,000	-
Weighted average number of ordinary shares at end of period	22,888,251	17,888,251

Profit attributable to ordinary shareholders

For the three months ended 31 March	2012	2011
<i>In thousands of Naira</i>		(Unreviewed)
Profit for the period attributable to equity holders of the Bank	11,153,206	5,556,949

Number of ordinary shares

	March	March
<i>In millions of shares</i>	2012	2011
Issued ordinary shares	22,888,251	17,888,251

19. Cash and cash equivalents

	March	December
<i>In thousands of Naira</i>	2012	2011
Cash on hand and balances with banks	144,250,000	65,362,706
Unrestricted balances with central banks	46,182,257	35,566,237
Money market placements and other cash equivalents	137,573,929	90,589,531
	328,006,186	191,518,474

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20. Non pledged trading assets

	March	December
<i>In thousands of Naira</i>	2012	2011
Government bonds	2,853,683	7,311,562
Treasury bills	3,374,641	3,500,560
Equities	1,236,151	-
	7,464,475	10,812,122

21. Pledged assets

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

	March	December
<i>In thousands of Naira</i>	2012	2011
Treasury bills	5,774,960	7,491,114
Government bonds	56,583,534	58,700,030
	62,358,494	66,191,144

As at 31 March 2012, 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 2011: nil).

22. Derivative financial instruments

	Assets	Liabilities	Assets	Liabilities
<i>In thousands of Naira</i>	March 2012		December 2011	
<i>Instrument type:</i>				
Cross currency swap	-	-	-	-
Foreign exchange	46,960	-	9,909	9,413
	46,960	-	9,909	9,413

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

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23. Loans and advances to banks

	March	December
<i>In thousands of Naira</i>	2012	2011
Loans and advances to banks	1,665,279	841,571
Less specific allowances for impairment	(23,852)	(61,028)
Less collective allowances for impairment	(719)	(4,778)
	1,640,708	775,765

Specific impairment allowance on loans and advances to banks

	March	December
<i>In thousands of Naira</i>	2012	2011
Balance beginning of period	61,028	21,155
Impairment loss for the period:	-	
- Charge for the period	-	39,873
- Allowance no longer required	(37,176)	-
Balance end of period	23,852	61,028

Collective impairment allowance on loans and advances to banks

	March	December
<i>In thousands of Naira</i>	2012	2011
Balance at beginning of period	4,778	11,656
Impairment loss for the period:		
- Allowance written back	(4,059)	(6,878)
Balance end of period	719	4,778

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24. Loans and advances to customers

March 2012	Gross	Specific	Portfolio	Total	Carrying
<i>In thousands of Naira</i>	amount	impairment	impairment	impairment	amount
Loans to individuals	54,486,487	(3,260,540)	(989,905)	(4,250,446)	50,236,041
Loans to corporate entities and other organizations	530,341,719	(31,736,321)	(9,231,397)	(40,967,719)	489,374,000
	584,828,206	(34,996,862)	(10,221,303)	(45,218,164)	539,610,041
December 2011	Gross	Specific	Portfolio	Total	Carrying
<i>In thousands of Naira</i>	amount	impairment	impairment	impairment	amount
Loans to individuals	41,690,203	(5,682,480)	(213,926)	(5,896,406)	35,793,798
Loans to corporate entities and other organizations	582,849,099	(37,898,542)	(4,515,849)	(42,414,391)	540,434,709
	624,539,303	(43,581,022)	(4,729,774)	(48,310,796)	576,228,507

Specific impairment allowance on loans and advances to banks and customers

<i>In thousands of Naira</i>	March	December
	2012	2011
Balance beginning of period	43,581,022	23,535,063
Acquired through business combination	-	60,734,000
Impairment loss for the period:		
- Charge for the period	3,347,663	19,485,372
- Recoveries	(4,152,218)	(5,584,256)
Net impairment for the period	(804,555)	13,901,116
Effect of foreign currency movements	(1,655)	49,996
Write-offs	(7,777,950)	(54,639,153)
Balance end of period	34,996,862	43,581,022

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Collective impairment allowance on loans and advances to customers

In thousands of Naira

	March	December
	2012	2011
Balance beginning of period	4,729,774	6,792,884
Acquired through business combination		801,246
Impairment loss for the period:		
- Charge for the period	5,590,785	68,873
- Allowance no longer required	(19,980)	(2,988,398)
Net impairment for the period	5,570,805	(2,919,525)
Effect of foreign currency movements	(79,276)	55,169
Balance end of period	10,221,303	4,729,774

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

In thousands of Naira

	March	December
	2012	2011
Gross investment in finance lease receivable	3,080,508	3,398,206
Unearned finance income	(552,486)	(557,119)
Net investment in finance leases	2,528,022	2,841,087
Net investment in finance leases, receivable:		
Less than one year	1,182,977	565,504
Between one and five years	1,345,045	2,275,583
	2,528,022	2,841,087

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25. Insurance receivables

<i>In thousands of Naira</i>	March	December
	2012	2011
Due from agents and brokers	2,340,167	2,615,000
Due from reinsurers	107,123	-
	2,447,290	2,615,000
Allowance for doubtful receivables	(1,128,745)	(1,210,000)
	1,318,545	1,405,000

Specific impairment allowance for insurance receivables

<i>In thousands of Naira</i>	March	December
	2012	2011
Balance, beginning of period	1,210,000	-
Acquired from business combination	-	1,336,000
(Writeback)/additional provision	(80,821)	746,000
Write-off during the period	(434)	(872,000)
Balance, end of period	1,128,745	1,210,000

26. Investment in equity accounted investee

<i>In thousands of Naira</i>	March	December
	2012	2011
Balance, end of period	2,812,805	2,812,805

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27. Investment securities

Available for sale investment securities	March	December
<i>In thousands of Naira</i>	2012	2011
Government bonds	113,633	1,683,248
Treasury bills	7,358,461	4,949,858
Eurobonds	1,111,746	2,588,970
Equity securities with readily determinable fair values	39,444,461	37,712,321
Unquoted equity securities at cost	3,093,921	3,162,441
Others	-	77,000
	51,122,223	50,173,838
Specific impairment for unquoted equity securities at cost	(3,045,939)	(3,195,441)
	48,076,284	46,978,397

Held to maturity investment securities	March	December
<i>In thousands of Naira</i>	2012	2011
Treasury bills	38,265,556	48,906,566
Government bonds	145,141,728	137,145,770
AMCON bonds (see note (b) below)	312,342,998	305,642,854
Corporate bonds	4,973,839	5,193,225
Eurobonds	1,652,707	5,783,793
Other bonds	8,698,218	12,083,099
	511,075,047	514,755,308
Investment securities	559,151,330	561,733,704

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Specific impairment for unquoted equity securities at cost

<i>In thousands of Naira</i>	March	December
	2012	2011
Balance, beginning of period	3,195,441	268,441
Acquired through business combination	-	3,370,000
Allowance no longer required	(149,736)	(443,000)
Charge for the period	234	-
Balance, end of period	3,045,939	3,195,441

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

28. Trading properties

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

<i>In thousands of Naira</i>	March	December
	2012	2011
Balance, beginning of period	6,688,000	-
Acquired through business combination	-	6,878,000
Additions and capital improvements	123,106	1,135,000
Disposal of trading property	(903,581)	(1,325,000)
Balance, end of period	5,907,525	6,688,000

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

<i>In thousands of Naira</i>	March	March
	2012	2011
Proceeds from disposal	977,710	132,939
Less: cost of trading property	(903,581)	(77,392)
Profit on disposal	74,129	55,547

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29. Investment properties

These investment properties have been valued by professional estate surveyors and valuers using the comparative method of valuation to arrive at the open market value. As at 31 March 2012, the Directors are of the opinion that there were no material fluctuations in the value of the Bank's investment properties since its last valuation.

<i>In thousands of Naira</i>	March 2012	December 2011
Balance, beginning of period	16,097,044	13,258,776
Acquired through business combination	-	2,826,000
Additions during the period	2,015,296	1,163,815
Transfer from property and equipment	-	-
Disposals during the period	(1,388,098)	(1,047,392)
	16,724,242	16,201,199
Impairment allowance	(558,582)	(104,155)
Balance, end of period	16,165,660	16,097,044

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

<i>In thousands of Naira</i>	March 2012	December 2011
Balance, beginning of period	104,155	315,698
Acquired from business combination	454,427	-
Allowance during the period	-	-
Allowance no longer required	-	(211,543)
Balance, end of period	558,582	104,155

30 Property and equipment

In thousands of Naira	Leasehold improvement and buildings	Computer hardware	Furniture & fittings	Motor vehicles	Capital Work-in - progress	Total
Cost						
Balance at 1 January 2012	50,945,208	23,373,422	29,172,987	12,054,881	8,590,283	124,136,781
Acquisitions	2,342,770	967,554	825,204	265,136	6,674	4,407,337
Disposals	(633)	(23,930)	(154,322)	(637,950)	(276,773)	(1,093,608)
Write off	(54,684)	(30,935)	(67,700)	(25,018)	(571,832)	(750,170)
Translation difference	(375,755)	(21,788)	148,351	(209,279)	(1,009)	(459,480)
Balance at 31 March 2012	52,856,907	24,264,322	29,924,519	11,447,770	7,747,343	126,240,860
Balance at 1 January 2011	15,486,414	6,264,740	14,331,870	5,336,480	4,255,380	45,674,884
Acquired from business combination	33,880,420	21,411,384	14,385,566	5,957,594	6,755,000	82,389,964
Acquisitions	341,804	803,934	1,294,649	1,590,072	502,754	4,533,213
Disposals	(1,087,818)	(3,350,992)	(264,080)	(572,179)	(627,722)	(5,902,791)
Reversals	-	-	-	-	(6,607)	(6,607)
Write off	(54,622)	(1,748,726)	(21,884)	(47,986)	(42,615)	(1,915,833)
Transfers	2,333,155	(56,050)	(83,143)	(34,000)	(2,159,962)	-
Transfer (to)/from other assets	-	16,043	-	-	(82,389)	(66,346)
Revaluation	-	-	-	-	-	-
Translation difference	45,855	33,089	(469,991)	(175,100)	(3,556)	(569,703)
Balance at 31 December 2011	50,945,208	23,373,422	29,172,987	12,054,881	8,590,283	124,136,781

Depreciation	Leasehold improvement and buildings	Computer hardware	Furniture & fittings	Motor vehicles	Capital Work-in - progress	Total
<i>In thousands of Naira</i>						
Balance at 1 January 2012	7,818,486	18,215,334	21,032,716	9,422,427	-	56,488,963
Charge for the period	446,411	1,094,537	1,682,050	96,953	-	3,319,951
Disposal	(150,565)	(61,131)	(15,869)	(127,914)	-	(355,478)
Translation difference	(51,247)	(38,079)	95,135	(51,648)	-	(45,840)
Balance at 31 March 2012	8,063,085	19,210,661	22,794,032	9,339,818	-	59,407,596
Balance at 1 January 2011	3,013,651	4,483,171	9,322,102	3,543,909	-	20,362,833
Acquired from business combination	3,706,659	16,871,687	9,298,017	5,376,314	-	35,252,677
Charge for the period	1,334,731	836,620	2,586,113	1,214,926	-	5,972,390
Disposal	(23,205)	(3,903,658)	(155,234)	(632,101)	-	(4,714,198)
Reversals	-	-	-	-	-	-
Translation difference	(213,350)	(72,486)	(18,281)	(80,621)	-	(384,738)
Balance at 31 December 2011	7,818,486	18,215,334	21,032,716	9,422,427	-	56,488,964
Carrying amounts:						
Balance at 31 March 2012	44,793,822	5,053,661	7,130,487	2,107,952	7,747,343	66,833,264
Balance at 31 December 2011	43,126,722	5,158,088	8,140,270	2,632,454	8,590,283	67,647,817

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (2011: nil).

31. Intangible assets

<i>In thousands of Naira</i>	Goodwill	Purchased Software	Total
Cost			
March 2012			
Balance at 1 January 2012	1,738,148	8,317,323	10,055,471
Acquisitions	-	248,256	248,256
Disposals	-	-	-
Translation difference	-	(83,502)	(83,502)
Balance at 31 March 2012	1,738,148	8,482,077	10,220,225
December 2011			
Balance at 1 January 2011	1,738,148	2,972,013	4,710,161
Acquired through business combination	-	3,306,000	3,306,000
Acquisitions	-	484,227	484,227
Transfer (to)/from other assets	-	1,757,268	1,757,268
Disposals	-	(9,327)	(9,327)
Translation difference	-	(192,858)	(192,858)
Balance at 31 December 2011	1,738,148	8,317,323	10,055,471

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Amortization and impairment losses

Balance at 1 January 2012	687,427	6,090,436	6,777,863
Amortization for the period	-	388,483	388,483
Disposals	-	-	-
Translation difference	-	11,098	11,098
Balance at 31 March 2012	687,427	6,490,017	7,177,444

Balance at 1 January 2011	306,437	1,293,194	1,599,631
Acquired through business combination	-	2,480,000	2,480,000
Amortization for the period	-	622,308	622,308
Disposals	-	(9,327)	(9,327)
Translation difference	-	181,261	181,261
Reclassification	-	1,523,000	1,523,000
Impairment losses	380,990	-	380,990
Balance at 31 December 2011	687,427	6,090,436	6,777,863

Carrying amounts

Balance at 31 March 2012	1,050,721	1,992,061	3,042,781
Balance at 31 December 2011	1,050,721	2,226,887	3,277,608

32. Deferred tax assets and liabilities

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

<i>In thousands of Naira</i>	March 2012			December 2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	4,353,000	(2,636,933)	1,716,067	4,353,000	(2,587,823)	1,765,177
Allowances for loan losses	78,986	(779,000)	(700,014)	77,000	(769,558)	(692,558)
Tax loss carry forward	839,603	-	839,603	840,000	-	840,000
Employee benefits	-	246,097	246,097	-	336,490	336,490
Others	704,791	(150,000)	554,791	786,088	(104,269)	681,819
Net deferred tax assets	5,976,380	(3,319,836)	2,656,544	6,056,088	(3,125,160)	2,930,928

32. Deferred tax assets and liabilities

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

<i>In thousands of Naira</i>	<u>March</u> 2012	<u>December</u> 2011
Balance, beginning of period	2,930,928	2,458,597
Acquired from business combination	-	2,946,095
Expense	(1)	(3,102,540)
Translation adjustments	(274,383)	628,776
Net deferred tax assets	<u>2,656,544</u>	<u>2,930,928</u>
<i>Out of which</i>		
Deferred tax assets	<u>5,976,380</u>	<u>6,056,088</u>
Deferred tax liabilities	<u>(3,319,836)</u>	<u>(3,125,160)</u>

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33. Other assets

<i>In thousands of Naira</i>	<u>March</u> 2,012	<u>December</u> 2011
Accounts receivable	91,676,760	63,052,414
Prepayments	9,651,131	8,186,583
Restricted deposits with central banks (see note (a) below)	63,952,727	76,398,814
Deferred cost	263,457	-
Subscription for investment	891,360	34,951
	166,435,435	147,672,762
Impairment allowance on other assets	(24,852,327)	(26,798,394)
	141,583,108	120,874,368

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

Movement in impairment allowance on other assets:

<i>In thousands of Naira</i>	<u>March</u> 2,012	<u>December</u> 2011
Balance, beginning of period	26,798,394	833,895
Acquired through business combination	-	27,609,000
Allowance during the period	2,176,746	89,953
Allowance no longer required	(616,961)	(2,325,488)
Allowance written off	(3,505,852)	660,184
Translation difference	-	(69,150)
Balance, end of period	24,852,327	26,798,394

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

34. Deposits from banks

<i>In thousands of Naira</i>	<u>March</u> 2,012	<u>December</u> 2011
Money market deposits	248,117,754	99,856,773
Other deposits from banks	38,580,343	46,951,513
	286,698,097	146,808,286

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35. Deposits from customers

	March	December
<i>In thousands of Naira</i>	2,012	2011
Term deposits	339,406,545	428,832,125
Demand deposits	544,734,155	527,492,830
Saving deposits	140,513,460	145,378,966
	1,024,654,160	1,101,703,921

36. Other liabilities

	Note	March	December
<i>In thousands of Naira</i>		2,012	2011
Cash settled share based payment liability (see note (a) below)	15	2,995,576	2,995,576
Creditors and accruals		11,403,367	7,281,103
Certified cheques		4,914,452	3,669,203
Recognised liability for defined benefit obligations (see note (c) below)		2,144,002	1,795,780
Liability for defined contribution obligations		203,008	80,798
Customers' deposit for foreign trade (see note (b) below)		42,280,924	18,536,179
Collections		28,356,343	37,417,417
Unclaimed dividend		3,084,043	3,148,000
Deposit for Shares		1,463,937	-
Other current liabilities		72,495,983	67,725,494
		169,341,635	142,649,550

- (a) Management intends to wind up the cash settled share based payment scheme currently in place as at 31 March 2012. This scheme will be replaced by a new plan. At the 22nd annual general meeting of members of Access Bank Plc held during the year ended 31 December 2011, the Directors were authorised to establish for the benefit of employees of the Bank or any of its subsidiaries, an Employee Performance Share Plan for the award of units of the Bank's shares to employees on terms and conditions that they shall consider appropriate. This new plan is however subject to relevant regulatory approvals.
- (b) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

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(c) Defined benefit obligations

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

<i>In thousands of Naira</i>	March	December
	2,012	2011
Long term incentive plan (see note (i) below)	1,519,728	1,068,780
Other defined benefit plans (See note (ii) below)	624,274	727,000
Recognised liability for defined benefit obligations	2,144,002	1,795,780

(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 with vesting conditions based on the number of years spent in these positions. The scheme is also aimed at rewarding directors and other senior executives for the contributions to achieving the Bank's long-term growth objectives.

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

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

<i>In thousands of Naira</i>	March	December
	2,012	2011
Balance beginning of period	1,068,780	-
Charge for the period:		
-Current service cost	83,443	333,770
-Past service cost	367,505	735,010
Balance, end of period	1,519,728	1,068,780

This represents the Bank's obligations to its top executive management under the long-term incentive plan (LTIP) to reward directors and other senior executives for the part they play in achieving the Bank's long-term growth objectives.

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Actuarial assumptions:

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

<i>In thousands of Naira</i>	March 2,012	December 2011
Future salary increases	-	0%
Retirement age for both male and female	60 years	60 years
Retirement rate: 50 – 59 (average rate)	22.32%	22.32%
Withdrawal rate: 16 – 29	4.50%	4.50%
Withdrawal rate: 30 – 44	6%	6%
Withdrawal rate: 45 – 50	5%	5%
Withdrawal rate: 51 – 55 (average rate)	8%	8%

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

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

(ii) Other defined benefit plans

<i>In thousands of Naira</i>	March 2,012	December 2011
Defined benefit liability	7,759,749	7,752,000
Fair value of planned assets	(7,135,475)	(7,025,000)
	624,274	727,000

The movement in other defined benefit liability is shown below

<i>In thousands of Naira</i>	March 2,012	December 2011
Balance beginning of period	7,752,000	-
Acquired from business combination	-	7,721,000
Charge to the profit and loss account	7,749	31,000
	7,759,749	7,752,000

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

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<i>In thousands of Naira</i>	March	December
	2,012	2011
Balance, beginning of the period	7,025,000	-
Acquired from business combination	-	7,009,000
Addition during the period	110,475	16,000
Plan assets no longer required	-	-
Balance, end of the period	7,135,475	7,025,000

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37. Claims payable

	March	December
<i>In thousands of Naira</i>	2012	2011
Balance, beginning of period	450,000	-
Acquired from business combination	-	358,000
Additions during the period	-	92,000
Payment during the period	(121,341)	
Balance, end of period	328,659	450,000

38. Liabilities on investment contracts

	March	December
<i>In thousands of Naira</i>	2012	2011
Deposit administration funds	60,656	61,000
Other managed funds	-	-
	60,656	61,000

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

39. Liabilities on insurance contracts

	March	December
<i>In thousands of Naira</i>	2012	2011
Life assurance contracts	1,642,581	1,032,000
Non-life insurance contracts	1,624,181	1,671,000
	3,266,762	2,703,000

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40. Interest bearing loans and borrowings

<i>In thousands of Naira</i>	March 2012	December 2011
European Investment Bank (see note (a))	366,480	511,220
African Development Bank (see note (b))	545,781	644,336
Nigeria Export Import Bank	-	12,993
Central Bank of Nigeria under the Commercial Agriculture Credit Scheme (see note (c))	7,713,714	7,186,128
Bank of Industry-Intervention Fund for SMEs (see note (d))	20,931,186	17,449,100
Bank of Industry-Power & Airline Intervention Fund(see note (e))	3,567,180	3,454,496
Other loans and borrowings	1,201,702	-
	34,326,043	29,258,273

- (a) The amount of N366,480,000 (USD 2,324,000) represents outstanding balance in the on-lending facility granted to the Bank by EIB (European Investment Bank) in September 2005 for a period of 9 years. Principal and interest are repayable quarterly and semi-annually based on the terms of the facilities with the obligor. Interest is reset every 90 days at 2.2% - 2.9% above LIBOR. The Bank provided negative pledge as a security for this facility. The undisbursed balance is included in other deposits from banks (see note 34).
- (b) The amount of N545,781,000 (USD 3,461,000) represents the outstanding balance in the on-lending facility granted to the Bank by ADB (Africa Development Bank) in May 2007 for a year of 7 years. The principal amount is repayable semi-annually from 2012 while interest is paid semi annually at 3% above 6 months LIBOR. The undisbursed balance is included in other deposits from banks (see note 34).
- (c) The amount of N7,713,714,000 represents the outstanding balance in the on-lending facility granted to the Bank by Central Bank of Nigeria in collaboration with the Federal Government of Nigeria (FGN) in respect of Commercial Agriculture Credit Scheme (CACS) established by both CBN and the FGN for promoting commercial agricultural enterprises in Nigeria. The facility is for a maximum period of 7 years at a zero percent interest rate to the Bank. The principal amount is repayable at the expiration of the loan. The Bank did not provide security for this facility. The undisbursed balance is included in other deposits from banks (see note 34).
- (d) The amount of N20,931,186,000 represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total has a 15 year tenor. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers. The undisbursed balance is included in other deposits from banks (see note 34).

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- (e) The amount of N3,567,180,000 represents the outstanding balance on intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria, to be applied to eligible power and airline projects. The total facility has a maximum tenor of 15 years. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers within the power and aviation sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

41. Contingent settlement provisions

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

42. Capital and reserves

Share capital

<i>In thousands of Naira</i>	<u>March</u> <u>2012</u>	<u>December</u> <u>2011</u>

(a) Authorised:		
Ordinary shares:		
24,000,000,000 Ordinary shares of 50k each	12,000,000	12,000,000
Preference shares:		
2,000,000,000 Preference shares of 50k each	1,000,000	1,000,000
	<u>13,000,000</u>	<u>13,000,000</u>

<i>In thousands of Naira</i>	<u>March</u> <u>2012</u>	<u>December</u> <u>2011</u>

(b) Issued and fully paid-up :		
22,888,251,478 Ordinary shares of 50k each		
(31 December 2011: 17,888,251,478 of 50k each)	11,444,126	8,944,126

Ordinary shareholding:

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

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Preference shareholding:

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

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

<i>In thousands of Naira</i>	March 2012	December 2011
(c) Balance, beginning of period	8,944,126	8,944,126
Issue of shares (see note (i))	2,500,000	-
Balance, end of period	11,444,126	8,944,126

- (i) During the period, the Bank issued 5,000,000,000 ordinary shares of 50k each to existing shareholders of Intercontinental Bank Plc (now integrated into the operations of Access Bank Plc) in line with the scheme of merger sanctioned by the Court on 23 January 2012 which stated that:

- Intercontinental Bank shareholders will be allotted 1 scheme share for every 4 shares previously held by them in Intercontinental Bank.

- The proportion of the scheme shares allotted to Project Star Investments Limited in its capacity as a shareholder of Intercontinental Bank will be distributed and allocated to the Access Bank shareholders pro rata in the proportion of their shareholding in Access Bank.

<i>In thousands of units</i>	March 2012	December 2011
(d) Balance, beginning of period	17,888,251	17,888,251
Issue of shares	5,000,000	-
Balance, end of year	22,888,251	17,888,251

Share premium

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

<i>In thousands of units</i>	March 2012	March 2011
Balance, beginning of period	146,160,837	146,160,837
Premium on shares issued during the period	19,026,233	-
Balance, end of period	165,187,070	146,160,837

Other regulatory reserves

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

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(i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. The Bank made no transfer to statutory reserves as at period end (March 2011: 30%).

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

(iii) **Treasury shares**

Treasury shares represent the Bank's shares of 832,375,863 (31 December 2011: 832,375,863) held by the Staff Investment Trust scheme as at 31 March 2012.

(iv) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired. This reserve also includes valuation of property and equipment.

(v) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

(vi) **Retained earnings**

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

(vii) **Non-controlling interest**

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

<i>In thousands of Naira</i>	March	December
	2012	2011
Access Bank, Gambia	(101,908)	(138,355)
Access Bank, Sierra Leone	10,847	(8,224)
Access Bank, Zambia	-	229,780
Access Bank, Rwanda	439,009	420,472
Access Bank, Burundi	150,329	(190,425)
Omni Finance Bank, Cote D'Ivoire	(125,330)	8,480
Intercontinental Bank	-	22,235,522
Access Bank, Ghana	1,099,862	497,591
Intercontinental Wapic Insurance Plc	3,354,546	-
Intercontinental Capital Markets Limited	(377,852)	-
Intercontinental Homes and Savings Limited	2,226,466	-
Intercontinental Securities Limited	1,932	-
	6,677,900	23,054,841

43. Dividends

The movement in dividend account during the period was as follows:

<i>In thousands of Naira</i>	<u>March</u> 2012	<u>December</u> 2011
Balance, beginning of period	-	-
Interim dividend declared	-	3,577,650
Final dividend declared	-	5,366,467
Payment during the period	-	(8,944,117)
Balance, end of period	-	-

44. Leasing

As lessor

Operating lease receivables

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

As lessee

Operating lease commitments

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

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<i>In thousands of Naira</i>	March 2012	December 2011
Less than one year	1,517,224	1,286,987
Over one year	8,133,907	6,899,596
	9,651,131	8,186,583

45. Contingencies

Claims and litigation

The Bank, in its ordinary course of business, is presently involved in 950 cases as a defendant (31 December 2011: 1,094) and 124 cases as a plaintiff (31 December 2011: 216). The total amount claimed in the 950 cases against the Bank is estimated at N476,214,724,400.55 (31 December 2011: N519,495,605,294.84) while the total amount claimed in the 124 cases instituted by the Bank is N32,845,303,283.16 (31 December 2011: N58,756,665,378.43). The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystallize from these cases. No provisions are therefore deemed necessary for these claims.

In the normal course of business, the group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the group was N407,877,159,000 (31 December 2011: N414,981,761,000) and N354,404,805,000 (31 December 2011: N231,817,991,000) was for the Bank.

Contingent liabilities and commitments

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

Nature of instruments

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

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

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Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

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

a. These comprise:

<i>In thousands of Naira</i>	March	December
	2012	2011
Contingent liabilities:		
Acceptances and guaranteed commercial papers	299,757	4,948,078
Transaction related bonds and guarantees	159,589,525	155,751,527
Guaranteed facilities	34,819,322	20,072,848
	194,708,603	180,772,453
Commitments:		
Clean line facilities for letters of credit and other commitments	213,168,556	234,209,308
	213,168,556	234,209,308

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

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46. Group entities

i Significant subsidiaries

	Nature of business	Country of incorporation	Ownership interest	
			March 2012	December 2011
(a) Access Bank Gambia Limited	Banking	Gambia	87%	87%
Access Bank Sierra Leone Limited	Banking	Sierra Leone	98%	98%
Access Bank Rwanda Limited	Banking	Rwanda	75%	75%
FinBank Burundi	Banking	Burundi	87%	87%
Omni Finance Bank, Cote d'Ivoire	Banking	Cote d'Ivoire	94%	94%
Access Bank Zambia	Banking	Zambia	100%	100%
The Access Bank UK	Banking	United Kingdom	100%	100%
Access Bank (R.D. Congo)	Banking	Congo	100%	100%
Access Bank Ghana	Banking	Ghana	92%	95%
Access Investment and Securities	Investment management & securities dealing	Nigeria	100%	100%
Intercontinental Bank	Banking	Nigeria	-	75%
Intercontinental Wapic Insurance Plc	Insurance	Nigeria	58%	-
Intercontinental Capital Markets Limited	Financial Services	Nigeria	63%	-
Intercontinental Homes and Savings Limited	Financial Services	Nigeria	52%	-
Intercontinental Properties Limited	Real estate	Nigeria	100%	-
Intercontinental Finance and Investment Limited	Financial Services	Nigeria	100%	-
Intercontinental Registrars Limited	Secretarial services	Nigeria	100%	-
Intercontinental Trustees Limited	Trusteeship	Nigeria	100%	-
Intercontinental Securities Limited	Asset Management	Nigeria	51%	-
Intercontinental Bank (UK) Plc	Banking	United Kingdom	100%	-
Flexmore Technologies Limited	IT Services	Nigeria	100%	-
(b) The subsidiaries of Intercontinental Bank Plc (now integrated into the operations of Access Bank Plc) are consolidated in these interim financial statements as they are now direct subsidiaries of Access Bank Plc.				
(ii) Special purpose entities:				
Staff Investment Trust		Nigeria	100%	100%
Access Finance B.V.		Netherlands	100%	100%
Project Star Investment Limited		Nigeria	100%	100%
(iii) Associates				
Associated Discount House Limited	Financial services	Nigeria	38%	-
Blue Microfinance Limited	Financial services	Nigeria	35%	-

47 Related parties

Related party transactions

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

Parent

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

Subsidiaries

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

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Transactions with key management personnel

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

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

<i>Loans and advances:</i>	March	December
	2012	2011
<i>In thousands of Naira</i>		
Secured loans and advances	80,950,651	90,005,623
<i>Deposits:</i>	March	December
	2012	2011
<i>In thousands of Naira</i>		
Total deposits	1,628,052	30,318,978

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year/period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

Key management personnel compensation for the year comprises:

Directors' remuneration	March	March
	2012	2011
<i>In thousands of Naira</i>		
Fees as directors	-	1,838
Other emoluments:		
Executive directors	36,275	36,275
Other directors	42,050	22,942
	78,325	61,055

48 Events after the end of the reporting period

There are no post balance sheet event that required disclosure in these consolidated interim financial statements.

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CORPORATE GOVERNANCE

Introduction

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

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

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

Performance evaluation

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

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

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

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

Appointment, retirement and re-election of Directors

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

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

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

Shareholders' Meeting

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

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

The Board

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

Composition and Role

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

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

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

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

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

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

Appointment Process Induction and Training of Board Members

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

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

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

Delegation of Authority

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

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

Board Committees

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

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

Keys

C Chairman of Committee

M Member

- Not a member

¹ Non- Executive

² Independent Non-Executive

³ Executive

Board Credit and Finance Committee

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

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

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

Board Governance and Remuneration Committee

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

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

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

Board Risk Management Committee

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

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

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

Board Audit Committee

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

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

Attendance at Board Committee meetings

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

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

Key

BOD – Board of Directors

BRMC – Board Risk Management Committee

BCFC – Board Credit and Finance Committee

BGRC – Board Governance and Remuneration Committee

BAC – Board Audit committee meeting

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

Executive committee

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

Management committees

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

Statutory audit committee

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

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

Succession planning

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

Code of ethics

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

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

Dealing in Company Securities

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

Remuneration Report

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

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

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

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

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

Whistle Blowing Procedure

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

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

The Company Secretary

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

Statement of Compliance

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

**KPMG Professional Services**

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

We have audited the accompanying consolidated financial statements of Access Bank Plc and its subsidiaries (the "Group"), which comprise the consolidated financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 162.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Access Bank Plc and its subsidiaries ("the Group") as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

KPMG

04 May 2012

Lagos, Nigeria



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

Consolidated statement of financial position

As at 31 December 2011

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

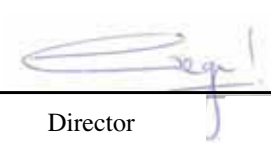
Access Bank Plc and Subsidiary Companies
Consolidated Financial Statements - 31 December 2011
Together with Directors' and Auditor's Reports

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

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



 Director
 Aigboje Aig-imoukhuede



 Director
 Herbert Wigwe

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

Consolidated statement of comprehensive income

For the year ended 31 December 2011

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

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

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

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2011

In thousands of Naira

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2011

In thousands of Naira

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

Consolidated statement of cash flows

For the year ended 31 December 2011

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

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

For the year ended 31 December 2011

In thousands of Naira

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

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

1. Reporting entity

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

2. Statement of compliance with international financial reporting standards

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

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

3. Basis of preparation

(a) Functional and presentation currency

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

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value.
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- liabilities for cash-settled share-based payment arrangements are measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(c) Use of estimates and judgements

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

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

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

(d) Changes in accounting policies

(i) Accounting for business combinations

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

Acquisitions on or after 1 January 2011

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

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

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

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

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

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

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

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

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

Acquisitions between 1 April 2006 and 1 January 2011

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

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

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

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

(ii) Accounting for acquisition of non-controlling interests

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

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

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

(iii) IAS 24 Related Party Disclosures

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

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

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

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

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

(vi) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

(vii) IAS 17 Leases

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

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

Impact of change in accounting policy

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

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

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

(viii) Accounting for defined benefit plan

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

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

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

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

4. Significant accounting policies

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

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

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

(i) Property and equipment

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

(ii) Intangible assets

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

(a) Basis of consolidation

(i) Business combinations

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

(ii) Subsidiaries

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

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

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

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

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

The consolidated financial statement include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Special purpose entities

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

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

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

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

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

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

(v) Acquisitions from entities under common control

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

(vi) Loss of control

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

(vii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are retranslated to the functional currency at exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

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

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

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

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

Interest income and expense presented in the statement of comprehensive income include:

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

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

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

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

(e) Net trading income

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

(f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Dividends

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

(h) Lease payments

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

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

(i) Income tax expense

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

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

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

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

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

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

(j) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

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

(iii) De-recognition

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

The Group enters into transactions whereby it transfers assets recognised on its financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

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

(iv) Offsetting

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

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

(v) Sale and repurchase agreements

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

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

(vi) Amortised cost measurement

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

(vii) Fair value measurement

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

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

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

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

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

(viii) Identification and measurement of impairment

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

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

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

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

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

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

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

(ix) Designation at fair value through profit or loss

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

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

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

(k) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(l) Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

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

(m) Loans and advances

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

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and advances.

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

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method except where the Group chooses to carry the loans and advances at fair value through profit or loss.

(n) Investment securities

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

(i) Held-to-maturity

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

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

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

(ii) Fair value through profit or loss

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

(iii) Available-for-sale

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

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

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

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

(o) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(p) Investment properties

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

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

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

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

(q) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

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

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition

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

(r) Intangible assets

(i) Goodwill

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

Acquisitions of non-controlling interests

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Software

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(s) Leased assets - lessee

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

(t) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

(u) Assets held for sale or distribution

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

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

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

(v) Deposits and debt securities issued

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

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

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

(w) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(x) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

(y) Employee benefits

(i) Defined contribution plans

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

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

(iv) Share-based payment transactions

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

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

(z) Insurance contracts and investment contracts

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

(i) Short-term insurance contracts

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

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

(ii) Deferred acquisition costs (DAC)

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

(iii) Deferred income liability

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

(iv) Liability adequacy test

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

(v) Reinsurance

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

(aa) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on the Bank's ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

(iii) Treasury shares

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

(ab) Earnings per share

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

(ac) Operating segment

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

(ad) New standards and interpretations not yet adopted

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

IFRS 9 Financial Instruments: Classification and Measurement

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

IAS 1 Presentation of Financial Statements

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

IAS 12 Income taxes

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

IAS 19 Employee benefits

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

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

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

IFRS 7 Financial Instruments: Disclosures

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

Improvements to IFRSs

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

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

5 Financial Risk Management

(a) Introduction and overview

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

The Group's approach to risk

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

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

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

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

The Board of Directors determines Access Bank's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of Access Bank to assume risk, weighed against the expected rewards. The umbrella risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different core risk areas of credit, market and operational risks as well as for other key risks such as liquidity, strategic and reputational risk.

The evolving nature of risk management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit; and through independent evaluation by external auditors, examiners and consultants.

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

Risk and capital drive value

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

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

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

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

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

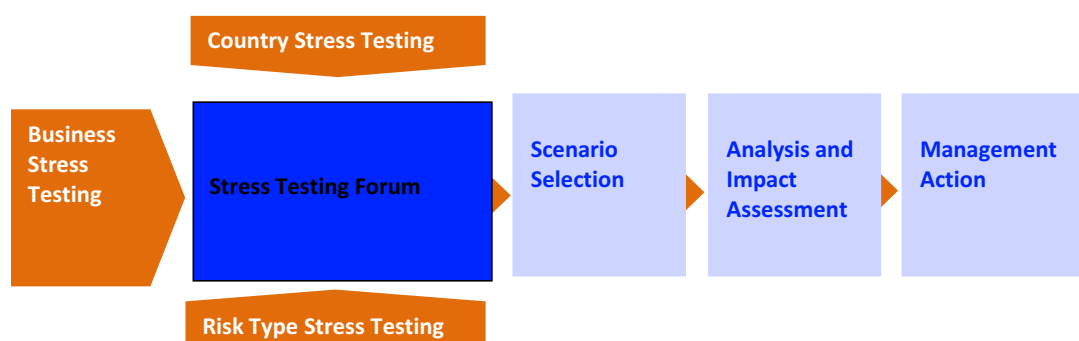
Enterprise-wide stress testing

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

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

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

Stress testing framework



Our stress testing framework is designed to:

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

Risk Management and the Acquisition Process in 2011

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

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

Risk Management Philosophy and Culture

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

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

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

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

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

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

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

a) Management and staff:

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

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

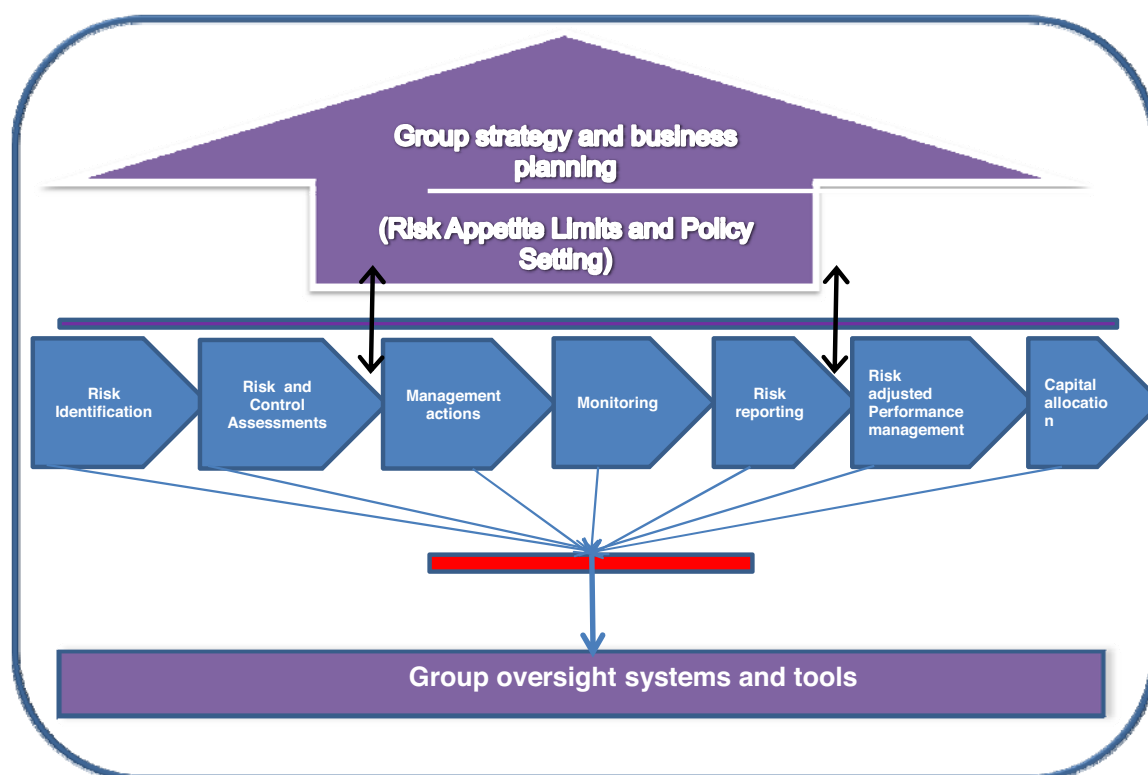
c) Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is based on consensus.

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

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

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

Risk management process



Group risk oversight approach

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

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

Strategy and Business Planning

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

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

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

Risk Appetite

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

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

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

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

Risk management objectives

The broad risk management objectives of the Bank are:

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

Scope of risks

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

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

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

Responsibilities and functions

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

Risk Management and Compliance Division

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

Financial Control and Strategy

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

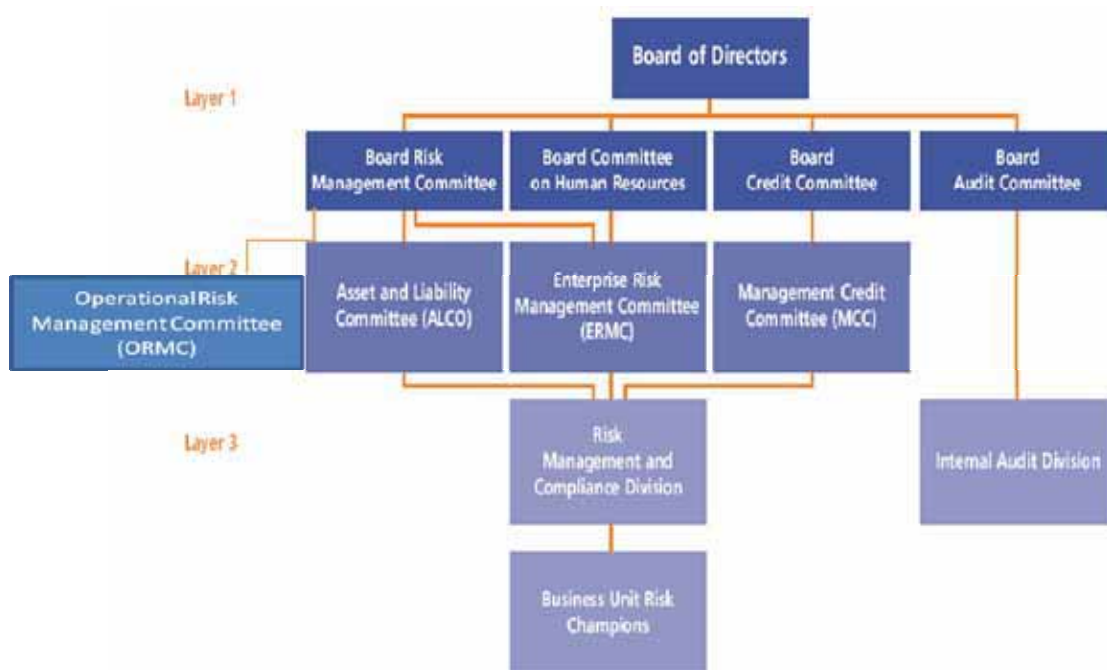
(c) Risk Management Governance Framework

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

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

Risk Management Governance Structure

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



Roles of the Board of Directors

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

Specific roles in these areas are further defined below:

General

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

Credit risk

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

Operational risk

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

Market and liquidity risk

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

Compliance risk

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

Operational risk

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

Reputational risk

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

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

Board committees

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

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

The roles and membership of the committees are as follows:

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

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

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

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

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

Specific roles of the Board and management committees

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

Board risk management committee

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

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

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

Board audit committee

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

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

Board credit committee

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

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

Board committee on human resources

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

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

Roles of senior management in risk management

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

Enterprise risk management committee

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

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

Management credit committee

The committee has the following responsibilities:

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

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

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

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

Group Asset & Liability Committee (GROUP ALCO)

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

Purpose

The purpose of the Group ALCO is to:

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

Responsibilities and authorities

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

Other responsibilities include:

Prudent management of market risk:

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

- To review and approve all policies and procedures relating to market risk management.

Prudent management of liquidity risk:

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

Prudent management of interest rate risk:

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

Prudent margin management:

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

General:

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

Roles of senior management in risk management

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

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

Operational Risk Management Committee (ORMC)

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

The committee is comprised of the following members:

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

The committee has the following responsibilities:

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

Roles of risk champions in the business units

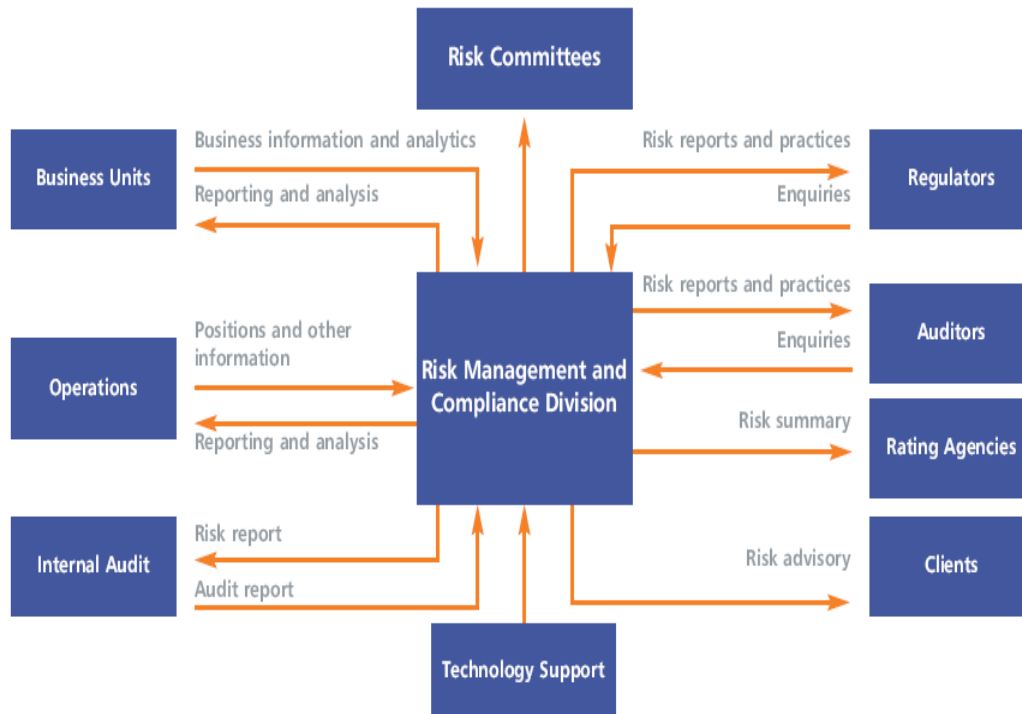
- Coordinate all risk management activities in the business unit, including compliance with risk policies and procedures.
- Provide on-the-job training on risk management to other staff.
- Liaise with risk management and compliance division to obtain new systems, approaches and methods for managing risks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

Risk management and compliance division – relationship with other units

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

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

Risk management and compliance division – relationship with other units



Key risks and uncertainties in 2011

Risk Type	Definition	Features	Key developments in 2011	Risk mitigation
Credit risk	The risk of loss arising from the failure of a client or counterparty to fulfil its obligations to the Group.	•Potential risk to earnings and capital. •Significant correlation between credit risk and the macroeconomic environment. •Concentration risk – potential for large material losses.	- Improved risk asset quality as evidenced in the reduction of NPL ratio. - Significant growth of the bank's risk asset portfolio as a result of the business combination with Intercontinental Bank Plc. - Sale of risk assets to AMCON to improve the quality of risk assets.	- Increased investment in recovery functions. - Creation of a stand-alone Credit Monitoring Unit to reduce incidence of default. - Deployment of a credit risk management solution for end to end management of credit risk along its entire value chain. - Increased training for credit risk management staff.
Market risk	The risk that the value of an asset or liability may change as a result of a change in market risk factors.	•Potential for large material losses from complicated treasury products. •Potential for losses due to volatilities and stress events.	The market witnessed volatile interest rates, due to the increases in the MPR which led to cautioned position taking for the fixed income market. The FX market was characterised by the CBN managing the official exchange rate and the spread between official and parallel markets, which led to increased volatility in the interbank and parallel markets.	Market and associated risks were identified, modelled and mitigated using the bank's various stress test policies. The bank has also adopted the integrated stress test approach and the Basel International Liquidity Management Standards.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events.	•Frequent small losses that can become surprisingly high. •Infrequent material losses with high impact.	The economic environment, rising level of external threats (e.g. fraud, Security) coupled with massive expansion in branch network and number of personnel exposed the Bank to operational risks.	Diligent implementation of our enhanced policy standards and control frameworks across the expanded business and branch network. Material events are escalated to Divisional and Group Executives. Additional resources were also allocated to the risk management functions.

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Risk Type	Definition	Features	Key developments in 2011	Risk mitigation
Funding and liquidity risk	The risk of being unable to meet short term obligations as they fall due.	• May disrupt the business model and disrupt the Group's activities. • Significantly correlated with credit risk losses.	Gradual creation of risk assets and re-opening of credit markets, increased market focus on building up liquidity reserves, and market-wide liquidity provided to the banking system as the central bank commenced liquidity tightening measures.	We have built up a significant liquidity reserve remained consistently within our in-house/regulatory limits, and reduced our customer funding gap. In 2011 special programs were launched to enhance deposit mobilization especially from retail customers.
Regulatory risk	The risks arising from changes in law, guidelines and other regulatory enforcement.	• Compliance with laws and regulations. • Potential for fines and/or restrictions in business activities.	Several circulars were issued by regulators during the year in line with the ongoing reforms in the banking industry	We have a proactive engagement strategy with the CBN and other regulators, driven by a well developed Regulatory Developments framework, which assigns Senior Executive responsibility for all material risks. New regulations and compliance plan are discussed in management and board committee risk
Other risk (Reputation, Strategic e.t.c)	The risk of failure to comply with applicable financial services regulatory rules and regulations. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment	• Expose the Group to penalties and reputation damage. • Failure to meet expectations of stakeholders.	Though the expansion program puts the bank in public view during the year, there was no Major negative publicity or reputational risk event during the year as the bank complied with all regulations and adhered to its core value of ethics and professionalism. In the financial services industry, strategic risk is high due to changing customer expectation and regulatory environments.	Close monitoring of all reputational risk event drivers, adherence to the principle of zero tolerance for regulatory breaches and active engagement of all stakeholders- customers, investors, regulators, staff, etc. Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Executive management team. Significant strategic actions, such as material acquisitions or capital actions, are approved by the Board.

(d) Credit Risk Management

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

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

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

The goal of the Bank is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Bank's Basel II strategy.

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

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

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

Principal Credit Policies

The following are the principal credit policies of the Bank:

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

Credit process

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

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

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

1 Credit risk measurement

Risk Rating Methodology

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

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

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

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

Credit Risk Rating Models

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

(i) For Retail Exposures:

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

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

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

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

(ii) For Non – Retail Exposures:

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

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

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

Risk Rating Process

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

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

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

Responsibilities of Business Units and Independent Credit Risk Management

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

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

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

Risk Rating Scale and external rating equivalent

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

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

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

2 Credit Risk Control & Mitigation policy

Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee. Individuals are also assigned credit approval authorities in line with the Bank's criteria for such delegation set out in its Credit Risk and Portfolio Management Plan. The principle of central management of risk and decision authority is maintained by the Bank. The maximum amount of credit that may be approved at each subsidiary is limited, with amounts above such limit being approved at the Head Office.

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

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

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

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

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

Collateral Policies

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

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

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

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

The range of collaterals acceptable to the Bank include:

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

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

Master Netting arrangements

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

Credit related commitments

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

Provisioning policy

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

3 Credit definitions

Impaired loans and securities

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

Past due but not impaired loans

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

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

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

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

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

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

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

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

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

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

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

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4 Credit concentration

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

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

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

(f) Market risk management

Definition

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

Market risk policy, management and control

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. 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.

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

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

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

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

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

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

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

Traded market risk measurement and control

The models employed in evaluating risks include position-based models, volatility based models (based on the volatility of market variables and their related covariance) and scenario-based models (the frequency of a severe loss estimated by repeating random scenarios with certain statistical properties that have, in most cases, been estimated from historical data).

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

Daily value at risk (DVaR)

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

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

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

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

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

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

Backtesting

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

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

Tail risk metrics

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

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

Stress testing

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

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

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

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

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

Risk limits

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

Interest rate risk

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

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

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and 90-day NBOR and different types of interest. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Group balance sheet, mainly due to re-pricing timing differences between assets, liabilities and equity. These risks impact both the earnings and the economic value of the Group. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

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

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

Market risks

<u>Re-pricing period</u>							
		Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
<i>Note</i>							
<i>In thousands of Naira</i>							
31-Dec-11							
<i>Non-derivative assets</i>							

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

Exposure to other market risks - non-trading portfolios (continued)

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

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

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

Interest rate movement affect reported equity in the following ways:

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

Foreign exchange risk

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

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

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

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

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

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

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

(g) Liquidity risk management

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

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

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

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

Quantifications

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

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

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

Limit management and monitoring

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Group Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by risk management. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

Contingency funding plan

Access Bank has contingency funding plan which incorporate early warning indicators to monitor market conditions. The Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Group Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations. The worksheet is an integral component of the contingency funding plan. Although it is unlikely that a funding crisis of any significant degree could materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur.

The contingency funding plan covers: the available sources of contingent funding to supplement cash flow shortages; the lead times to obtain such funding; the roles and responsibilities of those involved in the contingency plans; and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

Exposure to liquidity risk

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

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

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

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

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

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

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

(h) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks. It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Access Bank's global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

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

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

Our operational risk strategy seeks to minimise the impact that operational risk can have on shareholders' value. The Bank's strategy is to:

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

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

Level 1 refers to the oversight function carried out by the board of directors, board risk committee and the executive management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.

Level 2 refers to the management function carried out by operational risk management group. It has direct responsibility for formulating and implementing the Bank's operational risk management framework including methodologies, policies and procedures approved by the board.

Level 3 refers to the operational function carried out by all business units and support functions in the Bank. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks. Internal audit provides independent assessment and evaluation of the Bank's operational risk management framework. This periodic confirmation of the existence and utilisation of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the Bank include; a loss database of operational risk events; an effective risk and control self-assessment process that helps to analyse business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an ongoing basis.

The Group's operational risk framework

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

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

Management and control responsibilities

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

Measuring and managing operational risk

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

Risk event data collection and reporting

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

Risk and control self assessments (RCSA)

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

Key risk indicators (KRIs)

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

Reporting

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

Allocating Capital to Business Units

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

Expected loss (EL) budgeting mitigation

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

Insurance mitigation

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

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

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

Information Security and Continuity of Business

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

Compliance Risk Management

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

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

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

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

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

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

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

Compliance Risk Management Framework



Developments in 2011

1 Commendation

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

2 Anti-money Laundering

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

3 Promoting business Integrity

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

Strategic Risk Management

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

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

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

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

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

Reputational Risk Management

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

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

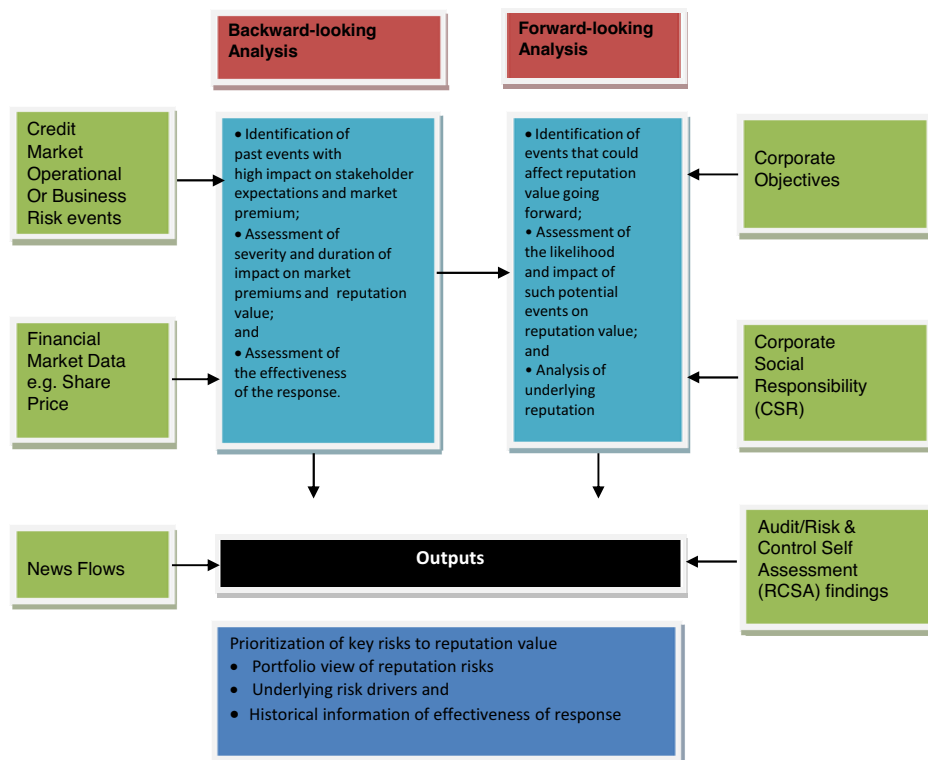
- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely impact its reputation. (e.g. corporate governance crises);
- Consolidation activities ignited by the Central Bank of Nigeria (CBN), resulting in a fusion of different cultures;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

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

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

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

Key Drivers of Reputational Risk



Risk Identification Process

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

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

These drivers include the following:

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

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

Compilation of Trigger Events

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

Risk Drivers	Trigger Events
Corporate governance and leadership	• Corporate frauds and scandals; • Association with dishonest and disreputable characters as directors, management • Association with politically exposed persons • Incidence of shareholders conflict and Board Instability.
Regulatory Compliance	• Non - Compliance with laws and regulation; • Non submission of Regulatory returns
Delivering customer promise	• Security Failure • Shortfall in quality of service/fair treatment; • Bad behavior by employees
Workplace talent and culture	• Unfair employment practices • Not addressing employee grievances • Uncompetitive remuneration
Corporate social responsibility	Lack of community development initiatives

Corporate Culture	• Lack of appropriate culture to support the achievement of business objective. • Ineffective risk management practices. • Unethical behaviors on the part of staff and management. • Lack of appropriate structure for employees to voice their concerns
Risk Management and Control Environment	• Inadequate Risk Management and Control environment • Continuous violations of existing policies and Procedures
Financial Soundness and Business viability	• Consistent poor financial performance • Substantial losses from unsuccessful Investment
Crisis Management	• Inadequate response to a crisis or even a minor incident

Events data analysis

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

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

Approach to managing reputation events

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

Overall strategy / action plan

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

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

These include –

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

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

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

Process

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

These include –

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

Post-event reviews

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

Capital Risk Management

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

Capital management objectives:

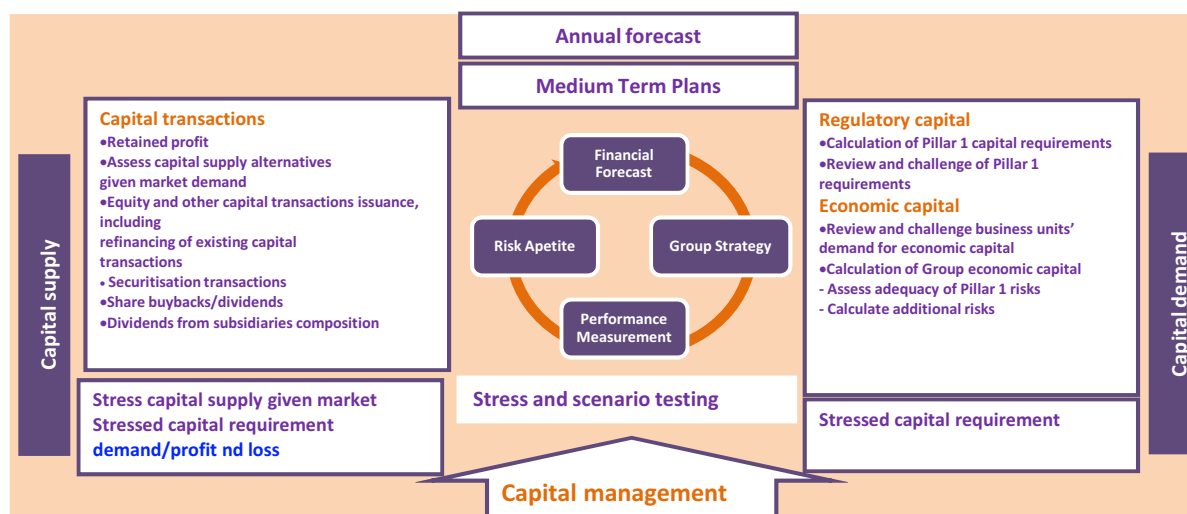
The Group has a number of capital management objectives:

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

Capital management strategy:

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

Capital management process



Importance of capital management

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

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

The ICAAP Process in 2011

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

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

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

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

Our Risk Management Framework is Focused on the Future

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

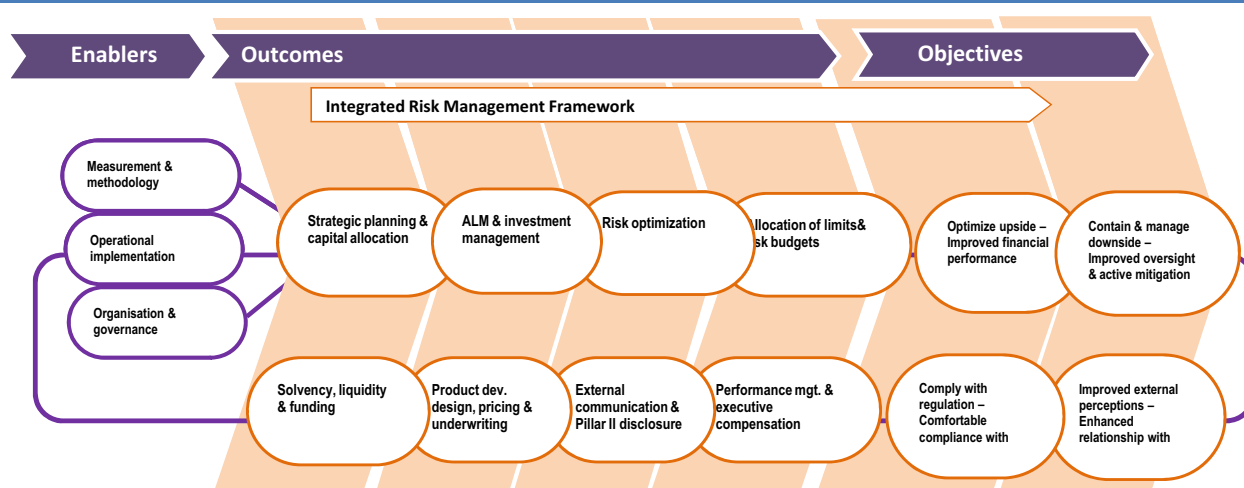
Our annual risk cycle is designed to give management relevant, up-to-date information from which trends can be observed and assessed. The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, to the right people. In line with the industry's increasingly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

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

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

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

Risk Practice focused on the future



Regulatory capital

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

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, Central Bank of Nigeria requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

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

- Tier 1 capital, which includes ordinary share capital, capital reserve, share premium, retained earnings, translation reserve and minority interests after deductions for other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities and general provision allowances.
- The qualifying tier 2 capital cannot exceed tier 1 capital.

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

Capital adequacy ratio

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

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

Tier 2 capital

Fair value reserve for available-for-sale securities		4,623,657	(666,467)
Collective allowances for impairment	22,23	4,734,552	6,804,540
Total		9,358,209	6,138,073
Total regulatory capital		193,521,692	168,342,142

Risk-weighted assets		895,301,332	709,639,728

Capital ratios

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

Capital allocation

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

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

6. Use of estimates and judgements

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

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(j)(viii).

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 4(j)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

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

Financial asset and liability classification

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

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

3. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(o)(i).

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

Depreciation and carrying value of property and equipment

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

Determination of impairment of property and equipment, and intangible assets excluding goodwill

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

Valuation of financial instruments

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

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

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

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

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

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

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

7. Operating segments

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

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

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

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

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

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

7 Operating segments (Continued)
Information about operating segments

31 December 2011

In thousands of Naira

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

31 December 2010

In thousands of Naira

Revenue:

Derived from external customers	23,112,512	50,653,411	11,739,149	5,308,332	328,660	91,142,064
Derived from other business segments	(5,359,986)	4,937,686	(57,473)	479,772	-	-
Total Revenue	17,752,526	55,591,097	11,681,676	5,788,104	328,660	91,142,064

Interest expenses	(12,414,797)	(7,279,098)	(1,183,690)	(655,399)	(87,738)	(21,620,722)
	5,337,729	48,311,999	10,497,986	5,132,705	240,922	69,521,342

(Loss)/profit on ordinary activities before taxation

Income tax expense	(4,149,172)	10,292,681	8,217,424	1,981,467	(173,530)	16,168,870
Profit after tax						(5,100,749)
						11,068,121

Other segment information:

Depreciation	(637,829)	(1,649,121)	(181,498)	(637,168)	27,784	(3,077,832)

Assets and liabilities:

Tangible segment assets	329,713,240	231,625,398	224,719,553	12,607,718	6,157,862	804,823,771
Unallocated segment assets	-	-	-	-	-	-
Total assets	329,713,240	231,625,398	224,719,553	12,607,718	6,157,862	804,823,771

Segment liabilities

Unallocated segment liabilities	174,339,498	361,495,960	51,595,603	35,409,323	6,612,930	629,453,314
	-	-	-	-	-	-
Total liabilities	174,339,498	361,495,960	51,595,603	35,409,323	6,612,930	629,453,314

Net assets	155,373,742	(129,870,562)	173,123,950	(22,801,605)	(455,068)	175,370,457

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

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

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Geographical segments

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

December 2011

In thousands of Naira

	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	125,783,289	10,622,025	2,544,099	138,949,414
Derived from other segments	-	-	-	-
Total Revenue	125,783,289	10,622,025	2,544,099	138,949,414
Interest expense	(34,191,674)	(2,576,674)	(128,660)	(36,897,008)
Fee and commission expenses	-	(142,347)	-	(142,347)
Operating Income/(loss)	91,591,615	7,903,004	2,415,440	101,910,059
Profit/(loss) before income tax	19,999,427	(16,325)	318,263	20,301,365

Assets and liabilities:

Total assets	1,468,941,873	76,018,471	89,786,411	1,634,746,754
Total liabilities	1,271,467,526	82,234,532	84,002,489	1,437,704,547
Net assets	197,474,347	(6,216,061)	5,783,922	197,042,207

December 2010

In thousands of Naira

	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	79,069,399	10,585,174	1,487,491	91,142,064
Derived from other segments	-	-	-	-
Total Revenue	79,069,399	10,585,174	1,487,491	91,142,064
Interest expense	(19,272,649)	(2,319,231)	(28,842)	(21,620,722)
Fee and commission expenses	-	-	-	-
Operating Income/(loss)	59,796,750	8,265,943	1,458,649	69,521,342
Profit/(loss) before income tax	17,695,551	(1,339,298)	(187,383)	16,168,870

Assets and liabilities:

Total assets	664,448,397	72,299,937	68,075,438	804,823,772
Total liabilities	506,313,843	60,274,273	62,865,199	629,453,315
Net assets	158,134,554	12,025,664	5,210,239	175,370,457

8 Financial assets and liabilities

Accounting classification measurement basis and fair values

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

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

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

9 Disposal groups held for sale and discontinued operations

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

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

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

10 Acquisition of subsidiary

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

In the period to 31 December 2011, Intercontinental Bank contributed gross earnings of N16.12billion and profit before taxation of N5.13billion. If the acquisition had occurred on 1 January 2011, the consolidated revenue would have been N204.1billion and consolidated loss before tax for the year would have been N68.9billion based on IFRS accounting policies.

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

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

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

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

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

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

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

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

10. Net interest income

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

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

11. Fee and commission income

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

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

12 Net trading income

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

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

13. Other operating income

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

14. Net impairment loss on financial assets

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

15. Personnel expenses

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

Personnel expenses

Cash-settled share-based payments

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

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

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

Employee expenses for share-based payments

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

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

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

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16. Other operating expenses

31 December

2011

2010

In thousands of Naira

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

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

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16. Income tax expense recognised in the profit or loss

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

Reconciliation of effective tax rate

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

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

18. Basic earnings per share

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

Weighted average number of ordinary shares

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

Profit attributable to ordinary shareholders

31 December	2011	2010
<i>In thousands of Naira</i>		

Profit for the year attributable to equity holders of the Bank	14,499,229	7,903,841

Number of ordinary shares

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

19. Cash and cash equivalents

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

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20. Non pledged trading assets

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

21. Pledged assets

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

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

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

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

22. Derivative financial instruments

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

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

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

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

23. Loans and advances to banks

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

Specific impairment allowance on loans and advances to banks

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

Collective impairment allowance on loans and advances to banks

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

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24. Loans and advances to customers

December 2011	Gross	Specific	Portfolio	Total	Carrying
<i>In thousands of Naira</i>	amount	impairment	impairment	impairment	amount
Loans to individuals	41,690,203	(5,682,480)	(213,926)	(5,896,406)	35,793,798
Loans to corporate entities and other organizations	582,849,099	(37,898,542)	(4,515,849)	(42,414,391)	540,434,709
	624,539,303	(43,581,022)	(4,729,774)	(48,310,796)	576,228,507
December 2010	Gross	Specific	Portfolio	Total	Carrying
<i>In thousands of Naira</i>	amount	impairment	impairment	impairment	amount
Loans to individuals	10,815,742	(2,490,625)	(124,895)	(2,615,520)	8,200,222
Loans to corporate entities and other organizations	467,322,563	(21,044,438)	(6,667,989)	(27,712,427)	439,610,136
	478,138,305	(23,535,063)	(6,792,884)	(30,327,947)	447,810,358

Specific impairment allowance on loans and advances to banks and customers

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

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Collective impairment allowance on loans and advances to customers

In thousands of Naira

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

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

In thousands of Naira

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

25. Insurance receivables

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

Specific impairment allowance for insurance receivables

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

26. Investment in equity accounted investee

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

27. Investment securities

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

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

Specific impairment for unquoted equity securities at cost

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

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

28. Trading properties

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

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

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

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

29. Investment properties

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

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

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

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

27 Property and equipment

In thousands of Naira

Cost

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

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

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

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

31. Intangible assets

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

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

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

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

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

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

32. Deferred tax assets and liabilities

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

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

32. Deferred tax assets and liabilities

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

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

33. Other assets

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

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

Movement in impairment allowance on other assets:

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

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

34. Deposits from banks

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

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35. Deposits from customers

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

36. Other liabilities

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

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

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(c) Defined benefit obligations

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

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

(i) Long term incentive plan

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

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

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

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

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

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Actuarial assumptions:

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

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

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

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

(ii) Other defined benefit plans

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

The movement in defined benefit liability is shown below

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

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

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

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

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37. Claims payable

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

38. Liabilities on investment contracts

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

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

39. Liabilities on insurance contracts

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

40. Interest bearing loans and borrowings

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

- (a) The amount of N511,220,000 (USD 3,202,707) represents outstanding balance in the on-lending facility granted to the Bank by EIB (European Investment Bank) in September 2005 for a period of 9 years. Principal and interest are repayable quarterly and semi-annually based on the terms of the facilities with the obligor. Interest is reset every 90 days at 2.2% - 2.9% above LIBOR. The Bank provided negative pledge as a security for this facility. The undisbursed balance is included in other deposits from banks (see note 34).

- (b) The amount of N644,336,000 (USD 4,037,699) represents the outstanding balance in the on-lending facility granted to the Bank by ADB (Africa Development Bank) in May 2007 for a year of 7 years. The principal amount is repayable semi-annually from 2012 while interest is paid semi annually at 3% above 6 months LIBOR. The undisbursed balance is included in other deposits from banks (see note 34).

- (c) The amount of N7,186,128,000 represents the outstanding balance in the on-lending facility granted to the Bank by Central Bank of Nigeria in collaboration with the Federal Government of Nigeria (FGN) in respect of Commercial Agriculture Credit Scheme (CACS) established by both CBN and the FGN for promoting commercial agricultural enterprises in Nigeria. The facility is for a maximum period of 7 years at a zero percent interest rate to the Bank. The principal amount is repayable at the expiration of the loan. The Bank did not provide security for this facility. The undisbursed balance is included in other deposits from banks (see note 34).

- (d) The amount of N17,449,100,000 represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Nigerian Government Securities worth N22,660,000,000 and has a 15 year tenor. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers. The undisbursed balance is included in other deposits from banks (see note 34).

- (e) The amount of N3,454,496,000 represents the outstanding balance on intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria, to be applied to eligible power and airline projects. The total facility has a maximum tenor of 15 years. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers within the power and aviation sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

41. Contingent settlement provisions

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

42. Capital and reserves

Share capital

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

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

Ordinary shareholding:

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

Preference shareholding:

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

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

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

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

Share premium

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

Other regulatory reserves

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

- (i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank transferred 30% of its profit after tax to statutory reserves as at period end (March 2009: 30%).
- (ii) **Small and Medium Scale Industries Reserve (SMEEIS):** The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.
- (iii) **Treasury shares**
 Treasury shares represent the Bank's shares of 832,375,863 (31 December 2010: 872,414,363) held by the Staff Investment Trust scheme as at 31 December 2011.
- (iv) **Fair value reserve**
 The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired. This reserve also includes valuation of property and equipment.
- (v) **Regulatory risk reserve**
 The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

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(vi) Retained earnings

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

(vii) Non-controlling interest

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

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

43. Dividends

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

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

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

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

44. Leasing As lessor

Operating lease receivables

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

As lessee

Operating lease commitments

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

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

45. Contingencies

Claims and litigation

The Bank, in its ordinary course of business, is presently involved in 171 cases as a defendant (31 December 2010: 174) and 95 cases as a plaintiff (31 December 2010: 55). The total amount claimed in the 171 cases against the Bank is estimated at 34,495,605,294.84 (31 December 2010: N29,131,136,389) while the total amount claimed in the 95 cases instituted by the Bank is N30,555,665,378.43 (31 December 2010: N7,768,823,071). The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystallize from these cases. No provisions are therefore deemed necessary for these claims.

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

Contingent liabilities and commitments

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

Nature of instruments

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

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

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

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

a. These comprise:

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

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

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

46. Group entities

i Significant subsidiaries

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

47 Related parties

Related party transactions

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

Parent

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

Subsidiaries

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

Transactions with key management personnel

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

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

<i>Loans and advances:</i>	<u>December</u>	<u>December</u>
	2011	2010

In thousands of Naira

Secured loans and advances	90,005,623	58,866,046

<i>Deposits:</i>	<u>December</u>	<u>December</u>
	2011	2010

In thousands of Naira

Total deposits	30,318,978	6,986,519

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year/period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the year comprises:

<i>Directors' remuneration</i>	<u>December</u>	<u>December</u>
	2011	2010

In thousands of Naira

Fees as directors	7,350	7,900
Other emoluments:		
Executive directors	145,100	152,400
Other directors	91,768	101,363
	244,218	261,663

48 Events after the end of the reporting year

Subsequent to the end of the reporting year, Access Bank completed its acquisition of Intercontinental Bank and also executed a scheme of merger to merge the two banks into a single entity. The Bank obtained a court sanction of the scheme of merger on 23 January 2012. The effects of the court sanction of the scheme of merger were as follows:

- All assets, liabilities and undertakings, including real properties and intellectual property rights of Intercontinental Bank were transferred to Access Bank as provided in the Scheme.
- The intercontinental Bank shareholders were allotted 1 scheme share for every 4 shares previously held by them in Intercontinental Bank;
- The entire share capital of Intercontinental Bank was cancelled and Intercontinental Bank was dissolved without being wound up.
- Pursuant to the court sanctioned Scheme of Merger between Access Bank Plc and Intercontinental Bank, the proportion of the Scheme shares allotted to Project Star Investments limited in its capacity as a shareholder of Intercontinental Bank was distributed and allotted to the Access Bank shareholders pro rata in the proportion of their shareholding in Access Bank.

ACCESS BANK PLC

Consolidated financial statements for the year ended 31 December 2010.

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CORPORATE GOVERNANCE

Introduction

Access Bank Plc ('the Bank') recognises that good corporate governance is fundamental to earning and retaining the confidence and trust of its stakeholders. It provides the structure through which the objectives of the Bank are set and the means of attaining those objectives.

The Codes of Corporate Governance for Banks in Nigeria Post Consolidation issued by the Central Bank of Nigeria, the Securities and Exchange Commission's Code of Best Practice and Access Bank's Principles of Corporate Governance collectively provide the basis for promoting sound corporate governance in the Bank. The Bank's subsidiary entities are guided by these principles in their governance frameworks and also meet the requirements of their respective jurisdictions to ensure local compliance. The Group's governance framework helps the Board to discharge its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformity with regulatory requirements and acceptable risk.

Compliance with all applicable legislation, regulations, standards and codes is an essential characteristic of the Bank's culture. The Board monitors compliance with these by means of management reports, which include information on any significant interaction with key stakeholders.

Governance structure

Shareholders' Meeting:

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

The Board: Composition and Role

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

The Board is responsible for ensuring the creation and delivery of sustainable value to the Bank's stakeholders through its management of the Bank's business. The Board is accountable to the shareholders and is responsible for the management of the Bank's relationship with its various stakeholders. The Board ensures that the activities of the Bank are at all times executed within the applicable and regulatory framework. The Bank's Principles of Corporate Governance which is a set of principles which have been adopted by the Board as a definitive statement of Corporate Governance defines such matters which have been reserved for the Board. The matters reserved for the Board include, but are not limited to, defining the Bank's business strategy and objectives, formulating risk policies and making decisions on the establishment of foreign subsidiaries.

Executive Management is accountable to the Board for the development and implementation of strategy and policies.

The Board meets quarterly and emergency meetings are convened as may be required by circumstances. The annual calendar of the Board and Committee meetings are approved in advance and all Directors are expected to attend each meeting. The annual calendar of board meetings includes a board retreat at an offsite location over three days to consider strategic matters and review the opportunities and challenges facing the Bank. All Directors are provided with notice, agenda and meeting papers in advance of each meeting and, where a Director is unable to attend a meeting, he/she is still provided with the relevant papers for the meeting while such Director reserves the right to discuss with the Chairman the matters he/she may wish to raise at the meeting. Decisions are also taken between meetings via written resolutions circulated to all Directors in accordance with the Articles of Association of the Bank.

The Company Secretary and his team continue to provide dedicated support to the Board ensuring that directors receive timely and accurate information required to fulfill their roles. Directors may at the Bank's expense take independent professional advice on matters pertaining to their role as Directors. In addition, the directors receive monthly updates on developments in the business and regulatory environment. The Board ensures the regular training and education of board members on issues pertaining to their oversight functions.

The Standing Committees

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

Name	Board Audit Committee	Board Risk Management Committee	Board Credit & Finance Committee	Board Human Resources Committee
Mr. Gbenga Oyeboade ¹	-	-	-	-
Dr Cosmas Maduka ¹	-	-	C	-
Mr Oritsedere Otubu ¹	C	-	M	M
Dr.Mahmoud Isa-Dutse ²	M	C	M	-
Mr. Emmanuel Chiejina ²	-	-	M	C
Dr. Adewunmi Desalu ¹	-	M	M	-
Mr. Tunde Folawiyo ¹	-	M	M	M
Mrs. Mosun Belo-Olusoga ¹	M	M	M	M
Mr. Aigboje Aig- Imoukhuede ³	-	M	M	M
Mr. Herbert Wigwe ³	-	M	M	M
Mr. Taukeme Koroye ³	M	-	-	-
Mr. Okey Nwuke ³	-	-	M	-

Access Bank Plc and Subsidiary Companies
Consolidated Financial Statements – 31 December 2010
Together with Auditor's Report

Mr. Obeahon Ohiwerei ³	-	-	M	-
Mr Ebenezer Olufowose ³	-	M	M	-

Keys

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

Board committee composition

■

Number of
Meetings

Committee

Composition

Number of
Meetings

4 Regular	4 Regular	5 Regular	4 Regular

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the Bank's financial statements and the financial reporting process; the independence and performance of the Bank's internal and external auditors; and the Bank's system of internal control and mechanism for receiving complaints regarding the Bank's accounting and operating procedures. The Bank's Chief Internal Auditor and Chief Compliance Officer have access to the Committee and make quarterly presentations to the Committee. The Committee met five times during the 2010 financial year.

Board Risk Management Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements in the Bank. In addition, it oversees the establishment of a formal written policy on the overall risk management system. The Committee also ensures compliance with established policies through periodic reviews of reports provided by management and ensures the appointment of qualified officers to manage the risk function. The Committee evaluates the Bank's risk policies on a periodic basis to accommodate major changes in internal or external environment. The Committee met four times during the 2010 financial year.

Board Credit and Finance Committee

The Committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been approved by the Management Credit Committee. It also acts as a catalyst for credit policy changes. Given the number of credit requests requiring the Committee's approval and the need for expeditious approval of credits, credits are circulated amongst the members for consideration and approval between Board Committee Meetings. The Committee met four times during the 2010 financial year.

Board Human Resources Committee

The Committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the Directors and employees of the Bank. Specifically, the committee is responsible for determining and executing the processes for board appointments, recommending appropriate remuneration for Directors (both executive and non-executive) and approving remuneration for all other members of staff. The objectives of the Committee include ensuring that the Bank's human resources are maximised to support the long term success of the Bank and to protect the welfare of all employees. The Committee met four times during the 2010 financial year.

Attendance at Board Committee meetings

During the financial year ended 31 December 2010, the various committees of the Board of Directors held four meetings each, except for the Board Audit Committee who held five meetings and the attendance at these meetings were as shown below:

S/N	NAMES OF DIRECTORS	Meeting				
		BOD	BRM	BCF	BHR	BAC
1	Mr. Gbenga Oyebo	5	N/A	N/A	N/A	N/A
2	Dr. Cosmas Maduka	2	N/A	3	N/A	N/A
3	Dr. Mahmoud Isa –Dutse	5	4	4	N/A	5
4	Dr. Adewunmi Desalu	5	1*	4	N/A	N/A
5	Mr. Oritsedere Otubu	5	N/A	4	4	5
6	Mr. Emmanuel Chiejina	5	N/A	4	4	N/A
7	Mr. Tunde Folawiyo	5	4	4	4	N/A
8	Mrs. Mosunmola Belo-Olusoga	5	4	4	4	5
9	Mr. Aigboje Aig-Imoukhuede	5	4	4	4	2***
10	Mr. Herbert Wigwe	5	4	4	4	2***
11	Mr. Taukeme Koroye	4	3**	N/A	N/A	5

S/N	NAMES OF DIRECTORS	Meeting				
		BOD	BRM	BCF	BHR	BAC
12	Mr. Okey Nwuke	5	3**	4	N/A	N/A
13	Mr. Obeahon Ohiwerei	5	3**	4	N/A	N/A
14	Mr. Ebenezer Olufowose	5	4	4	N/A	N/A

Key

BOD – Board of Directors' meeting

BRM – Board Risk Management Committee meeting

BCF – Board Credit and Finance committee meeting

BHR – Board Human Resources Committee meeting

BAC – Board Audit committee meeting

* - Became member of BRMC as from October 2010

** - Ceased being a member of BRMC as from July 2010

*** - Ceased being a member of BAC as from July 2010

Executive committee

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

Management committees

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

Statutory audit committee

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

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

Succession planning

The Bank has a Succession Planning Policy which was approved by the Board at its 112th meeting held on November 16, 2007. Succession planning is aligned to the Bank's performance management process. The policy identifies eleven (11) key positions, including Country Managing Director positions for all Access Bank operating entities in respect of which there will be formal succession planning. The Bank's policy provides that potential candidates for the other positions shall be identified at the beginning of each financial year by the Group Human Resources Head, based on performance and competencies.

Code of ethics

The Bank has articulated a code of conduct which specifies expected behaviour of its staff. The Code requires that each Bank staff shall read the Code of Conduct document and sign a confirmation that they have read and understood the document upon employment. In addition, there is a re- affirmation process that requires each member of staff to confirm understanding of and compliance with the Code of Conduct at least once in each year. The Bank has a Compliance Manual, which provides guidelines for addressing violations/breaches and ensuring enforcement of discipline with respect to staff conduct. The Bank also has a Disciplinary Guide which provides sample offences/violations and prescribes disciplinary measures to be adopted in various cases. The Head of Human Resources is responsible for the design and implementation of the code of conduct while the Chief Compliance Officer is responsible for monitoring and ensuring compliance.

Whistle blowing

The Bank has a whistle-blowing policy which provides the procedure for reporting suspected breaches of the Bank's internal policies, laws and regulations. There is a special e-mail address and telephone hotline dedicated for whistle blowing. The Bank's Chief Compliance Officer (CCO) is responsible for monitoring and reporting on whistle blowing.

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

We have audited the accompanying consolidated financial statements of Access Bank Plc and its subsidiaries (the "Group"), which comprise the consolidated financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 140.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Access Bank Plc and its subsidiaries ("the Group") as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory consolidated financial statements as described in Note 2 to the consolidated financial statements.

KPMG

24 August 2011
Lagos, Nigeria.



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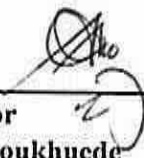
Abayomi D. Sanni	Adebisi O. Lamikanra	Adekunle A. Elebute
Adetola P. Adeyerin	Adewalé K. Ajayi	Ajibola O. Olomola
Ayodele H. Othihiwa	Chibuzor N. Anyanechi	Goodluck C. Obi
Joseph O. Tegbe	Kabir O. Okunola	Oladoso B. Okubadejo
Oladimeji I. Salaudeen	Olumide O. Olayinka	Oluwatoyin A. Gbagi
Oluseyi T. Bickersteth	Tayo I. Ogungbenro	Victor U. Onyenkpa

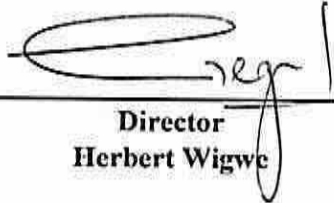
Consolidated statement of financial position

As at 31 December 2010

<i>In thousands of Naira</i>	<i>Notes</i>	December 2010	December 2009
Assets			
Cash and cash equivalents	5, 8, 18	123,957,778	155,076,424
Non pledged trading assets	8, 19	30,969,755	11,563,193
Pledged assets	8, 20	59,930,096	7,591,114
Derivative financial instruments	8, 21	1,110,803	3,002,720
Loans and advances to banks	5, 8, 22	610,108	70,526
Loans and advances to customers	5, 8, 23	447,810,358	385,313,186
Investments in equity accounted investee	8, 24	-	300,156
Investment securities	5, 8, 25	69,892,874	73,745,086
Investment properties	26	12,943,078	1,404,000
Property and equipment	27	23,807,982	27,680,220
Intangible assets	28	2,718,899	2,880,706
Deferred tax assets	29	2,458,597	3,779,129
Other assets	30	20,006,440	16,927,332
Total assets		796,216,768	689,333,792
Liabilities			
Deposits from banks	5, 8, 31	69,889,795	43,216,841
Deposits from customers	5, 8, 32	484,723,475	442,334,863
Derivative financial instruments	5, 8, 21	725,007	1,833,327
Debt securities issued	33	-	2,604,276
Current tax liabilities		3,492,485	6,982,030
Other liabilities	5, 8, 34	49,977,525	28,723,169
Interest-bearing loans and borrowings	35	22,760,350	3,376,945
Total liabilities		631,568,637	529,071,451
Equity			
Share capital and share premium	36	155,104,963	154,291,861
Accumulated loss	36	(10,785,618)	(9,980,792)
Other components of equity	36	19,629,454	15,092,981
Total equity attributable to owners of the Bank		163,948,799	159,404,050
Non controlling interest	36	699,332	858,291
Total equity		164,648,131	160,262,341
Total liabilities and equity		796,216,768	689,333,792

Signed on behalf of the Board of Directors on 24 August 2011 by:


 Director
 Aigboje Aig-Imoukhuede


 Director
 Herbert Wigwe

The notes on pages 15 to 140 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

<i>In thousands of Naira</i>	<i>Notes</i>	December 2010 12 months	December 2009 9 months
Interest income	9	69,241,406	67,914,101
Interest expense	9	(21,820,175)	(30,142,095)
Net interest income		47,421,231	37,772,006
Fee and commission income	10	12,989,167	10,330,688
Fee and commission expense		-	-
Net fee and commission income		12,989,167	10,330,688
Net trading income	11	6,839,166	7,311,132
Net (loss)/income from other financial instruments at fair value through profit or loss	21	(724,499)	113,900
Other operating income	12	2,298,833	1,861,329
		8,413,500	9,286,361
Operating income		68,823,898	57,389,055
Net impairment loss on financial assets	13	(7,772,155)	(23,964,884)
Net operating income after net impairment loss on financial assets		61,051,743	33,424,171
Personnel expenses	14	(15,428,124)	(11,364,635)
Operating lease expenses		(1,538,743)	(1,132,348)
Depreciation and amortization	27, 28	(5,413,074)	(3,912,049)
Other operating expenses	15	(26,087,571)	(20,194,833)
Total expenses		(48,467,512)	(36,603,865)
Share of profit of equity accounted investee		-	(775,431)
Profit/(loss) before income tax		12,584,231	(3,955,124)
Income tax (expense)/credit	16	(4,856,832)	1,867,090
Profit/(loss) for the year/period		7,727,399	(2,088,034)

The notes on pages 15 to 140 are an integral part of these consolidated financial statements.

Access Bank Plc and Subsidiary Companies
Consolidated Financial Statements – 31 December 2010
Together with Auditor's Report

<i>In thousands of Naira</i>	<i>Notes</i>	<u>December</u> 2010 12 months	<u>December</u> 2009 9 months
<i>Other comprehensive income net of income tax:</i>			
Foreign currency translation differences for foreign operations		(636,917)	(685,735)
Fair value gains/(losses) on available-for-sale investments recognized in equity		322,612	(3,492,375)
Fair value (losses)/gains on property and equipment		(487,182)	538,909
Other comprehensive loss for the year, net of tax		(801,487)	(3,639,201)
Total comprehensive income/(loss) for the year/period		6,925,912	(5,727,235)
Profit/(loss) attributable to:			
Owners of the Bank		7,903,841	(1,880,450)
Non-controlling interest		(176,442)	(207,584)
Profit/(loss) for the year		7,727,399	(2,088,034)
Earnings per share – Basic			
	17	44k	(12k)
Diluted			
	17	44k	(12k)
Total comprehensive income attributable to:			
Owners of the Bank		7,102,354	(5,519,651)
Non-controlling interest		(176,442)	(207,584)
Total comprehensive income/(loss) for the year/period		6,925,912	(5,727,235)

The notes on pages 15 to 140 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Bonus Reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
Balance at 1 January 2010	8,131,024	146,160,837	1,882,931	15,261,865	(6,573,363)	3,489,080	(450,169)	813,102	669,535	(9,980,792)	858,291	160,262,341
Adjustment to opening	-	-	-	-	-	-	-	-	-	(363,135)	-	(363,135)
Opening restated	8,131,024	146,160,837	1,882,931	15,261,865	(6,573,363)	3,489,080	(450,169)	813,102	669,535	(10,343,927)	858,291	159,899,206
Total comprehensive income for the year:												-
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	7,903,841	(176,442)	7,727,399
Other comprehensive income, net of tax												
Foreign currency translation difference	-	-	-	-	-	-	-	-	(636,917)	-	-	(636,917)
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	322,612	-	-	-	-	322,612
Net change on revaluation of property and equipment	-	-	-	-	-	-	(487,182)	-	-	-	-	(487,182)
Total other comprehensive (loss)/income	-	-	-	-	-	-	(164,570)	-	(636,917)	-	-	(801,487)
Total comprehensive (loss)/income	-	-	-	-	-	-	(164,570)	-	(636,917)	7,903,841	(176,442)	6,925,912

Transactions with equity holders, recorded directly in equity:

Capitalisation of bonus issue	813,102	-	-	-	-	-	-	(813,102)	-	-	-	-
Transfers for the year	-	-	3,264,316	1,965,891	-	-	-	-	-	(5,230,207)	(16,876)	(16,876)
New issue from convertible debt	-	-	-	-	-	-	-	-	-	-	-	-
Newly acquired subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	140,856	140,856
Translation reserve	-	-	-	-	-	-	-	-	-	-	(106,497)	(106,497)
Reversal of prior year losses in associate	-	-	-	-	-	-	-	-	-	332,027	-	332,027
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	920,856	-	-	-	-	-	-	920,856
Dividend to equity holders	-	-	-	-	-	-	-	-	-	(3,577,650)	-	(3,577,650)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	130,298	-	130,298
Total contributions by and distributions to equity holders	813,102	-	3,264,316	1,965,891	920,856	-	-	(813,102)	-	(8,345,532)	17,483	(2,176,986)
Balance at 31 December 2010	8,944,126	146,160,837	5,147,247	17,227,756	(5,652,507)	3,489,080	(614,739)	-	32,618	(10,785,618)	699,332	164,648,131

Consolidated Statement of Changes in Equity

In thousands of Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Bonus Reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
Balance at 1 April 2009	8,107,130	146,446,833	6,169,708	15,406,481	(6,050,132)	3,489,080	2,503,296	-	1,355,270	(3,204,362)	1,028,533	175,251,837
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	2,022,609	(282,295)	1,740,314
Opening balance restated	8,107,130	146,446,833	6,169,708	15,406,481	(6,050,132)	3,489,080	2,503,296	-	1,355,270	(1,181,752)	746,238	176,992,152
Total comprehensive income for the period:												-
(Loss)/ Profit for the period	-	-	-	-	-	-	-	-	-	(1,880,450)	(207,584)	(2,088,034)
Other comprehensive loss, net of tax												-
Foreign currency translation difference	-	-	-	-	-	-	-	-	(685,735)	-	-	(685,735)
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	(3,492,375)	-	-	-	-	(3,492,375)
Net change on revaluation of property and equipment	-	-	-	-	-	-	538,909	-	-	-	-	538,909
Total other comprehensive loss	-	-	-	-	-	-	(2,953,466)	-	(685,735)	-	-	(3,639,201)
Total comprehensive loss	-	-	-	-	-	-	(2,953,466)	-	(685,735)	(1,880,451)	(207,584)	(5,727,235)
Transactions with equity holders, recorded directly in equity:												
Bonus shares issued during the period	-	(813,102)	-	-	-	-	-	813,102	-	-	-	-
Transfers for the period	-	-	(4,286,777)	(144,616)	-	-	-	-	-	4,431,393	-	-
New issue from convertible debt	23,894	527,106	-	-	-	-	-	-	-	-	-	551,000
Newly acquired subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	606,264	606,264
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(123,168)	(123,168)
Translation reserve	-	-	-	-	(523,231)	-	-	-	-	-	(163,459)	(163,459)
Acquisition/disposal of own shares	-	-	-	-	-	-	-	-	-	-	-	(523,231)
Dividend to equity holders	-	-	-	-	-	-	-	-	-	(11,349,982)	-	(11,349,982)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to equity holders	23,894	(285,996)	(4,286,777)	(144,616)	(523,231)	-	-	813,102	-	(6,918,589)	319,637	(11,002,576)
Balance at 31 December 2009	8,131,024	146,160,837	1,882,931	15,261,865	(6,573,363)	3,489,080	(450,169)	813,102	669,535	(9,980,792)	858,291	160,262,341

Consolidated statement of cash flows

For the year ended 31 December 2010

<i>In thousands of Naira</i>	<i>Notes</i>	<u>December</u> 2010	<u>December</u> 2009
Cash flows from operating activities			
Profit/(loss) for the year/period		7,727,399	(2,088,034)
Adjustments for:			
Depreciation of property and equipment and amortization	27, 28	5,413,074	3,912,049
Gain on disposal of property and equipment		(73,266)	(124,840)
Impairment loss on investment property		315,698	-
Loss on disposal of investment properties	26	84,041	-
Impairment on financial assets		7,772,155	23,964,884
Property and equipment written off		18,657	668,368
Share of profit of equity accounted investee		-	775,431
Interest paid on borrowings and finance lease		186,525	605,526
Revaluation loss/(gain)		724,499	(113,900)
Dividend received		(199,489)	(184,955)
Income tax expense	16	4,856,832	(1,867,089)
		26,826,125	25,547,440
Change in non-pledged trading assets		(19,406,562)	(1,005,988)
Change in pledged assets		(52,338,982)	234,374
Change in derivative financial instruments-assets		1,891,917	31,097
Change in loans and advances to banks and customers		(82,377,503)	6,391,268
Change in other assets		(2,432,464)	7,082,473
Change in deposits from banks		26,672,954	11,785,939
Change in interest bearing loans and advances		19,383,405	(6,810,369)
Change in derivative financial instrument-liabilities		(1,108,320)	(1,816,138)
Change in deposits from customers		42,388,612	(126,432)
Change in other liabilities		20,920,478	5,734,213
		(19,580,340)	47,047,877
Income tax paid		(7,056,504)	(2,097,088)
Net (used in)/cash provided by operating activities		(26,636,844)	44,950,789

Access Bank Plc and Subsidiary Companies
Consolidated Financial Statements – 31 December 2010
Together with Auditors' Report

Cash flows from investing activities			
Net sale/(purchase) of investment securities		3,630,770	(8,964,917)
Interest and dividends received		199,489	184,955
Acquisition of property and equipment	27	(3,416,798)	(7,728,880)
Proceeds from the sale of property and equipment		1,731,811	311,697
Acquisition of intangible assets	28	(496,555)	(676,404)
Acquisition of investment properties	26	(107,832)	(1,404,000)
Proceeds from disposal of investment properties		240,845	-
Net cash provided by investing activities		1,781,730	(18,277,549)
Cash flows from financing activities			
Repayment of long term borrowings		(2,604,227)	(5,700,565)
Interest paid on long term borrowings		(186,525)	(605,526)
Dividends paid to owners	36	(3,577,650)	(11,349,982)
Increase in non-controlling interest		140,856	606,264
Net cash used in financing activities		(6,227,546)	(17,049,809)
Net (decrease) /increase in cash and cash equivalents		(31,082,660)	9,623,431
Cash and cash equivalents at beginning of year/period		155,076,424	145,484,481
Effect of exchange rate fluctuations on cash held		(35,986)	(31,488)
Cash and cash equivalents at end of year/period	19	123,957,778	155,076,424

The notes on pages 15 to 140 are an integral part of these consolidated financial statements.

1. Reporting entity

Access Bank Plc (“the Bank”) is a company domiciled in Nigeria. The address of the Bank’s registered office is Plot 1665, Oyin Jolayemi, Victoria Island, Lagos. The consolidated financial statements for the year ended 31 December 2010 are prepared for the Bank and its subsidiaries (together referred to as “the Group” and separately referred to as “Group entities”). The Group is primarily involved in investment, corporate, commercial and retail banking.

2. Statement of compliance with international financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). They have been prepared in addition to the Group’s statutory financial statements (not included herein), which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

These financial statements were authorised for issue by the directors on 24 August 2011.

3. Basis of preparation

(a) Reporting period

The 2010 consolidated financial statements have been prepared for a 12 month period. However the corresponding 2009 consolidated financial statements was prepared for a 9 month period as a result of the change in accounting year end of the Bank from 31 March to 31 December. The change in accounting year end was due to the adoption of the 31 December mandatory year end for banks in Nigeria and to align the Bank’s accounting year end with that of its subsidiaries.

(b) Functional and presentation currency

These consolidated financial statements are presented in Naira, which is the Bank’s functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- liabilities for cash-settled share-based payment arrangements are measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 5 and 6.

(e) Changes to accounting policies

All new accounting standards and interpretations applicable to annual reporting periods beginning on or after 1 January 2010 have been applied to the group effective from the required date of application. The initial application of these standards and applications has not had a material impact on the financial position or financial results of the Group.

- Amendment to IAS 32 Classification of rights issues applicable 1 February 2010. The Group did not have any rights issue during the year.
- The Group has adopted IFRS 3 Business Combinations (2008). The change in accounting policy is applied prospectively and had no material impact on earnings per share. The new accounting policy in respect to business combinations is presented as follows:

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 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.

Acquisitions on or after 1 January 2009

For acquisitions on or after 1 January 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, as at acquisition date.

Transaction costs, 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.

Acquisitions between 1 January 2003 and 1 January 2009

For acquisitions between 1 January 2003 and 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the

identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

Acquisitions prior to 1 January 2003

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, (Nigerian GAAP)

- Disclosures pertaining to fair values and liquidity risk for financial instruments
The Group has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant change between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 6 *Use of estimates and judgments*.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non- derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 5c.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism; the Group has delegated these decision-making powers.
- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further assessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(iii) Accounting method of acquisition

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy on goodwill.

(iv) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(v) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency**(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are retranslated to the functional currency at exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Naira at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Naira at exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. Since 1 April 2006, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. However, if the operation is not wholly owned the relevant proportionate share of the difference is allocated instead to the non-controlling interest. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income and foreign currency translation reserve.

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are recognized as interest in profit or loss account.

Fair value changes on trading assets and liabilities carried at fair value through profit or loss, are presented in net trading income through profit or loss.

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences.

(f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Dividends

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on available-for-sale securities are recognised as a component of other operating income.

(h) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(i) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

(j) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

See accounting policies 4(l), (m), (n) and (o).

(iii) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its 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.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group writes off certain loans and investment securities when they are deemed to be uncollectible (see note 23).

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(vi) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

(viii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment for loans and advances and held-to-maturity investments at both a specific asset and collective level. Assets showing signs of deterioration are assessed for individual 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 by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ix) Designation at fair value through profit or loss

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 8 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(k) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(l) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

(m) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group’s financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(n) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassification that are so close to maturity that changes on the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassification after the Group has collected substantially all the asset's original principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss as described in accounting policy (k) (ix).

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(o) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(p) Investment properties

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Group. An occupation of more than 15% of the property is considered substantial. Investment properties are carried in the balance sheet at their market value and revalued yearly on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Group's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account, is credited to profit and loss account to the extent that it offsets the previously recorded decrease. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account. Investment properties are disclosed separately from the property and equipment used for the purposes of the business.

(q) Property and equipment**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicles	4 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(r) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets at the date of acquisition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

(s) Leased assets – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's statement of financial position.

(t) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(u) Deposits and debt securities issued

Deposits and debt securities issued are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(v) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(w) 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.

(x) Employee benefits**(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(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.

(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 provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The Bank operates a cash-settled share based compensation plan (i.e. share appreciation rights - SARs) for its management personnel. The management personnel are entitled to the share appreciation rights at a pre-determined price after spending five years in the Bank.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(y) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on the Bank's ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

(iii) Treasury shares

Where the Bank or any member of the Group purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(ab) Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

(z) Operating segment

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(aa) New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the bank's financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the bank after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the bank's financial assets. The bank is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the bank at the date of adoption, it is not practical to quantify the effect.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the bank.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the bank.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The bank, however, expects no impact from the adoption of the amendments on its financial position or performance.

5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- ☐ credit risk
- ☐ liquidity risk
- ☐ market risks
- ☐ operational risks

This note which presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital, are detailed in the enterprise risk management framework.

Risk management architecture

"Access Bank Plc has a well-established risk governance structure and an experienced risk team. Our risk management framework provides essential tools to enable us to take timely and informed decisions to maximize opportunities and mitigate potential threats. Access Bank has taken pre-emptive action to reshape the portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing in case of adverse scenarios or downturns."

Approach to Risk

Risk is an inherent part of Access Bank Plc and its subsidiary companies' ("the Bank") business activities. Access Bank's overall risk tolerance is established in the context of the Bank's earnings power, capital, and diversified business model. Effective risk management is critical to any Bank for achieving financial soundness.

In view of this, aligning risk management to the Bank's organizational structure and business strategy has become integral in our business. Access Bank's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. It is also intended to create a culture of risk awareness and personal responsibility throughout the Bank.

The Bank has taken pre-emptive action to reshape the portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing. These actions will not immunize the Bank from the effects of a cyclical downturn in its core markets, but should mitigate their impact.

Our risk profile at the end of 2010 is marked by a number of key developments. The Bank has low exposure to higher-risk asset classes, and has maintained vigilance and discipline in responding to the challenging environment. It also has a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior team.

Access Bank has been disciplined in its management of risk. The Bank has increased its focus on the inter-relationships between risk types and, where appropriate, underwriting standards have been tightened. It has also conducted periodic reviews of risk exposure limits and risk control disciplines so as to position itself against adverse developments. To mitigate against higher level of market volatility and economic uncertainty, the bank regularly subjects its exposures to a range of stress tests across a wide variety of products, portfolios and customer segments.

The Bank's risk management architecture is carefully crafted to balance corporate oversight with well-defined risk management functions which fall into one of three lines of defense where risk must be managed: lines of business, governance & control and corporate audit. The Board of Directors and management of the Bank are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international banks. We are convinced that the long-term sustainability of our Bank depends critically on the proper governance and effective management of our business. As such, risk management occupies a significant position of relevance and importance in the Bank.

The Board of Directors determines Access Bank's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of Access Bank to assume risk, weighed against the expected rewards. The umbrella risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk areas of credit, market and operational risks.

The evolving nature of risk management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and monitoring by the risk management and compliance divisions in conjunction with internal audits; and through independent evaluation by external auditors, examiners and consultants.

The Chief Risk Officer has primary responsibility for risk management and the review of the ERM Framework and to provide robust challenge to the management teams based on quantitative and qualitative metrics. All amendments to the Bank's ERM Framework require Board approval. The risk management division is responsible for the enforcement of the Bank's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

Overall, we view risk not only as a threat or uncertainty, but also as a potential opportunity to grow and develop the business, within the context of risk appetite. Hence our approach to risk management is not limited to considering downside impacts or risk avoidance; it also encompasses taking risk knowingly for competitive advantage. Access Bank approaches risk, capital and value management robustly and we believe that our initiatives to date has positioned the Bank at the leading edge of risk management.

Risk and Capital Drive Value

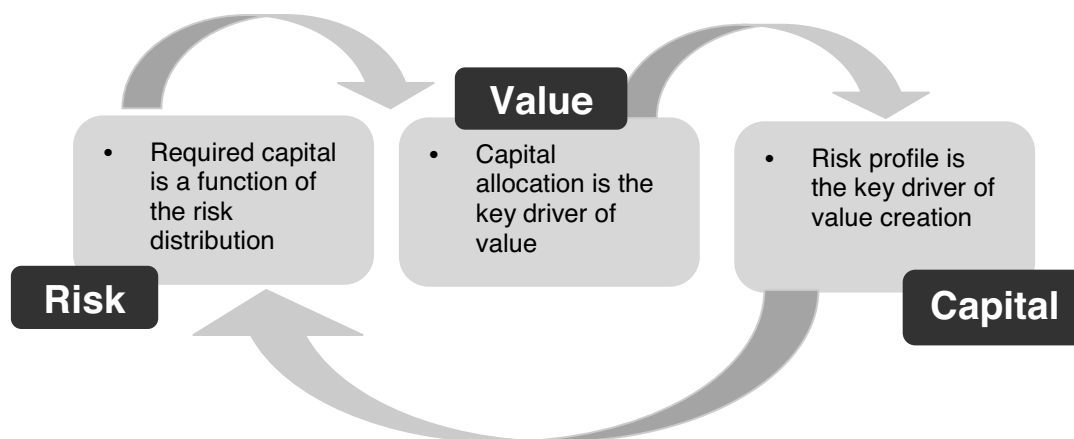
The pursuit of value requires us to balance risk assumed with capital required. Hence, we have embarked on a journey, which requires us to undertake analysis involving optimizing the upside and minimizing the downside on an ongoing and rigorous basis. We believe that this process will add value for our shareholders, and provide security to our other capital providers and clients, as well as ensure overall sustainability in our business activities.

Every business activity in our Bank requires us to put capital at risk, in exchange for the prospect of earning a return. In some activities, the level of return is quite predictable, whereas in other activities the level of return can vary over a very wide range, ranging from a loss to a profit. Accordingly, over the past year we have expended substantial energy on improving our risk and capital management framework, to focus on taking risks where we:

- Understand the nature of the risks we are taking, and what the range of outcomes could be under various scenarios, for taking these risks;
- Understand the capital required in order to assume these risks;
- Understand the range of returns that we can earn on the capital required to back these risks; and
- Attempt to optimize the risk-adjusted rate of return we can earn, by reducing the range of outcomes and capital required arising from these risks, and increasing the certainty of earning an acceptable return.

Our objective of balancing risk, return and capital has led us to enhance substantially our risk management methodologies, in order to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve an optimal outcome.

Risk and Capital Drive Value



Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.

Basel II Implementation

Access Bank has applied the Basel II framework as part of its capital management strategy since 2009. Substantial enhancements were made to the risk management framework based on the guidelines of the Basel II Capital Accord.

- design of risk capital model to evaluate risks;
- a defined risk appetite that is aligned with business strategy optimization;
- risk decisions based on accurate, transparent and rigorous analytics;
- stress tests to measure the potential impact to the Bank of very large changes in various types of key risk factors (e.g. interest rates, liquidity, non-performing loans) as well as several potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios;
- accountability through common framework to manage risks;
- empowering risk managers to make decision and escalate issues; and
- expertise, authority and independence of risk managers.

The Basel II Capital Accord is a set of new, more risk-sensitive rules for capital requirement calculations, which came into effect on January 1, 2007. The Basel II rules define the minimum capital a financial institution should hold for unexpected events. They also provide sets of minimum qualitative standards and risk management practices that a financial institution should have in place. The current Basel II rules include capital requirements for operational risk, in addition to credit and market risk, which are already covered in the current Basel I.

The accord is made up of three pillars:

Pillar I covers the calculation of risk-weighted assets for credit risk, market risk and operational risk;

Pillar II addresses the supervisory review process, the financial institution's capital adequacy assessment including other risks not addressed under Pillar I and the strategy for maintaining capital levels. In other words, it allows firms and supervisors to take a view on whether the firm should hold additional capital to cover the three Pillar 1 risk types, or to cover other risks. A firm's own internal models and assessments support this process; and

Pillar III addresses market discipline and requirements regarding market disclosure of risk-related information. It covers external communication of risk and capital information by banks.

Basel II also provides for different approaches to calculating capital requirements.

At Access Bank, we are committed to the implementation of Basel II in the medium term. To this end, a standing steering committee leads the Bank's Basel II effort, with the full support of the management of the Bank and the Board of Directors.

Through an embedded risk governance structure, a continuous focus on credit, the management of the Bank's liquidity position and the monitoring of the Bank's risk-weighted assets demand and capital supply, the Bank ensured compliance with minimum regulatory and Board-approved capital targets.

The Bank also monitors, on a continuous basis, risk trends in business areas where the environment is changing and/or its growth rates are increasing to ensure that the Bank remains within its set risk appetite. For each of the risk trends, the Executive Committee and Board are informed of changes in the environment relating to the specific risk trend, the Bank's positioning, exposure and actions being taken or planned.

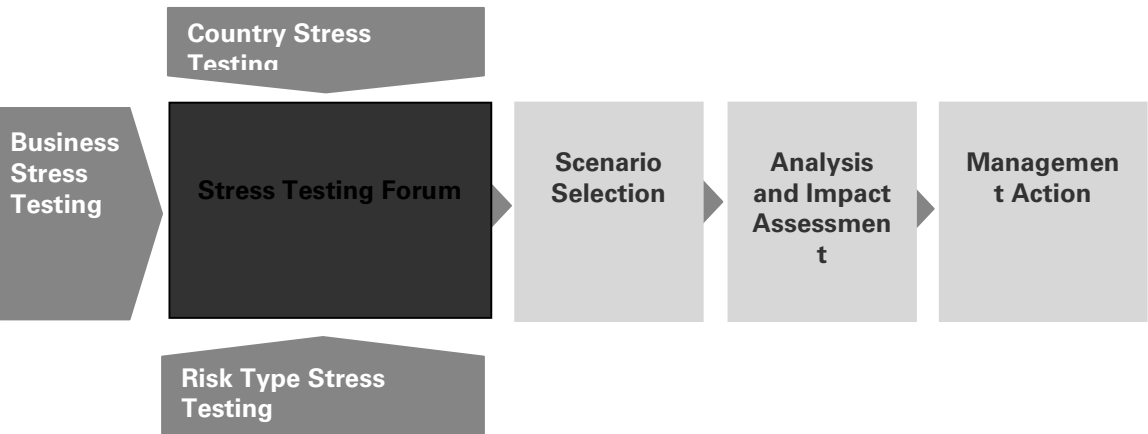
Enterprise-wide Stress Testing

As a part of our core risk management practices, the Bank conducts enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic scenarios, including economic conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts to our risk profile, capital and liquidity. It generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business.

Stress testing and scenario analysis are used to assess the financial and management capability of Access Bank to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors. Scenario(s) are carefully selected by a group drawn from senior line of business, risk and finance executives. Impacts to each line of business from each scenario are then analyzed and determined, primarily leveraging the models and processes utilized in everyday management routines.

Impacts are assessed along with potential mitigating actions that may be taken in each scenario. Analysis from such stress scenarios is compiled for and reviewed through our Group ALCO, and the Enterprise Risk Management Committee and serves to inform and be incorporated, along with other core business processes, into decision making by management and the Board. The Bank would continue to invest in and improve stress testing capabilities as a core business process.

Stress testing framework



Our stress testing framework is designed to:

- contribute to the setting and monitoring of risk appetite
- identify key risks to our strategy, financial position, and reputation
- examine the nature and dynamics of the risk profile and assess the impact of stresses on our profitability and business plans
- ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing
- inform senior management
- ensure adherence to regulatory requirements

In 2010, stress testing activity was intensified, with specific focus on certain asset classes, customer segments and the potential impact of macroeconomic factors. Stress tests have taken into consideration possible future scenarios that could arise as a result of the development of prevailing market and environmental conditions. Stress testing themes such as inflation, Naira exchange rate fundamentals, declines in asset values, depletion of external reserves, potential border conflicts are built into the testing to ensure consistency of impacts on different risk types.

Examples of risk type stress testing are covered in the section on Market risk.

Risk management philosophy, culture, appetite and objectives

Risk management philosophy and culture

Risk management is at the core of the operating structure of the group. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

Our risk management process was effective throughout 2010, despite a tough economic environment. However, the Bank's risk management is continuously evolving and improving, given that there can be no assurance that all market developments, in particular those of extreme nature, can be fully anticipated at all times. Hence, executive management has remained closely involved with important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, as well as managing the risk portfolios.

Risk management is integral to the Bank's decision-making and management process. The Bank's ambition is to embed it in the role and purpose of all employees via the organizational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions.

Access Bank considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterize how the Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities. In this regard, the Bank's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

The Bank believes that enterprise risk management provides the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks. This will ensure that:

- Risk acceptance is done in a responsible manner;
- The executive and the Board of the Bank have adequate risk management support;
- Uncertain outcomes are better anticipated;

- Accountability is strengthened; and
- Stewardship is enhanced.

The Bank identifies the following attributes as guiding principles for its risk culture.

a) Management and staff:

- Consider all forms of risk in decision-making;
- Create and evaluate business-unit and Bank-wide risk profile to consider what is best for their individual business units/department and what is best for the Bank as a whole;
- Adopt a portfolio view of risk in addition to understanding individual risk elements;
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level;
- Accept that enterprise risk management is mandatory, not optional;
- Strive to achieve best practices in enterprise risk management;
- Document and report all significant risks and enterprise-risk management deficiencies;
- Adopt a holistic and integrated approach to risk management and bring all risks together under one or a limited number of oversight functions;
- Empower risk officers to perform their duties professionally and independently without undue interference;
- Ensure a clearly defined risk management governance structure;
- Ensure clear segregation of duties between market facing business units and risk management/control functions;
- Strive to maintain a conservative balance between risk and profit considerations; and
- Continue to demonstrate appropriate standards of behaviour in development of strategy and pursuit of objectives.

b) Risk officer's work as allies and thought partners to other stakeholders within and outside the Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

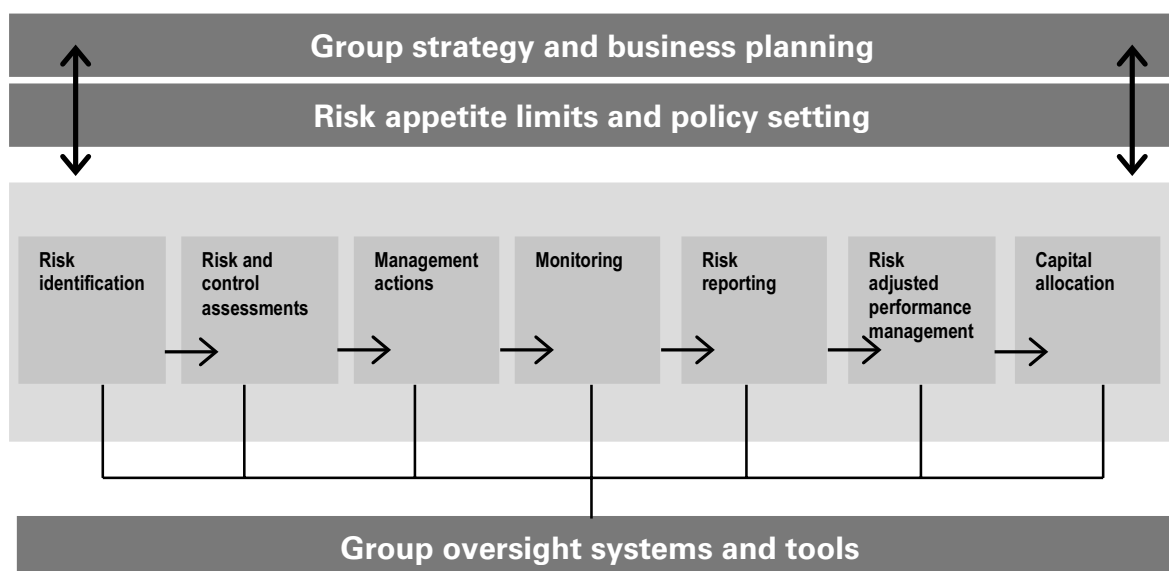
c) Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is based on consensus.

d) Risk management is governed by well-defined policies, which are clearly communicated across the Bank.

e) Equal attention is paid to both quantifiable and non-quantifiable risks.

f) The Bank avoids products and businesses it does not understand.

Risk management process



Bank risk oversight approach

Our oversight starts with the strategy setting and business planning process. These plans help us articulate our appetite for risk, which is then set as risk appetite limits for each business unit to work within.

The Bank's risk management and compliance division provides a central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored and controlled in order to minimize adverse outcomes.

The division is complemented by the financial control and regulatory/reputation risk group in the management of strategic and reputational risks respectively.

The Chief Risk Officer coordinates the process of monitoring and reporting risks across the Bank. Internal audit has the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Audit also tests the adequacy of internal control and makes appropriate recommendations where there are weaknesses.

Strategy and business planning

Risk management is embedded in our business strategy and planning cycle. Testament to this is the inclusion of risk management as one of our strategic priorities. By setting the business and risk strategy, we are able to determine appropriate capital allocation and target setting for the Bank and each of our businesses.

All business units are required to consider the risk implications of their annual plans. These plans include analysis of the impact of objectives on risk exposure. Throughout the year, we monitored business performance regularly focusing both on financial performance and risk exposure. The aim is to continue the

process of integrating risk management into the planning and management process and to facilitate informed decisions.

Through ongoing review, the links between risk appetite, risk management and strategic planning are embedded in the business so that key decisions are made in the context of the risk appetite for each business unit.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Access Bank is willing to accept in pursuit of its strategy, duly set and monitored by the executive committee and the Board, and integrated into our strategy, business, risk and capital plans. Risk appetite reflects the Bank's capacity to sustain potential losses arising from a range of potential outcomes under different stress scenarios.

The Bank defines its risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. Our risk appetite can be expressed in terms of how much variability of return the Bank is prepared to accept in order to achieve a desired level of result. It is determined by considering the relationship between risk and return. We measure and express risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise our group-level risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (eg credit, market and asset and liability management risks).

The Bank's risk profile is assessed through a 'bottom-up' analytical approach covering all major businesses, countries and products. The risk appetite is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

In 2010 we sought to enhance the consolidation, focus and reporting of the key financial risk appetite metrics, and the cascade from group level down to, business unit and monoline level.

Accordingly we established an enhanced suite of base case [through-the-cycle (TTC)] risk appetite metrics and incorporated these within the 2011 – 2016 business plans. Stressed (extreme event) risk appetite metrics, linked to our stress- and scenario-testing programme, will be finalized in 2011. Access Bank has cultivated and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking.

Risk management objectives

The broad risk management objectives of the Bank are:

- To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost;
- To protect against unforeseen losses and ensure stability of earnings;
- To maximize earnings potential and opportunities;
- To maximize share price and stakeholder protection;
- To enhance credit ratings and depositor, analyst, investor and regulator perception; and
- To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions.

Responsibilities and functions

The responsibilities of the Risk Management and Compliance Division, the Financial Control and Strategy Group, Regulatory/Reputation Risk Group with respect to risk management are highlighted below:

Risk Management and Compliance Division

- a) Champion the implementation of the ERM Framework across the Bank and subsidiaries. Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management.
- b) Develop risk policies, principles, process and reporting standards that define the Bank's risk strategy and appetite in line with the Bank's overall business objectives.
- c) Ensure that controls, skills and systems are in place to enable compliance with the Bank's policies and standards.
- d) Facilitate the identification, measurement, assessment, monitoring and control of the level of risks in the Bank.
- e) Collect, process, verify, monitor and distribute risk information across the Bank and other material risk issues to senior management, the Board and regulators.
- f) Monitor compliance with bank-wide risk policies and limits.
- g) Provide senior management with practical, cost effective recommendations for improvement of risk management.
- h) Act as a key contact for senior management who may wish to request ad hoc reviews/investigations.
- i) Ensure that laws, regulations and supervisory requirements are complied with including consequence management.
- j) Champion the implementation of Basel II.
- k) Promote risk awareness and provide education on risk.
- l) Provide assurance on compliance with internal and external policies with respect to risk management.

Financial Control and Strategy

- a) Prepare and monitor the implementation of the Bank's strategic plan 0
- b) Conduct strategic and operational review of the Bank's activities
- c) Conduct regular scanning of the Bank's operating environment
- d) Coordinate and monitor the Bank's rating exercises by external rating agencies
- e) Prepare business intelligence reports for the Bank's management
- f) Prepare periodic management reports on subsidiaries and associates

g) Perform competitive analysis in comparison with industry peers

h) Conduct strategic/operational review of branches

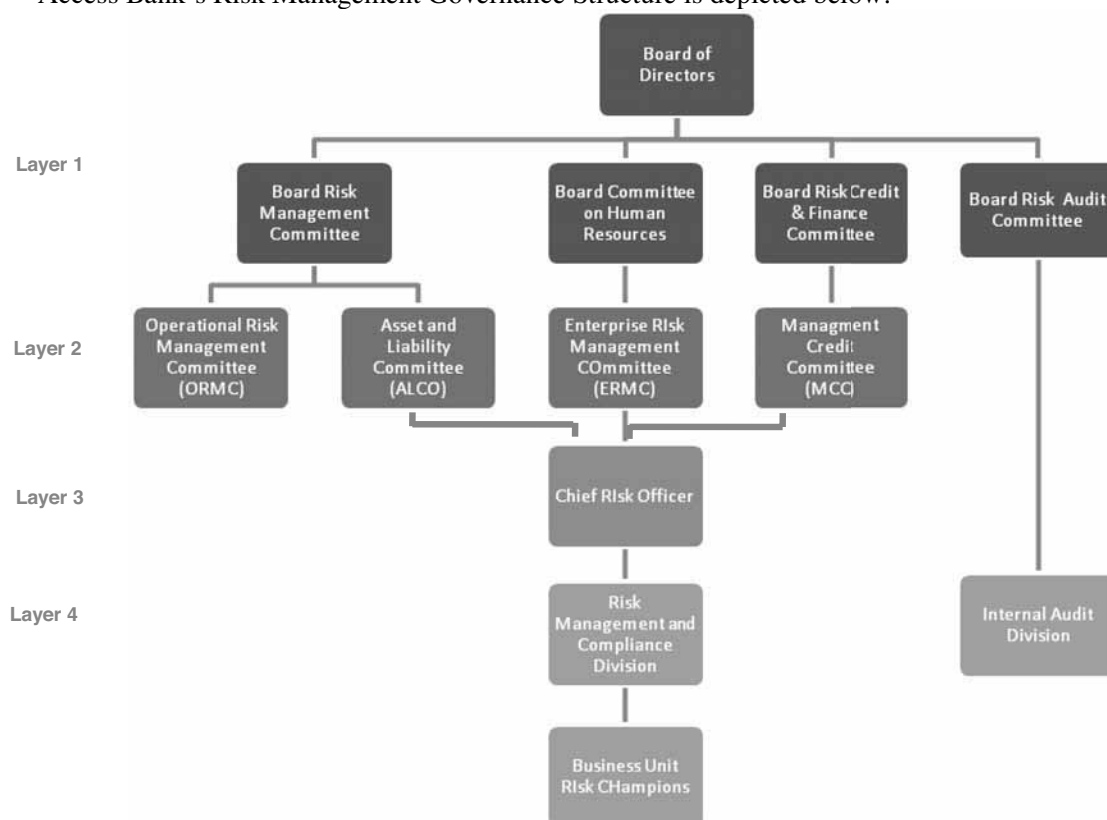
Risk Management Governance Framework

The framework details Access Bank's risk universe and governance structure comprising three distinct layers:

1. The enterprise-wide risk management and corporate governance committee forums;
2. The executive management committees; and
3. Risk management responsibilities per risk area.

Risk Management Governance Structure

Access Bank's Risk Management Governance Structure is depicted below.



Roles of the Board of Directors

The Board of Directors' role as it relates to risk management is divided into six areas; general, credit, market, compliance, operational, and reputational risks.

Specific roles in these areas are further defined below:

General

- a) Develop a formal enterprise-risk management framework;
- b) Review and approve the establishment of a risk management function that would independently identify measure, monitor and control risks inherent in all risk-taking units of the Bank;
- c) Ratify the appointment of qualified officers to manage the risk management function;
- d) Approve and periodically review the Bank's risk strategy and policies;
- e) Approve the Bank's risk appetite and monitor the Bank's risk profile against this appetite;
- f) Ensure that the management of the Bank has an effective ongoing process to identify risk, measure its potential impact and proactively manage these risks;
- g) Ensure that the Bank maintains a sound system of risk management and internal control with respect to:
 - Efficiency and effectiveness of operations
 - Safeguarding of the Banks assets (including information)
 - Compliance with applicable laws, regulations and supervisory requirements
 - Reliability of reporting
 - Behaving responsibly towards all stakeholders
- h) Ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually;
- i) Ensure that management maintains an appropriate system of internal control and review its effectiveness;
- j) Ensure risk strategy reflects the Bank's tolerance for risk;
- k) Review and approve changes/amendments to the risk management framework;
- l) Review and approve risk management procedures and control for new products and activities; and
- m) Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management.

Credit risk

- a) Approve the Bank's overall risk tolerance in relation to credit risk based on the recommendation of the Chief risk and compliance officer;
- b) Ensure that the Bank's overall credit risk exposure is maintained at prudent levels and consistent with the available capital through quarterly review of various types of credit exposure;
- c) Ensure that top management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function;
- d) Ensure that the Bank implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk;

- e) Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place; and
- f) Appoint credit officers and delegate approval authorities to individuals and committees

Market risk

- a) Define the Bank's overall risk appetite in relation to market risk;
- b) Ensure that the Bank's overall market risk exposure is maintained at levels consistent with the available capital;
- c) Ensure that top management as well as individuals responsible for market risk management possess sound expertise and knowledge to accomplish the risk management function;
- d) Approve the Bank's strategic direction and tolerance level for liquidity risk;
- e) Ensure that the Bank's senior management has the ability and required authority to manage liquidity risk;
- f) Approve the Bank's liquidity risk management framework; and
- g) Ensure that liquidity risk is identified, measured, monitored and controlled.

Compliance risk

- a) Approve the Bank's code of conduct and ethics;
- b) Monitor the Bank's compliance with laws and regulations, its code of conduct and ethics and corporate governance practices;
- c) Ensure new and changed legal and regulatory requirements are identified, monitored and reflected in Bank processes;
- d) Approve the compliance structure, mechanisms and processes established by management to ensure compliance with current laws, regulations and supervisory requirements; and
- e) Ensure the Bank has a compliance culture that contributes to the overall objective of risk management

Operational risk

- a) Oversee the overall governance of the Bank's operational risk management process;
- b) Set the Bank's operational risk strategy and direction in line with the Bank's corporate strategy;
- c) Approve the Bank's operational risk management framework;
- d) Periodically review the framework to ensure its relevance and effectiveness;
- e) Ensure that senior management is performing their risk management responsibilities; and

- f) Ensure that the Bank's operational risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff.

Reputational risk

- a) Set an appropriate tone and guidelines regarding the development and implementation of effective reputation risk management practices, including an explicit statement of a zero tolerance policy for all unethical behaviour;
- b) Approve the Bank's framework for the identification, measurement, control and management of reputational risk;
- c) Monitor the Bank's compliance with its reputational risk management policies and recommend sanctions for material breaches of internal policies;
- d) Review all exception reports by external parties such as regulators and auditors; ensure that appropriate sanctions are applied to erring officers; demand from management appropriate explanations for all exceptional items; ensure that management puts in place effective and remedial actions and reports on progress to the Board on an ongoing basis;
- e) Ensure that Board members do not compromise their fit and proper status with regulators. They shall ensure that only Board members who do not tarnish the Bank's image and reputation remain as members; and
- f) Ensure that only fit and proper persons are appointed to senior management positions in the Bank.

The Board and management committees

The Board carries out its oversight function through its standing committees each of which has a charter that clearly defines its purpose, composition, and structure, frequency of meetings, duties, tenure and reporting lines to the Board.

In line with best practice, the Chairman of the Board does not seat on any of the Committees. The Board's four standing committees are: the Board Risk Management Committee, the Board Audit Committee, the Board Human Resources Committee and the Board Credit & Finance Committee.

The management committees are: The Executive Committee (EXCO), Enterprise Risk Management Committee (ERMC), Management Credit Committee (MCC), Group Asset & Liability Committee (Group ALCO), and Operational Risk Management Committee (ORMC)

The roles and remits of the committees are as follows:

Committee	Key Objective	Membership
Board Risk Management	The primary role of the committee is to report to the Board and provide	4 Non-Executive Directors appointed by the Board of

Committee	Key Objective	Membership
Committee	appropriate advice and recommendations on matters relevant to risk management.	Directors Group Managing Director Group Deputy Managing Director Executive Directors as appointed. Chaired by an independent Director
Board Audit Committee	The committee assists the Board in ensuring the independence of the internal audit function of the Bank.	3 Non-Executive Directors appointed by the Board of Directors Executive Directors as appointed.
Board Credit & Finance Committee	The committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been approved by the Management Credit Committee. It also acts as a catalyst for credit policy changes.	7 Non-Executive Directors appointed by the Board of Directors Group Managing Director Group Deputy Managing Director 3 Executive Directors as appointed. One of the non-Executive Directors shall be Chairman of the Committee. Chaired by an independent Director

Committee	Key Objective	Membership
Board Human Resources Committee	The committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the directors and employees of the Bank.	4 Non-Executive Directors appointed by the Board of Directors Group Managing Director Group Deputy Managing Director
The Executive Committee (EXCO)	The committee is primarily responsible for the implementation of strategies approved by the Board and ensuring the efficient deployment of the Bank's resources.	Group Managing Director as - Chairman, Group Deputy Managing Director All the Executive Directors
Enterprise risk management committee (ERMC)	The Bank's enterprise risk management committee is responsible for managing all risks with the exception of credit, market and liquidity risks. The risks within the committee's purview include (but are not limited to) strategic, reputational, compliance and operational risks.	Group Managing Director (Chairman) Group Deputy Managing Director All Executive Directors Chief Risk Officer Chief Compliance Officer Chief Financial Officer All ERM Division Heads

Committee	Key Objective	Membership
		Head, Corporate Affairs Head, Legal Department Head, Information Technology
Management credit committee (MCC)	This committee is responsible for managing credit risks in the Bank. The membership of the committee is as follows:	Group Managing Director/Chief Executive Officer – Chairman Group Deputy Managing Director – Vice Chairman All Executive Directors Group Head, Credit Risk Management Team Leaders, Credit Risk Management Group Heads, Commercial Bank Group Heads, Institutional Bank Group Heads, Operations & IT Group Head, Compliance Group Head, Internal Audit Head of Legal (or his/her nominee as approved by the GMD/CEO) Other Group Heads
Group Asset & Liability Committee (Group ALCO)	The Group Alco is responsible for the optimum management of the Bank's balance sheet and taking relevant decisions as well as recommending to the Board of Directors' prudent asset/liability management policies and procedures that enable the Bank to achieve its goals while operating in full compliance with all relevant laws and regulations.	Group Managing Director/Chief Executive Officer – Chairman Group Deputy Managing Director Group Executive Directors Chief Risk Officer Country Managing Directors Country Treasury Heads Group Treasurer; Head, Financial Control – Domestic Head, Financial Control –

Committee	Key Objective	Membership
		International Head, Group Asset & Liability Management Head, Group Market Risk Head, Credit Risk
Operational Risk Management Committee (ORMC)	The committee is responsible for the effectiveness of the operational risk management function within the Bank. All decisions and deliberations of the committee are reported to the Board Risk Management Committee.	Group Managing Director/Chief Executive (GMD) - Chairman Group Deputy Managing Director; All Division Heads / Executive Directors Chief Risk Officer Head, Operational Risk Management Group Chief Information Officer Head, Group compliance and Internal Control Head, Group Internal Audit Head, Group HR Other Group Heads or persons to be designated by the committee from time to time

Without prejudice to the roles of these committees, the full Board shall retain ultimate responsibility for risk management.

Specific roles of the Board and management committees

The Board's risk management oversight roles and responsibilities are delegated to the following committees:

Board risk management committee

Specifically, the committee performs the following functions:

- a) Oversee the establishment of a formal written policy on the Bank's overall risk management framework. The policy defines risks and risk limits that are acceptable and unacceptable to the Bank. It provides guidelines and standards to administer the acceptance and ongoing management of all risks;
- b) Ensure that adequate policies are in place to manage and mitigate the adverse effects of both business and control risks in its operations;
- c) Ensure compliance with established policy through periodic review of reports provided by management, internal and statutory auditors and the supervisory authorities;
- d) Approve the appointment of qualified officers to manage the risk function;
- e) Oversee the management of all risks except credit risk in the Bank;
- f) Re-evaluate the risk management policy of the Bank on a periodic basis to accommodate major changes in internal or external factors;
- g) Evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:
 - important judgments and accounting estimates
 - business and operational risks in the areas of credit, market and operations
 - specific risks relating to outsourcing
 - consideration of environmental, community and social risks
- h) Evaluate the adequacy of the Bank's risk management systems and control environment with management and auditors (internal and external);
- i) Evaluate the Bank's risk profile, the action plans in place to manage risks, and monitor progress against plan to achieve these actions;
- j) Review the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk; and
- k) Approve the provision of risk management services by external providers.

Board audit committee

The committee performs the following functions:

- a) Oversee the development of a procedure for the receipt, retention and treatment of complaints received by the Bank, regarding accounting, internal accounting controls, unethical activity/breach of the corporate governance code or audit matters, including a means for the Bank's stakeholders (employees, customers, suppliers, applicants and others) to submit such complaints in a confidential and anonymous manner;
- b) Investigate any matter brought to its attention within the scope of its duties with the authority to retain counsel or other advisors, if in its judgment that is appropriate, at the expense of the Bank;

- c) Submit meeting minutes and, as appropriate, discuss the matters deliberated upon at each Committee meeting with the Board of Directors;
- d) Annually review and reassess its responsibilities, functions, pre-approval policy for audit and non-audit services, and charter, making changes as necessary, and conduct an annual performance evaluation of its activities;
- e) Ensure that the Bank provides adequate funding, as determined by the committee, to the committee for payment and compensation for advisers engaged by the committee, and payment of ordinary administrative expenses incurred by the committee in carrying out its duties;
- f) Review the proposed audit plan(s) and review the results of internal audits completed since the previous committee meeting as well as the focus of upcoming internal audit projects;
- g) Approve the appointment and termination of the Chief Internal Auditor based on the recommendations of the Bank's executive management;
- h) Evaluate the process the Bank has in place for monitoring and assessing the effectiveness of the internal audit function;
- i) Monitor the progress of the internal audit programme and considers the implications of internal audit findings on the control environment;
- j) Monitor the implementation of agreed action plans by management;
- k) Review reports from the internal auditors detailing their key findings and agreed management actions;
- l) Review the appropriateness of the qualification of the internal audit personnel and work resources; and
- m) Review the internal audit reporting lines and independence.

Board credit committee

The Board credit committee under delegated authority is responsible for the following:

- a) Facilitate the effective management of credit risk by the Bank;
- b) Approve credit risk management policies, underwriting guidelines and standard proposals on the recommendation of the management credit committee;
- c) Approve definition of risk and return preferences and target risk portfolio;
- d) Approve the Bank's credit rating methodology and ensure its proper implementation;
- e) Approve credit risk appetite and portfolio strategy;
- f) Approve lending decisions and limit setting;

- g) Approve new credit products and processes;
- h) Approve assignment of credit approval authority on the recommendation of the management credit committee;
- i) Approve changes to credit policy guidelines on the recommendation of the management credit committee;
- j) Approve credit facility requests and proposals within limits defined by Access Bank Plc's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities;
- k) Recommend credit facility requests above stipulated limit to the Board;
- l) Review credit risk reports on a periodic basis;
- m) Approve credit exceptions in line with Board approval; and
- n) Make recommendations to the Board on credit policy and strategy where appropriate.

Board committee on human resources

The Board committee on human resources has responsibility for the following:

- a) Ensure the right calibre of executive management is attracted, retained, motivated and rewarded;
- b) Make recommendations on the remuneration of the Chairman, non-executive directors and executive directors to the Board for ratification;
- c) Approve remuneration levels for senior management and other Bank personnel;
- d) Review and approve remuneration policies and strategy; and
- e) Monitor the Bank's people-risk universe.

Specific roles of management committees

The following management committees are directly responsible for risk management oversight:

Enterprise risk management committee (ERMC)

The committee has the following responsibilities for all risks within its purview:

- a) Formulating policies;
- b) Monitoring implementation of risk policies;
- c) Reviewing risk reports for presentation to the Board/Board Committees; and
- d) Implementing Board decisions across the Bank.

Management credit committee (MCC)

The committee has the following responsibilities:

- Review credit policy recommendations for Board approval;
- Approve individual credit exposure in line with its approval limits;
- Agree on portfolio plan/strategy for the Bank;
- Review monthly credit risk reports and remedial action plan; and
- Coordinate the Bank's response to material events that may have an impact on the credit portfolio.

The committee is assisted by the credit risk management function, whose responsibilities are to:

- Establish and maintain effective credit risk management environment in the Bank;
- Review proposals in respect of credit policies and standards and endorse to the Board of Directors for approval;
- Define the Bank's risk and return preferences and target risk portfolio;
- Monitor on an ongoing basis the Bank's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance;
- Define credit approval framework and assign credit approval limits in line with bank policy;
- Review defined credit product programs on recommendation of the head of the credit risk management and endorse to the Board of Directors for approval;
- Review credit policy changes initiated by management and endorse to the Board of Directors for approval;
- Ensure compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;
- Approve credit facility requests within limits defined by Access Bank's credit policy guideline (CPG), and within the statutory requirements set by the regulatory/ supervisory authorities;
- Review and endorse credits approved by SBU heads;
- Review and recommend to the Board credit committee, credits beyond their approval; limits;
- Review periodic credit portfolio reports and assess portfolio performance; and
- Approve exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limit.

Asset & Liability Committee (ALCO)

The purpose of the Group ALCO is to:

- monitor and control all market, liquidity risk and interest rate risk across the Bank and its subsidiaries in accordance with the risk appetite set by the Board of Directors;
- review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;
- approve Market Risk, Liquidity Risk and Banking Book Interest Rate Risk Policies for each of the banking subsidiaries;

- review and note the impact of internal and external factors on the net interest margin; and
- recommend to the Board, policies and guidelines under which the Bank will manage the matters listed below, and in so doing protect the Bank's capital base and reputation:
- balance sheet growth:
- deposits, advances and investments;
- Non earning assets;
- foreign exchange activities and positions;
- market and liquidity management; and
- Capital management.

Responsibilities and Authorities

- The ultimate responsibility for the proper management of the Bank's assets and liabilities lies with the Board of Directors;
- The Board of Directors will delegate that responsibility to ALCO and ALCO, through this mandate, shall be responsible for the establishment of appropriate policies and limits across the Group;
- ALCO will be responsible for the implementation and monitoring of these Policies and for the development of appropriate procedures and guidelines for adoption at Country ALCOs and specific ratification by the subsidiaries' Board of Directors;
- Country ALCO will be responsible for providing the information input to ALCO to enable it to perform its function;
- Country ALCO will be responsible for proposing amendments to Policies for approval and ratification by ALCO, such amendments having been first approved at the Country ALCO;
- ALCO will report to the Board of Directors through the Board Risk Management Committee detailing strategies, risk positions since the last report received. Any excesses during the period under review must be supported by details quoting the relevant authority for the excess i.e. Central Bank, ALCO etc;
- ALCO will delegate limits/authorities to line management to enable the smooth functioning of the Bank's day to day operations; and
- In the event of a vote, majority will prevail with the ALCO chairman casting the deciding vote in the event of a tie.

Other responsibilities include:

- Prudent management of market risk:
 - To ensure the levels of market risk assumed by the bank are effectively and prudently managed in accordance with the Market Risk Policy.
 - To approve market risk limits and triggers in accordance with the risk appetite set by ALCO and the Bank's Concentration Risk Policy.

- To note compliance with all market risk limits and triggers, and ensure actions to address breaches are promptly executed and reported to authorised bodies.
- To manage all forms of market risk by firstly using the Alco's mandate to set exposure levels and stop-loss limits, and secondly, if necessary, by hedging any form of market risk.
- To review and approve all policies and procedures relating to market risk management.
- Prudent management of liquidity risk:
 - To ensure the levels of tactical and strategic liquidity risk assumed by the bank are effectively and prudently managed in accordance with the Liquidity Risk Policy;
 - To approve liquidity risk limits and guidelines in accordance with the risk appetite set by ALCO;
 - To note compliance with all liquidity risk guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies;
 - To ensure appropriate steps are taken where there is deterioration in liquidity;
 - To approve funding and liquidity management strategies based on forecast balance sheet growth;
 - To ensure the provision of standby funding facilities is kept within prudent levels;
 - To review and approve all policies, procedures and contingency plans relating to liquidity risk management; and
 - To approve liquidity stress scenarios and associated contingency plans.
- Prudent management of interest rate risk:
 - To ensure that the level of interest rate risk assumed by the bank is effectively and prudently managed;
 - To note compliance with all guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies;
 - To approve limits and guidelines in accordance with the risk appetite set by ALCO and Market Risk; and
 - To approve the subsidiaries' market risk and hedging strategies on a case-by-case basis, or explicitly delegate the approval of such strategies to the Country ALCO.
- Prudent margin management:
 - To review and note the impact of internal and external factors on the Bank's current and forecasted net interest margin;
 - To review and approve funds transfer pricing principles, methodologies and rates; and
 - To review and approve policies and procedures relating to margin management.
- General:
 - To monitor adherence to regulatory requirements; and

- To delegate to the Group Asset and Liability Management team the responsibility of dealing with trigger, guideline or limit breaches across the Group on a day-to-day basis.

Roles of senior management

The roles of senior management as it relates to risk management are as:

- Implement risk strategy approved by the Board of Directors;
- Develop policies and procedures for identifying, measuring and controlling risks identified in the Bank's risk universe;
- Provide appropriate resources to evaluate and control all identified risks;
- Review risk reports on a regular and timely basis;
- Review periodic risk reports for operational and other risks separate from credit and market risks; and
- Provide all reports required by the Board and its committees for the effective performance of risk management oversight functions.

Operational Risk Management Committee (ORMC)

The committee has the following responsibilities:

- Review and recommend the Operational Risk Management (ORM) framework and any amendments or enhancements to the Board of Directors (BOD) for approval;
- Oversee the implementation of the Operational risk management framework across the enterprise;
- Review methodologies and tools for identification, assessment, monitoring and control of operational risks and maintaining the loss event databases;
- Ensure operational risk exposures are within the risk tolerance limits set under the policy;
- Review the reports from the Operational Risk Management (ORM) unit, business lines and their respective risk profiles to concur on areas of highest priority and put in place the related mitigation strategies;
- Ensure adequate resources are allotted at various levels to manage operational risk across the enterprise;
- Ensure adequate communication to the functional departments and emphasize on, the importance of operational risk management and assure adequate participation;
- Co-ordinate an ongoing appropriate awareness and education programme on operational risk in the Bank from top to bottom through the implementation of an enterprise wide operational risk approach; and
- Set guidelines for identifying operational risk in all new products and processes.

Roles of risk champions in the business units

- Coordinate all risk management activities in the business unit, including compliance with risk policies and procedures;
- Provide on-the-job training on risk management to other staff;
- Liaise with risk management and compliance division to obtain new systems, approaches and methods for managing risks and advise staff within the unit appropriately;

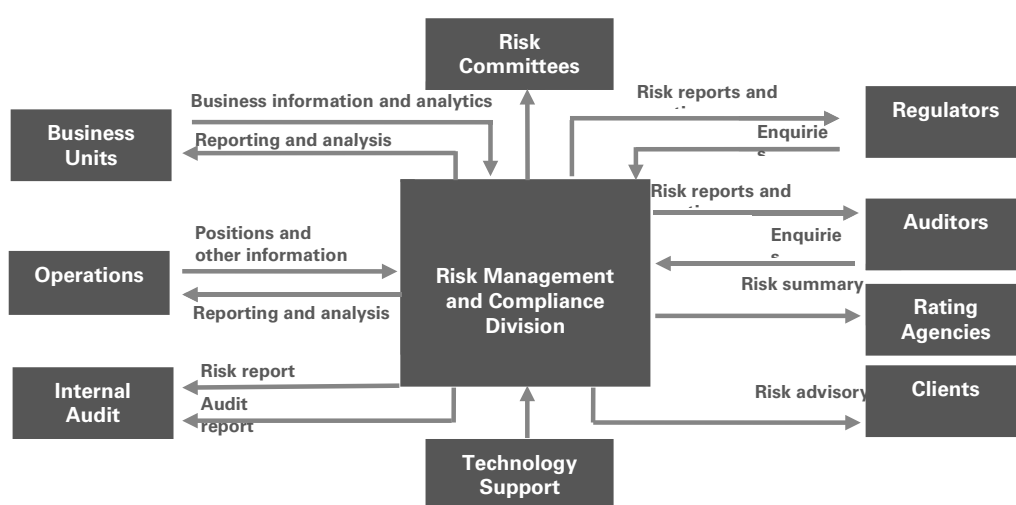
- Coordinate the gathering of risk-related information, while ensuring the completeness and accuracy of the risk information gathered, analyze the information and periodically report to the group head and the risk management department in the agreed format;
- In conjunction with other managers in the business unit, articulate risk management/optimization strategies for managing risks, prepare a risk mitigation plan and communicate these to the risk management and compliance division; and
- Monitor and report on the effectiveness of risk mitigation plans in reducing risk incidence in the unit.

Risk management and compliance division – relationship with other units

The relationships between risk management and compliance division (RMCD) and other units are highlighted below:

- RMCD sets policies and defines limits for other units in the Bank;
- RMCD performs bank-wide risk monitoring and reporting;
- Other units provide relevant data to RMCD for risk monitoring and reporting and identify potential risks in their line of business and RMCD provides a framework for managing such risks;
- RMCD and market facing units collaborate in designing new products;
- RMCD and internal audit co-ordinate activities to provide a holistic view of risks across the Bank;
- RMCD makes recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports; and
- Information technology support group provides relevant user support to the RMCD function in respect of the various risk management software.

Risk management and compliance division – relationship with other units



(b) Credit Risk Management

Credit risk is the current or potential risk to earnings and capital arising from the failure of an obligor of the Bank to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk). Credit risk arises anytime the Bank commits its funds with the result that capital or earnings are dependent on borrower's performance.

The Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit in Access Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio.

The Plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process.

We recognise the fact that our main asset is our loan portfolio. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Bank is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Bank's Basel II strategy.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, Access Bank implements a consistent pricing model for loans to its different target markets. The client's interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet prudential guidelines set forth by the Central Bank of the countries where we operate, both for loans for which specific provisions exist as well as for the portfolio of performing loans. Access Bank's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Criticized Assets Committee performs a quarterly review of loans with emerging signs of weakness; the Management Credit Committee and the Board Credit Committee also perform reviews of the quality of our loan portfolio on a quarterly basis. These are in addition to daily reviews performed by our Credit Risk Management department.

Principal Credit Policies

The following are the principal credit policies of the Bank

- ***Extension of credit:*** Every extension of credit must be approved by at least three officers; one of whom must be from Independent Credit Risk Management. The final approving officer must have a credit limit for the total facilities extending to the obligor (or group of related obligors).
- ***Special Approvals:*** Extension of credit to certain sectors may require unique approvals or prohibited altogether

- ***Credit Analysis Policy:*** There are consistent standards of credit analysis across the Access Bank Group for approval of credit facilities
- ***Annual Review of facilities:*** All extension of credits must be reviewed at least once every 12 months
- ***Industry Limits:*** The Access Bank Group utilizes industry limits to maintain a diversified portfolio of risk assets
- ***Problem Recognition:*** There are uniform and consistent standards for recognition of credit migration and remediation across the Access Bank group

Credit process

The Bank's credit process starts with portfolio planning and target market identification. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

On-going management of loans is undertaken by both relationship management teams and our Credit Risk Management Group. The process is applied at the Head Office and in the subsidiaries.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analyzed in greater detail by the account manager, with further detailed review by Credit Risk Management. The concurrence of Credit Risk Management must be obtained for any credit extension. If the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of facilities

The standard credit evaluation process is based both on quantitative figures from the Financial Statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the company in question and its management.

(i) Credit Risk Measurement

Risk Rating Methodology

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications.

Access Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

In Access Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings ('ORRs') and Facility Risk Ratings ('FRRs') throughout the Bank and to provide guidelines for risk rating for retail and non – retail exposures in the Bank.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). These models are currently based on expert judgment for Retail and Non-Retail Exposures. Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach are being gathered.

All Access Bank businesses that extend credit are subject to the Risk rating policy.

Credit Risk Rating Models

The following are the credit risk rating models deployed by Access Bank.

For Retail Exposures:

Obligor Risk Rating (ORR) Models have been developed for:

1. Personal Loans
2. Credit Cards
3. Auto Loans
4. Mortgage Loans

Facility Risk Rating (FRR) Models have been developed for:

1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

For Non – Retail Exposures:

Obligor Risk Rating (ORR) Models have been developed for:

1. Sovereign (Approach to rating Sovereign Exposures using External ratings)
2. Bank and NBFIs
3. Corporate
 - Manufacturing Sector
 - Trading Sector
 - Services Sector
 - Real Estate Sector

4. Small and Medium Enterprises (SME) Without Financials
Facility Risk Rating (FRR) Models have been developed for

1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

Risk Rating Process

In Access Bank, all businesses must have a documented and approved Risk Rating Process for deriving risk ratings for all obligors and facilities (including those covered under Credit Programs). The Risk Rating Process is the end-to-end process for deriving ORRs and FRRs and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs and FRRs. Risk rating process of each business must be in compliance with the Bank's Risk rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating Process is the joint responsibility of the Business Manager and Independent Credit Risk Manager associated with each business. The process must be documented and must be approved by the Management Credit Committee.

The Risk Rating Process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Independent Credit Risk Manager for the business, must be re-approved.

Responsibilities of Business Units and Independent Credit Risk Management

In Access Bank, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR and FRR using approved methodologies as set out in this policy, however independent credit risk management may also perform this function.

Notwithstanding who derives the risk rating, Independent Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Access Bank Risk Rating Policy; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current

Credit Risk Management has the final authority if there is a question about a specific rating.

Risk Rating Scale and external rating equivalent

Access Bank operates a 12-grade numeric risk rating scale. The risk rating scale runs from 1 to 8. Rating 1 represents the best obligors and facilities and rating 8 represents the worst obligors and facilities. The risk rating scale incorporates sub-grades and full grades reflective of realistic credit migration patterns.

The risk rating scale and the external rating equivalent is detailed below

Access Bank Risk Rating	S&P Long term equivalent	Grade
1	AAA	Investment Grade
2+	AA	
2	A	
2-	BBB	
3+	BB+	Standard Grade
3	BB	
3-	BB-	
4	B	Non Investment Grade
5	B-	
6	CCC	
7	C	
8	D	

(ii) Credit Risk Control & Mitigation policy

Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee. Individuals are also assigned credit approval authorities in line with the Bank's criteria for such delegation set out in its Credit Risk and Portfolio Management Plan. The principle of central management of risk and decision authority is maintained by the Bank. The maximum amount of credit that may be approved at each subsidiary is limited, with amounts above such limit being approved at the Head Office.

This structure gives Access Bank the possibility to incorporate much needed local expertise, but at the same time manage risk on a global level. Local Credit Committees of the Bank's subsidiaries are thus able to grant credits, but the sum total of the exposure of the applicant and financially related counterparties is limited, most commonly by the subsidiary's capital. All applications that would lead to exposures exceeding the set limit are referred to the appropriate approval authority in the Head Office.

The credit approval limits of the principal officers of the Group are shown in the table below:

Authority	Approval Limit
Board of Directors	Limited to 20% of Shareholders' funds unimpaired by losses
Board Credit Committee	N6,000,000,000
Management Credit Committee	N 500,000,000
Group Managing Director	N 200,000,000
Group Deputy Managing Director	N 150,000,000
Group Executive Director	N 75,000,000
Managing Directors of the Bank's subsidiaries	N 25,000,00

(iii) Credit definitions

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 8 in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

All loans and advances are categories as either:

- Collectively impaired
- Past due but not impaired
- Individually impaired

The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.

		Loans and advances to customers		Loans and advances to banks		Investment Securities	
31 December 2010		<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
<i>In thousands of Naira</i>	<i>Note</i>	2010	2009	2010	2009	2010	2009
Carrying amount	22, 23, 25	447,810,358	385,313,186	610,108	70,526	69,892,874	73,745,086
Assets at amortised cost							
Individually impaired:							
Grade 6: Impaired		29,421,838	4,272,217	13,843	2,071	-	-
Grade 7: Impaired		3,370,094	12,065,761	63	-	-	-
Grade 8: Impaired		17,631,998	9,084,852	7,250	215,427	268,441	294,616
Gross amount		50,423,930	25,422,830	21,156	217,498	268,441	294,616
Allowance for impairment		(23,535,063)	(20,057,186)	(21,156)	(216,400)	(268,441)	(294,616)
Carrying amount		26,888,867	5,365,644	-	1,098	-	-
Collectively impaired:							
Grade 1-3: Low-fair risk		350,540,394	295,595,461	621,764	70,134	-	-
Grade 4-5: Watch list		55,403,927	396,182	-	-	-	-
Grade 6: Impaired		19,772,275	41,824,696	-	-	-	-
Grade 7: Impaired		1,085,960	4,606,757	-	-	-	-
Grade 8: Impaired		-	442,339	-	-	-	-
Gross amount		426,802,556	342,865,435	621,764	70,134	-	-
Allowance for impairment		(6,746,665)	(6,138,743)	(11,656)	(706)	-	-
Carrying amount		420,055,891	336,726,692	610,108	69,428	-	-
Past due but not impaired							
Grade 4-5: Low-fair risk		911,850	44,599,672	-	-	-	-
Gross amount		911,850	44,599,672	-	-	-	-
Allowance for impairment		(46,250)	(1,378,822)	-	-	-	-
Carrying amount		865,600	43,220,850	-	-	-	-
<i>Past due comprises:</i>							
90 -180 days		911,850	44,599,672	-	-	-	-
Gross amount		911,850	44,599,672	-	-	-	-
Allowance for impairment		(46,250)	(1,378,822)	-	-	-	-
Carrying amount		865,600	43,220,850	-	-	-	-
Total carrying amount		447,810,358	385,313,186	610,108	70,526	-	-
Available for sale assets:							
Grade 1-3 Low fair risk		-	-	-	-	69,892,874	73,745,086
Total carrying amount		-	-	-	-	69,892,874	73,745,086

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

<i>In thousands of Naira</i>	Loans and advances to customers		Loans and advances to bank		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
December 2010						
Grade 6-8: Individually impaired	50,423,930	26,888,867	21,156	-	268,441	-
Total	50,423,930	26,888,867	21,156	-	268,441	-
December 2009						
Grade 6-8: Individually impaired	25,422,830	5,365,644	217,498	1,098	294,616	-
Total	25,422,830	5,365,644	217,498	1,098	294,616	-

(iv) Credit collateral

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In Access Bank, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Bank is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant as incorporated in the guidance note of BCBS on "Principles for the Management of Credit Risk" (September 2000, Paragraph 34) are be taken into consideration while using a credit risk mitigant to control credit risk.

"Bank can utilize transaction structure, collateral and guarantees to help mitigate risks (both identified and inherent) in individual credits but transactions should be entered into primarily on the strength of the borrower's repayment capacity. Collateral cannot be a substitute for a comprehensive assessment of the borrower or the counterparty, nor can compensate for the insufficient information. It should be recognized that any credit enforcement actions (e.g. foreclosure proceedings) can eliminate the profit margin on the transaction. In addition, Banks need to be mindful that the value of collateral may well be impaired by the same factors that have led to the diminished recoverability of the credit."

The range of collaterals acceptable to the Bank includes:

- Cash / Deposit (domestic and foreign currency) with Bank including certificates of deposit or comparable instruments issued by the Bank.
- Certificates of Deposit from other banks.
- Commodities.
- Debt securities issued by sovereigns and public-sector enterprises.

- Debt securities issued by banks and corporations.
- Equities - Stocks / Share Certificates of quoted blue chip companies
- Mortgage on Landed Property
- Asset-backed securities.
- Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
- Negative Pledges
- Lien on Asset being financed
- Stock Hypothecation
- Shipping Documents (for imports)
- Bankers Acceptance
- Life Assurance Policies

Master Netting arrangements

It is the Group's policy that all credit exposures are adequately collateralised. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally transactions are allowed to run on a gross basis, however, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

Credit Related Commitments

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and advances to customers		Loans and advances to Banks	
	<u>December</u> 2010	<u>December</u> 2009	<u>December</u> 2010	<u>December</u> 2009
<i>In thousands of Naira</i>				
Against individually impaired	23,941,684	6,436,588	-	-
Against collectively impaired	77,641,490	355,598,187	-	-
Total	101,583,174	362,034,775	-	-

	Loans and advances to customers		Loans and advances to banks	
	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
	2010	2009	2010	2009
Against individually impaired:				
Property	18,770,469	4,324,562	-	-
Equities	1,195,266	1,418,356	-	-
Cash	6,250	243,670	-	-
Pledged goods/receivables	230,500	-	-	-
Others	3,739,199	450,000	-	-
Against collectively impaired:				
Property	53,536,703	183,163,918	-	-
Equities	3,320,857	15,262,366	-	-
Cash	2,046,918	7,122,646	-	-
Pledged goods/receivables	2,267,955	2,265,642	-	-
Others	16,469,057	147,783,615	-	-
	101,583,174	362,034,775	-	-

Credit risk (continued)

(v) Credit concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

<i>In thousands of Naira</i>	<i>Note</i>	Loans and advances to customers		Loans and advances to Banks		Investment securities	
		<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
		2010	2009	2010	2009	2010	2009
Carrying amount	22, 23, 25	447,810,358	385,313,186	610,108	70,526	69,892,874	73,745,086
Concentration by sector						-	-
Corporate		319,433,370	281,261,966	-	-	69,892,874	73,745,086
Commercial		96,812,472	76,494,855	-	-	-	-
Bank		-	2,761	610,108	70,526	-	-
Retail		12,433,217	12,148,408	-	-	-	-
Government		18,396,076	11,799,157	-	-	-	-
Others		735,223	3,606,039	-	-	-	-
		447,810,358	385,313,186	610,108	70,526	69,892,874	73,745,086
Concentration by location						-	-
Nigeria		421,312,383	362,009,440	610,108	70,526	69,892,874	73,745,086
Rest of Africa		18,689,930	22,243,331	-	-	-	-
Europe		7,808,045	1,060,415	-	-	-	-
		447,810,358	385,313,186	610,108	70,526	69,892,874	73,745,086

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

5 (c) Liquidity risk

Liquidity risk is the current and future risk to the Group's earnings and capital arising from its inability to meet its financial obligations and commitments as and when due and at a reasonable price. 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 materially 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 ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

Quantifications

Access Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

- a) Funding and Liquidity plan;
- b) Gap Analysis; and
- c) Ratio Analysis.

The Funding and Liquidity plan defines the Bank's sources and channels of utilization of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The Liquidity Gap Analysis quantifies the daily and cumulative gap in a business as usual environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the cumulative gap as a + or – 20% of the total risk assets and the gap as a + or – 20% of total deposit liabilities.

Limit management and monitoring

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by risk management. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

Contingency funding plan

Access Bank has contingency funding plan which incorporate early warning indicators to monitor market conditions. The Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations. The worksheet is an integral component of the contingency funding plan. Although it is unlikely that a funding crisis of any

significant degree could materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur.

The contingency funding plan covers: the available sources of contingent funding to supplement cash flow shortages; the lead times to obtain such funding; the roles and responsibilities of those involved in the contingency plans; and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2010	2009
At end of period	36.91%	42.82%
Average for the period	39.6%	32.31%
Maximum for the period	50.81%	42.82%
Minimum for the period	34.77%	25.52%

Financial risk management (continued)

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

(iii) Residual contractual maturities of financial assets and liabilities

<i>In thousands of Naira</i>	<i>Note</i>	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
31-Dec-10								
<i>Non-derivative assets</i>								
Cash and cash equivalents	18	123,957,778	123,011,386	116,610,094	420,005	549,063	5,432,224	-
Trading securities	19	30,969,755	31,016,078	31,016,078	-	-	-	-
Pledged assets	20	59,930,096	39,820,000	3,450,000	1,500,000	750,000	160,000	33,960,000
Loans and advances to banks	22	610,108	592,220	83,982	-	-	345,738	162,500
Loans and advances to customers	23	447,810,358	483,560,927	195,477,570	49,675,834	35,834,909	156,658,939	45,913,675
Investment securities	25	69,892,874	62,576,991	-	2,030,870	4,600,000	24,968,988	30,977,133
		733,170,969	740,577,602	346,637,724	53,626,709	41,733,972	187,565,889	111,013,308
<i>Non-derivative liabilities</i>								
Deposits from banks	31	69,889,795	69,739,353	52,131,683	5,679,465	-	-	11,928,205
Deposits from customers	32	484,723,475	484,877,537	454,151,956	14,273,365	14,730,097	1,710,866	11,253
Interest bearing loans & borrowings	35	22,760,350	22,685,778	970,938	87,672	150,177	5,274,762	16,202,229
		577,373,620	577,302,668	507,254,577	20,040,502	14,880,274	6,985,628	28,141,687
Gap (asset - liabilities)		155,797,349	163,274,934	(160,616,853)	33,586,207	26,853,698	180,580,261	82,871,621
Cumulative liquidity gap		155,797,349	319,072,283	158,455,430	192,041,637	218,895,335	399,475,596	482,347,217

In thousands of Naira

31-Dec-09

Non-derivative assets

	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
Cash and cash equivalents	18	155,076,424	154,774,018	105,990,423	49,085,913	88	-	-
Trading securities	19	11,563,193	12,487,809	12,468,902	16,979	1,500	428	-
Pledged assets	20	7,591,114	7,591,114	1,555,000	4,586,114	1,450,000	-	-
Loans and advances to banks	22	70,526	70,526	-	70,526	-	-	-
Loans and advances to customers	23	385,313,186	385,295,916	154,174,582	31,445,132	62,731,886	25,746,964	11,197,350
Investment securities	25	73,745,086	69,418,797	4,868,000	15,200,000	2,493,420	13,654,702	33,202,675
		633,359,529	629,638,180	279,056,907	100,404,664	66,676,894	39,402,094	44,400,025

Non-derivative liabilities

Deposits from banks	31	43,216,841	39,033,178	27,491,622	15,724,454	289	477	-
Deposits from customers	32	442,334,863	442,072,331	437,324,901	1,142,605	3,519,372	85,454	-
Debt securities issued	33	2,604,276	2,604,276	-	2,604,276	-	-	-
Interest bearing loans & borrowings	35	3,376,945	3,131,964	3,527	30,535	230,706	2,064,978	802,219
		491,532,925	486,841,749	464,820,050	19,501,870	3,750,367	2,150,909	802,219
Gap (asset - liabilities)		141,826,604	142,796,431	(185,763,143)	80,902,794	62,926,527	37,251,185	43,597,806
Cumulative liquidity gap		141,826,604	284,623,035	98,859,892	179,762,686	242,689,213	279,940,398	323,538,204

Financial risk management (continued)

5(d) Market risks

Access Bank's ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk mainly arises from trading activities and equity investments. Access Bank is also exposed to market risk through non-traded interest rate risk in its banking book.

Market risk policy, management and control

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk. The Bank is exposed to market risk through adverse movements in equity prices, foreign exchange and interest rates.

Market risk is managed in line with principal risks and control policy requirements approved by the Board Risk Committee. The Board approves the risk appetite for trading and non-trading activities and risk limits are set within the context of the approved market risk appetite. Market Risk monitors exposures against these limits.

The Bank's GMD/CEO is responsible for approving specific position limits, which are used for positions, which are sometimes specific medium-term investment cases and other times strategic (or have the potential of becoming strategic) in the medium term.

Each trading unit within the Bank adheres to the general rules set out by the Board of Directors. Moreover, each trading unit has its own set of working procedures and rules that further specify their targets, limits and scope in trading.

The position limits, or any changes to them, are proposed by the Bank's head of trading and then accepted by the Bank's Chief Risk Officer and reviewed by the Bank's CEO, who has a say in limit decisions. The size of each position limit is based on, among other factors, underlying liquidity, the Bank's risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

All market risks are reported to the Risk Committee daily (through a dashboard) and quarterly with recommendations made concerning the risk profile including risk appetite, limits and utilization. The head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities, which are reported to business risk governance and control committees. Oversight and support is provided to the business by the central market risk team.

Access Bank has a dedicated market risk team with the sole responsibility of implementing the market risk control framework. Daily market risk and stress testing reports are produced for trading portfolios covering all risk categories including interest rate, equity and foreign exchange credit spread risk.

Risk of losses arising from future potential adverse movements in market rates, prices and volatilities are measured using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level.

VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome. To assess their predictive power, VaR models are back tested against actual results.

Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

Traded market risk measurement and control

The models employed in evaluating risks include position-based models, volatility based models (based on the volatility of market variables and their related covariance) and scenario-based models (the frequency of a severe loss estimated by repeating random scenarios with certain statistical properties that have, in most cases, been estimated from historical data).

The measurement techniques used to measure and control traded market risk include daily value at risk, tail risk and stress testing.

Daily value at risk (DVaR)

DVaR is an estimate of the potential loss that might arise from unfavourable market movements if current positions were to be held unchanged for one business day, measured to a confidence level of 99%. This is to guard against incidence of significant market movements, consequently improving management, transparency and control of the market risk profile. Daily losses exceeding the DVaR figure are likely to occur, on average, five times in every 100 business days.

Access Bank uses an internal DVaR model based on the historical simulation method. Two years of unweighted historical price and rate data is applied and updated daily. This internal model is also used for measuring value at risk over both a one-day and 10-day holding period at a 99% confidence level for regulatory backtesting and regulatory capital calculation purposes respectively. This model covers general market (position) risk across all approved interest rate, foreign exchange, commodity, equity and traded credit products.

There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are as follows:

- Historical simulation assumes that the past is a good representation of the future. This may not always be the case.
- The assumed time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- DVaR does not indicate the potential loss beyond the selected percentile.
- Intra-day risk is not captured.
- Prudent valuation practices are used in the DVaR calculation when there is difficulty obtaining rate/price information.

To complement DVaR, tail risk metrics, stress testing and other sensitivity measures are used.

Backtesting

DVaR is an important market risk measurement and control tool and consequently the performance of the model is regularly assessed for continued suitability. The main approach employed is a technique known as backtesting, which counts the number of days when daily trading losses exceed the corresponding DVaR estimate.

The regulatory standard for backtesting is to measure daily losses against DVaR assuming a one-day holding period and a 99% level of confidence. The regulatory green zone of four or less exceptions over a 12-month period is consistent with a good working DVaR model. Backtesting reports are produced regularly.

Tail risk metrics

Tail risk metrics highlight the risk beyond the percentile selected for DVaR. The two tail risk metrics chosen for daily focus, using the current portfolio and two years of price and rate history, are:

- the average of the worst three hypothetical losses from the historical simulation; and
- expected shortfall (also referred to as expected tail loss), which is the average of all hypothetical losses from the historical simulation beyond the 95th DVaR percentile.

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Market Risk complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios.

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist senior management in capital planning decisions.

A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. The Bank performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which include interest rate, equity, foreign exchange, commodity and credit spread risk. Secondly, the trading book is subjected to multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme yet plausible events.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Risk limits

Risk limits are set and reviewed at least annually to control Access Bank's trading activities in line with the defined risk appetite of the Bank. Criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. Trading risk limits are set at an aggregate, risk category and lower levels and are expressed in terms of DVaR. This is further supported by a comprehensive set of non-DVaR limits, including foreign exchange position limits, interest rate delta limits and option based limits. Appropriate performance triggers are also used as part of the risk management process.

Interest rate risk

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Bank is exposed to interest rate risk through the interest bearing assets and liabilities in its trading and banking books.

Access Bank's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rated assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and 90-day NBOR and different types of interest. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Bank balance sheet, mainly due to re-pricing timing differences between assets, liabilities and equity. These risks impact both the earnings and the economic value of the Bank. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities.

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Interest-rate risk is monitored centrally with a Gap report. A limits framework is in place to ensure that retained risk remains within approved appetite. Interest rate risk also arises in each of the Africa subsidiary treasuries in the course of balance sheet management and facilitating customer activity. The risk is managed by local treasury functions, subject to modest risk limits and other controls..

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Assets and Liabilities Management Committee is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to

changes in the obligor / issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to.

A summary of the Group's interest rate gap position on trading and non-trading portfolios is as follows:

Market risks

		<u>Re-pricing period</u>				
		Carrying amount	Less than 3 months	6 months	12 months	5 years
		Note				
						More than 5 years
<i>In thousands of Naira</i>						
31-Dec-10						
<i>Non-derivative assets</i>						
Cash and cash equivalents	18	123,957,778	117,976,491	5,981,287	-	-
Trading Securities	19	30,969,755	30,969,755	-	-	-
Pledged assets	20	59,930,097	5,192,336	2,257,538	1,128,769	51,110,650
Loans and advances to banks	22	610,108	86,499	-	-	168,974
Loans and advances to customers	23	447,810,357	181,025,545	46,003,206	33,185,567	42,519,190
Investment securities	25	69,892,874	336,402	-	4,887,330	35,937,263
		733,170,969	335,587,028	54,242,031	39,201,666	129,736,077
<i>Non-derivative liabilities</i>						
Deposits from banks	31	69,889,795	52,281,323	5,679,724		11,928,748
Deposits from customers	32	484,723,475	454,136,866	14,208,806	14,663,473	11,202
Interest bearing loans & borrowings	35	22,760,350	980,444	88,530	151,647	16,213,327
		577,373,620	507,398,633	19,977,060	14,815,120	28,153,277

Re-pricing period

<i>In thousands of Naira</i>	<i>Note</i>	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
31-Dec-09							
<i>Non-derivative assets</i>							
Cash and cash equivalents	18	155,076,424	155,076,424	-	-	-	-
Trading Securities	19	11,563,193	11,563,193	-	-	-	-
Pledged assets	20	7,591,114	1,555,000	4,586,114	1,450,000	-	-
Loans and advances to banks	22	70,526	70,526	-	-	-	-
Loans and advances to customers	23	385,313,186	168,570,517	32,069,994	55,282,322	118,776,549	10,684,330
Investment Securities	25	73,745,086	45,109,487	2,314,628	1,889,599	5,891,465	18,539,907
TOTAL		633,359,529	381,945,147	38,970,736	58,621,921	124,668,014	29,224,237
<i>Non-derivative liabilities</i>							
Deposits from banks	31	43,216,841	-	-	-	-	-
Deposits from customers	32	442,334,863	25,846,852	17,369,989	-	-	-
Debt securities issued	33	2,604,277	441,352,932	571,403	318,188	92,340	-
Interest bearing loans & borrowings	35	3,376,945	-	-	-	2,604,277	-
TOTAL		491,532,926	467,202,887	17,975,540	566,415	4,923,117	864,967

Exposure to other market risks – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group Management Risk committee, but is not currently significant in relation to the overall results and financial position of the Group.

Interest rate movement affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in equity.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

At 31 December 2010, if interest rates on

- floating rate assets and liabilities held at amortised cost and
- assets and liabilities accounted at fair value through profit or loss

had increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

	Dec '10		Dec '09	
	Pre-tax N'000	Post-tax N'000	Pre-tax N'000	Post-tax N'000
Decrease	(1,972,695)	(1,380,887)	(173,159)	(121,211)
Increase	1,972,695	1,380,887	173,159	121,211

Exposure to 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 Bank level since an effective overview of such risk is a critical element of the Bank's asset/liability risk management. The Board of Directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in foreign currency.

Our net total currency balance is always within specified regulatory limits which is currently 1% of shareholders' funds.

The table below summarises the Group's assets and liabilities at carrying amount, categorised by currency:

Financial instruments by currency		Total	Naira	US \$	GBP	Euro	Others
<i>Not e</i>							
<i>In thousands of Naira</i>							
31-Dec-10							
Cash and cash equivalents	18	123,957,778	57,345,105	7,261,212	52,996,092	5,267,195	1,088,174
Trading securities	19	30,969,755	30,969,755	-	-	-	-
Pledged assets	20	59,930,096	59,930,096	-	-	-	-
Derivative financial instruments	21	1,110,803	-	1,110,803	-	-	-
Loans and advances to banks	22	610,108	610,108	-	-	-	-
Loans and advances to customers	23	447,810,358	371,091,230	74,236,601	793,387	142,887	1,546,253
Investment securities	24	69,892,874	67,862,004	-	2,030,870	-	-
		734,281,772	587,808,298	82,608,616	55,820,349	5,410,082	2,634,427
Deposits from banks	31	69,889,795	14,561,514	49,432,068	2,584,271	1,784,634	1,527,308
Deposits from customers	32	484,723,474	370,665,638	104,184,280	6,624,146	2,243,798	1,005,612
Derivative financial instruments	21	725,007	-	725,007	-	-	-
Interest bearing loans & borrowings	35	22,760,350	21,334,856	1,425,494	-	-	-
		578,098,626	406,562,008	155,766,849	9,208,417	4,028,432	2,532,920

**Financial instruments by
currency**

In thousands of Naira

31-Dec-09

Note

		Total	Naira	US \$	GBP	Euro	Others
Cash and cash equivalents	18	155,076,424	90,162,814	46,814,853	8,177,980	3,504,057	6,416,721
Trading Securities	19	11,563,193	6,880,809	6,624	-	-	4,675,760
Pledged assets	20	7,591,114	7,591,114	-	-	-	-
Derivative financial instruments	21	3,002,720		3,002,720	-	-	-
Loans and advances to banks	22	70,526	70,526	-	-	-	-
Loans and advances to customers	23	385,313,186	315,953,584	55,478,280	485,813	283,809	13,111,700
Investment securities	25	73,745,086	71,650,047	382,026	1,713,013	-	-
		636,362,249	492,308,894	105,684,503	10,376,806	3,787,866	24,204,181
Deposits from banks	31	43,216,841	62,115	38,818,931	2,374,036	956,279	1,005,480
Deposits from customers	32	442,334,863	346,379,913	66,075,776	5,625,713	4,207,477	20,045,983
Derivative financial instruments	21	1,833,327		1,833,327	-	-	-
Debt securities issued	33	2,604,277	2,604,277	-	-	-	-
Interest bearing loans and borrowings	35	3,376,945	523,997	2,852,948	-	-	-
		493,366,253	349,570,302	109,580,982	7,999,749	5,163,756	21,051,463

5(e) Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks.

It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Access Bank's global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management.

This framework includes:

- recognized ownership of the risk by the businesses;
- oversight by independent risk management; and
- Independent review by Corporate Audit.

We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The goal is to keep operational risk at appropriate levels relative to the characteristics of our businesses, the markets in which we operate our capital and liquidity, and the competitive, economic and regulatory environment. Notwithstanding these controls, Access Bank incurs operational losses.

Our operational risk strategy seeks to minimise the impact that operational risk can have on shareholders' value. The Bank's strategy is to:

- Reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings;
- Minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Bank's long term growth, cash flow management and balance sheet protection;
- Eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

In order to create and promote a culture that emphasises effective operational management and adherence to operating controls, there are three distinct levels of operational risk governance structure in Access Bank Plc.

Level 1 refers to the oversight function carried out by the Board of Directors, Board risk committee and the executive management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.

Level 2 refers to the management function carried out by operational risk management group. It has direct responsibility for formulating and implementing the Bank's operational risk management framework including methodologies, policies and procedures approved by the Board.

Notes to the consolidated financial statements

Level 3 refers to the operational function carried out by all business units and support functions in the Bank. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks. Internal audit provides independent assessment and evaluation of the Bank's operational risk management framework. This periodic confirmation of the existence and utilisation of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the bank include; a loss database of operational risk events; an effective risk and control self-assessment process that helps to analyse business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an ongoing basis.

Operational risk framework

The bank's current operational risk framework was implemented in 2007 to meet internal and regulatory requirements. There has been significant investment in the implementation of improved measurement and management approaches for operational risk to strengthen control, improve customer service, improve process efficiencies and minimise operating losses. The Bank has applied the Advanced Measurement Approach (AMA) under Basel II, which commenced from the beginning of 2009. It is neither cost-effective nor possible to attempt to eliminate all operational risks. Events of small significance are thus expected to occur and are accepted as inevitable with relevant budgeting for these losses being exercised where appropriate. Events of material significance are limited and the Bank seeks to reduce the risk from these extreme events in a framework consistent with its agreed risk appetite. Processes are in place to monitor management and future mitigation of such events.

The role of the Independent Operational Risk department is to establish, implement and maintain the operational risk framework for the modelling and managing of the Bank's operational risk, while reinforcing and enabling operational risk management culture throughout the Bank. The aim is to integrate, based on international norms and best practices, all operational risk activities

and to compile a reliable operational risk profile contributing to the Bank's risk- reward profile. The key advantage introduced by the current framework is the financial quantification and modelling of operational risks. This functionality has significantly improved the Bank's operational risk measurement and management capabilities.

Management and control responsibilities

The first line of governance for managing operational risk rests with business and operational risk management forms part of the day-to-day responsibilities of all business unit management. Business unit staff reports any identified breakdowns in control and any risk events that may result in financial loss and/or reputation damage. Amongst others, business management are responsible to ensure that processes for identifying and addressing ineffective controls and the mitigating of risk events are implemented and executed. Operational Risk teams form the secondary line of governance by ensuring that processes to identify weaknesses are effective and identified weaknesses are acted upon. Operational Risk Group enables further governance. Operational risk management is monitored at the Group Exco and ERM meetings. The Bank operational risk profile is presented to the Board quarterly. Control effectiveness is monitored at the ERM and at the Board; and the multi-layered system of defences ensures pro-active operational risk management.

Notes to the consolidated financial statements

Measuring and managing operational risk

The Bank recognises the significance of operational risk and is committed to enhancing the measurement and management thereof. Within the Bank's operational risk framework, qualitative and quantitative methodologies and tools are applied (Group-wide) to identify and assess operational risks and to provide management information for determining appropriate mitigating measures.

Risk event data collection and reporting

A standard process is used for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the ERM. The Group also uses a database of external public risk events and is part of a consortium of international banks that share loss data information anonymously to assist in risk identification, assessment, modelling and benchmarking.

Key risk scenarios (KRS)

The Bank creates key risk scenarios (KRSs) that quantify the Group's operational risks. These KRSs are informed by internal data, including internal loss experience, risk and control assessments, key indicators, audit findings, external loss data and is supplemented and validated by expert management judgement. In addition to serving as major input to the operational risk capital model, KRSs also inform management of the Group's operational risk landscape. KRSs are assessed on an expected and an extreme impact basis and undergo rigorous challenge and validation through various parties and process committees. This robust governance process ensures coverage and accuracy of the KRSs.

Risk and control self assessments (RCSAs)

In order to pro-actively identify and actively mitigate risks, the operational risk framework utilises RCSAs. RCSA are used at a granular level to identify relevant material risks and key controls mitigating these risks. The risks and controls are assessed on a quarterly basis and relevant action plans are put in place to treat, tolerate, terminate or transfer the risks, taking into account the relevant business risk appetites. The RCSA programme is extensive and covers the entire Group. The Internal Audit further tests the effectiveness of the RCSAs within the normal course of auditing and relevant metrics are monitored and actioned where relevant.

Key indicators (KIs)

A comprehensive set of KIs are in place across the Group, with relevant and agreed thresholds set by the business. KIs are monitored on a Group as well as business unit level, based on significance. Threshold breaches are managed in accordance with an agreed process across the Group.

Control issues (CIs)

A CI is defined as any aspect of the design, implementation or operation of a control that could result in the control objective not being achieved. A control objective is a statement that clearly describes what the control has been designed to achieve and can refer to a control that requires strengthening or one that requires implementation due to a change in business risk appetite. Failure of a control can cause an event that leads to a financial loss or non-financial impact for the business. CIs identified are managed and reported via a robust governance process.

Notes to the consolidated financial statements

Reporting

Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, RCAs, CIs, KI dashboards and operational risk events.

Capital modeling

The model applied to determine the Group's operational risk capital has passed rigorous reviews, validation and approval in accordance with the Bank's model risk governance processes. Operational risk capital is allocated on a risk-sensitive basis to business units in the form of Economic Capital (EC) charges, providing an incentive to improve controls and to manage these risks within appetite levels. The AMA capital model methodology was designed, built and tested in 2008. The AMA model follows an approach which is a combination of a key risk scenario (KRS) based and a loss data approach. The AMA capital model enables the Group to use internal and external data to assess the level of risk and calculate an EC and Regulatory Capital (RC) charge. KRSs are the main driver of the model. The Bank believes that this is currently the most effective way to measure unexpected loss. KRSs also provide a forward looking view of operational risk.

Allocating Capital

An allocation methodology is applied for allocating capital to business units (for instance an allocation from, Access Bank to Commercial Banking Division, Retail Banking Division, Institutional Banking Group, e.t.c.). For each business unit, the allocation takes into consideration not only the size of the business unit, but also measures of the business unit's control environment, namely open audit findings, RCAs, KIs and losses. This translates to a risk-sensitive allocation with the opportunity afforded to business to identify actions to positively impact on their respective allocated operational risk EC.

Expected loss (EL) budgeting mitigation

Basel II, under the AMA for operational risk makes provision for mitigation of operational risk RC due to appropriate budgeting and managing for EL. A significant portion of the Bank business already budgets for expected losses and while the Group has developed a methodology for the modelling of EL budgeting, the Bank will not apply risk mitigation in the calculation of its operational risk exposure until such time as policies and procedures are compliant to regulatory minimum requirements.

Insurance mitigation

Insurance policies are used as a way to mitigate operational risks. These policies are current and remain applicable in the Bank operating environment. Insurance coverage is purchased at Group or cluster level to discharge statutory and regulatory duties, or to meet counterparty commitments and stakeholder expectations. The primary insurance policies managed by the Bank are:

- Comprehensive crime and electronic crime;
- Directors' and officers' liability; and
- Professional indemnity.

In terms of the Advance Management Approach (AMA), the Bank may adjust its operational risk exposure result by no more than 20% to reflect the impact of operational risk mitigants. Globally, the use of insurance and other risk transfer mechanisms for operational risk is in a state of rapid development and pioneering work

Notes to the consolidated financial statements

is being done across the industry. While the Bank has developed a methodology for the modelling of insurance, the Bank will not apply risk mitigation in the calculation of its operational risk exposure until such time as insurance policies are compliant to regulatory minimum requirements.

Information Security and Continuity of Business

Information security and the protection of confidential and sensitive customer data are a priority of Access Bank. The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information. The Operational risk management Group in conjunction with Information Technology continues to coordinate global preparedness and mitigate business continuity risks by reviewing and testing recovery procedures. Awareness campaigns are used to drive the business continuity culture in the bank. A Major development in our business continuity efforts in 2010 included an alliance with one of our strategic partners for the provision of disaster recovery centers across our branch network.

Compliance Risk Management

Compliance Risk is the risk of damage to Access Bank's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk can expose financial institutions to fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses. A failure (or perceived failure) can adversely impact customers, staff and shareholders of Access Bank.

The Bank believes that fully embedded Compliance Risk Management preserves the trust its customers, shareholders and staff have in the Bank and is important for the way Access Bank does business. Managing Compliance Risk is fundamental to driving value. The pursuit of long term business sustainability requires proper conduct of business activities in accordance with the high ethical standards of Access Bank's Business Principles. These principles not only reflect laws and regulations, but are also based on the Bank's core values: excellence, ethics, and passion for customers, team work, trust and continuous learning.

Ongoing changes and the continuous introduction of new legislation have placed greater emphasis on the formal and structured monitoring of compliance with legal, regulatory, supervisory and internal requirements. Although legislative changes place an administrative burden on the Bank, the development of a framework provide the Bank with an opportunity to commit more openly to a culture of compliance within the Bank, its subsidiaries and divisions. In ensuring compliance with laws and regulations, the Bank put in place a robust Compliance Risk Management policy with set out guidelines to manage the Group's compliance risk made indispensable by the expansion of Access Bank activities in various jurisdictions, the evolving nature of the Global financial services industry, the introduction of new legislation, and the update of existing legislation; as well as the increasing complexities of the Bank's activities.

An efficient infrastructure has been put in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. Access Bank understands that good Compliance Risk Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby improving the quality of key relationships based on honesty, integrity and fairness.

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Our Compliance framework provides the platform for the compliance programmes that are consistently applied across the Bank to manage compliance risk. The framework has put in place a Group-wide reporting compliance framework encompassing both mandatory (regulatory) and non- mandatory (self regulatory) compliance. This framework includes a common approach to commitment and accountability, policies and procedures, controls and supervision, monitoring, regulatory change management, education and awareness and reporting.

We approach compliance risk management on an enterprise and line of business level. The Compliance and Internal Control function provides oversight of significant compliance risk issues. The function also develops and guides the strategies, policies and practices for assessing and managing compliance risks across the organization. We re-established Compliance Resource Officers Meeting set up to develop, manage and integrate a compliance culture that meets global standards within the organization. Through education and communication efforts, a culture of compliance is emphasized across the organization.

We also mitigate compliance risk through a broad-based approach to process management and improvement. The lines of business are responsible for all the risks within the business line, including compliance risks. Compliance Risk officers, working in conjunction with senior line of business executives, have developed key tools to address and measure compliance risks and to ensure compliance with laws and regulations in each line of business.

Compliance Risk Management Framework



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Strategic Risk Management

Strategic risk is embedded in every line of business and is part of the other major risk categories (credit, market, liquidity, compliance and operational).

Strategic risk relates to the consequences that arise when the environment in which decisions that are hard to implement quickly and to reverse has an unattractive or adverse impact. Strategic risk ultimately has two elements: doing the right thing at the right time; and doing it well.

It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk.

The bank's appetite for strategic risk is continually assessed within the context of the strategic plan, with strategic risks selectively and carefully taken to maintain relevance in the evolving marketplace.

Significant strategic actions, such as material acquisitions or capital actions are reviewed and approved by the Board. Using a plan developed by management, executive management and the Board approve a strategic plan every three years. Annually, executive management develops a financial operating plan and the Board reviews and approves the plan. Executive management, with Board oversight, ensures that the plans are consistent with the Bank's strategic plan, core operating tenets and risk appetite.

The following are assessed in their reviews: forecasted earnings and returns on capital; the current risk profile and changes required to support the plan; current capital and liquidity requirements and changes required to support the plan; stress testing results; and other qualitative factors such as market growth rates and peer analysis. Executive management, with Board oversight, performs similar analyses throughout the year, and will define changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize between achieving the targeted risk appetite and shareholder returns and maintaining the targeted financial strength.

We use robust models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each line of business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate customer profitability.

Reputational Risk Management

Reputation risk management is essentially concerned with protecting an organization from potential threats to its reputation. Most importantly, reputational threat should be dealt with proactively and effects of reputational events should be minimized. The ultimate aim of reputation risk management is to avert the likelihood of any crisis and ultimately ensure the survival of the organization. Nevertheless, managing reputational risk poses particular challenges for many organizations. Access Bank, in responding to the challenges posed by

Notes to the consolidated financial statements

reputational risk, has put in place a framework to properly articulate, analyze and manage reputational risk factors.

The potential factors which affect the Bank's reputational risk profile include:

- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely impact its reputation. (e.g. corporate governance crises);
- Consolidation activities ignited by the Central Bank of Nigeria (CBN), resulting in a fusion of different cultures;
- Keen competition and largely homogeneous products and services have led customers not to perceive significant differences between financial service providers; and
- Given the financing nature of products and services they provide, Banks are not only exposed to their own reputation, but also to the reputation of their clients.

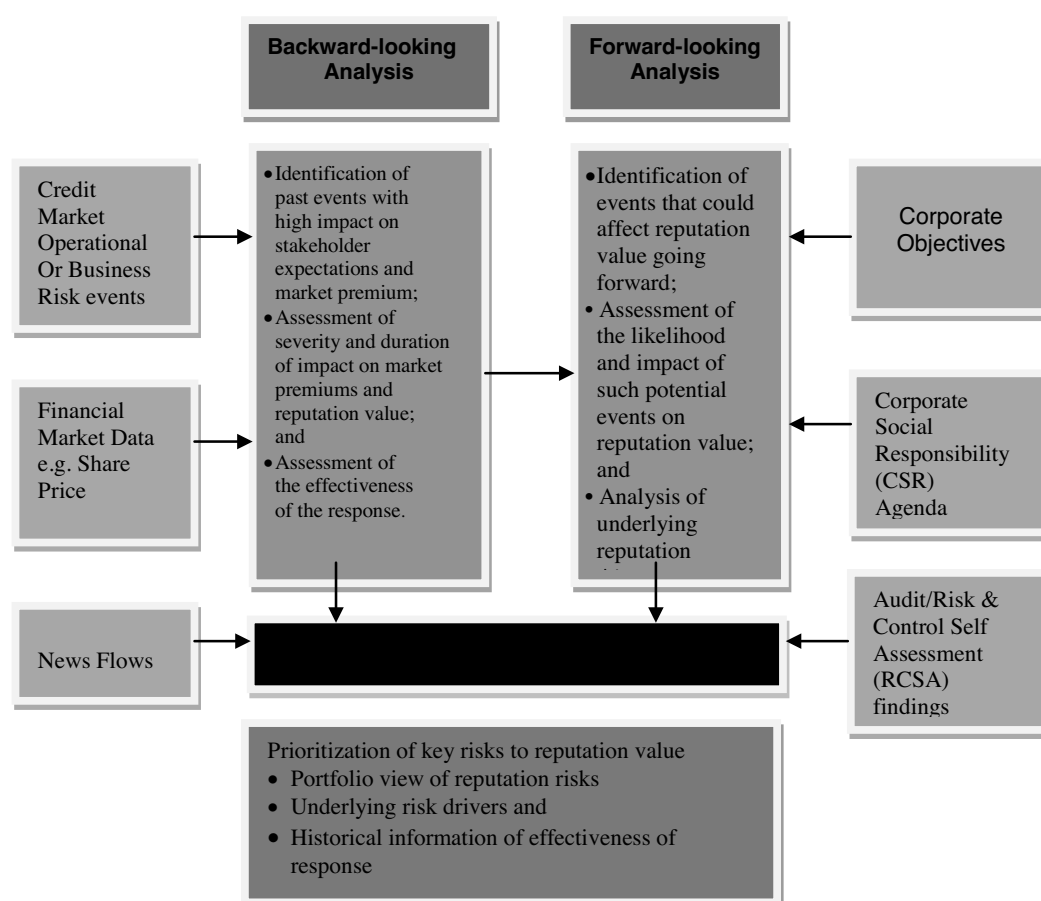
With banks operating and competing in a global environment, risks emerging from a host of different sources and locations is difficult to keep up with and to know how best to respond if they occur. The effects of the occurrence of a reputational risk event include but are not limited to the following:

- Loss of current or future customers;
- Loss of public confidence;
- Loss of employees leading to an increase in hiring costs, or staff downtime;
- Reduction in current or future business partners;
- Increased costs of capitalization via credit or equity markets;
- Regulatory sanctions;
- Increased costs due to government regulations, fines, or other penalties; and
- Loss of banking license.

It is the Bank's policy that, at all times, the protection of the Bank's reputation should take priority over all other activities, including revenue generation. Reputational risk will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory and operational risk. It may also arise from the failure to comply with social, environmental and ethical standards. All employees are responsible for day-to-day identification and management of reputational risk.

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Key Drivers of Reputational Risk



Risk Identification Process

In identifying reputational risk factors, the Bank makes use of the output of the operational risk identification process. At the end of the operational risk identification sessions, risk profiles shall be derived and analyzed. In analyzing the report, the Head of Operational Risk Management Unit identifies risk events with possible negative reputational Impact on the Bank. These risk events are analyzed and those with a risk score of 3 and above included in the reputational risk matrix report. The process relies both on backward-looking and forward-looking analyses and enable the Bank to isolate the key events that could affect the Bank's ability to meet stakeholders' expectations.

The Bank shall identify a series of risk events with key drivers that have the greatest impact on its ability to meet stakeholder expectations.

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These drivers include the following:

- Quality of Corporate governance
- Management integrity
- Staff competence / support
- Corporate culture
- Risk management and control environment
- Financial soundness / business viability
- Business practices
- Customer satisfaction
- Legal / regulatory compliance
- Contagion risk / rumors
- Crisis management
- Transparency / accountability
- Product Innovation

The forward-looking portion of the analysis considers the information on risk drivers from the backward-looking analysis of historical data, and seeks to identify potential future reputational issues. This analysis is performed against the background of the Bank's corporate objectives, its corporate social responsibility agenda and external factors. Access Bank seeks to leverage existing information from audit findings, risk and control self-assessments, environmental scanning and scenario planning processes to the greatest extent possible.

Compilation of Trigger Events

In order to assist in the identification of key reputational risk events, triggers that would set off the risk drivers should be compiled through workshops with participants from relevant business units.

The following table illustrates few trigger events for relevant risk drivers.

Risk Drivers	Trigger Events
Corporate governance and leadership	• Corporate frauds and scandals; • Association with dishonest and disreputable characters as directors, management • Association with politically exposed persons • Incidence of shareholders conflict and Board instability.
Regulatory Compliance	• Non - Compliance with laws and regulation; • Non submission of Regulatory returns
Delivering customer promise	• Security Failure • Shortfall in quality of service/fair

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Risk Drivers	Trigger Events
	- treatment; • Bad behavior by employees
Workplace talent and culture	• Unfair employment practices • Not addressing employee grievances • Uncompetitive remuneration
Corporate social responsibility	• Lack of community development initiatives
Corporate Culture	• Lack of appropriate culture to support the achievement of business objective. • Ineffective risk management practices. • Unethical behaviors on the part of staff and management. • Lack of appropriate structure for employees to voice their concerns
Risk Management and Control Environment	• Inadequate Risk Management and Control environment • Continuous violations of existing policies and procedures
Financial Soundness and Business viability	• Consistent poor financial performance • Substantial losses from unsuccessful investment
Crisis Management	• Inadequate response to a crisis or even a minor incident

Events data analysis

Events data analyses are conducted to assess the gap between performance of the bank and the expectation of stakeholders. The nature of the gap and the reasons for the gap is analyzed for ensuing corrective action. Sample of Events data analyzed is furnished below:

- Evaluating types of marketing efforts and implications for Reputational Risk;
- Analysis of number of accounts opened vs. closed;
- Calling effort analysis;

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- Complaint log analysis; and
- Error resolution review.

Approach to managing reputation events

The Bank's approach to managing reputation events, including any relevant strategy and policies, is approved by the Board or its delegated committee and subject to periodic review and update by senior management to ensure that it remains appropriate over time. In addition, the approach is well documented and communicated to all relevant personnel.

Overall strategy / action plan

Each reputation event is different and a precise list of actions which may be taken to deal with the event cannot be clearly specified. Below are some guidelines used in developing overall strategy and the required action plan:

- Timely report and escalation of any reputational event to senior management by all staff to management in a bid to formulate an action plan to deal with the reputational events. This will also enable the Bank to communicate the right message to the right people at the right time.
- The Bank will seek to gain time for planning action in advance through early recognition of warning signs and emerging threats of reputational events.
- Although the detailed of reputational events will vary from case to case, a proper action plan covering some key areas should be in place. These include –
 - clear and precise objectives to be achieved must be set;
 - the target audiences with whom the Bank will be communicating and their respective areas of interest or concern to be addressed must be defined;
- Decide the key messages to get across to the target audiences. While the messages for different audiences may vary, they should not be contradictory or inconsistent;
- individual actions to be undertaken are coherent and mutually supporting of the overall strategy;
- specific actions to be undertaken will conform to the agreed strategy and objectives; and
- all proposed actions must be timed and approved;
- Time schedule of events must be maintained from the start.
- Access Bank will consider how the facts of the situation will be presented to target audiences in a manner which will win their acceptance and understanding. However, in no case should false information or distorted perspectives be presented.
- In limiting damage to the Bank's reputation, emphasis should be placed on demonstrating to target audiences -
 - the care Access Bank has taken to guard against the recurrence of similar events; and
 - The actions taken by the Bank in response to the event and the effectiveness of those actions.
- Corporate Communications will be designated to handle all communication matters, including media relations and public announcements.
- Actions taken should cater for any possible impact on cross-border operations.
- All relevant parties within the Bank will be adequately briefed as the situation develops.
- All actions taken should be based on a thorough knowledge of the facts of the situation, and be planned with a clear understanding of the likely consequences (including any follow-up action which may then be required).

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The points mentioned above are not exhaustive and Access Bank tailors their strategy and action plan to suit their specific circumstances and needs.

Process

Access Bank has established a clear set of procedures for managing such reputational events (including pre-planning how certain situations may be handled).

These include –

- Reputational events to be captured are defined through pre-determined criteria, triggering conditions or hypothetical scenarios, etc. In determining what types of events to be included, the Bank will have regard to the results of their internal processes for identifying and assessing reputation risk, as well as their vulnerability to reputation risk;
- specify the process for identifying reputation events, including the authority for deciding whether a reputation event has occurred and for invoking procedures for managing the event;
- the impact of such events based on established standards and criteria (with particular focus on the impact on the Bank's business and reputation) are measured;
- appropriate response actions on how to deal with the event in question and to protect the Bank's reputation are established and prioritized;
- All stakeholders that are affected by the event are notified of the situation;
- agreed actions will be implemented and stakeholders' reaction to actions taken are monitored;
- reassess the situation and, in case of need, modifying agreed actions;
- ongoing reporting to the Board and senior management of the progress and results of implementing agreed actions; and
- The post event review will be done and the lesson learnt will be used to enhance the reputational risk management

Post-event reviews

After a reputation event, the post-event review will be conducted by Internal Audit and Risk Management Division to identify any lessons learnt, or problems and weaknesses revealed, from the event. Such reviews will be useful for providing feedback and recommendations for enhancing the Bank's reputation risk management process, and should at least be conducted on any major event affecting Access Bank. The Board and senior management will be promptly informed of the results of any such review conducted so that they can take appropriate actions to improve its approach to managing reputation risk.

5(f) Capital management

Regulatory capital

Capital risk is the risk that the Bank's total capital base is not properly managed in a prudent manner.

Capital management objectives:

The Bank has a number of capital management objectives:

- to meet the capital ratios required by its regulators and the Bank internal ICAAP threshold;

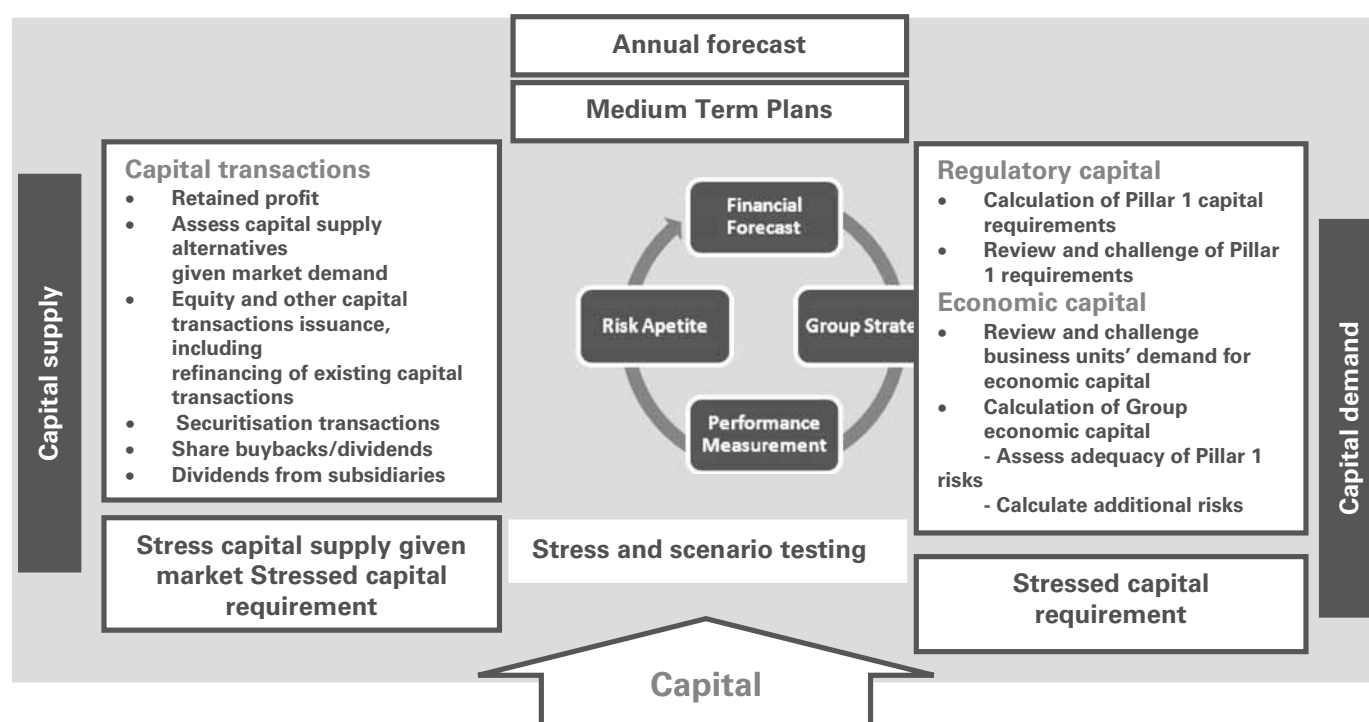
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- to maintain an adequate level of available capital resources as cover for the economic capital (EC) requirements calculated at a 99.95% confidence level;
- to generate sufficient capital to support asset growth;
- to maintain an investment grade credit rating; and
- to achieve a return above the cost of equity.

Capital management strategy:

The Bank's capital management strategy is focused on maximizing shareholder value by optimizing the level and mix of capital resources. Decisions on the allocation of capital resources are based on a number of factors including return on EC and on regulatory capital (RC), and are part of the internal capital adequacy assessment process (ICAAP).

Capital management process



Importance of capital management

Capital is managed as a Board level priority in the Bank which reflects the importance of capital planning. The Board is responsible for assessing and approving the Bank's capital management policy, capital target levels and capital strategy.

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A capital management framework provides effective capital planning, capital issuance, Basel II alignment, EC utilisation and economic profit (EP) performance measurement criteria. The following diagram illustrates the process the Group follows to ensure end-to-end integration of the Bank's strategy, risk management and financial processes into the capital management process. The purpose is to ensure that capital consumption in the business divisions has an impact on performance measurement, which in turn translates into management performance assessment and product pricing requirements and achievement of the overall strategy within risk appetite.

Regulatory capital

In all the countries where Access Bank operates, banks are required to hold a minimum capital level determined by the regulators. Access Bank and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, Central Bank of Nigeria requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, capital reserve, share premium, retained earnings, translation reserve and minority interests after deductions for other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities and general provision allowances.
- The qualifying tier 2 capital cannot exceed tier 1 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

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<i>In thousands of Naira</i>	<i>Note</i>	Dec-10	Dec-09
Tier 1 capital			
Ordinary share capital	36	8,944,126	8,131,024
Share premium	36	146,160,837	146,160,837
Retained earnings	36	(10,785,618)	(9,980,792)
Other reserves	36	19,629,453	15,092,981
Non-controlling interests	36	699,332	858,291
		164,648,130	160,262,341
Add/(Less):			
Fair value reserve for available-for-sale securities	36	666,467	989,079
Intangible assets	28	(2,718,899)	(2,880,706)
Shareholders' funds		162,595,698	158,370,714
Tier 2 capital			
Fair value reserve for available-for-sale securities		(666,467)	(989,079)
Collective allowances for impairment	22, 23	6,804,541	7,518,272
Total		6,138,074	6,529,193
Total regulatory capital		168,733,772	164,899,907
Risk-weighted assets		709,639,728	504,284,589
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		23.78%	32.70%
Total tier 1 capital expressed as a percentage of risk-weighted assets		22.91%	31.41%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is

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based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

6. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(k)(viii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 4(k)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification

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The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

1. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 4(m).
2. In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 4(k)(vi).
3. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 8.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 4(k)(vii)

The Group measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

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The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

December 2010	Note	Level 1	Level 2	Level 3	Total
<i>In thousands of Naira</i>					
Non pledged trading assets	19	30,969,755	-	-	30,969,755
Pledged assets	20	59,930,096	-	-	59,930,096
Derivative financial instruments	21	-	1,110,803	-	1,110,803
Investment securities	25	-	-	8,411,339	8,411,339
		90,899,851	1,110,803	8,411,339	100,421,993
Derivative financial instruments	33	-	725,007	-	725,007
		-	725,007	-	725,007

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.

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7. Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

1. Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.
2. Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigeria GAAP while an incurred loss model is used to determine the impairment loss under IFRS..
3. Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

The following summary describes the operations in each of the Group's reportable segments:

- **Institutional banking** – The Institutional Banking Group provides bespoke comprehensive banking products and services to corporate organizations to meet the needs of this segment of the Bank's customers.
- **Commercial banking** – The Commercial Banking Group has presence in all major cities in the country. It provides commercial banking products and services to the middle and retail segments of the Nigerian market.
- **Investment banking** – The Investment Banking Group provides innovative financing and risk management solutions and advisory services for the bank's corporate and institutional customers. The group is also responsible for formulation and implementation of financial market products for the Bank's customers.
- **Retail banking** – The Retail Banking Group provides private banking services, private customer current accounts, savings accounts deposits, investment savings products, custody, credit and debit cards and customer loans.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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7 Operating segments (Continued) Information about operating segments

31 December 2010

<i>In thousands of Naira</i>	Institutional Banking	Commercial Banking	Investment Banking	Retail Banking	Unallocated items	Total N'000
Revenue:						
Derived from external customers	23,112,512	50,653,411	11,739,149	5,308,332	328,660	91,142,064
Derived from other business segments	(5,359,986)	4,937,686	(57,473)	479,772	-	-
Total Revenue	17,752,526	55,591,097	11,681,676	5,788,104	328,660	91,142,064
Interest expenses	(12,414,797)	(7,279,098)	(1,183,690)	(655,399)	(87,738)	(21,620,722)
	5,337,728	48,311,999	10,497,986	5,132,706	240,922	69,521,342
(Loss)/profit on ordinary activities before taxation	(4,149,172)	10,292,681	8,217,424	1,981,467	(173,530)	16,168,870
Income tax expense						(5,100,749)
Profit after tax						11,068,121
Other segment information:						
Depreciation	(637,829)	(1,649,121)	(181,498)	(637,168)	27,784	(3,077,832)
Assets and liabilities:						
Tangible segment assets	329,713,240	231,625,398	224,719,553	12,607,718	6,157,862	804,823,771
Unallocated segment assets	-	-	-	-	-	-
Total assets	329,713,240	231,625,398	224,719,553	12,607,718	6,157,862	804,823,771
Segment liabilities	174,339,498	361,495,960	51,595,603	35,409,323	6,612,930	629,453,315
Unallocated segment liabilities	-	-	-	-	-	-
Total liabilities	174,339,498	361,495,960	51,595,603	35,409,323	6,612,930	629,453,315
Net assets	155,373,742	(129,870,562)	173,123,950	(22,801,605)	(455,068)	175,370,457

7 Operating segments (Continued)
Information about operating segments

31 December 2009

In thousands of Naira

Revenue:	Institutional Banking	Commercial Banking	Investment Banking	Retail Banking	Unallocated items	Total N'000
Derived from external customers	43,653,445	22,504,791	8,040,742	9,920,200	861,376	84,980,554
Derived from other business segments	(4,499)	(1,052)		5,551		
Total Revenue	43,648,946	22,503,739	8,040,742	9,925,751	861,376	84,980,554
Interest expenses	(25,734,523)	(1,380,628)	(694,717)	(2,427,280)	(3,996)	(30,241,144)
	17,914,423	21,123,111	7,346,025	7,498,471	857,380	54,739,410
(Loss)/profit on ordinary activities before taxation	(4,721,564)	(1,832,910)	2,665,704	162,986	260,050	(3,481,565)
Income tax expense						(920,601)
Loss after taxation						(4,402,166)
Other segment information:						
Depreciation	468,734	2,318,005	875,451	224,525	30,088	3,916,803
Share of associate's profit					(775,431)	(775,431)
Assets and liabilities:						
Tangible segment assets	357,909,724	259,071,254	45,508,749	23,504,020	7,790,191	693,783,938
Unallocated segment assets	-	-	-	-	-	-
Total assets	357,909,724	259,071,254	45,508,749	23,504,020	7,790,191	693,783,938
Segment liabilities	173,252,050	264,996,586	21,814,098	59,361,792	6,013,364	525,437,890
Unallocated segment liabilities						
Total liabilities	173,252,050	264,996,586	21,814,098	59,361,792	6,013,364	525,437,890
Net assets	184,657,674	(5,925,332)	23,694,651	(35,857,772)	1,776,827	168,346,048

7. Operating segments (Continued)

Reconciliation of reportable segment revenues, profit or loss and assets and liabilities

<i>In thousands of Naira</i>	Dec. 2010	Dec. 2009
Revenues		
Total revenue from reportable segments	91,142,064	84,980,554
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(524,973)	2,522,150
Consolidated revenue	90,617,091	87,502,704
Profit or loss		
Total profit or loss for reportable segments	16,168,870	(3,481,565)
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(3,584,639)	(473,559)
Consolidated profit before income tax	12,584,231	(3,955,124)
Assets		
Total assets for reportable segments	12,584,231	693,783,938
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(8,607,004)	(4,450,146)
Consolidated total assets	796,216,768	689,333,792
Liabilities		
Total liabilities for reportable segments	629,453,315	525,437,890
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	2,115,322	3,633,561
Consolidated total liabilities	631,568,637	529,071,451

Geographical segments

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

December 2010

In thousands of Naira

	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	79,069,399	10,585,174	1,487,491	91,142,064
Derived from other segments				
Total Revenue	79,069,399	10,585,174	1,487,491	91,142,064
Interest expense	(19,272,649)	(2,319,231)	(28,842)	(21,620,722)
Fee and commission expenses	-	-	-	-
Operating Income/(loss)	59,796,750	8,265,943	1,458,649	69,521,342
Profit/(loss) before income tax	17,695,551	(1,339,298)	(187,383)	16,168,870
Assets and liabilities:				
Total assets	664,448,397	72,299,937	68,075,438	804,823,772
Total liabilities	506,313,843	60,274,273	62,865,199	629,453,315
Net assets	158,134,554	12,025,664	5,210,239	175,370,457

Dec-09

In thousands of Naira

	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	76,129,727	8,296,570	554,257	84,980,554
Derived from other segments				-
Total Revenue	76,129,727	8,296,570	554,257	84,980,554
Interest expense	(28,209,729)	(2,015,482)	(15,933)	(30,241,144)
Fee and commission expenses				
Operating Income/(loss)	47,919,998	6,281,088	538,324	54,739,410
Loss before income tax	(449,191)	(2,100,021)	(932,353)	(3,481,565)
Assets and liabilities:				
Total assets	637,925,649	35,541,778	20,316,511	693,783,938
Total liabilities	472,317,673	47,218,870	5,901,347	525,437,890
Net assets/(liabilities)	165,607,976	(11,677,092)	14,415,164	168,346,048

8. Financial assets and liabilities
Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

<i>In thousands of Naira</i>	<i>Note</i>	Derivative		Loans & Receivables		Total carrying amount	Fair value
		Trading	Designated at fair value	Held-to-maturity	Loans at amortised cost	Available-for-sale	
31 December 2010		30,969,755	1,110,803	121,411,631	448,420,466	8,411,339	704,692,187
Cash and cash equivalents	18	-	-	-	-	-	116,198,836
Non pledged trading assets	19	30,969,755	-	-	-	-	30,969,755
Pledged assets	20	-	-	59,930,096	-	-	52,044,653
Derivative financial instruments	21	-	1,110,803	-	-	-	1,110,803
Loans and advances to banks	22	-	-	-	610,108	-	601,324
Loans and advances to customers	23	-	-	-	447,810,358	-	441,363,363
Investment securities	25	-	-	61,481,535	-	8,411,339	62,403,453
		30,969,755	1,110,803	121,411,631	448,420,466	8,411,339	704,692,187
Deposits from banks	31	-	-	-	-	-	64,038,436
Deposits from customers	32	-	-	-	-	-	485,082,731
Derivative financial instruments		-	725,007	-	-	-	725,007
Interest bearing loans and borrowings	35	-	-	-	-	-	22,598,005
		-	725,007	-	-	-	572,444,179
						577,373,620	578,098,627

31 December 2009

<i>In thousands of Naira</i>	<i>Note</i>	Trading	Designated at fair value	Held-to- maturity	Loans and receivables	Available- for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	18	-	-	-	-	-	155,076,424	155,076,424	145,267,841
Non pledged trading assets	19	11,563,193	-	-	-	-	-	11,563,193	11,563,193
Pledged assets	20	-	-	7,591,114	-	-	-	7,591,114	7,591,114
Derivative financial instruments	21	-	3,002,720	-	-	-	-	3,002,720	3,002,720
Loans and advances to banks	22	-	-	-	70,526	-	-	70,526	70,526
Loans and advances to customers	23	-	-	-	385,313,186	-	-	385,313,186	384,530,328
Investment securities	25	-	-	39,021,822	-	34,723,263	-	73,745,085	69,109,707
		11,563,193	3,002,720	46,612,936	385,383,712	34,723,263	155,076,424	636,362,248	621,135,429
Deposits from banks	31	-	-	-	-	-	-	-	-
Deposits from customers	32	-	-	-	-	-	43,216,841	43,216,841	43,149,546
Derivative financial instruments	33	-	1,833,327	-	-	-	442,334,863	442,334,863	441,753,620
Debt securities issued	33	-	-	-	-	-	-	1,833,327	1,833,327
Interest bearing loans and borrowings	35	-	-	-	-	-	2,604,277	2,604,277	2,590,127
		-	-	-	-	-	3,376,945	3,376,945	3,122,193
		-	1,833,327	-	-	-	491,532,926	493,366,253	492,448,813

The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

9. Net interest income

31 December	<u>12 months</u>	<u>9 months</u>
<i>In thousands of Naira</i>	2010	2009
Interest income		
Cash and cash equivalents	1,609,688	1,802,481
Loans and advances to banks and customers	60,294,093	62,165,528
Investment securities	7,337,625	3,946,092
Total interest income	69,241,406	67,914,101
Interest expense		
Deposit from banks	(2,826,620)	(1,468,049)
Deposit from customers	(17,303,876)	(27,574,025)
Securities trading	(1,503,154)	(494,495)
Other borrowed funds	(186,525)	(605,526)
Debt securities	-	-
Total interest expense	(21,820,175)	(30,142,095)
Net interest income	47,421,231	37,772,006

Interest income for the year ended 31 December 2010 includes ₦3,862,806,000 (December 2009: ₦4,048,152,000) accrued on impaired financial assets.

10. Fee and commission income

31 December	<u>12 months</u>	<u>9 months</u>
<i>In thousands of Naira</i>	2010	2009
Credit related fees and commissions	9,788,183	4,386,839
Other fees and commissions	3,200,984	5,943,849
Total fee and commission income	12,989,167	10,330,688

Corporate banking credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.

11. Net trading income

	<u>12 months</u>	<u>9 months</u>
31 December	2010	2009
<i>In thousands of Naira</i>		
Fixed income securities	5,051,233	4,445,288
Foreign exchange	1,787,933	2,865,844
Net trading income	6,839,166	7,311,132

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

12. Other operating income

	<u>12 months</u>	<u>9 months</u>
31 December	2010	2009
<i>In thousands of Naira</i>		
Mark to market gain/(loss) on trading investments	347,341	(35,971)
Dividends on available for sale equity securities	199,489	122,812
Gain on disposal of property and equipment	127,552	124,840
Rental income	951,777	562,948
Other income	672,674	1,086,700
	2,298,833	1,861,329

13. Net impairment loss on financial assets

	<u>12 months</u>	<u>9 months</u>
31 December	2010	2009
<i>In thousands of Naira</i>		
Collective impairment/(reversals) charges on loans and advances	(709,765)	5,966,223
Specific impairment charges on loans and advances	8,050,515	13,094,425
Impairment charges on available for sale equities	221,442	3,424,234
Impairment (reversals)/allowance on other assets	(412,172)	1,480,002
Impairment charge on investment property	315,698	-
Impairment charge on goodwill	306,437	-
	7,772,155	23,964,884

14. Personnel expenses

	<u>Note</u>	<u>12 months</u>	<u>9 months</u>
31 December		2010	2009
<i>In thousands of Naira</i>			
Wages and salaries		15,027,288	10,307,323
Contributions to defined contribution plans		416,281	273,856
Decrease in liability for share appreciation rights		(15,445)	783,456
		15,428,124	11,364,635

Personnel expenses (continued)

Cash-settled share-based payments

The Bank operates a Staff Investment Trust (SIT) scheme which is a cash-settled share based compensation plan (share appreciation rights (SARs) for its personnel. Eligible employees have the option to join the scheme and are then allotted shares based on the net asset value of the scheme. The personnel are entitled to share appreciation rights after spending five years in the bank. On exit from the service of the Bank, the Bank has the right to purchase these shares from the employees. The amount of cash payment is determined based on the term of the scheme as follows:

Years as eligible employee

Less than five years
More than five years

Cash payments

Net asset value
Higher of market price and net asset value at the time of leaving the scheme.

In thousands

Number of shares

SARs granted to senior management employees at 31 December 2010	296,483,032
SARs granted to senior management employees at 31 December 2009	275,851,852

Employee expenses for share-based payments

31 December	<u>Note</u>	<u>12 months</u>	<u>9 months</u>
<i>In thousands of Naira</i>		2010	2009
Effect of changes in the fair value of SARs		(15,445)	783,456
Credit from rights exercised during the year		(26,982)	(28,446)
Dividend payment to members of the scheme		-	-
Total (credit)/expense recognized as personnel expenses		(42,427)	755,010
Total carrying amount of liabilities for cash-settled arrangements	34	2,979,710	3,030,080

The carrying amount of liabilities for cash-settled share based payments was:

31 December	<u>Note</u>	<u>12 months</u>	<u>9 months</u>
<i>In thousands of Naira</i>		2010	2009
Balance, beginning of period		3,030,080	2,301,620
Effect of changes in fair value of SAR at year/period		(15,445)	783,456
Options exercised during the year/period		(34,925)	(54,996)
Share rights granted during the year/period		-	-
Balance, end of year/period	34	2,979,710	3,030,080

15. Other operating expenses

31 December	<u>12 months</u>	<u>9 months</u>
<i>In thousands of Naira</i>	2010	2009
Other premises and equipment costs	1,333,241	1,710,617
Professional fees	2,041,859	2,656,988
Insurance	3,018,812	3,736,883
Travelling	1,224,286	808,423
General administrative expenses	18,469,373	11,281,922
	26,087,571	20,194,833

**16. Income tax expense
recognised in the profit or loss**

31 December	<u>12 months</u> 2010	<u>9 months</u> 2009
<i>In thousands of Naira</i>		
Current tax expense		
Current year	3,487,616	1,108,406
Prior year's under provision	116,274	1,351,214
	3,603,890	2,459,620
Deferred tax expense		
Origination of temporary differences	1,252,942	(4,326,710)
Total income tax expense	4,856,832	(1,867,090)

Reconciliation of effective tax rate

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2010	<u>December</u> 2009	<u>December</u> 2009
Profit/(loss) before income tax		12,584,231		(3,955,124)
Income tax using the domestic corporation tax rate	30.00%	3,775,269	30.00%	(1,186,537)
Effect of tax rates in foreign jurisdictions	3.40%	428,348	(9.34%)	369,589
Balancing charge	(11.29%)	(1,420,830)	24.25%	(958,931)
Non-deductible expenses	16.90%	2,127,326	12.22%	(483,367)
Education tax levy	2.79%	351,374	(0.16%)	6,220
Tax exempt income	(14.93%)	(1,878,679)	-	-
Tax losses (utilised)/unutilised	10.79%	1,357,748	47.29%	(1,870,461)
Minimum tax	-	-	(22.89%)	905,183
Under provided in prior years	0.92%	116,276	(34.16%)	1,351,214
Total income tax expense in comprehensive income	38.58%	4,856,832	47.21%	(1,867,090)

The effective income tax rate for 31 December 2010 is 39% (31 December 2009: 47%)

17. Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of ₦7,903,841,000 (December 2009: ₦ (1,880,451,000)) and a weighted average number of ordinary shares outstanding of 17,888,251,478 (December 2009: 16,262,046,799), calculated as follows:

Weighted average number of ordinary shares

<i>In millions of shares</i>	<u>December</u> 2010	<u>December</u> 2009
Issued ordinary shares at beginning of year	16,262,047	16,214,258
Effect of bonus issue	1,626,204	-
Effect of debt securities converted into ordinary shares	-	47,789
Weighted average number of ordinary shares at end of year	17,888,251	16,262,047

Profit attributable to ordinary shareholders

31 December	<u>12 months</u> 2010	<u>9 months</u> 2009
<i>In thousands of Naira</i>		
(Loss)/Profit for the period attributable to equity holders of the Bank	7,903,841	(1,880,451)

Number of ordinary shares

<i>In millions of shares</i>	<u>December</u> 2010	<u>December</u> 2009
Issued ordinary shares	17,888,251	16,262,047

18. Cash and cash equivalents

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Cash and balances with banks	41,224,326	61,658,153
Unrestricted balances with central banks	8,356,366	48,681,575
Money market placements	74,377,086	44,736,696
	123,957,778	155,076,424

19. Non pledged trading assets

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Government bonds	1,056,706	1,932,912
Treasury bills	29,166,698	9,599,130
Stabilisation securities	29,069	31,151
Bankers acceptance	717,282	-
	30,969,755	11,563,193

20. Pledged assets

Financial assets that may be re-pledged or resold by counterparties:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Treasury bills	12,391,114	7,591,114
Government bonds	47,538,982	-
	59,930,096	7,591,114

Included in pledged assets are treasury bills of ₦ 5,700,000 (December 2009: nil) on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 31. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

As at 31 December 2010, 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 2009: nil).

21 Derivative financial instruments

<i>In thousands of Naira</i>	<u>Assets</u> December 2010	<u>Liabilities</u>	<u>Assets</u> December 2009	<u>Liabilities</u>
<i>Instrument type:</i>				
Cross currency swap	1,110,803	-	1,212,811	-
Foreign exchange	-	725,007	1,789,909	1,833,327
	1,110,803	725,007	3,002,720	1,833,327

The Group uses derivatives not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risks. The instruments used include forward contracts and cross currency linked forward contracts.

(Net Loss)/net income from other financial instrument carried at fair value

31 December	<u>12 months</u> 2010	<u>9 months</u> 2009
<i>In thousands of Naira</i>		
<i>Instrument type:</i>		
Foreign exchange	-	-
Cross currency swap	(724,499)	113,900
	(724,499)	113,900

22. Loans and advances to banks

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Loans and advances to banks	642,919	287,631
Less specific allowances for impairment	(21,155)	(216,400)
Less collective allowances for impairment	(11,656)	(705)
	610,108	70,526

Specific impairment allowance on loans and advances to banks

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance beginning of year/period	216,400	-
Impairment loss for the year/period:		
- Charge for the year/period	-	216,400
- Allowance no longer required	(195,245)	
Balance end of year/period	21,155	216,400

Collective impairment allowance on loans and advances to banks

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance at beginning of year/period	706	-
Impairment loss for the year/period:		
- Charge for the year/period	10,950	706
Balance end of year/period	11,656	706

23. Loans and advances to customers

December 2010 <i>In thousands of Naira</i>	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	10,815,742	(2,490,625)	(124,895)	(2,615,520)	8,200,222
Loans to corporate entities and other organizations	467,322,563	(21,044,438)	(6,667,989)	(27,712,427)	439,610,136
	478,138,305	(23,535,063)	(6,792,884)	(30,327,947)	447,810,358
December 2009 <i>In thousands of Naira</i>	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	15,933,873	(724,505)	(131,595)	(856,100)	15,077,773
Loans to corporate entities and other organizations	396,954,065	(19,332,681)	(7,385,971)	(26,718,652)	370,235,413
	412,887,938	(20,057,186)	(7,517,566)	(27,574,752)	385,313,186

Specific impairment allowance on loans and advances to banks and customers

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance beginning of year/period	20,057,186	14,165,400
Impairment loss for the year/period:		
- Charge for the year/period	9,602,641	13,395,625
- Recoveries	(1,356,882)	(517,600)
Net impairment for the year/period	8,245,759	12,878,025
Effect of foreign currency movements	(384,875)	163,447
Write-offs	(4,383,007)	(7,149,686)
Balance end of year/period	23,535,063	20,057,186

Collective impairment allowance on loans and advances to customers

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance beginning of year/period	7,517,565	1,550,276
Impairment loss for the year/period:		
- Charge for the year/period	49,088	6,102,881
- Allowance no longer required	(769,804)	(137,363)
Net impairment for the year/period	(720,716)	5,965,518
Effect of foreign currency movements	(3,965)	1,772
Balance end of year/period	6,792,884	7,517,566

24. Investment in equity accounted investee

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of year	300,155	650,547
Reversal of share of prior year losses in associate	332,027	-
Share of result for the year	-	(775,431)
Dividend paid	-	(62,143)
(Reversal)/share of fixed asset revaluation reserve	(487,182)	487,182
Disposal during the year	(145,000)	-
Balance, end of year	-	300,155

This represented the Bank's investment in 116,000,000 (December 2009: 116,000,000) ordinary shares of N1 each in Marina Securities Limited incorporated in Nigeria, representing 29% (December 2009: 29%) equity interest in the company. This investment was disposed of during the year.

25. Investment securities

Available for sale securities <i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Government bonds	-	25,170,521
Underwriting commitment (see note (a) below)	3,840,218	3,840,218
Equity securities with readily determinable fair values	8,411,339	8,968,722
Unquoted equity securities at cost	268,441	294,616
	12,519,998	38,274,077
Specific impairment for underwriting commitment	(3,503,815)	(3,256,198)
Specific impairment for unquoted equity securities at cost	(268,441)	(294,616)
	8,747,742	34,723,263
Held to maturity securities <i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Government bonds	56,090,957	36,926,784
Other bonds	5,054,175	382,026
Other quoted investments	-	1,713,013
	61,145,132	39,021,823
Investment securities	69,892,874	73,745,086

- (a) Underwriting commitment represents the carrying value of 15,360,873 units of African Petroleum Plc shares underwritten by the Bank. The commitment crystallized during period and payment was made in

respect of the underwritten shares to African Petroleum Plc. The movement in specific impairment for underwriting commitment during the year was as follows:

Specific impairment for underwriting commitment <i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of year/period	3,256,198	-
Allowance no longer required	-	-
Charge for the year/period	247,617	3,256,198
Balance, end of year/period	3,503,815	3,256,198

The movement in specific impairment for unquoted equity securities at cost during the year is as follows:

Specific impairment for unquoted equity securities at cost <i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of year/period	294,616	160,132
Allowance no longer required	(26,175)	(33,552)
Charge for the year/period	-	168,036
Balance, end of year/period	268,441	294,616

26. Investment properties

These investment properties were valued by Azuka Iheabunike and Partners, estate surveyors and valuers, in June 2010 using the comparative method of valuation to arrive at the open market value. As at 31 December 2010, 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 in June 2010.

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of year/period	2010	-
Additions	12,107,832	1,404,000
Transfer from property and equipment	71,830	-
Disposals	(324,886)	-
	13,258,776	1,404,000
Impairment loss during the year/period	(315,698)	-
Balance at 31 December	12,943,078	1,404,000

27 Property and equipment

<i>In thousands of Naira</i>	Leasehold improvement and buildings	Computer hardware	Furniture & fittings	Motor vehicles	Capital work-in - progress	Total
Cost						
Balance at 1 January 2010	12,450,103	5,594,345	14,356,471	5,351,891	5,268,957	43,021,767
Additions	872,356	707,268	811,031	537,785	488,358	3,416,798
Disposals	(616,580)	(540)	(651,081)	(483,580)	(519,878)	(2,271,659)
Reversals	(3,781)		(4,410)	-	(81,279)	(89,470)
Write off	-		-	-	(18,657)	(18,657)
Transfers	922,732	(6,633)	(140,302)	(78,918)	(696,879)	-
Transfer to investment property	(71,830)		-	-	-	(71,830)
Revaluation	-	323	-	-	-	323
Translation difference	(54,799)	(30,023)	(39,839)	9,302	(185,242)	(300,601)
Balance at 31 December 2010	13,498,201	6,264,740	14,331,870	5,336,480	4,255,380	43,686,671
Balance at 1 April 2009	9,548,239	4,402,970	10,874,900	4,465,999	5,950,547	35,242,655
Additions	1,565,712	1,135,090	2,939,698	631,116	1,457,264	7,728,880
Disposals	(82,149)	(78,543)	(58,751)	(223,437)	-	(442,880)
Reversals	(310,275)	-	(1,838)	-	(338,461)	(650,574)
Previously unconsolidated subsidiaries	180,782	-	11,551	147,122	-	339,455
Write off	-	-	(74,653)	-	(593,715)	(668,368)
Transfers	1,163,572	91,216	141,334	106,340	(1,502,464)	-
Revaluation	-	20,854	19,434	11,439	-	51,725
Translation difference	384,222	22,758	504,796	213,312	295,786	1,420,874
Balance at 31 December 2009	12,450,103	5,594,345	14,356,471	5,351,891	5,268,957	43,021,767

Depreciation

Balance at 1 January 2010	1,937,318	3,153,757	7,284,433	2,966,041	0	15,341,549
Charge for the year	910,792	1,175,341	1,997,550	983,139	-	5,066,822
Disposal	(126,186)	-	(103,559)	(383,369)	-	(613,114)
Reversals	-	-	(39,747)	-	-	(39,747)
Translation difference	199,214	154,073	(208,206)	(21,902)	-	123,179
Balance at 31 December 2010	2,921,138	4,483,171	8,930,471	3,543,909	-	19,878,689
Balance at 1 April 2009	1,295,206	2,539,179	5,692,710	2,252,710	-	11,779,805
Charge for the period	608,329	848,860	1,396,171	850,886	-	3,704,246
Disposals	(238)	(75,762)	(34,261)	(145,761)	-	(256,022)
Translation difference	34,020	(158,520)	229,813	8,205	-	113,518
Balance at 31 December 2009	1,937,317	3,153,757	7,284,433	2,966,040	-	15,341,547
Carrying amounts:						
Balance at 31 December 2010	10,577,063	1,781,569	5,401,399	1,792,571	4,255,380	23,807,982
Balance at 31 December 2009	10,512,786	2,440,588	7,072,038	2,385,851	5,268,957	27,680,220

28. Intangible assets

<i>In thousands of Naira</i>	Goodwill	Purchased Software	Total
Cost			
December 2010			
Balance at 1 January 2010	1,738,148	2,199,808	3,937,956
Additions	-	496,555	496,555
Balance at 31 December 2010	1,738,148	2,696,363	4,434,511
December 2009			
Balance at 1 April 2009	1,738,148	1,523,404	3,261,552
Additions	-	676,404	676,404
Balance at 31 December 2009	1,738,148	2,199,808	3,937,956
Amortization and impairment losses			
Balance at 1 January 2010	-	1,057,250	1,057,250
Amortization for the period	-	351,925	351,925
Impairment losses	306,437	-	306,437
Balance at 31 December 2010	306,437	1,409,175	1,715,612
Balance at 1 April 2009	-	858,834	858,834
Amortization for the period	-	198,416	198,416
Balance at 31 December 2009	-	1,057,250	1,057,250
Carrying amounts			
Balance at 31 December 2010	1,431,711	1,287,188	2,718,899
Balance at 31 December 2009	1,738,148	1,142,558	2,880,706

(a) Goodwill is attributable to the acquisition of following subsidiaries:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Access Bank Rwanda	681,007	681,007
FinBank Burundi	369,714	369,714
Omni Finance Bank Cote d'Ivoire	687,427	687,427
	<u>1,738,148</u>	<u>1,738,148</u>

The purchased goodwill arising from the Bank's investment in Access Bank, Cote d'Ivoire was impaired as at 31 December 2010 by N306.4 million based on directors' assessment of the future cashflows and country risk.

29. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of Naira</i>	December 2010		December 2009	
	Assets	Liabilities	Assets	Liabilities
Property and equipment, and software		(380,071)		(1,170,151)
Allowances for loan losses	2,020,997		2,232,476	
Tax loss carry forward	512,713		2,905,875	
Employee benefits	459,030		463,664	
Others	(154,072)		(652,737)	
Net tax assets/(liabilities)	2,838,668	(380,071)	5,602,017	(1,822,888)
				3,779,129

There were no unrecognised deferred tax assets or liabilities as at 31 December 2010 (31 December 2009: nil).

Deferred tax assets and liabilities**Movement on the net deferred tax assets/(liabilities) account during the year/period:**

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of year/period	3,779,129	(720,169)
Prior year under-provision	-	169,937
Credit/(expense)	(1,252,942)	4,326,710
Translation adjustments	(67,590)	2,651
Net deferred tax assets/(liabilities)	2,458,597	3,779,129
<i>Out of which</i>		
Deferred tax assets	2,838,668	5,602,017
Deferred tax liabilities	(380,071)	(1,822,888)

30. Other assets

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Accounts receivable and prepayments	14,858,562	14,716,237
Prepaid operating lease (see (i))	1,895,700	1,296,142
Restricted deposits with central banks (see (ii))	3,566,031	2,930,273
Deposit for subsidiaries	520,042	500,000
	20,840,335	19,442,652
Impairment on other assets	(833,895)	(2,515,320)
	20,006,440	16,927,332

- (i) This represents up-front payments for the leases of offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period.
- (ii) The Bank had restricted balances of ₦3,566,031,000 with the Central Bank of Nigeria (CBN) as at 31 December 2010 (31 December 2009: ₦2,930,273,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with central banks are not available for use in the Group's day-to-day operations

Movement in impairment on other assets:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of period/year	2,515,320	1,035,318
Charge for the period/year	649,436	1,921,261
Allowance no longer required	(1,061,608)	(441,259)
Allowance written off	(1,269,253)	-
Balance, end of period/year	833,895	2,515,320

31. Deposits from banks

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Money market deposits	26,495,970	11,619,261
Other deposits from banks	43,393,825	31,597,580
	<u>69,889,795</u>	<u>43,216,841</u>

32. Deposits from customers

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Retail customers:		
Term deposits	6,186,605	1,767,553
Current deposits	21,823,876	8,152,681
Savings	13,325,444	12,481,013
Corporate customers:		
Term deposits	198,779,265	270,110,996
Current deposits	233,630,322	137,341,606
Others	10,977,963	12,481,014
	<u>484,723,475</u>	<u>442,334,863</u>

33. Debt securities issued

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Due to Access Bank Bond holders	-	2,604,277
	<u>-</u>	<u>2,604,277</u>

The final instalment balance of the 14% redeemable convertible bond was fully redeemed on 15 June 2010.

34. Other liabilities

<i>In thousands of Naira</i>	<u>Note</u>	<u>December</u> 2010	<u>December</u> 2009
Cash settled share based payment liability	14	2,979,710	3,030,080
Creditors and accruals		2,157,769	3,612,592
Certified cheques		3,400,913	4,125,279
Deferred income		1,892,782	981,019
Liability for defined contribution obligations		102,727	65,775
Customers' deposit for foreign trade (see note (a) below)		25,609,806	6,076,115
Unclaimed Dividend		5,428,751	4,192,687
Other current liabilities		8,405,067	6,639,622
		49,977,525	28,723,169

- (a) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

35. Interest bearing loans and borrowings

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Due to European Investment Bank (see note (a))	1,048,011	2,300,454
Due to Belgian Investment Company	-	49,541
Due to African Development Bank (see note (b))	489,257	1,026,950
Due to Nigeria Export Import Bank	101,753	-
Due to Central Bank of Nigeria under the Commercial Agriculture Credit Scheme (see note (c))	2,976,000	-
Due to Bank of Industry (see note (d))	18,145,329	-
	22,760,350	3,376,945

- (a). The amount of N1,048,011,000 (USD 6,877,396) represents outstanding balance in the on-lending facility granted to the Bank by EIB (European Investment Bank) in September 2005 for a period of 9 years. Principal and interest are repayable quarterly and semi annually based on the terms of the facilities with the obligor. Interest is reset every 90 days at 2.2% - 2.9% above LIBOR. The Bank provided negative pledge as a security for this facility. The undisbursed balance is included in other deposits from banks.
- (b). The amount of N489,257,000 (USD 2,753,969) represents the outstanding balance in the on-lending facility granted to the Bank by ADB (African Development Bank) for a period of 9 years commencing in August 2007 with a moratorium of 2 years. The principal amount is repayable semi annually after the moratorium year while interest is payable semi annually at 3% above LIBOR. The Bank provided negative pledge as a security for this facility. The undisbursed balance is included in other deposits from banks.
- (c). The amount of N2,976,000,000 represents the outstanding balance in the on-lending facility granted to the Bank by Central Bank of Nigeria in collaboration with the Federal Government of Nigeria (FGN) in

respect of Commercial Agriculture Credit Scheme (CACs) established by both CBN and the FGN for promoting commercial agricultural enterprises in Nigeria. The facility is for a maximum period of 7 years at a zero percent interest rate to the Bank. The principal amount is repayable at the expiration of the loan. The Bank did not provide security for this facility. The undisbursed balance is included in other deposits from banks.

- (d) The amount of N18,145,329,000 represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing / or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Nigerian Government Securities worth N22,660,000,000 and has a 15 year tenor. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers. The undisbursed balance is included in other deposits from banks.

36. Capital and reserves

Share capital

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
(a) Authorised:		
Ordinary shares:		
18,000,000,000 Ordinary shares of 50k each	9,000,000	9,000,000
Preference shares:		
2,000,000,000 Preference shares of 50k each	1,000,000	1,000,000
	10,000,000	10,000,000
<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
(b) Issued and fully paid-up :		
16,262,046,799 Ordinary shares of 50k each		
(31 December 2009: 16,262,046,799 of 50k each)	8,944,126	8,131,024

The movement on the issued and fully paid-up share capital account during the year/period was as follows:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
(c) Balance, beginning of year/period	8,131,024	8,107,130
Issue of shares (see note (i))	-	23,894
Transfer from bonus issue reserve	813,102	-
Balance, end of year/period	8,944,126	8,131,024

The shareholders declared a bonus shares of 1 new ordinary share for 10 previously held at the Annual General Meeting on 26 May 2010. The bonus issue reserve in respect of the issue was capitalised to share capital during the year.

<i>In thousands of units</i>	<u>December</u> 2010	<u>December</u> 2009
(d) Balance, beginning of year/period	16,262,046	16,214,259
Issue of shares	-	47,788
Capitalisation of bonus issue	1,626,205	-
Balance, end of year/period	17,888,251	16,262,047

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

Other regulatory reserves

The other regulatory reserve includes movements in the statutory reserves and the small and medium scale industries reserve.

(i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank transferred 30% of its profit after tax to statutory reserves as at period end (March 2009: 30%).

(ii) **Small and Medium Scale Industries Reserve (SMEEIS):** The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.

Treasury shares

Treasury shares represent the Bank's shares of 872,414,363 (31 December 2009: 977,781,982) held by the Staff Investment Trust as at 31 December 2010.

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Regulatory risk reserve

The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

Non-controlling interest

The entities accounting for the non-controlling interest balance is shown below:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Access Bank, Gambia	11,994	41,693
Access Bank, Sierra Leone	4,435	139,715
Access Bank, Zambia	207,547	66,692
Access Bank, Rwanda	372,511	334,480
Access Bank, Burundi	150,245	168,292
Omni Finance Bank, Cote D'Ivoire	(504,195)	(304,380)
Access Bank, Ghana	456,795	411,799
	699,332	858,291

37. Dividends

The following dividends were declared and paid by the Group during the year ended 31 December 2010:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Balance, beginning of period	-	-
Interim dividend declared	3,577,650	-
Final dividend declared	-	11,349,982
Payment during the period	(3,577,650)	(11,349,982)
Balance, end of period	-	-

Subsequent to the balance sheet date, the Board of Directors has proposed a dividend of N0.30 per share on the issued share capital of 17,888,252,000 ordinary shares of 50k each subject to the approval of the shareholders at the next annual general meeting.

38. Leasing

As lessor

The Group acts as lessor under operating and finance leases, providing asset financing for its customers. Finance lease receivables are included within loans and advances to customers (see note 23).

The Group's net investment in finance lease receivables was as follows:

<i>In thousands of Naira</i>	<u>December</u> 2010	<u>December</u> 2009
Gross investment in finance leases, receivable:	3,480,431	4,942,020
Unearned future income on finance leases	(396,038)	(692,047)
Net investment in finance leases	3,084,393	4,249,973

The net investment in finance leases comprises:

Less than one year	187,181	598,648
Between one and five years	2,897,212	3,651,325
	3,084,393	4,249,973

Operating lease receivables

The Group acts as a lessor, whereby items of equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased to satisfy these leases are treated as equipment in the Group's financial statements and are generally disposed of at the end of the lease term.

As lessee

Operating lease commitments

The Group leases offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals. There are no contingent rents payable.

39. Contingencies

Claims and litigation

The Bank, in its ordinary course of business, is presently involved in 174 cases as a defendant (31 December 2009: 131) and 55 cases as a plaintiff (31 December 2009: 58). The total amount being claimed in the 174 cases against the Bank was estimated at N29,131,136,389 (31 December 2009: N13,406,430,457) while the total amount being claimed in the 55 cases instituted by the Bank was N7,768,823,071 (31 December 2009: N14,125,333,559). The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received; no significant liability will crystallize from these cases. No provisions are therefore deemed necessary for these claims.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the Group was N238,881,422,000 (2009: N138,055,511,000).

Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

Acceptances, bonds, guarantees and other obligations for the account of customers:

a. These comprise:

	<u>December</u> 2010	<u>December</u> 2009
<i>In thousands of Naira</i>		
Contingent liabilities:		
Acceptances and guaranteed commercial papers	66,918	233,037
Transaction related bonds and guarantees	135,855,769	89,065,023
Guaranteed facilities	830,500	445,307
	<u>136,753,187</u>	<u>89,743,367</u>
Commitments:		
Clean line facilities for letters of credit	102,128,235	48,312,144
	<u>102,128,235</u>	<u>48,312,144</u>

c. All the transactions relating to bonds and guarantees are fully collateralised. The cash component out of the balance was ₦7,728,351,732 (31 December 2009: ₦ 21,508,995,172).

d. The Bank granted clean line facilities for letters of credit during the year/period to guarantee the performance of customers to third parties.

40. Group entities

i. Significant subsidiaries

	Nature of business	Country of incorporation	Ownership interest	
			December 2010	December 2009
Access Bank Gambia Limited	Banking	Gambia	77%	77%
Access Bank Sierra Leone Limited	Banking	Sierra Leone	97%	97%
United Securities Limited	Securities dealing	Nigeria	100%	100%
Access Bank Rwanda Limited	Banking	Rwanda	75%	75%
FinBank Burundi	Banking	Burundi	75%	75%
Omni Finance Bank, Cote d'Ivoire	Banking	Cote d'Ivoire	88%	88%
Access Bank Zambia	Banking	Zambia	100%	100%
The Access Bank UK	Banking	United Kingdom	100%	100%
Access Bank (R.D. Congo)	Banking	Congo	100%	100%
Access Bank Ghana	Banking	Ghana	95%	95%
Access Investment and Securities	Investment management & securities dealing	Nigeria	100%	100%
Access Homes and Mortgage	Mortgage services	Nigeria	100%	100%
Special purpose entities:				
Staff Investment Trust		Nigeria	100%	100%

41. Related parties

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

Parent

The parent company, which is also the ultimate parent company, is Access Bank Plc.

Subsidiaries

Transactions between Access Bank Plc and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

Associates

The Group's investment in 116,000,000 (December 2009: 116,000,000) ordinary shares of N1 each in Marina Securities Limited was disposed of during the year.

Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Access Bank Plc and its subsidiaries.

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

<i>Loans and advances:</i>	<u>December</u>	<u>December</u>
	2009	2009

In thousands of Naira

Secured loans and advances	58,866,046	49,200,335

<i>Deposits:</i>	<u>December</u>	<u>December</u>
	2009	2009

In thousands of Naira

Total deposits	6,986,519	8,019,597

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year/period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the year comprises:

Directors' remuneration

	<u>December</u>	<u>December</u>
<i>In thousands of Naira</i>	2010	2009

Fees as directors	7,900	7,900
Other emoluments:		
Executive directors	152,400	116,125
Other directors	101,363	67,401
	261,663	191,426

42 The Central Bank of Nigeria's Regulation on the Scope of Banking Activities

Section 6(1) of the Central Bank of Nigeria Regulation on the Scope of Banking activities and ancillary matters issued on 7 September 2010 requires every bank currently operating under a universal banking licence to submit to the Central Bank of Nigeria for approval a compliance plan duly approved by the bank's Board of Directors. The regulation requires banks to divest from all non-banking businesses and apply for a new type of banking licence based on the decision of the Bank's Board of Directors. The Bank's compliance plan which was duly approved by the Board of Directors on 28 October 2010 is as follows:

Proposed type of banking licence

The Board of Directors of the Bank reviewed the options provided by the new licensing regime instituted by the Central Bank of Nigeria and resolved that the Bank should apply for an International Commercial Banking licence. By this, the Bank shall maintain a minimum paid up share capital of N50,000,000,000 (fifty billion naira) as required by the new CBN Regulation No 01, 2010 on the Scope, Conditions and Minimum Standards for Commercial Banks.

Divestment from non-banking subsidiaries

The Bank has three non-banking subsidiaries which are: United Securities Limited, Access Investment and Securities Limited and Access Homes and Mortgages Limited.

United Securities Limited, a wholly owned subsidiary of Access Bank Plc, is a Securities and Exchange Commission licensed provider of securities register and data administration services. The Company was acquired by the Bank in 2008 and currently has an authorized share capital of N50 million. The Board of Directors has resolved to sell the Company as a going concern to an acceptable core investor.

Access Investment and Securities Limited, a wholly owned subsidiary of Access Bank Plc, is the investment management subsidiary of the Bank. The Company commenced operation in 2008 and currently has an authorized share capital N500 million. The Board of Directors resolved that the company would undergo members' voluntary winding up except a willing buyer is found before the conclusion of the winding up process.

Access Homes and Mortgages Limited, a wholly owned subsidiary of Access Bank Plc, was incorporated in 2008 and licensed by CBN to carry on mortgage banking business in January 2009 with an authorized share capital of N1 billion. The Board of Directors resolved that the Bank will integrate the operations of Access Homes and Mortgages Limited into its own operations and the assets and liabilities of the company will be transferred to the Bank.

The Bank, after considering the circumstances post the balance sheet date and before the date of authorisation of these financial statements have assessed and believes that it is highly probable that the divestments from various non-banking subsidiaries (*United Securities Limited and Access Investment and Securities Limited*) will be completed by the regulatory deadline of May 2012 and expects but with no guarantee that this will be completed by 31 December 2011.

The details of assets, liabilities and operating results of subsidiaries to be disposed and/or wound up are presented below:

Assets classified as held for sale	<i>United Securities Limited</i> N'000	<i>Access Investment and Securities Limited</i> N'000
Due from other banks	5,681,467	392,251
Other assets	382,110	181,343
Property and equipment	29,944	31,304
	<u>6,093,521</u>	<u>604,898</u>
Liabilities classified as held for sale	N'000	N'000
Current income tax	63,743	-
Other liabilities	5,555,423	75,785
Deferred taxation	6,654	-
Equity and reserves	467,701	529,113
	<u>6,093,521</u>	<u>604,898</u>
Operating results	N'000	N'000
Operating income	318,975	(71,401)
Operating expenses	(159,753)	(277,419)
Provision expense	(4,819)	-
Profit before tax	154,403	(348,820)
Taxation	(56,733)	-
Profit for the year	<u>97,670</u>	<u>(348,820)</u>

43. Subsequent events

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.

ACCESS BANK PLC

Consolidated financial statements for the period ended 31 December 2009.

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CORPORATE GOVERNANCE

Introduction

Access Bank Plc ('the Bank') recognises that good corporate governance is fundamental to earning and retaining the confidence and trust of its stakeholders. It provides the structure through which the objectives of the Bank are set and the means of attaining those objectives and monitoring and procedures are determined.

The Codes of Corporate Governance for Banks in Nigeria Post Consolidation issued by the Central Bank of Nigeria, the Securities and Exchange Commission's Code of Best Practice and Access Bank's Principles of Corporate Governance collectively provide the basis for promoting sound corporate governance in the Bank. The Bank's subsidiary entities are guided by these principles in their governance frameworks and also meet the requirements of their respective jurisdictions to ensure local compliance. The Group's governance framework helps the Board to discharge its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformity with regulatory requirements and acceptable risk.

Compliance with all applicable legislation, regulations, standards and codes is an essential characteristic of the Bank's culture. The Board monitors compliance with these by means of management reports, which include information on any significant interaction with key stakeholders.

Governance structure

Shareholders' Meeting

Shareholders meetings are duly convened and held in line with the Bank's Article's of Association and existing statutory and regulatory regimes in an open manner, for the purpose of deliberating on issues affecting the Bank's strategic direction. This occurs through a fair and transparent process and also serves as medium for fostering interaction between the Board, Management and Shareholders. Attendance at the Annual General Meeting is open to shareholders or their proxies while proceedings at such meetings are usually monitored by members of the press, representatives of the Nigerian Stock Exchange, Central Bank of Nigeria and Securities and Exchange Commission. The Board ensures that shareholders are provided with adequate notice of the meeting. An Extraordinary General Meeting may also be convened at the request of the Board or Shareholders holding not less than 10% of the Bank's paid-up capital.

The Board: Composition and Role

The Board is comprised of fourteen members, which include the Chairman and seven non-Executive Directors, the Group Managing Director/CEO; Group Deputy Managing Director and four Executive Directors. In line with best practice, there is separation of powers between the Chairman and Managing Director. The Board is able to reach impartial decisions as its Non-Executive Directors are a blend of Independent and Non-Independent Directors with no shadow or alternate Directors, which ensures that independent thought, is brought to bear on decisions of the Board. The effectiveness of the Board derives from the diverse range of skills, competences of the executive and non-executive directors who have exceptional degrees of banking, financial and broader entrepreneurial experiences.

The Board is responsible for ensuring the creation and delivery of sustainable value to the Bank's stakeholders through its management of the Bank's business. The Board is accountable to the shareholders and is responsible for the management of the Bank's relationship with its various stakeholders. The Board ensures that the activities of the Bank are at all times executed within the applicable and regulatory framework. The Bank's Principles of Corporate Governance which is a set of principles which have been adopted by the Board as a definitive statement of Corporate Governance defines such matters which have been reserved for the Board. The matters reserved for the Board include but are not limited to defining the Bank's business strategy and objectives, formulating risk policies and making decisions on the establishment of foreign subsidiaries. Executive Management is accountable to the Board for the development and implementation of strategy and policies.

The Board meets quarterly and emergency meetings are convened as may be required by circumstances. The annual calendar of the Board and Committee meetings are approved in advance and all directors are expected to attend each meeting. The annual calendar of board meetings includes a board retreat at an offsite location over three days to consider strategic matters and review the opportunities and challenges facing the Bank. . All directors are provided with notice, agenda and meeting papers in advance of each meeting and where a director is unable to attend a meeting he/she is still provided with the relevant papers for the meeting while such director reserve the right to discuss with the Chairman the matters he/she may wish to raise at the meeting. Decisions are also taken between meetings via written resolutions circulated to all directors in accordance with the Articles of Association of the Bank. The Board met three times during the course of the 2009 financial period.

The Company Secretary and his team continue to provide dedicated support to the Board ensuring that directors receive timely and accurate information required to fulfil their roles. Directors may at the company's expense take independent professional advice on matters pertaining to their role as directors. In addition, the directors receive monthly update on development in the business and regulatory environment. The Board ensures the regular training and education of board members on issues pertaining to their oversight functions.

The Standing Committees

The Board carries out its oversight function through its standing committees each of which has a charter that clearly defines its purpose, composition, structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board does not sit on any of the committees. The Board's four standing committees are: the Board Risk Management Committee, the Board Audit Committee, the Board Human Resources Committee and the Board Credit & Finance Committee. The composition and responsibilities of the Committees are set out below:

Name	Board Audit Committee	Board Risk Management Committee	Board Credit & Finance Committee	Board Human Resources Committee
Mr. Gbenga Oyebo ¹	-	-	-	-
Dr Cosmas Maduka ¹	-	-	C	-
Mr Oritsedere Otubu ¹	C	-	M	M
Dr.Mahmoud Isa-Dutse ²	M	C	M	-
Mr. Emmanuel Chiejina ²	-	-	M	C
Dr. Adewunmi Desalu ¹	-	-	M	-
Mr. Tunde Folawiyo ¹	-	M	M	M
Mrs. Mosun Belo-Olusoga ¹	-	M	M	M
Mr. Aigboje Aig- Imoukhuede ³	M	M	M	M
Mr. Herbert Wigwe ³	M	M	M	M
Mr. Taukeme Koroye ³	M	M	-	-
Mr. Okey Nwuke ³	-	M	M	-
Mr. Obeahon Ohiwerei ³	-	M	M	-
Mr Ebenezer Olufowose ³	-	M	M	-

Keys

- C Chairman of Committee
- M Member
- Not a member
- ¹ Non- Executive
- ² Independent Non-Executive
- ³ Executive

Board Credit and Finance Committee

The Committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been approved by the Management Credit Committee. It also acts as a catalyst for credit policy changes. Given the number of credit requests requiring the Committee's approval and the need for expeditious approval of credits, credits are circulated amongst the members for consideration and approval between Board Committee Meetings. The Committee met three times during the 2009 financial period.

Board Human Resources Committee

The Committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the directors and employees of the Bank. Specifically, the committee is responsible for determining and executing the processes for board appointments, recommending appropriate remuneration for directors (both executive and non-executive) and approving remuneration for all other members of staff. The objectives of the Committee include ensuring that the Bank's human resources are maximised to support the long term success of the Bank and to protect the welfare of all employees. The Committee met three times during the 2009 financial period.

Board Risk Management Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements in the Bank. In addition, it oversees the establishment of a formal written policy on the overall risk management system. The Committee also ensures compliance with established policies through periodic reviews of reports provided by management and ensures the appointment of qualified officers to manage the risk function. The Committee evaluates the Bank's risk policies on a periodic basis to accommodate major changes in internal or external environment. The Committee met three times during the 2009 financial period.

Board Audit Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the Bank's financial statements and the financial reporting process; the independence and performance of the Bank's internal and external auditors; and the Bank's system of internal control and mechanism for receiving complaints regarding the Bank's accounting and operating procedures. The Bank's Chief Internal Auditor and Chief Compliance Officer have access to the Committee and make quarterly presentations to the Committee. The Committee met three times during the 2009 financial period.

Attendance at Board Committee meetings

During the period ended 31 December 2009, the various committees of the Board of Directors held three meetings each and the attendance at these meetings were as shown below:

	NAMES OF DIRECTORS	Meeting				
		BOD	BRM	BCF	BHR	BAC
1	Mr. Gbenga Oyebo	3	N/A	N/A	N/A	N/A
2	Dr. Cosmas Maduka	3	N/A	2	N/A	N/A
3	Dr. Mahmoud Isa –Dutse	3	3	3	N/A	3
4	Dr. Adewunmi Desalu	3	N/A	3	N/A	N/A
5	Mr. Oritsedere Otubu	3	N/A	3	3	3
6	Mr. Emmanuel Chiejina	3	N/A	3	3	N/A
7	Mr. Tunde Folawiyo	3	3	3	3	N/A
8	Mrs. Mosunmola Belo-Olusoga	3	3	3	3	N/A
9	Mr. Aigboje Aig-Imoukhuede	3	3	3	3	3
10	Mr. Herbert Wigwe	3	3	3	3	3
11	Mr. Taukeme Koroye	3	3	N/A	N/A	3
12	Mr. Okey Nwuke	3	3	3	N/A	N/A
13	Mr. Obeahon Ohiwerei	3	3	3	N/A	N/A
14	Mr. Ebenezer Olufowose	3	3	3	N/A	N/A

Key

BOD – Board of Directors' meeting

BRM – Board Risk Management Committee meeting

BCF – Board Credit and Finance Committee meeting

BHR – Board Human Resources Committee meeting

BAC – Board Audit committee meeting

Executive committee

The Executive Committee (EXCO) is made up of the Group Managing Director as Chairman, the Group Deputy Managing Director and all the Executive Directors as members. The Committee meets to deliberate and take policy decisions on the management of the Bank. It is primarily responsible for the implementation of strategies approved by the Board and ensuring the efficient deployment of the Bank's resources.

Management committees

These are standing committees made up of senior management of the Bank. The Committees are also risk driven and are set up to identify, analyse and make recommendations on risk pertaining to the Bank's day to day activities. They ensure that the risk limits set by the Board and the regulatory bodies are complied with and also provide inputs to the various Board Committees in addition to ensuring the effective implementation of risk policies. They meet as frequently as risk issues occur and take actions and decisions within the confines of their respective powers.

The management committees include: Management Credit Committee, Asset and Liabilities Committee, Enterprise Risk Management Committee, Criticized Assets Committee and IT Steering Committee.

Statutory audit committee

In compliance with Section 359 of the Companies and Allied Matters Act 1990, the Bank constituted a Standing Shareholders Audit Committee made up of three non-executive directors and three shareholders. The composition of the Committee is as set out below

1.	Mr. Oluwatoyin Eleoramo	(Shareholder)	Chairman
2.	Mr. Idaere Gogo Ogan	(Shareholder)	Member
3.	Mr. Alashi Steven Ola	(Shareholder)	Member
4.	Dr. Cosmas Maduka	(Director)	Member
5.	Mr. Oritsedere Otubu	(Director)	Member
6.	Mrs. Mosunmola Belo-Olusoga	(Director)	Member

Succession planning

The Bank has a Succession Planning Policy which was approved by the Board at its 112th meeting held on November 16, 2007. Succession planning is aligned to the Bank's performance management process. The policy identifies eleven (11) key positions, including Country Managing Director positions for all Access Bank operating entities in respect of which there will be formal succession planning. The Bank's policy provides that potential candidates for the other positions shall be identified at the beginning of each financial year by the Group Human Resources Head, based on performance and competencies.

Code of ethics

The Bank has articulated a Code of Conduct which specifies expected behaviour of its staff. The Code requires that each Bank staff shall read the Code of Conduct document and sign a confirmation that they have read and understood the document upon employment. In addition, there is a re-affirmation process that requires each member of staff to confirm understanding of and compliance with the Code of Conduct at least once in each year. The Bank has a Compliance Manual which provides guidelines for addressing violations/breaches and ensuring enforcement of discipline with respect to staff conduct. The Bank also has a Disciplinary Guide which provides sample offences/violations and prescribes disciplinary measures to be adopted in various cases. The Head of Human Resources is responsible for the design and implementation of the Code of Conduct while the Chief Compliance Officer is responsible for monitoring and ensuring compliance.

Whistle blowing

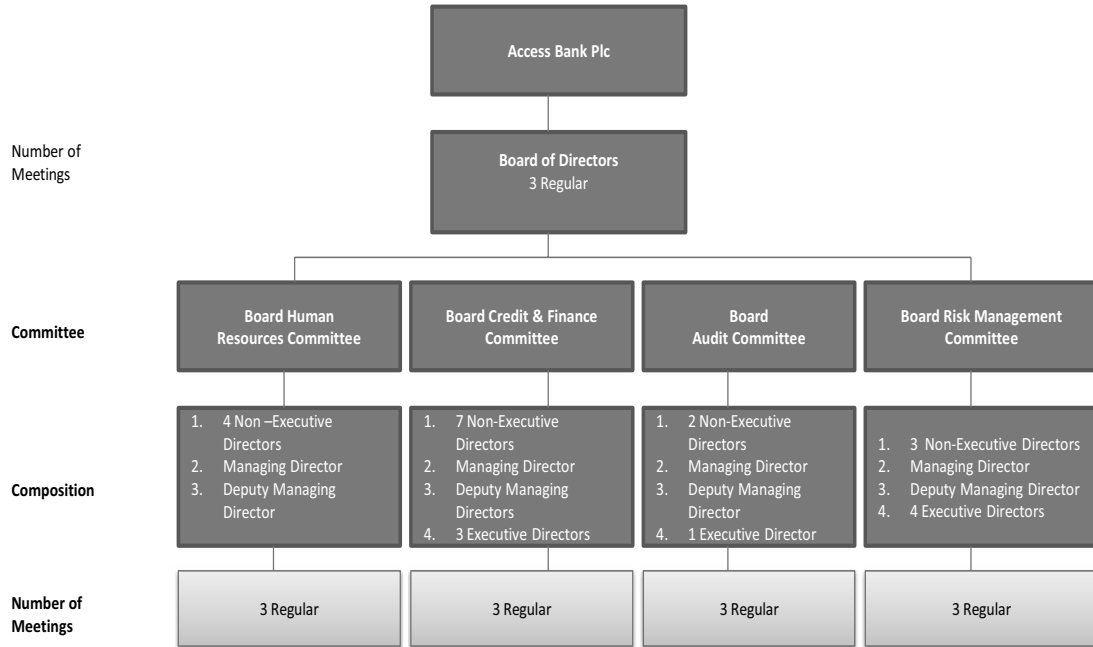
The Bank has a whistle-blowing policy which provides the procedure for reporting suspected breaches of the Bank's internal policies, laws and regulations. There is a special e-mail address and telephone hotline dedicated for whistle blowing. The Bank's Chief Compliance Officer (CCO) is responsible for monitoring and reporting on whistle blowing.

Ratings

In recognition of the Bank's compliance with Corporate Governance Best Practice, in 2009 Financial Year, Pharez Business Day Ratings assigned an A* rating to the Bank. Pharez Business Day Rating is one of the country's leading Governance Rating Agencies. An A* rating indicates the achievement of world class corporate governance standard and connotes the existence of strong corporate governance processes, a strong ability to meet financial obligation and stakeholder expectation and a strong governance process for risk management. In arriving at the rating score, key indices evaluated by the Agency include: the Board of Directors, risk management, relationship with shareholders and other stakeholders and market discipline and disclosures.

The Bank on June 4th 2009 became the first Nigeria Bank to sign on to the Equator Principles. The Equator Principles represent a set of global social and environmental guidelines for providing project finance in all industry sectors. The principles were developed as a banking framework to address social and environmental risk and

increase the transparency of project finance decisions. By this, the Bank stands to benefit from improved risk management in project finance transactions and enhanced access to global financing opportunities to arrange syndicated loans.



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**Independent Auditor's Report
To the members of Access Bank Plc**

We have audited the accompanying consolidated financial statements of Access Bank Plc and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 116.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Access Bank Plc and its subsidiaries ("the Group") as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory consolidated financial statements as described in Note 2 to the consolidated financial statements.

KPMG

24 August 2011
Lagos, Nigeria.



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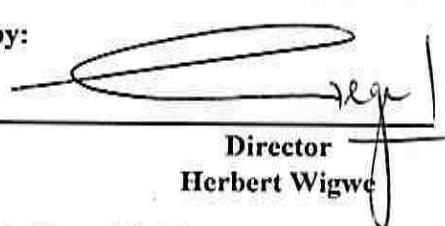
Consolidated statement of financial position

As at 31 December 2009

<i>In thousands of Naira</i>	<i>Notes</i>	December 2009	March 2009
Assets			
Cash and cash equivalents	5, 8, 18	155,076,424	145,484,481
Non pledged trading assets	8, 19	11,563,193	10,557,205
Pledged assets	8, 20	7,591,114	7,825,488
Derivative financial instruments	8, 21	3,002,720	3,033,817
Loans and advances to banks	5, 8, 22	70,526	-
Loans and advances to customers	5, 8, 23	385,313,186	410,835,629
Investments in equity accounted investee	8, 24	300,156	650,547
Investment securities	5, 8, 25	73,745,086	70,472,788
Investment properties	26	1,404,000	-
Property and equipment	27	27,680,220	23,462,849
Intangible assets	28	2,880,706	2,402,718
Deferred tax assets	29	3,779,129	-
Other assets	30	16,927,332	25,489,809
Total assets		689,333,792	700,215,331
Liabilities			
Deposits from banks	5, 8, 31	43,216,841	30,296,711
Deposits from customers	5, 8, 32	442,334,863	426,395,491
Derivative financial instruments	5, 8, 21	1,833,327	1,959,759
Debt securities issued	5, 8, 33	2,604,276	9,207,423
Current tax liabilities		6,982,030	6,586,353
Deferred tax liabilities	29	-	720,169
Other liabilities	5, 8, 34	28,723,169	44,604,505
Interest-bearing loans and borrowings	5, 8, 35	3,376,945	5,193,083
Total liabilities		529,071,451	524,963,494
Equity			
Share capital and share premium	36	154,291,861	154,553,963
Retained earnings	36	(9,980,792)	(3,204,362)
Other components of equity	36	15,092,981	22,873,703
Total equity attributable to owners of the Bank		159,404,050	174,223,304
Non controlling interest	36	858,291	1,028,533
Total equity		160,262,341	175,251,837
Total liabilities and equity		689,333,792	700,215,331

Signed on behalf of the Board of Directors on 24 August 2011 by:


 Director
 Aigboje Aig-Imoukhuede


 Director
 Herbert Wigwe

The notes on pages 15 to 116 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

<i>In thousands of Naira</i>	<i>Notes</i>	December 2009 9 months	March 2009 12 months
Interest income	9	67,914,101	56,691,693
Interest expense	9	(30,142,095)	(15,638,210)
Net interest income		37,772,006	41,053,483
Fee and commission income	10	10,330,688	14,652,815
Fee and commission expense		-	-
Net fee and commission income		10,330,688	14,652,815
Net trading income	11	7,311,132	13,891,867
Net income/(loss) from other financial instruments at fair value through profit or loss	21	113,900	(1,378,253)
Other operating income	12	1,861,329	1,249,104
		9,286,361	13,762,718
Operating income		57,389,055	69,469,016
Net impairment loss on financial assets	13	(23,964,884)	(15,379,723)
Net operating income after net impairment loss on financial assets		33,424,171	54,089,293
Personnel expenses	14	(11,364,635)	(9,886,109)
Operating lease expenses		(1,132,348)	(778,960)
Depreciation and amortization	27, 28	(3,912,049)	(3,922,484)
Other operating expenses	15	(20,194,833)	(21,630,224)
Total expenses		(36,603,865)	(36,217,777)
Share of profit of equity accounted investee		(775,431)	65,789
(Loss)/Profit before income tax		(3,955,124)	17,937,305
Income tax expense	16	1,867,090	(6,646,568)
(Loss)/Profit for the year		(2,088,034)	11,290,737

The notes on pages 15 to 116 are an integral part of these consolidated financial statements.

Access Bank Plc and Subsidiary Companies
Consolidated Financial Statements – 31 December 2009
Together with Auditor's Report

<i>In thousands of Naira</i>	<i>Notes</i>	<u>December</u> 2009 9 months	<u>March</u> 2009 12 months
<i>Other comprehensive income net of income tax:</i>			
Foreign currency translation differences for foreign operations		(685,735)	1,377,979
Fair value gains/(losses) on available-for-sale investments recognized in equity		(3,492,375)	1,954,872
Fair value gains/(losses) on properties and equipment		538,909	-
Income tax relating to component of other comprehensive income	16	-	164,527
Other comprehensive income for the period/year, net of tax		(3,639,201)	3,497,378
Total comprehensive (loss)/income for the period/year		(5,727,235)	14,788,115
(Loss)/Profit attributable to:			
Owners of the Bank		(1,880,450)	11,510,668
Non-controlling interest		(207,584)	(219,931)
(Loss)/Profit for the period/year		(2,088,034)	11,290,737
Earnings per share – Basic	17	(12k)	71k
Diluted	17	(12k)	71k
Total comprehensive income attributable to:			
Owners of the Bank		(5,519,651)	15,008,046
Non-controlling interest		(207,584)	(219,931)
Total comprehensive income for the year		(5,727,235)	14,788,115

The notes on pages 15 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Bonus Reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
Balance at 1 April 2009	8,107,130	146,446,833	6,169,708	15,406,481	(6,050,132)	3,489,080	2,503,296	-	1,355,270	(3,204,362)	1,028,533	175,251,837
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	2,022,609	(282,295)	1,740,314
Opening balance restated	8,107,130	146,446,833	6,169,708	15,406,481	(6,050,132)	3,489,080	2,503,296	-	1,355,270	(1,181,752)	746,238	176,992,152
Total comprehensive income for the year:												-
(Loss)/ Profit for the period	-	-	-	-	-	-	-	-	-	(1,880,450)	(207,584)	(2,088,034)
Other comprehensive income, net of tax												-
Foreign currency translation difference	-	-	-	-	-	-	-	-	(685,735)	-	-	(685,735)
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	(3,492,375)	-	-	-	-	(3,492,375)
Net change on revaluation of property and equipment	-	-	-	-	-	-	538,909	-	-	-	-	538,909
Total other comprehensive income	-	-	-	-	-	-	(2,953,466)	-	(685,735)	-	-	(3,639,201)
Total comprehensive income	-	-	-	-	-	-	(2,953,466)	-	(685,735)	(1,880,450)	(207,584)	(5,727,235)
Transactions with equity holders, recorded directly in equity:												
Bonus shares issued during the period	-	(813,102)	-	-	-	-	-	13,102	-	-	-	-
Transfers for the year	-	-	(4,286,777)	(144,616)	-	-	-	-	-	4,431,393	-	-
New issue from convertible debt	23,894	527,106	-	-	-	-	-	-	-	-	-	551,000
Newly acquired subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	606,264	606,264
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(123,168)	(123,168)
Translation reserve	-	-	-	-	-	-	-	-	-	-	(163,459)	(163,459)
Acquisition/disposal of own shares	-	-	-	-	(523,231)	-	-	-	-	-	-	(523,231)
Dividend to equity holders	-	-	-	-	-	-	-	-	-	(11,349,982)	-	(11,349,982)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to equity holders	23,894	(285,996)	(4,286,777)	(144,616)	(523,231)	-	-	813,102	-	(6,918,589)	319,637	(11,002,576)
Balance at 31 December 2009	8,131,024	146,160,837	1,882,931	15,261,865	(6,573,363)	3,489,080	(450,169)	813,102	669,535	(9,980,792)	858,291	160,262,341

Consolidated Statement of Changes in Equity

In thousands of Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury Shares	Capital Reserve	Fair value reserve	Property revaluation Reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
Balance at 1 April 2008	8,071,252	146,047,149	9,503,442	8,540,743	(3,175,061)	3,489,080	383,896	0	(22,709)	(1,011,478)	56,137	171,882,451
Total comprehensive income for the year:												
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	11,510,668	(219,931)	11,290,737
Other comprehensive income, net of tax												
Foreign currency translation difference	-	-	-	-	-	-	-	-	1,377,979	-	-	1,377,979
Fair value reserve	-	-	-	-	-	-	2,119,399	-	-	-	-	2,119,399
Total other comprehensive income	-	-	-	-	-	-	2,119,399	-	1,377,979	-	-	3,497,378
Total comprehensive income	-	-	-	-	-	-	2,119,399	-	1,377,979	11,510,667	(219,931)	14,788,115
Transactions with equity holders, recorded directly in equity:												
Bonus shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-
Transfers for the year	-	-	(3,333,734)	6,865,738	-	-	-	-	-	(3,532,004)	-	-
New issue	35,878	399,684	-	-	-	-	-	-	-	-	-	435,562
Non-controlling interest in previously unconsolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	925,378	925,378
Capital paid by non-controlling interest	-	-	-	-	-	-	-	-	-	-	266,949	266,949
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	(2,875,071)	-	-	-	-	-	-	(2,875,071)
Dividend to equity holders	-	-	-	-	-	-	-	-	-	(10,492,625)	-	(10,492,625)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	321,078	-	321,078
Total contributions by and distributions to equity holders	35,878	399,684	(3,333,734)	6,865,738	(2,875,071)	-	-	-	-	(13,703,551)	1,192,327	(11,418,729)
Balance at 31 March 2009	8,107,130	146,446,833	6,169,708	15,406,481	(6,050,132)	3,489,080	2,503,295	-	1,355,270	(3,204,362)	1,028,533	175,251,837

Consolidated statement of cash flows
For the period ended 31 December 2009

<i>In thousands of Naira</i>	Notes	<u>December</u> 2009	<u>March</u> 2009
Cash flows from operating activities		(2,088,034)	11,290,737
(Loss)/profit for the period/year			
Adjustments for:			
Depreciation of property and equipment and amortization	27, 28	3,912,049	3,922,484
Gain on disposal of property and equipment		(124,840)	57,392
Net impairment loss on financial assets	13	23,964,884	15,379,723
Property and equipment written off	27	668,368	1,494
Revaluation (gain)/loss		(113,900)	1,342,360
Share of profit/(loss) of equity accounted investee		775,431	(65,789)
Interest paid on borrowings and finance lease		605,526	-
Dividend received		(184,955)	-
Income tax expense	16	(1,867,090)	6,646,568
		25,547,440	38,574,969
Change in trading assets		(1,005,988)	3,236,177
Change in pledged assets		234,374	905,044
Change in derivative assets		31,097	1,378,255
Change in loans and advances to banks and customers		6,391,268	(210,830,715)
Change in other assets		7,082,473	1,642,341
Change in deposits from banks		11,785,939	(39,575,329)
Change in deposits from customers		(6,810,369)	92,621,164
Change in interest bearing loans and borrowings		(1,816,138)	(2,224,687)
Change in derivative financial instruments- liabilities		(126,432)	-
Change in other liabilities		5,734,213	(390,333,517)
		47,047,877	(504,606,298)
Income tax paid		(2,097,088)	(2,113,559)
Net (used in)/cash provided by operating activities		44,950,789	(506,719,857)

Access Bank Plc and Subsidiary Companies
Consolidated Financial Statements – 31 December 2009
Together with Auditor's Report

Cash flows from investing activities			
Net sale/(purchase) of investment securities		(8,964,917)	61,696,003
Interest and dividends received		184,955	56,691,693
Purchase of property and equipment	27	(7,728,880)	(10,966,342)
Proceeds from the sale of property and equipment		311,697	457,990
Purchase of intangible assets	28	(676,404)	(419,185)
Acquisition of subsidiaries, net of cash acquired		-	(1,307,034)
Purchase of investment properties	26	(1,404,000)	-
Net cash provided by/(used in) investing activities		(18,277,549)	106,153,125
Cash flows from financing activities			
Repayment of long term borrowings		(5,700,565)	(5,255,254)
Interest paid on long term borrowings		(605,526)	(2,134,341)
Increase in long term borrowings		-	(2,986,311)
Dividends paid to owners	36	(11,349,982)	(10,492,625)
Increase in non-controlling interest	36	606,264	266,949
Net cash provided by financing activities		(17,049,809)	(20,601,582)
Net (decrease) /increase in cash and cash equivalents		9,623,431	(421,168,314)
Cash and cash equivalents at beginning of period/year	18	145,484,481	566,718,251
Effect of exchange rate fluctuations on cash held		(31,488)	(65,456)
Cash and cash equivalents at end of period/year	19	155,076,424	145,484,481

The notes on pages 15 to 116 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity

Access Bank Plc (“the Bank”) is a company domiciled in Nigeria. The address of the Bank’s registered office is Plot 1665, Oyin Jolayemi, Victoria Island, Lagos. The consolidated financial statements for the period ended 31 December 2009 are prepared for the Bank and its subsidiaries (together referred to as “the Group” and separately referred to as “Group entities”). The Group is primarily involved in investment, corporate, commercial and retail banking.

2. Statement of compliance with international financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). They have been prepared in addition to the Group’s statutory financial statements (not included herein), which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

These financial statements were authorised for issue by the directors on 24 August 2011.

3. Basis of preparation

(a) Reporting period

The 31 December 2009 consolidated financial statements have been prepared for a 9 month period as a result of the change in accounting year end of the Bank from 31 March to 31 December. However the corresponding consolidated financial statements was prepared for a year ended 31 March 2009. The change in accounting year end was due to the adoption of the 31 December mandatory year end for banks in Nigeria and to align the Bank’s accounting year end with that of its subsidiaries.

(b) Functional and presentation currency

These consolidated financial statements are presented in Naira, which is the Bank’s functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- liabilities for cash-settled share-based payment arrangements are measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

Notes to the consolidated financial statements

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 5 and 6.

(e) Changes to accounting policies

Effective 1 January 2009 the Group has adopted the following:

- IFRS 7 – Improving disclosures about financial instruments, an amendment to IFRS 7 – Financial instruments disclosures which has resulted in additional disclosures being made regarding liquidity risk and the fair value measurement in respect of financial instruments.
- IAS 1 – Presentation of financial statements (revised), which has resulted in the reformatting of the statement of recognised income and expense into the statement of comprehensive income and the addition of a statement of changes in equity. This does not change the recognition, measurement or disclosure of specific transactions and events required by IFRS.
- IFRS 8 – The Group determines and presents operating segments based on the information that internally is provided to the Executive Management Committee, which is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment reporting. The new accounting policy in respect of operating segment disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of this standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Executive Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Notes to the consolidated financial statements

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism; the Group has delegated these decision-making powers.
- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further assessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(iii) Accounting method of acquisition

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy on goodwill.

Notes to the consolidated financial statements

(iv) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(v) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are retranslated to the functional currency at exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Naira at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Naira at exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. Since 1 April 2006, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. However, if the operation is not wholly owned the relevant proportionate share of the difference is allocated instead to the non-controlling interest. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income and foreign currency translation reserve.

Notes to the consolidated financial statements

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are recognized as interest in profit or loss account.

Fair value changes on trading assets and liabilities carried at fair value through profit or loss, are presented in net trading income through profit or loss.

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences.

(f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

Notes to the consolidated financial statements

(g) Dividends

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on available-for-sale securities are recognised as a component of other operating income.

(h) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(i) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the consolidated financial statements

(j) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

See accounting policies 4(l), (m), (n) and (o).

(iii) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its 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.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group writes off certain loans and investment securities when they are deemed to be uncollectible (see note 23).

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or

Notes to the consolidated financial statements

deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(vi) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

(viii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment for loans and advances and held-to-maturity investments at both a specific asset and collective

Notes to the consolidated financial statements

level. Assets showing signs of deterioration are assessed for individual 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 by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ix) Designation at fair value through profit or loss

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 8 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Notes to the consolidated financial statements

(k) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(l) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

(m) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group’s financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Notes to the consolidated financial statements

(n) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassification that are so close to maturity that changes on the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassification after the Group has collected substantially all the asset's original principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss as described in accounting policy (k) (ix).

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Notes to the consolidated financial statements

(o) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(p) Investment properties

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Group. An occupation of more than 15% of the property is considered substantial. Investment properties are carried in the balance sheet at their market value and revalued yearly on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Group's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account, is credited to profit and loss account to the extent that it offsets the previously recorded decrease. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account. Investment properties are disclosed separately from the property and equipment used for the purposes of the business.

(q) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Notes to the consolidated financial statements

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicles	4 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(r) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets at the date of acquisition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the

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software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

(s) Leased assets – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's statement of financial position.

(t) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(u) Deposits and debt securities issued

Deposits and debt securities issued are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

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The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(v) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(w) 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.

(x) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(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.

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(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 provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The Bank operates a cash-settled share based compensation plan (i.e. share appreciation rights - SARs) for its management personnel. The management personnel are entitled to the share appreciation rights at a pre-determined price after spending five years in the Bank.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(y) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on the Bank's ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

(iii) Treasury shares

Where the Bank or any member of the Group purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(ab) Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

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(z) Operating segment

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(aa) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
 - The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
 - Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
 - Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- IFRS 9 *Financial Instruments*, published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity*, *available for sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment on other comprehensive income. No amount recognised in other

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comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2011 consolidated financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the consolidated financial statements.

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5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- ☐ credit risk
- ☐ liquidity risk
- ☐ market risks
- ☐ operational risks

This note which presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital, are detailed in the enterprise risk management framework.

Risk management architecture

Access Bank Plc ("the Bank") and its subsidiary companies ("the Group") has established a comprehensive risk management framework to monitor, evaluate and manage principal risks it assumes in the conduct of its activities. These risks include credit, market, liquidity, operational, compliance, legal and reputational exposures.

Access Bank's risk management architecture is carefully crafted to balance corporate oversight with well-defined risk management functions which fall into one of three categories where risk must be managed: lines of business, governance & control and corporate audit.

The board of directors and management of the Bank are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international banks. We are convinced that the long-term sustainability of our franchise depends critically on the proper governance and effective management of our business. As such, risk management occupies a significant position of relevance and importance in the Bank.

To this end, Access Bank operates a centralised risk management and compliance division, with responsibility to ensure that the risk management processes are implemented in compliance with policies approved by the board of directors.

The board of directors determines Access Bank's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of Access Bank to assume risk, weighed against the expected rewards. The umbrella risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk areas of credit, market and operational risks.

The evolving nature of risk management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and

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monitoring by the risk management and compliance division, in conjunction with internal audits; and through independent evaluation by external auditors, examiners or consultants.

The chief risk and compliance officer has primary responsibility for risk management and for the review of the ERM Framework. All amendments to the Bank's ERM Framework require board approval. The risk management division is responsible for the enforcement of the Bank's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

To ensure that the decision making process within Access Bank is regulated and that the boundaries set by the board of directors and regulatory authorities are complied with, our risk management division regularly reviews and reports risk exposures, usage of limits and any special concerns to senior management and the board of directors.

Substantial enhancements were made to the risk management framework in 2009 based on the guidelines of the Basel II Capital Accord:

- ✓ design of risk capital model to evaluate risks;
- ✓ a defined risk appetite that is aligned with business strategy optimization;
- ✓ risk decisions based on accurate, transparent and rigorous analytics;
- ✓ stress tests to measure the potential impact to the Bank of very large changes in various types of key risk factors (e.g. interest rates, liquidity, non-performing loans) as well as several potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios;
- ✓ accountability through common framework to manage risks;
- ✓ empowering risk managers to make decision and escalate issues; and
- ✓ expertise, authority and independence of risk managers.

Basel II implementation

The Basel II Accord is a set of new, more risk-sensitive rules for capital requirement calculations, which came into effect on January 1, 2007. The Basel II rules define the minimum capital a financial institution should hold for unexpected events. They also provide sets of minimum qualitative standards and risk management practices that a financial institution should have in place. The current Basel II rules include capital requirements for operational risk, in addition to credit and market risk, which are already covered in the current Basel I.

The Basel II rules are represented by three pillars: Pillar I addresses the calculation of minimum regulatory capital requirements for credit, market and operational risk. Pillar II addresses the supervisory review process, the financial institution's capital adequacy assessment including other risks not addressed under Pillar I and the strategy for maintaining capital levels. Finally, Pillar III addresses market discipline and requirements regarding market disclosure of risk-related information.

At Access Bank, we are committed to the implementation of Basel II in the medium term. To this end, a standing steering committee leads the Bank's Basel II effort, with the full support of the management of the Bank and the board of directors.

In 2009, the Bank developed several policies covering the first two (2) pillars of the Accord and a well-articulated implementation plan that was approved by the Board of Directors.

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Risk definition, philosophy, culture and objectives

Risk definition

Risk is the level of exposure – opportunity, threat and uncertainty – that Access Bank identifies, measures, understands and effectively manages, as it executes its strategies to achieve its business objectives and create value.

For Access Bank to be successful over the long term, we have to manage opportunity, threat and uncertainty effectively.

Risk management philosophy and culture

Access Bank considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterise how the Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities.

In this regard, the Bank's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

The Bank believes that enterprise risk management provides the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks. This will ensure that:

- Risk acceptance is done in a responsible manner
- The executive and the board of the Bank have adequate risk management support
- Uncertain outcomes are better anticipated
- Accountability is strengthened
- Stewardship is enhanced

The Bank identifies the following attributes as guiding principles for its risk culture.

a) Management and staff:

- Consider all forms of risk in decision-making
- Create and evaluate business-unit and Bank-wide risk profile to consider what is best for their individual business units/department and what is best for the Bank as a whole
- Adopt a portfolio view of risk in addition to understanding individual risk elements
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level
- Accept that enterprise risk management is mandatory, not optional
- Strive to achieve best practices in enterprise risk management
- Document and report all significant risks and enterprise-risk management deficiencies
- Adopt a holistic and integrated approach to risk management and bring all risks together under one or a limited number of oversight functions
- Empower risk officers to perform their duties professionally and independently without undue interference
- Ensure a clearly defined risk management governance structure
- Ensure clear segregation of duties between market facing business units and risk management/control functions
- Strive to maintain a conservative balance between risk and profit considerations

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- Continue to demonstrate appropriate standards of behaviour in development of strategy and pursuit of objectives
- b) Risk officers work as allies and thought partners to other stakeholders within and outside the Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties
- c) Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is based on consensus
- d) Risk management is governed by well-defined policies, which are clearly communicated across the Bank
- e) Equal attention is paid to both quantifiable and non-quantifiable risks
- f) The Bank avoids products and businesses it does not understand

Risk appetite

Risk appetite is defined as the level of risk the Bank is prepared to accept (tolerate) to achieve its objectives. The Bank's risk appetite can be expressed in terms of how much variability of return the Bank is prepared to accept in order to achieve a desired level of result. It is determined by considering the relationship between risk and return.

The Bank also needs to consider its capacity for risk. Risk capacity is the level of risk the Bank is not prepared to exceed. This can be assessed by estimating the maximum loss the Bank can endure in one year without endangering the survival of the Bank. This estimate serves as a proxy for the Bank's risk capacity.

The Bank's risk appetite is always set at a level that minimises erosion of earnings or capital due to avoidable losses in the banking and trading books or from frauds and operational inefficiencies.

The following factors govern the Bank's risk appetite:

Financial

- a) Losses due to frauds and operational lapses as a percentage of shareholders' fund
- b) Maintenance of sustainable returns

Reputational

- a) Favourable reports from the auditors, regulatory bodies and external rating agencies
- b) Top-five market position based on all ratios
- c) Financial and prudential ratios at a level more conservative than regulatory requirements and better than the average of benchmark banks
- d) Minimal reputational damage from adverse publicity in local and international press
- e) Zero appetite for association with disreputable elements

Credit

The Bank's appetite for credit risk is governed by high quality risk assets measured by the following key performance indicators:

- Ratio of non-performing loans to total loans
- Ratio of loan loss expenses to total revenue
- Ratio of loan loss expense to interest income
- Ratio of loan loss provision to gross non-performing loans
- Concentration of portfolio by industry, product and geographical regions

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Customer service

- a) Below industry average level of customer attrition

Regulatory

- a) Zero tolerance to payment of fines and other regulatory penalties

Risk management objectives

The broad risk management objectives of the Bank are:

- To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost
- To protect against unforeseen losses and ensure stability of earnings
- To maximise earnings potential and opportunities
- To maximise share price and stakeholder protection
- To enhance credit ratings and depositor, analyst, investor and regulator perception
- To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions

Risk management strategy

The strategy for the management of risk is to empower all our staff actively to identify, control, monitor, and regularly report risk issues to management.

Risk oversight

The Bank's risk management and compliance division provides a central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored and controlled in order to minimise adverse outcomes.

The division is complemented by the financial control and regulatory/reputation risk group in the management of strategic and reputational risks respectively.

The risk management and compliance division coordinates the process of monitoring and reporting risks across the Bank.

Without prejudice to the above, internal audit has the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Audit also tests the adequacy of internal control and makes appropriate recommendations where there are weaknesses.

Responsibilities and functions

The responsibilities of the Risk Management and Compliance Division, the Financial Control and Strategy Group, Regulatory/Reputation Risk Group with respect to risk management are highlighted below:

Notes to the consolidated financial statements

Risk Management and Compliance Division

- a) Champion the implementation of the ERM Framework across the Bank and subsidiaries
- b) Develop risk policies, principles, process and reporting standards that define the Bank's risk strategy and appetite in line with the Bank's overall business objectives
- c) Ensure that controls, skills and systems are in place to enable compliance with the Bank's policies and standards
- d) Facilitate the identification, measurement, assessment, monitoring and control of the level of risks in the Bank
- e) Collect, process, verify, monitor and distribute risk information across the Bank and other material risk issues to senior management, the Board and regulators
- f) Monitor compliance with bank-wide risk policies and limits
- g) Provide senior management with practical, cost effective recommendations for improvement of risk management
- h) Act as a key contact for senior management who may wish to request ad hoc reviews/investigations
- i) Ensure that laws, regulations and supervisory requirements are complied with including consequence management
- j) Champion the implementation of Basel II
- k) Promote risk awareness and provide education on risk
- l) Provide assurance on compliance with internal and external policies with respect to risk management

Financial Control and Strategy

- a) Prepare and monitor the implementation of the Bank's strategic plan
- b) Conduct strategic and operational review of the Bank's activities
- c) Conduct regular scanning of the Bank's operating environment
- d) Coordinate and monitor the Bank's rating exercises by external rating agencies
- e) Prepare business intelligence reports for the Bank's management
- f) Prepare periodic management reports on subsidiaries and associates
- g) Perform competitive analysis in comparison with industry peers
- h) Conduct strategic/operational review of branches

Risk management governance framework

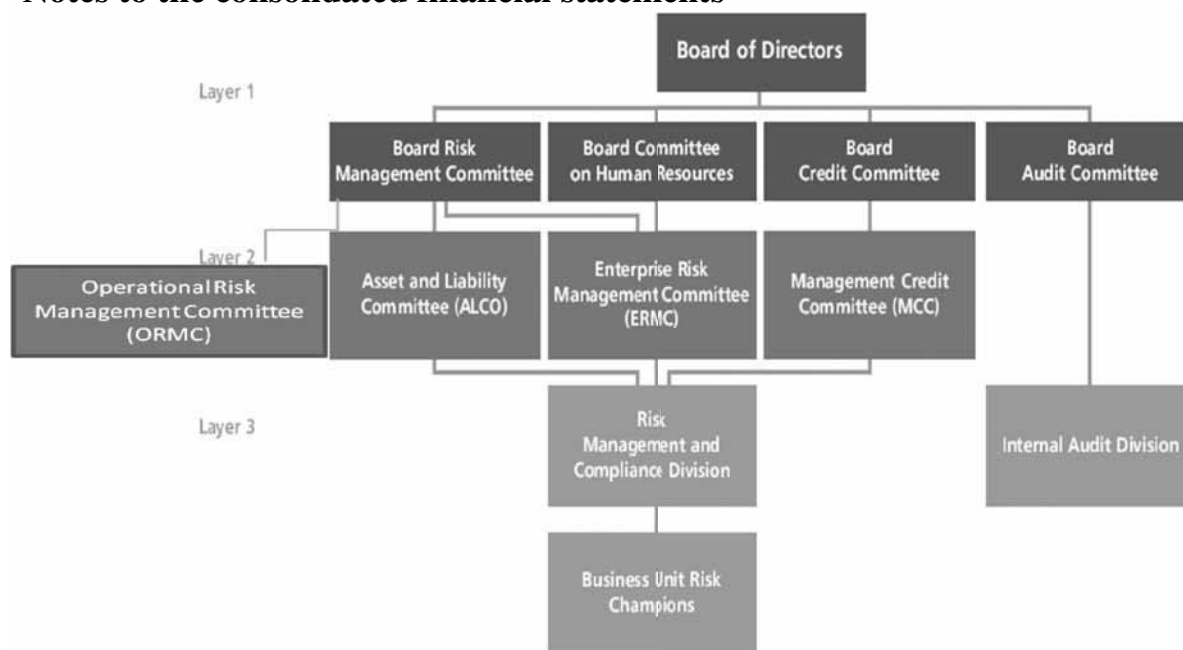
The framework details Access Bank's risk universe and governance structure comprising three distinct layers:

- 1. The enterprise-wide risk management and corporate governance committee forums
- 2. The executive management committees
- 3. Risk management responsibilities per risk area

Risk Management Governance Structure

Access Bank's Risk Management Governance Structure is depicted below:

Notes to the consolidated financial statements



Roles of the board of directors

The board of directors' role as it relates to risk management is divided into six areas: general; credit; market; compliance; operational and reputational risks. Specific roles in these areas are further defined below:

General

- a) Develop a formal enterprise-risk management framework
- b) Review and approve the establishment of a risk management function that would independently identify, measure, monitor and control risks inherent in all risk-taking units of the Bank
- c) Ratify the appointment of qualified officers to manage the risk management function
- d) Approve and periodically review the Bank's risk strategy and policies
- e) Approve the Bank's risk appetite and monitor the Bank's risk profile against this appetite
- f) Ensure that the management of the Bank has an effective ongoing process to identify risk, measure its potential impact and proactively manage these risks
- g) Ensure that the Bank maintains a sound system of risk management and internal control with respect to:
 - Efficiency and effectiveness of operations
 - Safeguarding of the Banks assets (including information)
 - Compliance with applicable laws, regulations and supervisory requirements
 - Reliability of reporting
 - Behaving responsibly towards all stakeholders
- h) Ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually
- i) Ensure that management maintains an appropriate system of internal control and review its effectiveness
- j) Ensure risk strategy reflects the Bank's tolerance for risk

Notes to the consolidated financial statements

- k) Review and approve changes/amendments to the risk management framework
- l) Review and approve risk management procedures and control for new products and activities
- m) Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management

Credit risk

- a) Approve the Bank's overall risk tolerance in relation to credit risk based on the recommendation of the chief risk and compliance officer
- b) Ensure that the Bank's overall credit risk exposure is maintained at prudent levels and consistent with the available capital through quarterly review of various types of credit exposure
- c) Ensure that top management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function
- d) Ensure that the Bank implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk
- e) Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place
- f) Appoint credit officers and delegate approval authorities to individuals and committees

Operational risk

- a) Oversee the overall governance of the Bank's operational risk management process
- b) Set the Bank's operational risk strategy and direction in line with the Bank's corporate strategy
- c) Approve the Bank's operational risk management framework
- d) Periodically review the framework to ensure its relevance and effectiveness
- e) Ensure that senior management is performing their risk management responsibilities
- f) Ensure that the Bank's operational risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff

Market and liquidity risk

- a) Define the Bank's overall risk appetite in relation to market risk
- b) Ensure that the Bank's overall market risk exposure is maintained at levels consistent with the available capital
- c) Ensure that top management as well as individuals responsible for market risk management possess sound expertise and knowledge to accomplish the risk management function
- d) Approve the Bank's strategic direction and tolerance level for liquidity risk
- e) Ensure that the Bank's senior management has the ability and required authority to manage liquidity risk
- f) Approve the Bank's liquidity risk management framework
- g) Ensure that liquidity risk is identified, measured, monitored and controlled

Legal and compliance risk

- a) Approve the Bank's code of conduct and ethics;
- b) Monitor the Bank's compliance with laws and regulations, its code of conduct and ethics and Corporate governance practices
- c) Ensure that the Bank has a process for ensuring new and changed legal and regulatory requirements are identified monitored and reflected in Bank processes
- d) Approve the compliance structure, mechanisms and processes established by management to ensure compliance with current laws, regulations and supervisory requirements
- e) Ensure the Bank has a compliance culture that contributes to the overall objective of risk management

Notes to the consolidated financial statements

Reputational risk

- a) Set an appropriate tone and guidelines regarding the development and implementation of effective reputation risk management practices, including an explicit statement of a zero tolerance policy for all unethical behaviour
- b) Approve the Bank's framework for the identification, measurement, control and management of reputational risk
- c) Monitor the Bank's compliance with its reputational risk management policies and recommend sanctions for material breaches of internal policies
- d) Review all exception reports by external parties such as regulators and auditors; ensure that appropriate sanctions are applied to erring officers; demand from management appropriate explanations for all exceptional items; ensure that management puts in place effective and remedial actions and reports on progress to the Board on an ongoing basis
- e) Ensure that Board members do not compromise their fit and proper status with regulators. They shall ensure that only board members who do not tarnish the Bank's image and reputation remain as members
- f) Ensure that only fit and proper persons are appointed to senior management positions in the Bank.

Board committees

The board's risk management oversight roles and responsibilities are delegated to the following committees:

- Board risk management committee
- Board audit committee
- Board credit committee
- Board committee on human resources

Without prejudice to the roles of these committees, the full board shall retain ultimate responsibility for risk management.

Board risk management committee

The primary role of the committee is to report to the board and provide appropriate advice and recommendations on matters relevant to risk management. Specifically, the committee performs the following functions:

- a) Oversee the establishment of a formal written policy on the Bank's overall risk management framework. The policy defines risks and risk limits that are acceptable and unacceptable to the Bank. It provides guidelines and standards to administer the acceptance and ongoing management of all risks
- b) Ensure that adequate policies are in place to manage and mitigate the adverse effects of both business and control risks in its operations
- c) Ensure compliance with established policy through periodic review of reports provided by management, internal and statutory auditors and the supervisory authorities
- d) Approve the appointment of qualified officers to manage the risk function
- e) Oversee the management of all risks except credit risk in the Bank
- f) Re-evaluate the risk management policy of the Bank on a periodic basis to accommodate major changes in internal or external factors
- g) Evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:
 - important judgments and accounting estimates
 - business and operational risks in the areas of credit, market and operations

Notes to the consolidated financial statements

- specific risks relating to outsourcing
 - consideration of environmental, community and social risks
- h) Evaluate the adequacy of the Bank's risk management systems and the adequacy of the Bank's control environment with management, and the internal and external auditors
- i) Evaluate the Bank's risk profile, the action plans in place to manage risks, and monitors progress against plan to achieve these actions
- j) Review the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk
- k) Approve the provision of risk management services by external providers

Board audit committee

The committee assists the board in ensuring the independence of the internal audit function of the Bank and that it performs the following functions:

- a) Oversee the development of a procedure for the receipt, retention and treatment of complaints received by the Bank, regarding accounting, internal accounting controls, unethical activity/breach of the corporate governance code or audit matters, including a means for the Bank's stakeholders (employees, customers, suppliers, applicants and others) to submit such complaints in a confidential and anonymous manner
- b) Investigate any matter brought to its attention within the scope of its duties with the authority to retain counsel or other advisors, if in its judgment that is appropriate, at the expense of the Bank
- c) Submit meeting minutes and, as appropriate, discuss the matters deliberated upon at each Committee meeting with the board of directors
- d) Annually review and reassess its responsibilities, functions, pre-approval policy for audit and non-audit services, and charter, making changes as necessary, and conduct an annual performance evaluation of its activities
- e) Ensure that the Bank provides adequate funding, as determined by the committee, to the committee for payment and compensation for advisers engaged by the committee, and payment of ordinary administrative expenses incurred by the committee in carrying out its duties
- f) Review the proposed audit plan(s) and review the results of internal audits completed since the previous committee meeting as well as the focus of upcoming internal audit projects
- g) Approve the appointment and termination of the Chief Internal Auditor based on the recommendations of the Bank's executive management
- h) Evaluate the process the Bank has in place for monitoring and assessing the effectiveness of the internal audit function
- i) Monitor the progress of the internal audit programme and considers the implications of internal audit findings on the control environment
- j) Monitor the implementation of agreed action plans by management
- k) Review reports from the internal auditors detailing their key findings and agreed management actions
- l) Review the appropriateness of the qualification of the internal audit personnel and work resources
- m) Review the internal audit reporting lines and independence

Board credit committee

The board credit committee under delegated authority is responsible for the following:

- a) Facilitate the effective management of credit risk by the Bank
- b) Approve credit risk management policies, underwriting guidelines and standard proposals on the recommendation of the management credit committee

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- c) Approve definition of risk and return preferences and target risk portfolio
- d) Approve the Bank's credit rating methodology and ensure its proper implementation
- e) Approve credit risk appetite and portfolio strategy
- f) Approve lending decisions and limit setting
- g) Approve new credit products and processes
- h) Approve assignment of credit approval authority on the recommendation of the management credit committee
- i) Approve changes to credit policy guidelines on the recommendation of the management credit committee
- j) Approve credit facility requests and proposals within limits defined by Access Bank Plc's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities
- k) Recommend credit facility requests above stipulated limit to the board
- l) Review credit risk reports on a periodic basis
- m) Approve credit exceptions in line with board approval
- n) Make recommendations to the board on credit policy and strategy where appropriate

Board committee on human resources

The board committee on human resources has responsibility for the following:

- a) Ensure the right calibre of executive management is attracted, retained, motivated and rewarded
- b) Make recommendations on the remuneration of the Chairman, non-executive directors and executive directors to the board for ratification
- c) Approve remuneration levels for senior management and other Bank personnel
- d) Review and approves remuneration policies and strategy
- e) Monitor the Bank's people-risk universe

Roles of senior management in risk management

Executive committee

- a) Implement risk strategy approved by the board of directors
- b) Develop policies and procedures for identifying, measuring and controlling risks identified in the

Bank's risk universe

- c) Provide appropriate resources to evaluate and control all identified risks
- d) Review risk reports on a regular and timely basis
- e) Review periodic risk reports for operational and other risks separate from credit and market risks
- f) Provide all reports required by the Board and its committees for the effective performance of risk management oversight functions

The following management committees are directly responsible for risk management oversight:

Enterprise risk management committee

The Bank's enterprise risk management committee is responsible for managing all risks with the exception of credit, market and liquidity risks. The risks within the committee's purview include (but are not limited to) strategic, reputational, compliance and operational risks.

Notes to the consolidated financial statements

The following are members of the committee:

- The Group Managing Director (Chairman)
- The Group Deputy Managing Director
- All Executive Directors
- Chief Risk and Compliance Officer
- Chief Financial Officer
- All ERM division heads
- Head, Corporate Affairs
- Head, Legal Department
- Head, Information Technology

The committee has the following responsibilities for all risks within its purview:

- a) Formulate policies
- b) Monitor implementation of risk policies
- c) Review risk reports for presentation to the board/board committees
- d) Implement board decisions across the Bank

Management credit committee

The management credit committee is responsible for managing credit risks in the Bank. The membership of the committee is as follows:

- Group Managing Director/Chief Executive Officer – Chairman
- Group Deputy Managing Director – Vice Chairman
- All Executive Directors
- Group Head, Credit Risk Management
- Team Leaders, Credit Risk Management
- Group Heads, Commercial Banking
- Group Heads, Institutional Banking
- Group Heads, Operations & IT
- Group Head, Compliance
- Group Head, Internal Audit
- Head of Legal (or his/her nominee as approved by the GMD/CEO)
- Other Group Heads

The committee has the following responsibilities:

- Review credit policy recommendations for board approval
- Approve individual credit exposure in line with its approval limits
- Agree on portfolio plan/strategy for the Bank
- Review monthly credit risk reports and remedial action plan
- Coordinate the Bank's response to material events that may have an impact on the credit portfolio

Notes to the consolidated financial statements

The committee is assisted by the credit risk management function, whose responsibilities are to:

- Establish and maintain effective credit risk management environment in the Bank
- Review proposals in respect of credit policies and standards and endorse to the board of directors for approval
- Define the Bank risk and return preferences and target risk portfolio
- Monitor on an ongoing basis the Bank's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance
- Define credit approval framework and assign credit approval limits in line with Bank policy
- Review defined credit product programs on recommendation of the head of the credit risk management and endorse to the board of directors for approval
- Review credit policy changes initiated by management and endorse to the board of directors for approval
- Ensure compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities
- Approve credit facility requests within limits defined by Access Bank's credit policy guideline (CPG), and within the statutory requirements set by the regulatory/ supervisory authorities
- Review and endorse credits approved by SBU heads
- Review and recommend to the board credit committee, credits beyond their approval limits
- Review periodic credit portfolio reports and assess portfolio performance
- Approve exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limit.

Group Asset & Liability Committee (GROUP ALCO)

The Group ALCO is responsible for the optimum management of the Bank's balance sheet and taking relevant decisions as well as recommending to the Board of Directors' prudent asset/liability management policies and procedures that enable the Bank to achieve its goals while operating in full compliance with all relevant laws and regulations.

Purpose

The purpose of the Group ALCO is to:

- monitor and control all market, liquidity and interest rate risks across the Access Bank Plc and its subsidiaries (hereinafter called the Group) in accordance with the risk appetite set by the Board of Directors;
- review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;
- approve market risk, liquidity risk and banking book interest rate risk policies for each of the banking subsidiaries;
- review and note the impact of internal and external factors on the net interest margin; and
- recommend to the Board, policies and guidelines under which the Bank will manage the matters listed below, and in so doing protect the Bank's capital base and reputation:
- balance sheet growth:
 - deposits, advances and investments;

Notes to the consolidated financial statements

- Non earning assets
- foreign exchange activities and positions; and
- market and liquidity management.
- Capital management

Responsibilities and authorities

- The ultimate responsibility for the proper management of the Bank's assets and liabilities lies with the Board of Directors.
- The Board of Directors may delegate that responsibility to Group ALCO and Group ALCO, through this mandate, is responsible for the establishment of appropriate policies and limits across the Group.
- Group ALCO is responsible for the implementation and monitoring of these policies and for the development of appropriate procedures and guidelines for adoption at Country ALCOs and specific ratification by the subsidiaries' Board of Directors.
- Country ALCO is responsible for providing the information input to Group ALCO to enable it to perform its function.
- Country ALCO is responsible for proposing amendments to Policies for approval and ratification by Group ALCO, such amendments having been first approved at the Country ALCO.
- Group ALCO reports to the Board of Directors through the Board Risk Management Committee detailing strategies, risk positions since the last report received. Any excesses during the period under review must be supported by details quoting the relevant authority for the excess i.e. Central Bank, ALCO etc.
- Group ALCO will delegate limits/authorities to line management to enable the smooth functioning of the Bank's day to day operations.
- In the event of a vote, majority will prevail with the Group ALCO chairman casting the deciding vote in the event of a tie.

Prudent management of market risk:

- To ensure the levels of market risk assumed by the Bank are effectively and prudently managed in accordance with the Market Risk Policy.
- To approve market risk limits and triggers in accordance with the risk appetite set by Group ALCO and the Group's Concentration Risk Policy
- To note compliance with all market risk limits and triggers, and ensure actions to address breaches are promptly executed and reported to authorised bodies.
- To manage all forms of market risk by firstly using the Alco's mandate to set exposure levels and stop-loss limits, and secondly, if necessary, by hedging any form of market risk.
- To review and approve all policies and procedures relating to market risk management.

Prudent management of liquidity risk:

- To ensure the levels of tactical and strategic liquidity risk assumed by the Bank are effectively and prudently managed in accordance with the Liquidity Risk Policy.
- To approve liquidity risk limits and guidelines in accordance with the risk appetite set by Group ALCO

Notes to the consolidated financial statements

- To note compliance with all liquidity risk guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies.
- To ensure appropriate steps are taken where there is deterioration in liquidity.
- To approve funding and liquidity management strategies based on forecast balance sheet growth.
- To ensure the provision of standby funding facilities is kept within prudent levels.
- To review and approve all policies, procedures and contingency plans relating to liquidity risk management.
- To approve liquidity stress scenarios and associated contingency plans.

Prudent management of interest rate risk:

- To ensure that the level of interest rate risk assumed by the Bank is effectively and prudently managed.
- To note compliance with all guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies.
- To approve limits and guidelines in accordance with the risk appetite set by Group ALCO and the Group Market Risk.
- To approve the subsidiaries' market risk and hedging strategies on a case-by-case basis, or explicitly delegate the approval of such strategies to the Country ALCO.

Prudent margin management:

- To review and note the impact of internal and external factors on the Bank's current and forecasted net interest margin.
- To review and approve funds transfer pricing principles, methodologies and rates.
- To review and approve policies and procedures relating to margin management.

General:

- To monitor adherence to regulatory requirements.
- To delegate to the Group Asset and Liability Management team the responsibility of dealing with trigger, guideline or limit breaches across the Group on a day-to-day basis.

The Committee has the following as members:

- The Group Managing Director/Chief Executive Officer - Chairman
- The Group Deputy Managing Director
- The Group Executive Directors
- Chief Risk Officer
- Country Managing Directors
- Country Treasury Heads
- The Group Treasurer;
- Head, Financial Control – Domestic
- Head, Financial Control – International
- Head, Group Asset & Liability Management – Secretary

Notes to the consolidated financial statements

- Head, Group Market Risk
- Head, Credit Risk

Operational Risk Management Committee (ORMC)

The committee is responsible for the effectiveness of the operational risk management function within the Bank. All decisions and deliberations of the committee are reported to the Board Risk Management Committee.

The committee is comprised of the following members:

- Group Managing Director/Chief Executive (GMD) - Chairman
- Group Deputy Managing Director;
- All Division Heads / Executive Directors
- Chief Risk Officer
- Head, Operational Risk Management group
- Chief Information Officer
- Head, Group compliance and Internal Control
- Head, Group Internal Audit
- Head, Group HR
- Other Group Heads or persons to be designated by the committee from time to time

The committee has the following responsibilities:

- Review and recommend the Operational Risk Management (ORM) framework and any amendments or enhancements to the Board of Directors (BOD) for approval.
- Oversee the implementation of the Operational risk management framework across the enterprise.
- Review methodologies and tools for identification, assessment, monitoring and control of operational risks and maintaining the loss event databases;
- Ensure operational risk exposures are within the risk tolerance limits set under the policy;
- Review the reports from the Group Operational Risk Management (ORM) unit, business lines and their respective risk profiles to concur on areas of highest priority and put in place the related mitigation strategies;
- Ensure adequate resources are allotted at various levels to manage operational risk across the enterprise;
- Ensure adequate communication to the functional departments and emphasize on, the importance of operational risk management and assure adequate participation;
- Co-ordinate an ongoing appropriate awareness and education programme on operational risk in the Bank from top to bottom through the implementation of an enterprise wide operational risk approach;
- Set guidelines for identifying operational risk in all new products and processes.

Roles of risk champions in the business units

- Coordinate all risk management activities in the business unit, including compliance with risk policies and procedures
- Provide on-the-job training on risk management to other staff
- Liaise with risk management and compliance division to obtain new systems, approaches and methods for managing risks and advise staff within the unit appropriately

Notes to the consolidated financial statements

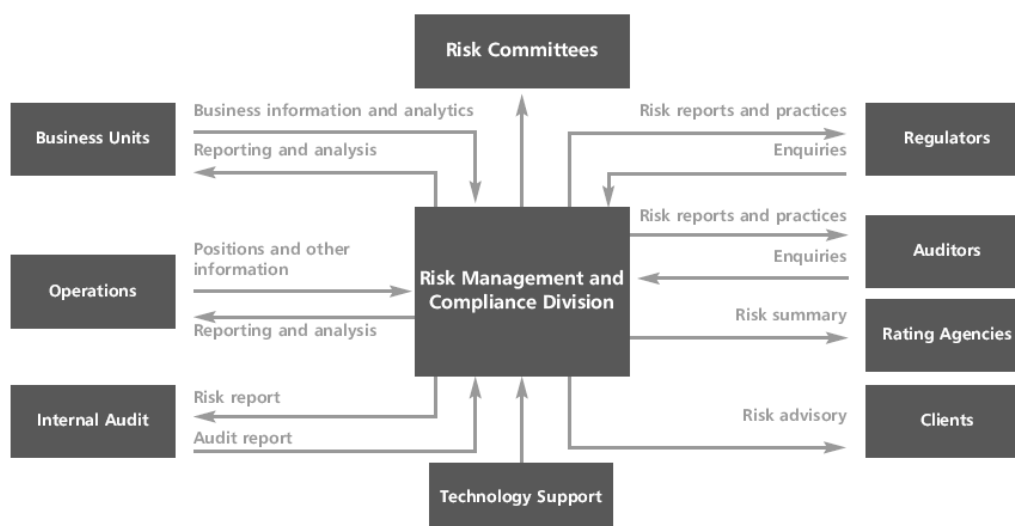
- Coordinate the gathering of risk-related information, while ensuring the completeness and accuracy of the risk information gathered, analyse the information and periodically report to the group head and the risk management department in the agreed format
- In conjunction with other managers in the business unit, articulate risk management/optimisation strategies for managing risks, prepare a risk mitigation plan and communicate these to the risk management and compliance division
- Monitor and report on the effectiveness of risk mitigation plans in reducing risk incidence in the unit

Risk management and compliance division – relationship with other units

The relationships between risk management and compliance division (RMCD) and other units are highlighted below:

- RMCD sets policies and defines limits for other units in the Bank
- RMCD performs bank-wide risk monitoring and reporting
- Other units provide relevant data to RMCD for risk monitoring and reporting and identify potential risks in their line of business and RMCD provides a framework for managing such risks
- RMCD and market facing units collaborate in designing new products
- RMCD and internal audit co-ordinate activities to provide a holistic view of risks across the Bank
- RMCD makes recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports
- Information technology support group provides relevant user support to the RMCD function in respect of the various risk management software

Risk management and compliance division – relationship with other units



Notes to the consolidated financial statements

(b) Credit Risk Management

Credit risk is the current or potential risk to earnings and capital arising from the failure of an obligor of the Bank to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk). Credit risk arises anytime the Bank commits its funds with the result that capital or earnings are dependent on borrower's performance.

The Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit in Access Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio.

The Plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process.

We recognise the fact that our main asset is our loan portfolio. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Bank is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Bank's Basel II strategy.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, Access Bank implements a consistent pricing model for loans to its different target markets. The client's interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet prudential guidelines set forth by the Central Bank of the countries where we operate, both for loans for which specific provisions exist as well as for the portfolio of performing loans. Access Bank's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Criticized Assets Committee performs a quarterly review of loans with emerging signs of weakness; the Management Credit Committee and the Board Credit Committee also perform reviews of the quality of our loan portfolio on a quarterly basis. These are in addition to daily reviews performed by our Credit Risk Management department.

Principal Credit Policies

The following are the principal credit policies of the Bank

- ***Extension of credit:*** Every extension of credit must be approved by at least three officers; one of whom must be from Independent Credit Risk Management. The final approving officer must have a credit limit for the total facilities extending to the obligor (or group of related obligors).

Notes to the consolidated financial statements

- **Special Approvals:** Extension of credit to certain sectors may require unique approvals or prohibited altogether
- **Credit Analysis Policy:** There are consistent standards of credit analysis across the Access Bank Group for approval of credit facilities
- **Annual Review of facilities:** All extension of credits must be reviewed at least once every 12 months
- **Industry Limits:** The Access Bank Group utilizes industry limits to maintain a diversified portfolio of risk assets
- **Problem Recognition:** There are uniform and consistent standards for recognition of credit migration and remediation across the Access Bank group

Credit process

The Bank's credit process starts with portfolio planning and target market identification. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

On-going management of loans is undertaken by both relationship management teams and our Credit Risk Management Group. The process is applied at the Head Office and in the subsidiaries.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analyzed in greater detail by the account manager, with further detailed review by Credit Risk Management. The concurrence of Credit Risk Management must be obtained for any credit extension. If the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of facilities

The standard credit evaluation process is based both on quantitative figures from the Financial Statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the company in question and its management.

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(i) Credit Risk Measurement

Risk Rating Methodology

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications.

Access Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

In Access Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings ('ORRs') and Facility Risk Ratings ('FRRs') throughout the Bank and to provide guidelines for risk rating for retail and non – retail exposures in the Bank.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). These models are currently based on expert judgment for Retail and Non-Retail Exposures. Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach are being gathered.

All Access Bank businesses that extend credit are subject to the Risk rating policy.

Credit Risk Rating Models

The following are the credit risk rating models deployed by Access Bank.

For Retail Exposures:

Obligor Risk Rating (ORR) Models have been developed for:

1. Personal Loans
2. Credit Cards
3. Auto Loans
4. Mortgage Loans

Facility Risk Rating (FRR) Models have been developed for:

1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

For Non – Retail Exposures:

Obligor Risk Rating (ORR) Models have been developed for:

1. Sovereign (Approach to rating Sovereign Exposures using External ratings)
2. Bank and NBFIs
3. Corporate
 - Manufacturing Sector

Notes to the consolidated financial statements

- Trading Sector
- Services Sector
- Real Estate Sector

4. Small and Medium Enterprises (SME) Without Financials
Facility Risk Rating (FRR) Models have been developed for

1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

Risk Rating Process

In Access Bank, all businesses must have a documented and approved Risk Rating Process for deriving risk ratings for all obligors and facilities (including those covered under Credit Programs). The Risk Rating Process is the end-to-end process for deriving ORRs and FRRs and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs and FRRs. Risk rating process of each business must be in compliance with the Bank's Risk rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating Process is the joint responsibility of the Business Manager and Independent Credit Risk Manager associated with each business. The process must be documented and must be approved by the Management Credit Committee.

The Risk Rating Process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Independent Credit Risk Manager for the business, must be re-approved.

Responsibilities of Business Units and Independent Credit Risk Management

In Access Bank, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR and FRR using approved methodologies as set out in this policy, however independent credit risk management may also perform this function.

Notwithstanding who derives the risk rating, Independent Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Access Bank Risk Rating Policy; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current

Credit Risk Management has the final authority if there is a question about a specific rating.

Risk Rating Scale and external rating equivalent

Access Bank operates a 12-grade numeric risk rating scale. The risk rating scale runs from 1 to 8. Rating 1 represents the best obligors and facilities and rating 8 represents the worst obligors and facilities. The risk rating scale incorporates sub-grades and full grades reflective of realistic credit migration patterns.

Notes to the consolidated financial statements

The risk rating scale and the external rating equivalent is detailed below

Access Bank Risk Rating	S&P Long term equivalent	Grade
1	AAA	Investment Grade
2+	AA	
2	A	
2-	BBB	
3+	BB+	Standard Grade
3	BB	
3-	BB-	
4	B	Non Investment Grade
5	B-	
6	CCC	
7	C	
8	D	

(ii) Credit Risk Control & Mitigation policy

Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee. Individuals are also assigned credit approval authorities in line with the Bank's criteria for such delegation set out in its Credit Risk and Portfolio Management Plan. The principle of central management of risk and decision authority is maintained by the Bank. The maximum amount of credit that may be approved at each subsidiary is limited, with amounts above such limit being approved at the Head Office.

This structure gives Access Bank the possibility to incorporate much needed local expertise, but at the same time manage risk on a global level. Local Credit Committees of the Bank's subsidiaries are thus able to grant credits, but the sum total of the exposure of the applicant and financially related counterparties is limited, most commonly by the subsidiary's capital. All applications that would lead to exposures exceeding the set limit are referred to the appropriate approval authority in the Head Office.

The credit approval limits of the principal officers of the Group are shown in the table below:

Authority	Approval Limit
Board of Directors	Limited to 20% of Shareholders' funds unimpaired by losses
Board Credit Committee	N6,000,000,000
Management Credit Committee	N 500,000,000
Group Managing Director	N 200,000,000
Group Deputy Managing Director	N 150,000,000
Group Executive Director	N 75,000,000
Managing Directors of the Bank's subsidiaries	N 25,000,000

Notes to the consolidated financial statements

(iii) Credit definitions

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 8 in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Credit Risk (Continued)

All loans and advances are categorise as either:

- Collectively impaired
- Past due but not impaired
- Individually impaired

The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.

<i>In thousands of Naira</i>	Note	Loans and advances to customers		Loans and advances to banks		Investment Securities	
		<u>December</u> 2009	<u>March</u> 2009	<u>December</u> 2009	<u>March</u> 2009	<u>December</u> 2009	<u>March</u> 2009
Carrying amount	22, 23,25	385,313,186	410,835,629	70,526	-	73,745,086	70,742,788
Assets at amortised cost							
Individually impaired:							
Grade 6-8: Impaired		25,422,830	16,767,999	217,498	-	294,616	151,993
Gross amount		25,422,830	16,767,999	217,498	-	294,616	151,993
Allowance for impairment		(20,057,186)	(14,165,400)	(216,400)	-	(294,616)	(139,886)
Carrying amount		5,365,644	2,602,599	1,098		-	12,017
Assets at amortised cost							
Collectively impaired:							
Grade 1-3: Low-fair risk		295,595,461	361,612,279	70,134	-	-	-
Grade 4-5: Watch list		396,182	1,132,450	-	-	-	-
Grade 6-8: High risk		46,873,792	6,781,594	-	-	-	-
Gross amount		342,865,435	369,526,323	70,134	-		
Allowance for impairment		(6,138,743)	(993,487)	(706)	-	-	-
Carrying amount		336,726,692	368,532,836	69,428	-	-	-
Past due but not impaired:							
Grade 4-5: watchlist		44,599,672	40,256,983	-	-	-	-
Gross amount		44,599,672	40,256,983	-	-	-	-
Allowance for impairment		(1,378,822)	(556,789)	-	-	-	-
Carrying amount		43,220,850	39,700,194	-	-	-	-
<i>Past due comprises:</i>							
90 -180 days		44,599,672	40,256,983	-	-	-	-
Gross amount		44,599,672	40,256,983	-	-	-	-
Allowance for impairment		(1,378,822)	(556,789)	-	-	-	-
Carrying amount		43,220,850	39,700,194	-	-	-	-
Total carrying amount		385,313,186	410,835,629	70,526	-	-	-

<i>In thousands of Naira</i>	Note	Loans and advances to customers		Loans and advances to banks		Investment Securities	
		December	March	December	March	December	March
		2009	2009	2009	2009	2009	2009
Available-for-sale assets:	25						
Grade 1-3: Low-fair risk		-	-	-	-	73,745,086	70,742,788
Total carrying amount		-	-	-	-	73,745,086	70,742,788

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

	Loans and advances to customers		Loans and advances to bank		Investment securities	
<i>In thousands of Naira</i>	Gross	Net	Gross	Net	Gross	Net
December 2009						
Grade 6-8: Individually impaired	25,422,830	5,365,644	217,498	1,098	294,616	-
Total	25,422,830	5,365,644	217,498	1,098	294,616	-
March 2009						
Grade 6-8: Individually impaired	16,767,999	2,602,599	-	-	151,993	12,107
Total	16,767,999	2,602,599	-	-	151,993	12,107

(iv) Credit collateral

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In Access Bank, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Bank is the collateralization of the exposures by first priority claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant as incorporated in the guidance note of BCBS on "Principles for the Management of Credit Risk" (September 2000, Paragraph 34) are to be taken into consideration while using a credit risk mitigant to control credit risk.

"Bank can utilize transaction structure, collateral and guarantees to help mitigate risks (both identified and inherent) in individual credits but transactions should be entered into primarily on the strength of the borrower's repayment capacity. Collateral cannot be a substitute for a comprehensive assessment of the borrower or the counterparty, nor can compensate for the insufficient information. It should be recognized that any credit enforcement actions (e.g. foreclosure proceedings) can eliminate the profit margin on the transaction. In addition, Banks need to be mindful that the value of collateral may well be impaired by the same factors that have led to the diminished recoverability of the credit."

The range of collaterals acceptable to the Bank includes:

- Cash / Deposit (domestic and foreign currency) with Bank including certificates of deposit or comparable instruments issued by the Bank.
- Certificates of Deposit from other banks.
- Commodities.
- Debt securities issued by sovereigns and public-sector enterprises.
- Debt securities issued by banks and corporations.
- Equities - Stocks / Share Certificates of quoted blue chip companies
- Mortgage on Landed Property
- Asset-backed securities.
- Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
- Negative Pledges
- Lien on Asset being financed
- Stock Hypothecation
- Shipping Documents (for imports)
- Bankers Acceptance
- Life Assurance Policies

Master Netting arrangements

It is the Group's policy that all credit exposures are adequately collateralised. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally transactions are allowed to run on a gross basis, however, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

Credit Related Commitments

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure. An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and advances to customers		Loans and advances to Banks	
	<u>December</u> 2009	<u>March</u> 2009	<u>December</u> 2009	<u>March</u> 2009
<i>In thousands of Naira</i>				
Against individually impaired	6,436,588	33,128,279	-	-
Against collectively impaired	355,598,187	274,852,305	-	-
Total	362,034,775	307,980,584	-	-

	Loans and advances to customers		Loans and advances to banks	
	<u>December</u>	<u>March</u>	<u>December</u>	<u>March</u>
	2009	2009	2009	2009
Against individually impaired:				
Property	4,324,562	5,059,738	-	-
Debt securities	-	9,000	-	-
Equities	1,418,356	613,300	-	-
Cash	243,670	-	-	-
Pledged goods/receivables	-	-	-	-
Others	450,000	27,446,241	-	-
Against collectively impaired:				
Property	183,163,918	156,159,775	-	-
Debt securities	-	10,329,660	-	-
Equities	15,262,366	26,879,902	-	-
Cash	7,122,646	-	-	-
Pledged goods/receivables	2,265,642	-	-	-
Others	147,783,615	81,482,968	-	-
	362,034,775	307,980,584	-	-

Credit risk (continued)

(v) Credit concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

<i>In thousands of Naira</i>	Note	Loans and advances to customers		Loans and advances to Banks		Investment securities	
		<u>December</u> 2009	<u>March</u> 2009	<u>December</u> 2009	<u>March</u> 2009	<u>December</u> 2009	<u>March</u> 2009
Carrying amount	22, 23,25	385,313,186	410,835,629	70,526	-	73,745,086	70,472,788
Concentration by sector							
Corporate		281,261,966	389,280,199	-	-	48,574,565	69,796,917
Commercial		76,494,855	-	-	-	-	-
Bank		2,761	-	70,526	-	-	-
Retail		12,148,408	21,555,430	-	-	-	-
Government		11,799,157	-	-	-	25,170,521	675,871
Others		3,606,039	-	-	-	-	-
		385,313,186	410,835,629	70,526	-	73,745,086	70,472,788
Concentration by location							
Nigeria		362,009,440	394,713,036	70,526	-	73,745,086	69,316,777
Rest of Africa		22,243,331	20,199,366	-	-	-	1,426,011
Europe		1,060,415	-	-	-	-	-
		385,313,186	414,912,402	70,526	-	73,745,086	70,472,788

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

5 (c) Liquidity risk

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due.

Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

Determination of the adequacy of the Bank's liquidity position is carried out using the following factors:

- Historical funding requirements
- Current liquidity position
- Present and anticipated asset quality
- Present and future earnings capacity
- Sources of funds

Our primary liquidity objective is to ensure adequate funding for our businesses throughout market cycles, including during periods of financial stress. To achieve that objective we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality liquid unencumbered securities, that we can use to meet our funding requirements as those obligations arise.

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.

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. Group ALCO is responsible for managing liquidity risks and ensuring exposures remain within the established tolerance levels.

Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

Quantifications

The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The Bank monitors the cumulative gap as a + or – 20% of the total risk assets and the gap as a + or – 20% of total deposit liabilities.

Limit management and monitoring

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established.

The Bank's Group Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by risk management. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the board of directors on a quarterly basis.

Contingency funding plan

Access Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. To monitor liquidity and funding, the Group Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations. The worksheet is an integral component of the contingency funding plan.

Although it is unlikely that a funding crisis of any significant degree could materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur. Both short term and long-term funding crises are addressed in the contingency funding plan.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and

investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	<u>December</u> 2009	<u>March</u> 2009
At end of period	42.82%	36%
Average for the period	32.31%	44%
Maximum for the period	42.82%	75%
Minimum for the period	25.52%	32%

Financial risk management (continued)

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

(iii) Residual contractual maturities of financial assets and liabilities

<i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	1 - 5 years	More than 5 years
31-Dec-09								
<i>Non-derivative assets</i>								
Cash and cash equivalents	18	155,076,424	154,774,018	105,990,423	49,085,913	88	-	-
Trading securities	19	11,563,193	12,487,809	12,468,902	16,979	1,500	428	-
Pledged assets	20	7,591,114	7,591,114	1,555,000	4,586,114	1,450,000	-	-
Loans and advances to banks	22	70,526	70,526	-	70,526	-	-	-
Loans and advances to customers	23	385,313,186	385,295,916	154,174,582	31,445,132	62,731,886	25,746,964	11,197,350
Investment securities	25	73,745,086	69,418,797	4,868,000	15,200,000	2,493,420	13,654,702	33,202,675
		633,359,529	629,638,180	279,056,907	100,404,664	66,676,894	39,402,094	44,400,025
<i>Non-derivative liabilities</i>								
Deposits from banks	31	43,216,841	39,033,178	27,491,622	15,724,454	289	477	-
Deposits from customers	32	442,334,863	442,072,331	437,324,901	1,142,605	3,519,372	85,454	-
Debt securities issued	33	2,604,276	2,604,276	-	2,604,276	-	-	-
Interest bearing loans & borrowings	35	3,376,945	3,131,964	3,527	30,535	230,706	2,064,978	802,219
		491,532,925	486,841,749	464,820,050	19,501,870	3,750,367	2,150,909	802,219
Gap (asset - liabilities)		141,826,604	142,796,431	(185,763,143)	80,902,794	62,926,527	37,251,185	43,597,806
Cumulative liquidity gap		141,826,604	284,623,035	98,859,892	179,762,686	242,689,213	279,940,398	323,538,204

<i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	1- 5 years	More than 5 years
31-Mar-09								
Cash and cash equivalents	18	145,484,481	144,808,717	129,970,765	11,059,462	3,778,490	-	-
Trading securities	19	10,557,205	10,557,205	10,557,205	-	-	-	-
Pledged assets	20	7,825,488	7,900,000	1,000,000	2,400,000	4,500,000	-	-
Loans and advances to banks	22	-	-	-	-	-	-	-
Loans and advances to customers	23	410,835,629	441,632,736	304,102,795	30,655,399	20,421,540	86,453,002	-
Investment securities	25	70,472,788	67,181,509	102,118	-	4,971,098	39,677,430	22,430,863
		645,175,591	672,080,167	445,732,883	44,114,861	33,671,128	126,130,432	22,430,863
<i>Non-derivative liabilities</i>								
Deposits from banks	31	30,296,711	70,498,915	58,321,800	12,177,115	-	-	-
Deposits from customers	32	448,011,040	357,020,423	350,622,888	703,011	321,399	5,373,125	-
Debt securities issued	33	9,207,423	14,039,457	-	3,825,491	3,612,400	6,601,566	-
Interest bearing loans & borrowings	35	5,193,083	7,974,354	-	-	-	7,974,354	-
		492,708,257	449,533,149	408,944,688	16,705,617	3,933,799	19,949,045	-
Gap (asset - liabilities)		152,467,334	222,547,018	36,788,195	27,409,244	29,737,329	106,181,387	22,430,863
Cumulative liquidity gap		152,467,334	375,014,352	411,802,547	439,211,791	468,949,120	575,130,507	597,561,370

Financial risk management (continued)

5(d) Market risks

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in market prices and rates. Broadly speaking, the Bank concerns itself with four main components under market risk:

- Equity price risk is the risk of loss due to adverse change in equity market prices
- Liquidity risk is the potential for loss to the Bank arising from either its ability to meet its obligations as they fall due without incurring unacceptable cost or losses
- Interest rate risk is the risk that the financial value of the Bank's assets and liabilities will be altered by fluctuations in interest rate
- Foreign exchange risk is the risk of loss due to adverse changes in foreign exchange rates

Market risk policy, management and control

Access Bank's strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk.

The main type of market risks are the price risk of listed and unlisted securities, both stocks and bonds, interest rate risk, currency risk or other market variables influenced by market forces. These investments are either taken as a service to clients for example as an underwriting commitment, a co-investment in an acquisition, market making in capital markets and others – or the investments are made with the strategy of the Bank in mind and then primarily in financial service companies.

The Bank's risk management keeps firm track of the market risk embedded in market investments at the Group level and monitors the total estimated market risk against the market risk limits set by the Bank's board of directors. All derivative positions need prior approval from the risk management division.

The Board entrusts the CEO of the Bank and the CEOs and Managing Directors of the subsidiaries with the enforcement of this policy and risk management responsibilities, by monitoring limits and reporting their utilisation as well as enforcement.

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. These positions are typically few in number (five to ten) and therefore concentrated in nature. These limits need explicit approval from the Bank's CEO and the assets and liabilities committee.

Each trading unit within the Bank adheres to the general rules set out by the board of directors. Moreover, each trading unit has its own set of working procedures and rules that further specify their targets, limits and scope in trading.

The position limits, or any changes to them, are proposed by the Bank's head of trading and then accepted by the Bank's Chief Risk Officer and reviewed by the Bank's CEO, who has a say in limit decisions. The size of each position limit is based on, among other factors, underlying liquidity, the Bank's risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

Measurement methods

Risk measures are generated by proprietary systems that utilise the counterparty, market data and trade databases generated and used by the Bank's trade systems.

Additionally, the risk management systems are enhanced by various third-party solutions. The models employed in evaluating these measures include position-based models, volatility based models (based on the volatility of market variables and their related covariance) and scenario-based models (the frequency of a severe loss estimated by repeating random scenarios with certain statistical properties that have, in most cases, been estimated from historical data).

All trades and intraday profit or loss are reported continuously to the chief risk officer through a position monitoring system. Intraday positions in different trading units within the Bank are monitored, and the chief risk officer is alerted if any deviations or exceptions are observed. The Bank's risk management division sends a daily report on profit and loss and turnover to the chief risk officer, the head of trading and the Bank's CEO.

The Bank's group market risk management sends a monthly risk assessment report to the head of trading, the Bank's CEO, and the Bank's board of directors, which details volatility-based, and scenario-based measures such as Value-at-Risk (VaR) and stress tests based on current exposures.

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and 90-day NIBOR and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies. Interest-rate risk is monitored centrally with duration report and yield-curve stress tests for each currency.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Assets and Liabilities Management Committee is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to.

A summary of the Group's interest rate gap position on trading and non-trading portfolios is as follows:

Market risks
Repricing period

<i>In thousands of Naira</i>	<i>Note</i>	Carrying amount	Less than 3 months	6 months	12 months	1-5 years	More than 5 years
31-Dec-09							
<i>Non-derivative assets</i>							
Cash and cash equivalents	18	155,076,424	155,076,424	-	-	-	-
Trading Securities	19	11,563,193	11,563,193	-	-	-	-
Pledged assets	20	7,591,114	1,555,000	4,586,114	1,450,000	-	-
Loans and advances to banks	22	70,526	70,526	-	-	-	-
Loans and advances to customers	23	385,313,186	168,570,517	32,069,994	55,282,322	118,776,549	10,684,330
Investment Securities	25	73,745,086	45,109,487	2,314,628	1,889,599	5,891,465	18,539,907
TOTAL		633,359,529	381,945,147	38,970,736	58,621,921	124,668,014	29,224,237
<i>Non-derivative liabilities</i>							
Deposits from banks	31	43,216,841	-	-	-	-	-
Deposits from customers	32	442,334,863	25,846,852	17,369,989	-	-	-
Debt securities issued	33	2,604,277	441,352,932	571,403	318,188	92,340	-
Interest bearing loans & borrowings	35	3,376,945	-	-	-	2,604,277	-
TOTAL		491,532,926	3,103	34,148	248,227	2,226,500	864,967
			467,202,887	17,975,540	566,415	4,923,117	864,967

	In thousands of Naira	Note	Carrying amount	Repricing period					More than 5 years
				Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years		
31-Mar-09									
Non-derivative assets									
Cash and cash equivalents		18	145,484,481	130,577,286	11,111,072	3,796,123	-	-	-
Trading Securities		19	10,557,205	10,557,205	-	-	-	-	-
Pledged assets		20	7,825,488	990,568	2,377,363	4,457,556	-	-	-
Loans and advances to banks		22	-	-	-	-	-	-	-
Loans and advances to customers		23	410,835,629	282,896,291	28,517,655	18,997,451	80,424,232	-	-
Investment Securities		25	70,472,788	107,121	-	5,214,636	41,621,261	23,529,770	-
			645,175,591	425,128,471	42,006,090	32,465,766	122,045,493	23,529,770	-
Non-derivative liabilities									
Deposits from banks		31	30,296,711	52,410,540	5,811,500	11,650,000	-	-	-
Deposits from customers		32	448,011,040	348,178,137	1,267,765	576,849	5,367,125	-	-
Debt securities issued		33	9,207,423	-	-	-	12,035,838	-	-
Interest bearing loans & borrowings		35	5,193,083	-	-	-	7,853,332	-	-
			492,708,257	400,588,677	7,079,265	12,226,849	25,256,295	-	-

Exposure to other market risks – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group Management Risk committee, but is not currently significant in relation to the overall results and financial position of the Group.

Interest rate movement affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in equity.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

At 31 December 2009, if interest rates on

- floating rate assets and liabilities held at amortised cost and
- assets and liabilities accounted at fair value through profit or loss

had increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

In thousands of Naira

	<u>December 2009</u>		<u>March 2009</u>	
	Pre-tax N'000	Post-tax N'000	Pre-tax N'000	Post-tax N'000
Decrease	(173,159)	(121,211)	(267,886)	(192,074)
Increase	173,159	121,211	264,769	189,839

Exposure to Foreign exchange risk

The Bank's foreign exchange risk is considered at a Group level since an effective overview of such risk is a critical element of the 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 consolidated financial statements

The table below summaries the Group's assets and liabilities at carrying amount, categorised by currency:

Financial instruments by currency		Total	Naira	US \$	GBP	Euro	Others
<i>In thousands of Naira Note</i>							
31 December 2009							
Cash and cash equivalents	18	155,076,424	90,162,814	46,814,853	8,177,980	3,504,057	6,416,721
Trading Securities	19	11,563,193	6,880,809	6,624	-	-	4,675,760
Pledged assets	20	7,591,114	7,591,114	-	-	-	-
Derivative financial instruments	21	3,002,720		3,002,720	-	-	-
Loans and advances to banks	22	70,526	70,526	-	-	-	-
Loans and advances to customers	23	385,313,186	315,953,584	55,478,280	485,813	283,809	13,111,700
Investment securities	25	73,745,086	71,650,047	382,026	1,713,013	-	-
		636,362,249	492,308,894	105,684,503	10,376,806	3,787,866	24,204,181
Deposits from banks	31	43,216,841	62,115	38,818,931	2,374,036	956,279	1,005,480
Deposits from customers	32	442,334,863	346,379,913	66,075,776	5,625,713	4,207,477	20,045,983
Derivative financial instruments	21	1,833,327		1,833,327	-	-	-
Debt securities issued	33	2,604,277	2,604,277	-	-	-	-
Interest bearing loans and borrowings	35	3,376,945	523,997	2,852,948	-	-	-
		493,366,253	349,570,302	109,580,982	7,999,749	5,163,756	21,051,463

Notes to the consolidated financial statements

Financial instruments by currency		Total	Naira	US \$	GBP	Euro	Others
<i>In thousands of Naira</i>	<i>Note</i>						
31 March 2009							
Cash and cash equivalents	18	145,484,481	69,787,919	47,895,157	2,429,114	716,553	24,655,738
Trading Securities	19	10,557,205	10,557,205	-	-	-	-
Pledged assets	20	7,825,488	7,825,488	-	-	-	-
Derivative financial instruments	21	3,033,817	-	2,034,199	999,618	-	-
Loans and advances to banks	22	-	-	-	-	-	-
Loans and advances to customers	23	410,835,629	329,733,681	64,441,289	133,818	404,275	16,122,566
Investment securities	25	70,472,788	61,267,961	7,329,229	-	-	1,875,598
		648,209,408	479,172,254	121,699,874	3,562,550	1,120,828	42,653,902
Deposits from banks	31	30,296,711	7,072,912	12,752,292	127,518	10,343,989	-
Deposits from customers	32	448,011,040	396,478,803	26,572,437	332,897	252,519	24,374,384
Debt securities issued	33	9,207,423	9,207,423	-	-	-	-
Interest bearing loans and borrowings	35	5,193,083	-	5,137,407	-	55,676	-
Derivative financial instruments		1,959,759	-	1,959,759	-	-	-
		494,668,016	412,759,138	46,421,895	460,415	10,652,184	24,374,384

Notes to the consolidated financial statements

5(e) Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks.

It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Access Bank's global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognized ownership of the risk by the businesses;
- oversight by independent risk management; and
- independent review by Corporate Audit.

The goal is to keep operational risk at appropriate levels relative to the characteristics of our businesses, the markets in which we operate, our capital and liquidity, and the competitive, economic and regulatory environment. Notwithstanding these controls, Access Bank group incurs operational losses.

Our operational risk strategy seeks to minimise the impact that operational risk can have on shareholders' value. The Bank's strategy is to:

- Reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings
- Minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Bank's long term growth, cash flow management and balance sheet protection
- Eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls

In order to create and promote a culture that emphasises effective operational management and adherence to operating controls, there are three distinct levels of operational risk governance structure in Access Bank Plc.

Level 1 refers to the oversight function carried out by the board of directors, board risk committee and the executive management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.

Level 2 refers to the management function carried out by operational risk management group. It has direct responsibility for formulating and implementing the Bank's operational risk management framework including methodologies, policies and procedures approved by the board.

Level 3 refers to the operational function carried out by all business units and support functions in the Bank. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks. Internal audit provides independent assessment and evaluation of the Bank's operational risk management framework. This periodic confirmation of the existence and utilisation of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Bank's operational risk management framework.

Notes to the consolidated financial statements

Information Security and Continuity of Business

Information security and the protection of confidential and sensitive customer data are a priority of Access Bank The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information. The Operational risk management Group in conjunction with Information Technology continues to coordinate global preparedness and mitigate business continuity risks by reviewing and testing recovery procedures.

Strategic Risk Management

Strategic risk is embedded in every line of business and is part of the other major risk categories (credit, market, liquidity, compliance and operational). It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk.

In the financial services industry, strategic risk is high due to changing customer and regulatory environments. The Bank's appetite for strategic risk is continually assessed within the context of the strategic plan, with strategic risks selectively and carefully taken to maintain relevance in the evolving marketplace.

Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Group Managing Director and executive management team. Significant strategic actions, such as material acquisitions or capital actions are reviewed and approved by the Board. Using a plan developed by management, executive management and the Board approve a strategic plan every three years. Annually, executive management develops a financial operating plan and the Board reviews and approves the plan. Executive management, with Board oversight, ensures that the plans are consistent with the Bank's strategic plan, core operating tenets and risk appetite.

The following are assessed in their reviews: forecasted earnings and returns on capital; the current risk profile and changes required to support the plan; current capital and liquidity requirements and changes required to support the plan; stress testing results; and other qualitative factors such as market growth rates and peer analysis. Executive management, with Board oversight, performs similar analyses throughout the year, and will define changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize between achieving the targeted risk appetite and shareholder returns and maintaining the targeted financial strength.

We use robust models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each line of business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate customer profitability.

Compliance Risk Management

Compliance risk is the risk posed by the failure to manage regulatory, legal and ethical issues that could result in monetary damages, losses or harm to our reputation or image. Our Compliance framework provides the platform for the compliance programmes that are consistently applied across the Bank to manage compliance

Notes to the consolidated financial statements

risk. This framework includes a common approach to commitment and accountability, policies and procedures, controls and supervision, monitoring, regulatory change management, education and awareness and reporting.

We approach compliance risk management on an enterprise and line of business level. The Compliance and Internal Control function provides oversight of significant compliance risk issues. The function also develops and guides the strategies, policies and practices for assessing and managing compliance risks across the organization. Through education and communication efforts, a culture of compliance is emphasized across the organization. We also mitigate compliance risk through a broad-based approach to process management and improvement. The lines of business are responsible for all the risks within the business line, including compliance risks. Compliance Risk officers, working in conjunction with senior line of business executives, have developed key tools to address and measure compliance risks and to ensure compliance with laws and regulations in each line of business.

Enterprise-wide Stress Testing

As a part of our core risk management practices, the Bank conducts enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic scenarios, including economic conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts to our risk profile, capital and liquidity.

Scenario(s) are carefully selected by a group drawn from senior line of business, risk and finance executives. Impacts to each line of business from each scenario are then analyzed and determined, primarily leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken in each scenario. Analysis from such stress scenarios is compiled for and reviewed through our Group ALCO, and the Enterprise Risk Management Committee and serves to inform and be incorporated, along with other core business processes, into decision making by management and the Board. The Bank would continue to invest in and improve stress testing capabilities as a core business process

5(f) Capital management

Regulatory capital

In all the countries where Access Bank operates, banks are required to hold a minimum capital level determined by the regulators. Access Bank and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, Central Bank of Nigeria requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, capital reserve, share premium, retained earnings, translation reserve and minority interests after deductions for other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities and general provision allowances

The qualifying tier 2 capital cannot exceed tier 1 capital

Notes to the consolidated financial statements

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

<i>In thousands of Naira</i>	<i>Note</i>	<u>December</u> 2009	<u>March</u> 2009
Tier 1 capital			
Ordinary share capital	36	8,131,024	8,107,130
Share premium	36	146,160,837	146,446,833
Retained earnings	36	(9,980,793)	(3,204,362)
Other reserves	36	15,092,981	22,873,703
Non-controlling interests	36	858,292	1,028,533
		160,262,341	175,251,837
Add/(Less):			
Fair value reserve for available-for-sale securities	36	989,079	(2,503,296)
Intangible assets	28	(2,880,706)	(2,402,718)
Shareholders' funds		158,370,714	170,345,823
Tier 2 capital			
Fair value reserve for available-for-sale securities		(989,079)	2,503,296
Collective allowances for impairment	22,23	7,518,271	1,550,276
Total		6,529,192	4,053,572
Total regulatory capital		164,899,906	174,399,395
 Risk-weighted assets		 504,284,589	 555,832,469

Notes to the consolidated financial statements

Capital ratios

Total regulatory capital expressed as a percentage of total risk-weighted assets	32.70%	30.65%
Total tier 1 capital expressed as a percentage of risk-weighted assets	23.10%	31.53%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

6. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(j),(k)(viii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Notes to the consolidated financial statements

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 4(j)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

1. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 4(l).
2. In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 4(n)(iii).
3. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(n)(i).

Details of the Group's classification of financial assets and liabilities are disclosed in note 8.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 4(j)(vii)

The Group measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar

Notes to the consolidated financial statements

instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	9-Dec	Note	Level 1	Level 2	Level 3	Total
<i>In thousands of Naira</i>						
<i>Financial Assets</i>						
Non pledged trading assets	19		11,563,193	-	-	11,563,193
Pledged assets	20		7,591,114	-	-	7,591,114
Derivative financial instruments	21		-	3,002,720	-	3,002,720
Investment securities	25		-	-	8,968,722	8,968,722
			19,154,307	3,002,720	8,968,722	31,125,749
<i>Financial Liabilities</i>						
Derivative financial instruments	21		-	1,833,327	-	1,833,327
			-	1,833,327	-	1,833,327

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, such as 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.

Notes to the consolidated financial statements

7. Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

1. Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.
2. Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigeria GAAP while an incurred loss model is used to determine the impairment loss under IFRS.
3. Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

The following summary describes the operations in each of the Group's reportable segments:

- **Institutional banking** – The Institutional Banking Group provides bespoke comprehensive banking products and services to corporate organizations to meet the needs of this segment of the Bank's customers.
- **Commercial banking** – The Commercial Banking Group has presence in all major cities in the country. It provides commercial banking products and services to the middle and retail segments of the Nigerian market.
- **Investment banking** – The Investment Banking Group provides innovative financing and risk management solutions and advisory services for the bank's corporate and institutional customers. The group is also responsible for formulation and implementation of financial market products for the Bank's customers.
- **Retail banking** – The Retail Banking Group provides private banking services, private customer current accounts, savings accounts deposits, investment savings products, custody, credit and debit cards and customer loans.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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7 Operating segments (Continued) Information about operating segments

31 December 2009

In thousands of Naira

	Institutional Banking	Commercial Banking	Investment Banking	Retail Banking	Unallocated items	Total N'000
Revenue:						
Derived from external customers	43,653,445	22,504,791	8,040,742	9,920,200	861,376	84,980,554
Derived from other business segments	(4,499)	(1,052)	5,551			
Total Revenue	43,648,946	22,503,739	8,040,742	9,925,751	861,376	84,980,554
Interest expenses	(25,734,523)	(1,380,628)	(694,717)	(2,427,280)	(3,996)	(30,241,144)
	17,914,423	21,123,111	7,346,025	7,498,471	857,380	54,739,410
(Loss)/profit on ordinary activities before taxation	(4,721,564)	(1,832,910)	2,665,704	162,986	260,050	(3,481,565)
Income tax expense						(920,601)
Loss after taxation						(4,402,166)
Other segment information:						
Depreciation	468,734	2,318,005	875,451	224,525	30,088	3,916,803
Share of associate's profit					(775,431)	(775,431)
Assets and liabilities:						
Tangible segment assets	357,909,724	259,071,254	45,508,749	23,504,020	7,790,191	693,783,938
Unallocated segment assets	-	-	-	-	-	-
Total assets	357,909,724	259,071,254	45,508,749	23,504,020	7,790,191	693,783,938
Segment liabilities	173,252,050	264,996,586	21,814,098	59,361,792	6,013,364	525,437,890
Unallocated segment liabilities						
Total liabilities	173,252,050	264,996,586	21,814,098	59,361,792	6,013,364	525,437,890
Net assets	184,657,674	(5,925,332)	23,694,651	(35,857,772)	1,776,827	168,346,048

Operating segments (Continued)
Information about operating segments

31 March 2009

In thousands of Naira

Revenue:

	Institutional Banking	Commercial Banking	Investment Banking	Retail Banking	Unallocated items	Total N'000
Derived from external customers	25,578,842	45,154,172	12,996,970	5,519,921	302,797	89,552,702
Derived from other business segments	(663,164)	600,095	53,383	9,685	-	-
Total Revenue	24,915,678	45,754,268	13,050,353	5,529,606	302,797	89,552,702
Interest expenses	(9,846,760)	(2,746,945)	(2,307,355)	(1,445,003)	-	(16,346,063)
Profit on ordinary activities before taxation	4,332,412	12,830,058	7,054,158	1,855,392	113,409	26,185,429
Income tax expense						(5,371,213)
Profit after taxation						20,814,216

Other segment information:

Depreciation	991,747	2,518,282	96,464	347,849	3,811	3,958,153
Share of associate's profit					505,547	505,547

Assets and liabilities:

Tangible segment assets	305,486,389	334,883,273	41,838,420	27,921,584	196,416	710,326,082
Total assets	305,486,389	334,883,273	41,838,420	27,921,584	196,416	710,326,082
Segment liabilities	176,807,951	262,402,375	39,506,481	46,414,032	7,119	525,137,958
Total liabilities	176,807,951	262,402,375	39,506,481	46,414,032	7,119	525,137,958
Net assets	128,678,438	72,480,898	2,331,939	(18,492,448)	189,297	185,188,124

7. Operating segments (Continued)

Reconciliation of reportable segment revenues, profit or loss and assets and liabilities

<i>In thousands of Naira</i>	<u>Dec-09</u>	<u>Mar-09</u>
Revenues		
Total revenue from reportable segments	84,980,554	89,552,702
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	2,522,150	(4,445,476)
Consolidated revenue	87,502,704	85,107,226
Profit or loss		
Total profit or loss for reportable segments	(3,481,565)	26,185,429
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(473,560)	(8,248,124)
Consolidated profit before income tax	(3,955,125)	17,937,305
Assets		
Total assets for reportable segments	693,783,938	710,326,082
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(4,450,146)	(10,110,751)
Consolidated total assets	689,333,792	700,215,331
Liabilities		
Total liabilities for reportable segments	525,437,890	525,137,958
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	3,633,561	(1,129,560)
Consolidated total liabilities	529,071,451	524,963,494

Geographical segments

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

Dec-09				
<i>In thousands of Naira</i>	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	76,129,727	8,296,570	554,257	84,980,554
Derived from other segments				-
Total Revenue	76,129,727	8,296,570	554,257	84,980,554
Interest expense	(28,209,729)	(2,015,482)	(15,933)	(30,241,144)
Fee and commission expenses				
Operating Income/(loss)	47,919,998	6,281,088	538,324	54,739,410
Profit before income tax	(449,191)	(2,100,021)	(932,353)	(3,481,565)
Assets and liabilities:				
Total assets	637,925,649	35,541,778	20,316,511	693,783,938
Total liabilities	472,317,673	47,218,870	5,901,347	525,437,890
Net assets/(liabilities)	165,607,976	(11,677,092)	14,415,164	168,346,048

Mar-09				
<i>In thousands of Naira</i>	Nigeria	Rest of Africa	Europe	Total
Derived from external customers	84,927,183	4,519,764	105,755	
Derived from other segments				
Total Revenue	84,927,183	4,519,764	105,755	89,552,702
Interest expense	(15,232,263)	(1,113,796)	(4)	(16,346,063)
Fee and commission expenses				
Operating Income/(loss)	69,694,920	3,405,968	105,751	73,206,639
Profit before income tax	28,728,583	(1,233,576)	(1,309,578)	26,185,429
Assets and liabilities:				
Total assets	651,738,031	49,191,138	9,396,913	710,326,082
Total liabilities	477,780,991	42,953,841	4,403,126	525,137,958
Net assets/(liabilities)	173,957,040	6,237,297	4,993,787	185,188,124

8. Financial assets and liabilities
Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

	<i>In thousands of Naira</i>	<i>Note</i>	Trading	Designated at fair value	Held-to- maturity	Loans and receivables	Available- for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2009										
Cash and cash equivalents	18	-	-	-	-	-	-	155,076,424	155,076,424	145,267,841
Non pledged trading assets	19	11,563,193	-	-	-	-	-	-	11,563,193	11,563,193
Pledged assets	20	-	-	7,591,114	-	-	-	-	7,591,114	7,591,114
Derivative financial instruments	21	-	-	3,002,720	-	-	-	-	3,002,720	3,002,720
Loans and advances to banks	22	-	-	-	-	70,526	-	-	70,526	70,526
Loans and advances to customers	23	-	-	-	-	385,313,186	-	-	385,313,186	384,530,328
Investment securities	25	-	-	-	39,021,822	-	34,723,263	-	73,745,085	69,109,707
			11,563,193	3,002,720	46,612,936	385,383,712	34,723,263	155,076,424	636,362,248	621,135,429
Deposits from banks	31	-	-	-	-	-	-	43,216,841	43,216,841	43,149,546
Deposits from customers	32	-	-	-	-	-	-	442,334,863	442,334,863	441,753,620
Derivative financial instruments		-	-	1,833,327	-	-	-	-	1,833,327	1,833,327
Debt securities issued	33	-	-	-	-	-	-	2,604,277	2,604,277	2,590,127
Interest bearing loans and borrowings	35	-	-	-	-	-	-	3,376,945	3,376,945	3,122,193
			-	1,833,327	-	-	-	491,532,926	493,366,253	492,448,813

<i>In thousands of Naira</i>	<i>Note</i>	Trading	Designated at fair value	Held-to- maturity	Loans and receivables	Available- for-sale	Other amortized cost	Total carrying amount	Fair value
31 March 2009									
Cash and cash equivalents	18	-	-	-	-	-	145,484,481	145,484,481	138,838,542
Non pledged trading assets	19	10,557,205	-	-	-	-	-	10,557,205	10,557,205
Pledged assets	20	-	-	7,825,488	-	-	-	7,825,488	7,881,136
Derivative financial instruments	21	-	3,033,817	-	-	-	-	3,033,817	3,033,817
Loans and advances to customers	23	-	-	-	410,835,629	-	-	410,835,629	407,756,328
Investment securities	25	-	-	59,671,705	-	10,801,083	-	70,472,788	67,564,908
		10,557,205	3,033,817	67,497,193	410,835,629	10,801,083	145,484,481	648,209,408	635,631,936
Deposits from banks	31	-	-	-	-	-	30,296,711	30,296,711	30,229,285
Deposits from customers	32	-	-	-	-	-	426,395,491	426,395,491	409,916,642
Derivative financial instruments		1,959,759	-	-	-	-	-	1,959,759	1,959,759
Debt securities issued	33	-	-	-	-	-	9,207,423	9,207,423	9,089,744
Interest bearing loans and borrowings	35	-	-	-	-	-	5,193,083	5,193,083	5,143,461
		1,959,759	-	-	-	-	471,092,708	473,052,467	456,338,891

Accounting classification measurement basis and fair values (continued)

Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available-for-sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

9. Net interest income

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Interest income		
Cash and cash equivalents	1,802,481	2,218,534
Loans and advances to banks and customers	62,165,528	49,448,059
Investment securities	3,946,092	5,025,100
Total interest income	67,914,101	56,691,693
Interest expense		
Deposit from banks	(1,468,049)	(2,776,398)
Deposit from customers	(27,574,025)	(10,568,195)
Securities trading	(494,495)	(559,399)
Other borrowed funds	(605,526)	(1,734,218)
Debt securities	-	-
Total interest expense	(30,142,095)	(15,638,210)
Net interest income	37,772,006	41,053,483

Interest income for the period ended 31 December 2009 includes ₦ 4,048,152,000(March 2009: ₦1,260,871,406) accrued on impaired financial assets.

10. Fee and commission income

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Credit related fees and commissions	4,386,839	6,052,513
Other fees and commissions	5,943,849	8,600,302
Total fee and commission income	10,330,688	14,652,815

Credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.

11. Net trading income

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Fixed income securities	4,445,288	2,504,853
Foreign exchange	2,865,844	11,387,014
Net trading income	7,311,132	13,891,867

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

12. Other operating income

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Mark to market gain/(loss) on trading investments	(35,971)	-
Dividends on available for sale equity securities	122,812	57,465
Gain on disposal of property and equipment	124,840	-
Rental income	562,948	535,779
Other income	1,086,700	655,860
	1,861,329	1,249,104

13. Net impairment loss on financial assets

	<i>Notes</i>	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>			
Impairment charges on loans and advances	22, 23	19,060,648	14,946,482
Impairment charges on available for sale equities	25	3,424,234	(36,000)
Impairment charges on other assets	30	1,480,002	469,241
		23,964,884	15,379,723

14. Personnel expenses

	Note	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>			
Wages and salaries		10,307,323	11,143,834
Contributions to defined contribution plans		273,856	210,126
Increase in liability for share appreciation rights		783,456	(1,987,894)
Other staff costs		-	520,043
		11,364,635	9,886,109

Personnel expenses (continued)

Cash- settled share-based payments

The Bank operates a Staff Investment Trust (SIT) scheme which is a cash-settled share based compensation plan (share appreciation rights (SARs) for its personnel. Eligible employees have the option to join the scheme and are then allotted shares based on the net asset value of the scheme. The personnel are entitled to share appreciation rights after spending five years in the bank. On exit from the service of the Bank, the Bank has the right to purchase these shares from the employees. The amount of cash payment is determined based on the term of the scheme as follows:

Years as eligible employee

Less than five years
More than five years

Cash payments

Net asset value
Higher of market price and net asset value at the time of leaving the scheme.

In thousands

Number of shares

SARs granted to senior management employees at 31 December 2009	275,851,852
SARs granted to senior management employees at 31 March 2009	288,136,126

Employee expenses for share-based payments

	Note	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>			
Effect of changes in the fair value of SARs		783,456	(1,987,894)
(Credit)/expense from rights exercised during the period/year		(28,446)	520,043
Dividend payment to members of the scheme		-	-
Total expense recognised as personnel expenses		755,010	(1,467,851)
Total carrying amount of liabilities for cash-settled arrangements	34	3,030,080	2,301,620

The carrying amount of liabilities for cash-settled share based payments includes:

	Note	<u>December</u> 2009	<u>March</u> 2009
<i>In thousands of Naira</i>			
Balance, beginning of period/year		2,301,620	3,655,400
Effect of changes in fair value of SAR at period/year end		783,456	(1,987,894)
Options exercised during the period/year		(54,996)	(215,438)
Share rights granted during the period/year		-	849,552
Balance, end of period/year	34	3,030,080	2,301,620

15. Other operating expenses

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Other premises and equipment costs	1,710,617	1,437,023
Professional fees	2,656,988	1,854,587
Insurance	3,736,883	2,160,078
Travelling	808,423	1,263,769
General administrative expenses	11,281,922	14,914,767
	20,194,833	21,630,224

**16. Income tax expense
recognised in the profit or loss**

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Current tax expense		
Current year	1,108,406	5,985,683
Prior year's under provision	1,351,214	-
	2,459,620	5,985,683
Deferred tax expense		
Origination of temporary differences	(4,326,710)	660,885
Total income tax expense	(1,867,090)	6,646,568

Reconciliation of effective tax rate

	<u>December</u> 2009	<u>December</u> 2009	<u>March</u> 2009	<u>March</u> 2009
<i>In thousands of Naira</i>				
Profit before income tax		(3,955,124)		17,937,305
Income tax using the domestic corporation tax rate	30.00%	(1,186,537)	30.00%	5,381,192
Effect of tax rates in foreign jurisdictions	(9.34%)	369,589	-	-
Balancing charge	24.25%	(958,931)	9.26%	1,660,116
Non-deductible expenses	12.22%	(483,367)	14.11%	2,530,513
Education tax levy	(0.16%)	6,220	2.58%	462,195
Tax exempt income	-	-	(18.34%)	(3,289,733)
Tax losses (utilised)/unutilised	47.29%	(1,870,461)	-	-
Investment allowance	-	-	(0.54%)	(97,715)
Minimum tax	(22.89%)	905,183	-	-
Under provided in prior years	(34.16%)	1,351,214	-	-
Total income tax expense/(credit) in comprehensive income	47.21%	(1,867,090)	37.05%	6,646,568

**Income tax recognised
In other comprehensive income**

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
Available-for-sale investment securities	-	164,527

17. Basic (loss)/earnings per share

The calculation of basic loss per share at 31 December 2009 was based on the loss attributable to ordinary shareholders of (₦1,880,450,000) (March 2009: Profit of ₦11,510,668,000) and a weighted average number of ordinary shares outstanding of 16,262,046,799 (March 2009: 16,214,258,437), calculated as follows:

Weighted average number of ordinary shares

	<u>December</u> 2009	<u>March</u> 2009
<i>In thousands of shares</i>		
Issued ordinary shares at beginning of year	16,214,258	16,142,502
Effect of debt securities converted into ordinary shares	47,789	71,756
Weighted average number of ordinary shares at end of year	16,262,047	16,214,258

(Loss)/profit attributable to ordinary shareholders

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
(Loss)/profit for the period/year attributable to equity holders of the Bank	(1,880,450)	11,510,668

Number of ordinary shares

	<u>December</u> 2009	<u>March</u> 2009
<i>In millions of shares</i>		
Weighted average number of ordinary shares at end of period/year	16,262,047	16,214,258

18. Cash and cash equivalents

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Cash and balances with banks	61,658,153	66,087,113
Unrestricted balances with central banks	48,681,575	33,812,197
Money market placements	44,736,696	45,585,171
	<u>155,076,424</u>	<u>145,484,481</u>

19. Non pledged trading assets

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Government bonds	1,932,912	6,957,472
Treasury bills	9,599,130	3,599,733
Stabilisation securities	31,151	-
	<u>11,563,193</u>	<u>10,557,205</u>

20. Pledged assets

Financial assets that may be re-pledged or resold by counterparties:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Treasury bills	7,591,114	7,825,488
	<u>7,591,114</u>	<u>7,825,488</u>

These transactions have been conducted under terms that are usual and customary to standard lending and securities borrowing activities. There were no financial assets pledged as collateral for liabilities.

21 Derivative financial instruments

<i>In thousands of Naira</i>	<u>Assets</u> <u>December 2009</u>	<u>Liabilities</u> <u>December 2009</u>	<u>Assets</u> <u>March 2009</u>	<u>Liabilities</u> <u>March 2009</u>
<i>Instrument type:</i>				
Cross currency swap	1,212,811	-	2,034,199	935,289
Foreign exchange	1,789,909	1,833,327	999,618	1,024,470
	<u>3,002,720</u>	<u>1,833,327</u>	<u>3,033,817</u>	<u>1,959,759</u>

The Group uses derivatives not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risks. The instruments used include forward contracts and cross currency linked forward contracts.

Net (loss)/gain from other financial instrument carried at fair value

	<u>9 months</u> <u>December</u> 2009	<u>12 months</u> <u>March</u> 2009
<i>In thousands of Naira</i>		
<i>Instrument type:</i>		
Foreign exchange	-	(24,852)
Cross currency swap	113,900	(1,353,401)
	113,900	(1,376,244)

22. Loans and advances to banks

	<u>December</u> 2009	<u>March</u> 2009
<i>In thousands of Naira</i>		
Loans and advances to banks	287,631	-
Less specific allowances for impairment	(216,400)	-
Less collective allowances for impairment	(705)	-
	70,526	-

Specific impairment allowance on loans and advances to banks

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, beginning of period/year	-	-
Impairment loss for the period/year:		
- Charge for the period/year	(216,400)	-
Balance, end of period/year	(216,400)	-

Collective impairment allowance on loans and advances to banks

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, at beginning of period/year	-	-
Impairment loss for the period/year:		
- Charge for the period/year	(706)	-
Balance, end of period/year	(706)	-

23. Loans and advances to customers

December 2009 <i>In thousands of Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Loans to individuals	15,933,873	(724,505)	(131,595)	(856,100)	15,077,773
Loans to corporate entities and other organizations	396,954,065	(19,332,681)	(7,385,971)	(26,718,652)	370,235,413
	412,887,938	(20,057,186)	(7,517,566)	(27,574,752)	385,313,186
March 2009 <i>In thousands of Naira</i>	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Loans to individuals	25,191,612	(1,323,443)	(231,361)	(1,554,804)	23,636,808
Loans to corporate entities and other organizations	401,359,693	(12,841,957)	(1,318,915)	(14,160,872)	387,198,821
	426,551,305	(14,165,400)	(1,550,276)	(15,715,676)	410,835,629

Specific impairment allowance on loans and advances to customers

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, beginning of period/year	14,165,400	3,226,248
Opening balance of subsidiaries acquired during the period/year	-	55,1794
	14,165,400	3,778,042
Impairment loss for the period/year:		
- Charge for the period/year	13,395,625	14,239,133
- Recoveries	(517,600)	-
Net impairment for the period/year	12,878,025	14,239,133
Effect of foreign currency movements	163,447	(245)
Write-offs	(7,149,686)	(3,851,530)
Balance, end of period/year	20,057,186	14,165,400

Collective impairment allowance on loans and advances to customers

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, beginning of period/year	1,550,276	821,317
Opening balance of subsidiaries acquired during the period/year	-	21,630
Impairment loss for the period/year:		
- Charge for the period/year	6,102,881	707,349
- Allowance no longer required	(137,363)	-
Net impairment for the period/year	5,965,518	707,349
Effect of foreign currency movements	1,772	(20)
Balance, end of period/year	7,517,566	1,550,276

24. Investment in equity accounted investee

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
(a) Cost		
Balance, beginning of period/year	145,000	145,000
Additional investment during the period/year	-	-
Balance, end of period/year	145,000	145,000

Share of profit in equity accounted investee and net investment

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, beginning of period/year	650,547	584,758
Share of result for the period/year	(775,431)	65,789
Dividend paid	(62,143)	
Share of fixed asset revaluation reserve	487,182	
Net investment	300,155	650,547

This represents the Group's 29% (31 March 2009: 29%) equity investment in Marina Securities Limited.

- (b) A summary of financial information for Marina Securities Limited, not adjusted for percentage ownership held by the Group is as follows:

Year	<u>December 2009</u> 29%	<u>March 2009</u> 29%
Current assets	3,825,242	13,870,760
Non-current assets	2,526,623	799,304
Total assets	6,351,865	14,670,064
Current liabilities	5,920,182	12,072,070
Non-current liabilities	96,962	354,727
Total liabilities	6,017,144	12,426,797
Revenue	2,589,427	1,928,684
Expenses	(5,711,692)	(1,364,017)
Profit before tax	(3,122,265)	560,667
Tax	2,863	(707,212)
Profit after tax	(3,119,402)	(142,545)

25. Investment securities

Available for sale securities <i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Treasury bills	-	886,614
Government bonds	25,170,521	-
Underwriting commitment (see note (a) below)	3,840,218	-
Equity securities with readily determinable fair values	8,968,722	10,074,601
Unquoted equity securities at cost	294,616	-
	38,274,077	10,961,215
Specific impairment allowance for underwriting commitment	(3,256,198)	-
Specific impairment allowance for unquoted equity securities at cost	(294,616)	(160,132)
	34,723,263	10,801,083
Held to maturity securities <i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Treasury bills	-	413,771
Bankers acceptance	-	473,098
Government bonds	36,926,784	58,522,736
Other bonds	382,026	262,100
Other quoted investments	1,713,013	-
	39,021,823	59,671,705
Investment securities	73,745,086	70,472,788

The movement in specific impairment for unquoted equity securities at cost during the period is as follows:

Specific impairment allowance for unquoted equity securities at cost <i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, beginning of period/year	(160,132)	(162,580)
Opening balance of subsidiaries acquired during the period/year	-	(33,552)
Allowance written off	33,552	-
Charge for the period/year	(168,036)	36,000
Balance, end of period/year	(294,616)	(160,132)

- (a) Underwriting commitment represents the carrying value of 15,360,873 units of African Petroleum Plc shares underwritten by the Bank. The commitment crystallized during period and payment was made in

respect of the underwritten shares to African Petroleum Plc. The movement in specific impairment allowance for underwriting commitment during the period is as follows:

Specific impairment allowance for underwriting commitment	<u>December</u>	<u>March</u>
<i>In thousands of Naira</i>	2009	2009
Balance, beginning of period/year	-	-
Allowance no longer required	-	-
Charge for the period/year	3,256,198	-
Balance, end of period/year	3,256,198	-

26. Investment properties

The investment properties were acquired during the period and the directors are of the opinion that the market values of the properties are not significantly different from the purchase price. Therefore, no revaluation gain/loss has been recognised in these accounts in respect of investment properties. The movement on the investment properties account during the year was as follows:

	<u>December</u>	<u>March</u>
<i>In thousands of Naira</i>	2009	2009
Balance, beginning of period/year	-	-
Additions	1,404,000	-
Disposals	-	-
Balance, end of period/year	1,404,000	-

27 Property and equipment

<i>In thousands of Naira</i>	Leasehold improvement and buildings	Computer hardware	Furniture & fittings	Motor vehicles	Capital work-in - progress	Total
Cost						
Balance at 1 April 2009	9,548,239	4,402,970	10,874,900	4,465,999	5,950,547	35,242,655
Additions	1,565,712	1,135,090	2,939,698	631,116	1,457,264	7,728,880
Disposals	(82,149)	(78,543)	(58,751)	(223,437)	-	(442,880)
Reversals	(310,275)	-	(1,838)	-	(338,461)	(650,574)
Previously unconsolidated subsidiaries	180,782	-	11,551	147,122	-	339,455
Write off	-	-	(74,653)	-	(593,715)	(668,368)
Transfers	1,163,572	91,216	141,334	106,340	(1,502,464)	-
Revaluation	-	20,854	19,434	11,439	-	51,725
Translation difference	384,222	22,758	504,796	213,312	295,786	1,420,874
Balance at 31 December 2009	12,450,103	5,594,345	14,356,471	5,351,891	5,268,957	43,021,767
 Balance at 1 April 2008	 5,357,949	 2,588,117	 8,090,485	 3,416,323	 3,516,916	 22,969,790
Additions	1,610,703	1,711,992	2,494,199	1,160,413	3,989,035	10,966,342
Disposals	(436,667)	-	(31,656)	(255,084)	(32,706)	(756,113)
Previously unconsolidated subsidiaries	1,808,382	96,945	67,949	68,165	-	2,041,441
Write off	-	(250)	-	-	(1,244)	(1,494)
Transfers	1,208,716	7,142	242,428	75,260	(1,533,546)	-
Translation difference	(845)	(976)	11,495	922	12,092	22,688
Balance at 31 March 2009	9,548,238	4,402,970	10,874,900	4,465,999	5,950,547	35,242,654

Depreciation and impairment losses

Balance at 1 April 2009	1,295,206	2,539,179	5,692,710	2,252,710	-	11,779,805
Charge for the period	608,329	848,860	1,396,171	850,886	-	3,704,246
Disposals	(238)	(75,762)	(34,261)	(145,761)	-	(256,022)
Translation difference	34,020	(158,520)	229,813	8,205	-	113,518
Balance at 31 December 2009	1,937,317	3,153,757	7,284,433	2,966,040	-	15,341,547
Balance at 1 April 2008	633,214	1,560,420	4,342,121	1,461,724	-	7,997,479
Previously unconsolidated subsidiaries	301,965	71,855	451	42,595	-	416,866
Charge for the year	402,126	907,161	1,371,931	924,594	-	3,605,812
Disposals	(42,257)	-	(22,444)	(176,030)	-	(240,731)
Translation difference	158	(257)	651	(173)	-	379
Balance at 31 March 2009	1,295,206	2,539,179	5,692,710	2,252,710	-	11,779,805
Carrying amounts:						
Balance at 31 December 2009	10,512,786	2,440,588	7,072,038	2,385,851	5,268,957	27,680,220
Balance at 31 March 2009	8,253,032	1,863,791	5,182,190	2,213,289	5,950,547	23,462,849

28. Intangible assets

<i>In thousands of Naira</i>	Goodwill	Purchased Software	Total
Cost			
December 2009			
Balance at 1 April 2009	1,738,148	1,523,404	3,261,552
Additions	-	676,404	676,404
Balance at 31 December 2009	1,738,148	2,199,808	3,937,956
March 2009	-	882,554	882,554
Balance at 1 April 2008	-	221,665	221,665
Additions	1,738,148	419,185	2,157,333
Balance at 31 March 2009	1,738,148	1,523,404	3,261,552
Amortization and impairment losses			
Balance at 1 April 2009	-	858,834	858,834
Amortization for the period	-	198,416	198,416
Balance at 31 December 2009	-	1,057,250	1,057,250
Balance at 1 April 2008	-	506,625	506,625
Amortization for the period	-	35,537	35,537
Reclassifications	-	316,672	316,672
Balance at 31 March 2009	-	858,834	858,834
Carrying amounts			
Balance at 31 December 2009	1,738,148	1,142,558	2,880,706
Balance at 31 March 2009	1,738,148	664,570	2,402,718

(a) Goodwill arises from the acquisition in the following subsidiaries:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Access Bank Rwanda	681,007	681,007
FinBank Burundi	369,714	369,714
Omni Finance Bank Cote d'Ivoire	687,427	687,427
	<u>1,738,148</u>	<u>1,738,148</u>

No impairment losses on goodwill were recognised for the 9 months period to 31 December 2009 (31 March 2009: nil).

29. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of Naira</i>	<u>December 2009</u>		<u>March 2009</u>	
	Assets	Liabilities	Assets	Liabilities
Property and equipment, and software	-	(1,170,151)	-	(2,129,084)
Allowances for loan losses	2,232,476	-	653,229	-
Tax loss carry forward	2,905,875	-	-	-
Employee benefits	463,664	-	221,542	-
Others	-	(652,737)	534,144	-
Net tax assets/(liabilities)	5,602,017	(1,822,888)	1,408,915	(2,129,084)
				(720,169)

There were no unrecognised deferred tax assets or liabilities as at 31 December 2009 (31 March 2009: nil).

Deferred tax assets and liabilities**Movement on the net deferred tax assets/(liabilities) account during the period/year:**

December 2009	<u>December</u>	<u>March</u>
<i>In thousands of Naira</i>	2009	2009
Balance, beginning of period/year	(720,169)	(223,810)
Prior year under-provision	169,937	-
Charge/(credit) to other comprehensive income	-	164,527
Credit/(expense)	4,326,710	(660,886)
Translation adjustments	2,651	-
Net deferred tax assets/(liabilities)	3,779,129	(720,169)
<i>Out of which</i>		
Deferred tax assets	5,602,017	1,408,915
Deferred tax liabilities	(1,822,888)	(2,129,084)

30. Other assets

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Accounts receivable and prepayments	14,716,237	12,282,679
Prepaid operating lease (see (i))	1,296,142	111,988
Restricted deposits with central banks (see (ii))	2,930,273	14,130,460
Deposit for subsidiaries	500,000	-
	19,442,652	26,525,127
Impairment on other assets	(2,515,320)	(1,035,318)
	16,927,332	25,489,809

- (i) This represents up-front payments for the leases of offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period.
- (ii) Included in restricted deposits with Central Bank of Nigeria (CBN) as at 31 December 2009 is ₦ 2,930,273,000 (31 March 2009: ₦ 5,754,734,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory 1% cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with central banks are not available for use in the Group's day-to-day operations

Movement in impairment on other assets:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Balance, beginning of period/year	1,035,318	646,092
Charge for the period/year	1,921,261	680,096
Allowance no longer required	(441,259)	(210,855)
Allowance written off	-	(80,015)
Balance, end of period/year	2,515,320	1,035,318

31. Deposits from banks

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Money market deposits	11,619,261	7,067,291
Other deposits from banks	31,597,580	23,229,420
	43,216,841	30,296,711

32. Deposits from customers

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Retail customers:		
Term deposits	1,767,553	3,905,822
Current deposits	8,152,681	9,713,924
Savings	12,481,013	10,470,110
Corporate customers:		
Term deposits	270,110,996	235,539,723
Current deposits	137,341,606	166,554,882
Others	12,481,014	211,030
	442,334,863	426,395,491

33. Debt securities issued

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Due to Access Bank Bond holders	2,604,277	9,207,423

This represents the outstanding balance of the Bank's 14% naira denominated redeemable convertible bond with a 3 year tenor due to expire in June 2010. The bond is convertible to ordinary shares of the Bank at the instance of the bondholders on a pre-determined conversion formula subject to a maximum of 25% of the units held. The conversion option is available at any time during the tenor of the bond subject to a conversion premium of 60% up to 18 months from the date of financial close in May 2007 and 80% conversion premium after 18 months from the date of financial close. The coupon is payable semi-annually in arrears starting from the 15th day of the 6th month after the financial close. In the event of a partial conversion or non conversion, the amount of the convertible bond outstanding is redeemable in four equal semi annual instalments with the first repayment of 25% in December 2008 being the 18th month after financial close.

34. Other liabilities

<i>In thousands of Naira</i>	Note	<u>December</u> 2009	<u>March</u> 2009
Cash settled share based payment liability	14	3,030,080	2,301,620
Creditors and accruals		3,612,592	4,204,259
Certified cheques		4,125,279	4,384,335
Deferred income		981,019	1,916,669
Liability for defined contribution obligations		65,775	28,675
Customers' deposit for foreign trade (see note (a) below)		6,076,115	21,615,549
Unclaimed Dividend		4,192,687	2,248,340
Other current liabilities		6,639,622	7,905,058
		<u>28,723,169</u>	<u>44,604,505</u>

- (a) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

35. Interest bearing loans and borrowings

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Due to European Investment Bank (see note (a))	2,300,454	2,636,827
Due to Belgian Investment Company (see note (b))	49,541	312,905
Due to African Development Bank (see note (c))	1,026,950	2,243,351
	<u>3,376,945</u>	<u>5,193,083</u>

- (a). The amount of N2,300,454,000 (USD 15,348,636) represents outstanding balance in the on-lending facility granted to the Bank by EIB (European Investment Bank) in September 2005 for a period of 9 years. Principal and interest are repayable quarterly and semi annually based on the terms of the facilities with the obligor. Interest is reset every 90 days at 2.2% - 2.9% above LIBOR. The undisbursed balance is included in due to banks.
- (b). The amount of N49,541,000 (USD 330,537) represents the outstanding balance in the on-lending facility granted to the Bank by BIO (Belgian Investment Company) in May 2007 for a period of 7 years. The principal amount is repayable semi annually from 2012 while interest is paid semi annually at 3% above 6 months LIBOR.
- (c). The amount of N1,026,950,000 (USD 5,217,300) represents the outstanding balance in the on-lending facility granted to the Bank by ADB (African Development Bank) for a period of 9 years commencing in August 2007 and a moratorium of 2 years. The principal amount is repayable semi annually after the moratorium period while interest is payable semi annually at 3% above LIBOR.

36. Capital and reserves

Share capital

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
(a) Authorised:		
Ordinary shares:		
18,000,000,000 Ordinary shares of 50k each	9,000,000	9,000,000
Preference shares:		
2,000,000,000 Preference shares of 50k each	1,000,000	1,000,000
	10,000,000	10,000,000
<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
(b) Issued and fully paid-up :		
16,262,046,799 Ordinary shares of 50k each		
(31 March 2009: 16,214,258,437 of 50k each)	8,131,024	8,107,130

The movement on the issued and fully paid-up share capital account during the period was as follows:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
(c) Balance, beginning of period/year	8,107,130	8,071,252
Issue of shares (see note (i))	23,894	35,878
Balance, end of period/year	8,131,024	8,107,130

- (i) In July 2009 the Bank obtained the Central Bank of Nigeria's approval to convert N551 million representing 25% of N2,204,000,000 of the 14% redeemable bond held by bond holders to ordinary shares of the Bank. This is based on the terms of the bond issue. The units of bond were converted to 47,788,362 ordinary shares of the Bank at a price of N11.53 per share. The price was based on a predetermined conversion formula as disclosed in the bond prospectus. The proceed is accounted for as follows:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Conversion proceeds	551,000	-
Transfer to share capital account	(23,894)	-
Transfer to share premium account	(527,106)	-
	-	-

<i>In thousands of units</i>	<u>December</u> 2009	<u>March</u> 2009
(d) Balance, beginning of period/year	16,214,259	16,142,502
Issue of shares (see note (i above))	47,788	71,757
Balance, end of period/year	16,262,047	16,214,259

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

Other regulatory reserves

The other regulatory reserve includes movements in the statutory reserves and the small and medium scale industries reserve.

(i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank transferred 30% of its profit after tax to statutory reserves as at period end (March 2009: 30%).

(ii) **Small and Medium Scale Industries Reserve (SMEEIS):** The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue for first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. The setting aside of this fund was no longer mandatory as at 31 December 2009. During the period, an amount of ₦294,616,000 representing diminution in value of SMEEIS investment was charged to profit or loss.

Treasury shares

Treasury shares represent the Bank's shares of 977,781,982 (31 March 2009: 787,191,170) held by the Staff Investment Trust as at 31 December 2009.

Bonus reserves

The Directors approved the transfer of N813,102,000 (31 March 2009: nil) from the Bank's share premium account to issue bonus shares in the ratio of 1 new ordinary share for every 10 previously held, subject to the declaration by the shareholders at the Annual General Meeting (31 March 2009: nil).

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments held in this account until the investment is derecognised or impaired.

Regulatory risk reserve

The regulatory risk reserves warehouses the excess of the impairment allowance on loans and advances calculated under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines and Central Banks of the foreign subsidiaries regulations, compared with the impairment allowance arrived at using the loss incurred model required by IFRSs.

Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit/(loss) attributable to shareholders.

Non-controlling interest

The entities accounting for the non-controlling interest balance is shown below:

	<u>December</u>	<u>March</u>
<i>In thousands of Naira</i>	2009	2009
Access Bank, Gambia	41,693	80,062
Access Bank, Sierra Leone	139,715	70,378
Access Bank, Zambia	66,693	42,477
Access Bank, Rwanda	334,480	301,923
Access Bank, Burundi	168,292	146,301
Omni Finance Bank, Cote D'Ivoire	(304,380)	387,392
Access Bank, Ghana	411,799	-
	858,292	1,028,533

37. Dividends

The following dividends were declared and paid by the Group during the period ended 31 December 2009:

	<u>December</u>	<u>March</u>
<i>In thousands of Naira</i>	2009	2009
Balance, beginning of period/year	-	-
Interim dividend declared	-	-
Final dividend declared	11,349,982	10,492,625
Payment during the period/year	(11,349,982)	(10,492,625)
Balance, end of period/year	-	-

38. Leasing

As lessor

The Group acts as lessor under operating and finance leases, providing asset financing for its customers. Finance lease receivables are included within loans and advances to customers (see note 23).

The Group's net investment in finance lease receivables was as follows:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Gross investment in finance leases, receivable:	4,942,020	4,365,683
Unearned future income on finance leases	(692,047)	(602,331)
Net investment in finance leases	4,249,973	3,763,352

The net investment in finance leases comprises:

Less than one year	598,648	656,982
Between one and five years	3,651,325	3,106,370
	4,249,973	3,763,352

Operating lease receivables

The Group acts as a lessor, whereby items of equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased to satisfy these leases are treated as equipment in the Group's financial statements and are generally disposed of at the end of the lease term.

As lessee

Operating lease commitments

The Group leases offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals. There are no contingent rents payable.

39. Contingencies

Claims and litigation

There were litigation claims against the Bank as at 31 December 2009 amounting to N13,406,430,457 (March 2009: N10,467,853,299). These claims arose in the normal course of business and are being contested by the Bank. The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystallize from these cases. No provisions are therefore deemed necessary for these claims.

Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

Acceptances, bonds, guarantees and other obligations for the account of customers:

a. These comprise:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Contingent liabilities:		
Acceptances and guaranteed commercial papers	233,037	186,732
Transaction related bonds and guarantees	89,065,023	91,909,404
Guaranteed facilities	445,307	4,155,010
	89,743,367	96,251,146
Commitments:		
Short term foreign currency related transactions	-	-
Clean line facilities for letters of credit	48,312,144	46,382,827
Other commitments	-	-
	48,312,144	46,382,827

c. All the transaction related bonds and guarantees are fully collateralised. The cash component out of the balance was ₦ 21,508,995,172. (31 March 2009: ₦ 34,803,001,006).

d. The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.

40. Group entities

i. Significant subsidiaries

	Nature of business	Country of incorporation	Ownership interest	
			<u>December 2009</u>	<u>March 2009</u>
Access Bank Gambia Limited	Banking	Gambia	77%	75%
Access Bank Sierra Leone Limited	Banking	Sierra Leone	97%	97%
United Securities Limited	Securities dealing	Nigeria	100%	100%
Access Bank Rwanda Limited	Banking	Rwanda	75%	75%
FinBank Burundi	Banking	Burundi	75%	75%
Omni Finance Bank, Cote d'Ivoire	Banking	Cote d'Ivoire	88%	88%
Access Bank Zambia	Banking	Zambia	100%	100%
The Access Bank UK	Banking	United Kingdom	100%	100%
Access Bank (R.D. Congo)	Banking	Congo	100%	100%
Access Bank Ghana	Banking	Ghana	95%	75%
Access Investment and Securities	Investment management & securities dealing	Nigeria	100%	100%
Access Homes and Mortgage	Mortgage services	Nigeria	100%	100%
Special purpose entity:				
Staff Investment Trust		Nigeria	100%	100%

41. Related parties

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

Parent

The parent company, which is also the ultimate parent company, is Access Bank Plc.

Subsidiaries

Transactions between Access Bank Plc and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

Associates

Related party transactions with Associate (Marina Securities Limited) were as follows:

<i>In thousands of Naira</i>	<u>December</u> 2009	<u>March</u> 2009
Professional fees	-	89,411,451
Retainership fees	180,000,000	296,104,972
Statutory fees	-	53,734,467
Stock broking fees	-	60,749,110
	180,000,000	500,000,000

Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Access Bank Plc and its subsidiaries.

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

<i>Loans and advances:</i>	<u>December</u> 2009	<u>March</u> 2009
<i>In thousands of Naira</i>		
Secured loans and advances	49,200,335	45,998,611
<i>Deposits:</i>	<u>December</u> 2009	<u>March</u> 2009
<i>In thousands of Naira</i>		
Total deposits	8,019,597	10,188,597

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the period comprises:

Directors' remuneration

	<u>December</u>	<u>March</u>
<i>In thousands of Naira</i>	2009	2009
Fees as directors	7,900	7,900
Other emoluments:		
Executive directors	116,125	154,825
Other directors	67,401	83,479
	<u>191,426</u>	<u>246,204</u>

42. Subsequent events

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.



INTERCONTINENTAL BANK PLC

**IFRS Consolidated Financial Statements for the period
ended 30 September 2011**

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Directors' Report
For the period ended 30 September 2011

The financial statements are the consolidated financial statements of Intercontinental Bank Plc "the Bank" together with the auditor's report for the period ended September 30, 2011.

a) Legal form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act 1990 as a private limited liability company on February 9, 1989 and commenced operations as a licensed merchant bank in March 1989. It converted to a commercial bank on July 9, 1999 and was registered as a universal bank in 2000. The Bank became a public limited liability company on April 1, 2002 and its shares were listed on June 25, 2002 on the floor of the Nigerian Stock Exchange. The address of its registered office is Plot 999c Danmole Street, Victoria Island, Lagos. In October 2005, the Bank merged with three other banks namely, Equity Bank Plc, Global Bank Plc and Gateway Bank Plc.

b) Principal activity and business review

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and money market activities. Its major subsidiaries carry on capital market, insurance, trusteeship, mortgage and real estate businesses. The bank was acquired by Access Bank Plc ("Access") in October 2011 and it was subsequently merged with Access in February 2012. The last set of general purpose statutory financial statements of the Bank was for the nine months period ended 30 September 2011. The financial statements of the bank for the same period have been prepared and issued by the directors of Access ("the Directors") from the statutory general purpose financial statements of the bank. The financial statements have been issued by the directors of Access for the purpose of meeting in part the requirements of Access bank Plc's bond issuance.

c) Director's responsibilities in relation to the financial statements

The directors' of Access Bank Plc accept responsibility for the preparation of the financial statements as set out on pages 3 to 65 that give a true and fair view in accordance with International Financial Reporting Standards. The directors further accept responsibility for ensuring that the preparation of the financial statements are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Bank's ability to continue as a going concern. The basis and the result of the assesment have been disclosed in note 3(e) of the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Directors of *Intercontinental Bank Plc* and *Access Bank Plc*

Report on the Financial Statements

We have audited the accompanying financial statements of Intercontinental Bank Plc ("the Bank") and its subsidiaries (together "the Group"), set out in Section 'Financial Statements' of the prospectus of the Group (the Prospectus), which comprise the statements of financial position as of 30 September 2011 and 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the nine-months period ended 30 September 2011 and the year ended 31 December 2010, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation, and fair presentation of these financial statements in accordance with International Financial reporting Standards (IFRS) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Intercontinental Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2011 and 31 December 2010, and of the Group's financial performance and cash flows for the nine-months period ended 30 September 2011 and the year ended 31 December 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to note 3(e) of the financial statements which indicates that the Group had a deficit of shareholders' funds of N 571.4billion as at that date (31 December 2010: N328.6billion) and capital adequacy ratios below the prescribed minimum. The note further explains why in these circumstances the financial statements are prepared on a going concern basis.

Other matter

The statutory financial statements of the Bank for the year ended 31 December 2009 from which the 1 January 2010 balances were derived for IFRS purposes, were audited by another auditor whose report dated 30 June 2010 expressed an unmodified opinion on those financial statements but included an emphasis of matter paragraph on the going concern status of the Group.

Report on Other Legal and Regulatory Requirements

Compliance with requirements of Annex IX, item 11.1 of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council.

These financial statements have been prepared by the Group for inclusion in the Prospectus in accordance with Annex IX, item 11.1 of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation").

Declaration

For the purpose of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex IX and item 1.2 of Annex XIII of the EU Prospectus Regulation.

KPMG

Lagos, Nigeria
4 May 2012

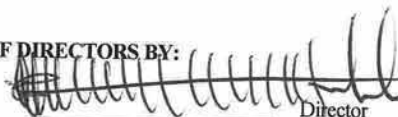


Consolidated Statements of Financial Position

<i>In millions of Nigerian Naira</i>	Notes	30 Sept 2011	31 Dec 2010	30 Sept 2010 Unaudited	1 Jan 2010
ASSETS					
Cash and cash equivalents	17	68,133	91,137	83,273	52,152
Non-pledged trading assets	18	5,424	4,997	6,881	6,922
Pledged assets	19	250,559	72,862	53,157	88,672
Loans and advances to customers	20	106,538	130,191	175,939	197,889
Investments in equity accounted investee	21	2,683	1,856	1,709	3,457
Investment securities	22	39,908	181,019	100,952	79,136
Trading properties	23	6,867	8,106	1,532	6,698
Investment properties	24	2,922	3,369	2,390	8,737
Property and equipment	25	43,970	50,111	51,938	53,769
Intangible assets	26	1,025	1,486	1,421	2,067
Deferred tax assets	27	4,980	154,254	164,166	166,756
Other assets	28	4,454	15,006	21,283	8,172
TOTAL ASSETS		537,464	714,394	664,640	674,427
LIABILITIES					
Deposits from banks	29	308,463	176,597	201,513	299,813
Deposits from customers	30	580,670	677,731	639,142	530,131
Redeemable preference shares	31	-	7,619	7,619	7,619
Liability on investment contract	32	733	1,486	1,441	4,601
Liability on insurance contract	33	2,922	1,862	2,921	2,208
Current tax liabilities	34	6,993	8,578	6,954	5,369
Deferred tax liabilities	27	246	164	11	-
Other liabilities	35	76,401	49,138	58,984	57,683
Other borrowed funds	36	127,883	118,707	107,490	113,042
TOTAL LIABILITIES		1,104,311	1,041,882	1,026,075	1,020,466
EQUITY					
Share capital and share premium	37	148,931	148,931	148,931	148,931
Treasury shares		(167,232)	(167,232)	(167,232)	(167,232)
Retained earnings		(573,383)	(337,294)	(381,090)	(389,642)
Other reserves		20,308	26,958	36,584	61,677
DEFICIT ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		(571,376)	(328,637)	(362,806)	(346,266)
Non-controlling interest		4,529	1,150	1,371	227
TOTAL DEFICIT		(566,847)	(327,487)	(361,435)	(346,039)
TOTAL LIABILITIES AND DEFICIT		537,464	714,394	664,640	674,427

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Victor Etuokwu


Director

Ojini Olaghere


Director

Approved by the Board of Directors on 4 May 2012

The notes on pages 10 to 60 are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

<i>In millions of Nigerian Naira</i>	Notes	9 months period ended	12 months ended	9 months period ended
		30 September 2011	31 December 2010	30 September 2010
				Unaudited
Interest income	8	40,128	151,179	136,572
Interest expense	8	(39,081)	(52,744)	(39,900)
Net interest income		1,047	98,435	96,672
Net fee and commission income	9	13,064	25,657	19,921
Net trading income	10	4,550	7,560	(541)
Net income from other financial instruments carried at fair value		(319)	379	13
Other operating income	11	6,871	3,466	2,095
		24,166	37,062	21,488
Premium from Insurance contracts		1,305	2,143	3,138
Premium ceded to re-insurers		(210)	(1,035)	(1,383)
Net premiums from insurance contracts		1,095	1,108	1,755
Operating income		26,308	136,605	119,915
Net impairment loss on financial assets	12	(26,443)	(16,354)	(67,144)
Personnel expenses	13	(25,079)	(38,863)	(29,269)
Depreciation and amortisation		(5,958)	(8,329)	(5,769)
Other operating expenses	14	(60,402)	(35,260)	(26,093)
Net operating (loss)/income		(91,574)	37,799	(8,360)
Share of profit of equity accounted investee	21	172	(35)	-
(Loss) / profit before income tax		(91,402)	37,764	(8,360)
Income tax expense	15	(152,130)	(14,880)	(5,009)
(Loss) / profit for the period/year		(243,532)	22,884	(13,369)
Other comprehensive income, net of income tax				
Foreign currency translation differences for foreign operations		296	319	693
Regulatory risk reserve		(2,696)	(29,626)	(22,333)
Fair value losses on available-for-sale investments		(4,791)	(5,004)	(3,077)
Net change in fair value		-	-	-
Other comprehensive income for the period/year		(7,191)	(34,312)	(24,717)
Total comprehensive loss for the period/year		(250,723)	(11,428)	(38,086)
Profit attributable to:				
Equity holders of the Bank		(244,362)	22,313	(14,157)
Non-controlling interest		830	571	788
(Loss)/profit for the period/year		(243,532)	22,884	(13,369)
Total comprehensive loss attributable to:				
Equity holders of the Bank		(249,893)	(11,999)	(38,874)
Non-controlling interest		(830)	571	788
Total comprehensive income for the period/year		(250,723)	(11,428)	(38,086)
(Loss)/earnings per share-basic (<i>Nigerian kobo</i>)	16	(18)	2	(1)

The notes on pages 10 to 65 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the period/year ended

(a) 30 September 2011

In millions of Nigerian naira

Balance at 1 January 2011	9,453	139,478	(851)	19,343	(167,232)	(4,210)	8,808	3,868	(337,294)	(328,637)	1,150	(327,487)
Adjustment to the opening balance (see (i) below)	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance restated	9,453	139,478	(851)	19,343	(167,232)	(4,210)	8,808	3,868	(331,186)	(322,529)	3,699	(318,830)
(Loss)/profit	-	-	-	-	-	-	-	-	(244,362)	(244,362)	830	(243,532)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in revaluation surplus for the period	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	296	-	-	-	-	-	-	296	-	296
Fair value reserve (available-for-sale) financial assets	-	-	-	-	-	(4,791)	-	-	-	(4,791)	-	(4,791)
Transfer to regulatory risk reserve	-	-	-	-	-	-	(2,696)	-	2,696	-	-	-
Transfer to contingency reserve	-	-	-	245	-	-	-	-	(245)	-	-	-
Transfer from retained earnings	-	-	-	296	-	-	-	-	(296)	-	-	-
Net amount transferred to profit or loss	-	-	-	-	-	-	-	-	10	10	-	10
Total comprehensive income for the period	-	-	296	(541)	-	(4,791)	(2,696)	2,165	(4,485)	-	-	(4,485)
Balance at 30 September 2011	9,453	139,478	(555)	19,884	(167,232)	(9,001)	6,112	3,868	(573,383)	(571,376)	4,529	(566,847)

(b) 31 December 2010

In millions of Nigerian naira

Balance at 1 January 2010	9,453	139,478	(1,170)	19,752	(167,232)	794	38,434	3,868	(389,642)	(346,265)	227	(346,038)
Loss/profit	-	-	-	-	-	-	-	-	22,313	22,313	571	22,884
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Gain on the revaluation of land and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	319	-	-	-	-	-	-	319	-	319
Fair value reserve (available-for-sale) financial assets	-	-	-	-	(5,004)	-	-	-	-	(5,004)	-	(5,004)
Transfer to regulatory risk reserve	-	-	-	-	-	-	(29,626)	-	29,626	-	-	-
Transfer to contingency reserve	-	-	-	(409)	-	-	-	-	409	-	-	-
Share of reserves	-	-	-	-	-	-	-	-	-	-	352	352
Total comprehensive income for the year	-	-	319	(409)	-	(5,004)	(29,626)	-	30,035	(4,685)	352	(4,333)
Balance at 31 December 2011	9,453	139,478	(851)	19,343	(167,232)	(4,210)	8,808	3,868	(337,294)	(328,637)	1,150	(327,487)

(c) 30 September 2010 (Unaudited)

In millions of Nigerian naira

Balance at 1 January 2010	9,453	139,478	(1,170)	19,752	(167,232)	794	38,434	3,868	(389,642)	(346,265)	227	(346,038)
(Loss)/profit	-	-	-	-	-	-	-	-	(14,157)	(14,157)	788	(13,369)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Gain on the revaluation of land and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	693	-	-	-	-	-	-	693	-	693
Fair value reserve (available-for-sale) financial assets	-	-	-	-	-	(3,077)	-	-	-	(3,077)	-	(3,077)
Transfer to contingency reserve	-	-	-	(376)	-	-	-	-	376	-	-	-
Transfer to regulatory risk reserve	-	-	-	-	-	-	(22,333)	-	22,333	-	-	-
Share of reserves	-	-	-	-	-	-	-	-	-	-	356	356
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	693	(376)	-	(3,077)	(22,333)	-	22,709	(2,384)	356	(2,028)
Balance at 30 September 2010	9,453	139,478	(477)	19,376	(167,232)	(2,283)	16,100	3,868	(381,090)	(362,806)	1,371	(361,435)

(i) The prior year adjustments is made up of provision made on subsidiary's loans not reversed on consolidation, prior year foreign exchange loss made by Ghana's subsidiary and previously unconsolidated reserves of associates.

The notes on pages 10 to 65 are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the period ended 30 September 2011

In millions of Nigerian Naira	Notes	9 months period ended 30 September 2011	12 months ended 31 December 2010	9 months period ended 30 September 2010 Unaudited
Cash flows from operating activities				
Profit/(Loss) after tax		(243,532)	22,884	(13,369)
Adjustments for:				
Depreciation of property and equipment and amortization		5,958	8,329	5,769
Gain on disposal of property and equipment		(103)	(158)	(40)
Property and equipment written off		1,082	-	-
Gain on trading properties		(320)	(1,070)	-
Impairment on loans and advances		42,003	117,703	105,634
Writeback of provision on loans and advances		-	(25,382)	(39,630)
Impairment writeback on loans sold to AMCON		(20,565)	(78,928)	-
Impairment loss on investments in associates		411	1,559	1,748
Impairment on financial assets		860	(843)	-
Share of profit of equity accounted investee		(172)	35	-
Impairment loss on trading properties		11	-	-
Impairment loss on investment properties		-	454	-
Impairment loss on other assets		3,734	3,350	3,029
Gain on settlement of redeemable preference shares		(638)	-	-
Interest paid on borrowings and finance lease		3,454	5,388	4,638
Dividend received		-	-	-
Income tax expense		152,130	14,880	5,009
		(55,687)	68,201	72,789
Change in non-pledged trading assets		(427)	1,925	41
Change in pledged assets		(183,529)	12,978	34,377
Change in investment securities		141,293	(103,283)	(23,754)
Change in loans and advances to customers		7,260	54,305	(44,055)
Change in other assets		9,660	(10,344)	(11,290)
Change in deposits from banks		131,866	(123,216)	(98,300)
Change in liability on investment contract		(753)	(3,115)	(3,160)
Change in liability on insurance contract		1,060	(346)	713
Change in deposits from customers		(97,061)	147,600	109,011
Change in other liabilities		27,175	(5,946)	1,440
		(19,144)	38,759	37,811
Income tax paid		(4,270)	(1,399)	(962)
Net cash (used in)/from operating activities		(23,414)	37,360	36,849
Cash flows from investing activities				
Acquisition of property and equipment		(1,209)	(4,331)	(7,301)
Acquisition of investment properties		(133)	(1,115)	-
Proceeds from sale of investment properties		580	6,514	6,347
Proceeds from the sale of property and equipment		882	618	249
Purchase of trading properties		(958)	(5,295)	-
Proceeds from sale of trading properties		2,506	4,957	5,166
Net cash (used in)/from investing activities		1,669	1,348	4,461
Cash flows from financing activities				
Interest paid		(3,454)	(5,388)	(4,638)
Proceeds from borrowing		9,176	5,665	(5,552)
Repayment of preference shares		(6,981)	-	-
Dividends paid		-	-	-
Net cash (used in)/from financing activities		(1,259)	277	(10,190)
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of period/year		91,137	52,152	52,152
Effect of exchange rate fluctuations on cash held		(23,004)	38,985	31,121
Cash and cash equivalents at end of period/year		68,133	91,137	83,273

The notes on pages 10 to 65 are an integral part of these consolidated financial statements.

1. Reporting entity

Intercontinental Bank Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is 999c, Danmole Street, Victoria Island, Lagos. The consolidated financial statements of the Bank for the period ended 30 September 2011 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in investment, corporate, commercial and retail banking.

2 Statement of compliance with international financial reporting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Group's first consolidated financial statements prepared in accordance with IFRSs, and IFRS 1 *First-time adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 42. This note includes reconciliations of equity and profit or loss for comparative periods reported under Nigerian GAAP (previous GAAP) to those reported for this period under IFRS.

The financial statements were authorised for issue by the directors on 4 May 2012.

These consolidated financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest million.

3 Basis of preparation

(a) Reporting period

The September 2011 consolidated financial statements have been prepared for a 9 month period. However the corresponding December 2010 and September 2010 consolidated financial statements was prepared for a 12 month and 9 month period, respectively.

(b) Functional and presentation currency

These consolidated financial statements are presented in Naira, which is the Bank's functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest million.

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 6 to the financial statements.

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and in preparing an opening IFRSs balance sheet at 1 January 2010 for purposes of the transition to IFRSs.

(e) Going concern

The Group had shareholders' deficits of N 571.4 billion as at 30 September 2011 (31 December 2010: N 328.6 billion). The level of shareholders' funds was also below the N 25 billion minimum regulatory capital requirement set by the Central Bank of Nigeria. In addition, the Group has capital adequacy ratios below the prescribed minimum.

Subsequent to 30 September 2011, the Bank completed its recapitalisation process in October 2011 through capital injection by Access Bank Plc and Asset Management Corporation of Nigeria (AMCON) for a 75% and 15% equity interest respectively in the Bank (see note 41).

The combined effect of the investment of N 574 billion by AMCON and N 50 billion capital injection by Access Bank Plc resulted in a capitalisation level that met the regulatory capital and liquidity requirements.

The Bank and its subsidiaries are expected to continue as a going concern in the period ahead. Accordingly, the financial statements are prepared on a going concern basis.

4 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available for sale equity instruments or a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or a qualifying cash flow hedge, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Naira at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Naira at spot exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the relevant cumulative amount in the translation reserve related to that foreign operation is reclassified to profit and loss. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investments in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income from other financial instruments at fair value through profit and loss in the statement of comprehensive income.

(d) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Insurance premium

Insurance premiums are recognised in the period earned. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

(f) 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, dividends and foreign exchange differences.

(g) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(h) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income, net income from other financial instruments at fair value through profit and loss or other operating income based on the underlying classification of the equity investment. Dividend income on available-for-sale securities are recognised as a component of other operating income.

(i) 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.

(j) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year determined in accordance with the Companies Income tax Act (CITA), using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(k) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits; debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit and loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(a) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments were carried at amortised cost, using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(b) Financial assets held at fair value through profit and loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A group of financial assets is managed and its performance evaluated on a fair value basis; or

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

(c) Available-for-sale

Available-for-sale investments are non-derivative investments that were designated by the Group as available-for-sale or are not classified as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. . Unquoted equity securities whose fair value cannot reliably be measured were carried at cost. All other available-for-sale investments were carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in the 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 in other comprehensive income until the investment was sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified 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 receivables 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.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and receivables.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(iii) 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.

(iv) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in a setting price. Available for sale unquoted equity securities are measured at cost because their fair value could not be reliably measured.

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- whether the customer is more than 90 days past due;
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

(vi) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vii) 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.

(viii) Derecognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(l) Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks, operating accounts with other banks, amount due from other banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific on the specific property, with any remaining gain recognised in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative period are as follows:

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	50 years
Land	Over the lease period
Computer hardware & equipment	3 years
Furniture, fittings & equipment	4-10 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if applicable

(v) 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.

(n) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss in other income.

(o) Intangible asset

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 the future economic benefits embodied in the asset. The estimated useful life of software is three to five years.

Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(p) Trading properties

Trading properties (inventory) are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of trading properties is determined on the basis of specific identification of their individual costs.

(q) Leased assets – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Groups statement of financial position. Investment property held under an operating lease is recognised in the Groups statement of financial position at its fair value.

(r) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(t) Financial guarantee contracts

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, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the amortised amount. Financial guarantees are included within other liabilities.

(u) Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. 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 is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

The group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2004. The employer and the employee contributions are 7.5% each of the qualifying employee's salary. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit and loss account on an annual basis.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises actuarial gains and losses in profit or loss in the period they arise.

(c) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits that are payable more than 12 months after the reporting date, then they are discounted to their present values.

Terminal benefits are calculated based on number of service years and employees become eligible after 5 years of service.

(d) Short-term 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.

(v) Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity and property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are more significant than the benefits that would be payable if the insured event does not occur. Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39, 'Financial Instruments: Recognition and Measurement'.

(i) Long-term insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified.

Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitheld investment pools.

(ii) Short-term insurance contracts

Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

(iii) Deferred acquisition costs (DAC)

Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

(iv) Deferred income liability

Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

(v) Liability adequacy test

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Any deficiency is immediately recognised in the income statement.

(vi) 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.

(w) Borrowing costs

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except to those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the Bank's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

(x) Contingencies

(a) Contingent Asset

Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not contingent and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement.

(b) **Contingent Liability**

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

(y) **Share capital and reserves**

(i) **Share issue costs**

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) **Dividend on ordinary shares**

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

(iii) **Treasury shares**

Where the Bank or any member of the Group purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(z) **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(aa) **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 *Group 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.

(ab) **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2011, and have not been applied in preparing these consolidated financial statements:

Revised IFRS 3 **Business Combinations** (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations
- Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

· Amended IAS 27 **Consolidated and Separate Financial Statements** (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

· IFRS 9 **Financial Instruments**, published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of *held to maturity*, *available for sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment on other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted. The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

· Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2011 consolidated financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the consolidated financial statements.

5 Financial risk management

(a) Introduction and overview

The Group views risk as an integral part of its development and the diversification of its activities, and advocates a risk management approach consistent with its business expansion strategy. The purpose of sound risk management is to provide reasonable assurance that incurred risks do not exceed acceptable threshold and that risks taking contributes to the creation of shareholders' value. For the Group, this means striking a healthy balance between return and risks.

The Group is affected by risk in two ways, first, it exposes itself voluntarily to certain categories of risk, especially credit and market risks, in order to generate revenue. Second, it assumes operational risks that are inherent to its activities and to which it does not choose to expose itself and that does not generate revenue.

Risk management architecture

To achieve its risk management objectives, the Group has a risk management framework that comprises the following elements:

- A risk management culture.
- A governance culture.
- Risk management policies.
- A review of risk decisions by independent professionals.
- Independent oversight by the corporate compliance department.
- An independent assessment by the Internal Audit department.

(b) Credit Risk Management

The Group's credit risk management activities are based on certain fundamental principles.

The effectiveness of our risk management process throughout the Bank and its subsidiaries must be through formal governance structures and must be simple with regular reporting processes within a well defined control environment.

The Group's risk policy allows our people take initiatives and responsibility to proactively identify risks in delivering products and services to the market in a value-added manner.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still earn sufficient profit to make returns which are competitive with other investments.

Credit risks are examined for all credit-related transactions including investments and trading transactions, in addition to loans and leases.

Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

Credit risk are managed such that loan quality and the bank's reputation are aligned with the Bank's objective of fairly conservative risk appetite, balanced against a desire for reasonable returns.

Methodology for risk rating

Credit Scoring System

The Group credit scoring system operates by assigning values to various factors as indicated below. These values are weighted based upon their correlation to default predictions and the bank's business objectives. They are added and averaged to determine a credit score for application. The scoring system either recommends for approval or decline, or refers the application for further analysis.

The risk rating methodology is based on the following fundamental analyses (financial analysis and non-financial analysis):

(i) Market Segment:

Applications are scored according to market segment they belong as indicated below.

Upper Market

- Structured
- Unstructured

Middle

- Structured
- Unstructured
- Small Business/Individual

(ii) Facility, Type and Tenor

Applications are scored according to facility type as represented below:

- Less or equal to 180 days
- Over 180 days but less than 24 months
- Over 24 months

(iii) Sales Turnover

From experience the less the turnover, the riskier the business ventures. Businesses with higher turnover tend to have better capability to withstand occasional market storms.

(iv) Management

This index is critical to the survival of any business outfit. A proper diagnosis of the management is important for sound credit judgment.

Management

Upper Market

- * Structured
 - Defined, stable and strong Management and Board.
 - Defined but weak Management and Board
 - Stable Management with Board instability
 - Stable Board with Management instability
- * Unstructured
 - Limited liability companies/sole/partnership with defined existing organisation structure and reliable financial information,
 - Limited liability companies/sole/partnership without properly defined/existing organisation structure, but with reliable financial information.
 - Limited liability companies/sole/partnership without properly defined/existing organisation structure and reliable financial information.
 - Non-existing organisation structure without reliable financial information.

Middle Market

- * Structured
 - Defined, stable and strong Management and Board.
 - Defined but weak Management and Board
 - Stable Management with Board instability
 - Stable Board with Management instability
- * Unstructured
 - Limited liability companies/sole/partnership with defined existing organisational structure and reliable financial information.
 - Limited liability companies/sole/partnership without properly defined/existing organisation structure, but with reliable financial information.
 - Limited liability companies/sole/partnership without properly defined/existing organisation structure and reliable financial information.
 - Non-existing organisation structure without reliable financial information.
- * Small businesses
 - Company with proven track record of ten years and above, managed by well-educated professionals and has reliable financial information.
 - Company with proven track record of five years, managed by well-educated professionals and have reliable financial information,
 - Company with minimal proven record of three-five years, managed by well-educated professionals and reliable financial information.
 - Company with minimal track record of less than three years, managed by skilled and well-trained persons and with reliable financial information.
 - Company with minimal track record of less than three years, no professionals and no reliable financial information.
 - Company without information and proven experience and no reliable financials.

(v) Collateral/Security

Collateral often referred to as credit risk mitigant, is an important means of adding assurance of recovery of the Bank's loan. The pledge of collateral should be legally sound, properly documented and continuously reviewed as to its value and marketability.

Collaterals are reviewed and scored based on the following parameters:

- Whether secured or not secured
- If secured, what type of security
- Perfectable legal mortgage
- Equitable mortgage
- Chattel mortgages
- Location of security/collateral
- Loan to value ratio of collateral offered
- Marketability of security/collateral
- Whether collateral is a specialised asset or general purpose-type asset.
- Depreciating or appreciating value over time.

(vi) Character

Fundamental to every credit decision is the honesty and integrity of the individuals to whom the bank lends directly or who manage the enterprises to which the bank lends. Character is the single most important factor in the credit decision.

(vii) Capacity

The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, profitability and liquidity ratios are used as part of the assessment.

Liquidity

$$\text{Liquidity Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}} \times 100$$

Profitability

For specific transactions such as import financing, LPO, contract financing etc, the profitability of the transaction shall determine the score.

$$\text{Profitability} = \frac{\text{PBT}}{\text{Sales Turnover}} \times 100$$

For customers without financials, the minimum of average six months turnover expressed as percentage of the amount requested will be used.

$$\text{Percentage Turnover} \times 100 = \frac{\text{Average six months turnover}}{\text{Facility Amount}}$$

(viii) Capital

The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities.

Customer's who cannot provide financials are regarded as having zero leverage.

(ix) Cash Collateralised Facilities

Cash collateralised facilities are not to be subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected.

For cash collateralised facilities the key issue is the safety margin, which should not be less than 20%. This margin should not also be cleaned up by accrued interest within the tenor of the facility. If a credit application satisfies these criteria the score shall remain 100.

(x) Pricing

The pricing of facilities is done to reflect the inherent risks for accepting the exposure by the bank.

The average score computed will determine the minimum level of Interest chargeable. This interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by Treasury Department and other rates are either above or below it.

Enterprise risk review

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk score to the financial business, and the operational risks are an inevitable consequence of being in business.

The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Enterprise Risk Management (ERM) group and Asset and Liability Committee (ALCO) under policies approved by the Board of Directors.

They identify, evaluate and manage respective aspects of financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, market risk and operational risk.

In addition, the Inspectorate Division is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

(i) **Credit risk**

Credit Risk Group manages risk inherent in loans and advances, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio.

There is also credit risk in off-balance sheet financial instruments. The credit risk management and control are centralised in the ERM Group and report to the Group Managing Director.

(ii) **Credit risk measurement**

Before a sound and prudent credit decision can be taken, the credit risk represented by the borrower or counterparty must be accurately assessed. This assessment is performed at the outset of the credit application process. Each application is analysed and assigned one of 9 (nine) grades using a credit rating system developed by the bank for all exposures to credit risk. As each grade corresponds to a borrower's or counterparty's probability of default, the credit risk can be determined for the bank.

(iii) **Credit granting process**

Credit granting decisions are based first and foremost on the results of the risk assessment. In addition, to the client's solvency, credit granting decisions are also influenced by factors such as available collateral, transaction compliance with policies and standards, procedures and the Bank's overall risk-adjusted returns objective. Each credit granting decision is made by authorities within the risk management teams and management who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction and the associated risk.

(a) **Loans and advances**

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects the following components:

- (i) the character and capacity of the client or counterparty to pay down on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development;
- (iii) credit history of the counterparty and ,
- (iv) the likely recovery ratio in case of default obligations -using value value of collateral and other ways out.

The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

The risk rating scale and the external rating equivalent is detailed below:

Risk Rating	External Rating Equivalent	Score Range	Remarks	Comments
RR -1	AAA TO AA-	85.01-100	Extremely Low Risk	Acceptable
RR -2		75.01-85.00	Very Low Risk	Acceptable
RR -3	A+ TO A-	62.51-75.00	Low Risk	Acceptable
RR -4	BBB+ TO BB-	50.01-62.50	Below Average Risk	Acceptable
RR -5	Below BB-	45.01-50.00	Average Risk	Acceptable
RR -6		40.01-45.00	Watchlist	Watchlist
RR -7		30.61-40.00	High Risk	Substandard
RR -8		20.01-30.00	Very High Risk	Doubtful
RR -9		0.0-20.00	Extremely High Risk	Lost
RR -10			Unrated Portfolio	

(b) **Debt securities and other bills**

For debt securities and other bills, external rating such as Augusto rating or their equivalents are used by Treasury primarily to manage their liquidity risk exposures.

(iv) **Credit Risk Control & Mitigation policy**

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or groups of borrowers (single obligor limits), and to geographical and industry segments. Such risks are monitored on a revolving basis. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off- balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Group also sets internal credit approval limits for various levels in the credit process and are shown in the table below:

Authorising level	Approval limit
Full Board	Above 1 billion fully secured
Board Credit Committee	501 million - 1 billion fully secured
Management Credit Committee	251 million - 500million fully secured
Group Managing Director	51 million - 250million fully secured
Executive Director	up to 50 million fully secured

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Group demand.
Some other specific control and mitigation measures are outlined below :

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- i. Mortgages over residential properties;
- ii. Charges over business assets such as premises, inventory and accounts receivable;
- iii. Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities as well as individuals are generally secured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and advances to customers			
	30 September 2011	31 December 2010	30 September 2010 Unaudited	1 January 2010
<i>In millions of Nigerian Naira</i>				
Against individually impaired	2,040	757	1,738	1,452
Against collectively impaired	395	2,285	1,058	4,541
Total	2,435	3,042	2,795	5,993

	Loans and advances to customers			
	30 September 2011	31 December 2010	30 September 2010 Unaudited	1 January 2010
<i>In millions of Nigerian Naira</i>				
Against individually impaired:				
Property	2,011	2,134	1,726	1,452
Equities	29	12	12	-
Cash	-	-	-	-
Others	-	-	-	-
Against collectively impaired:				
Property	395	861	1,058	4,541
Equities	-	34	-	-
Cash	-	-	-	-
Others	-	-	-	-
	2,435	3,042	2,795	5,993

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

(d) **Credit concentration**

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

In millions of Nigerian Naira	Loans and advances to customers				Investment securities			
	30 September 2011	31 December 2010	30 September 2010 Unaudited	1 January 2010	30 September 2011	31 December 2010	30 September 2010 Unaudited	1 January 2010
Carrying amount, net of allowance for impairment	106,538	130,191	175,939	197,889	39,908	181,019	100,952	79,136
Concentration by sector:								
Corporate	31,663	20,860	25,070	22,837	12,916	13,285	12,765	12,276
Commercial	42,114	59,835	78,539	90,520	-	-	-	-
Retail	11,544	13,759	31,166	32,814	-	-	-	-
Government	9,264	12,903	20,754	36,647	26,992	167,734	88,187	66,001
Others	11,954	22,833	20,409	15,071	-	-	-	-
	106,538	130,191	175,939	197,889	39,908	181,019	100,952	78,277
Concentration by location:								
Nigeria	62,318	129,941	150,662	177,537	39,908	181,019	100,952	79,136
Rest of Africa	29,574	249	25,262	20,113	-	-	-	-
Europe	14,646	-	15	239	-	-	-	-
	106,538	130,191	175,939	197,889	39,908	181,019	100,952	79,136

(v) **Credit definitions**

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 9 in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

All loans and advances are categories as either:

- Collectively impaired
- Past due but not impaired
- Individually impaired

The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.

Exposure to credit risk

In millions of Nigerian Naira	Note	Loans and advances to customers				Investment securities			
		30 September 2011	31 December 2010	30 September 2010 Unaudited	1 January 2010	30 September 2011	31 December 2010	30 September 2010 Unaudited	1 January 2010
Carrying amount, net of allowance for impairment		106,538	130,191	175,939	197,889	39,908	181,019	100,952	79,136
Assets at amortised cost:									
Individually impaired									
Grade 6: Impaired		-	7,693	7,050	35,569	-	-	-	-
Grade 7: Impaired		26,369	6,863	59,098	56,629	-	-	-	-
Grade 8: Impaired		46,628	166,010	499,945	511,382	10	10	-	-
Gross amount		72,997	180,566	566,093	603,580	10	10	-	-
Allowance for impairment		(58,794)	(178,708)	(522,760)	(505,626)	(10)	(10)	-	-
Carrying amount, net of allowance for impairment		14,203	1,858	43,333	97,954	-	-	-	-
Collectively impaired:									
Grade 1-3: Low-fair risk		79,381	127,849	130,672	110,991	-	-	-	-
Grade 4-5: Watch list		-	-	-	-	-	-	-	-
Grade 6: Impaired		1,813	151	213	494	-	-	-	-
Grade 7: Impaired		12,172	153	273	388	-	-	-	-
Grade 8: Impaired		364	2,095	5,161	(2)	-	-	-	-
Gross amount		93,729	130,247	136,318	111,871	-	-	-	-
Allowance for impairment		(1,394)	(1,915)	(3,712)	(11,937)	-	-	-	-
Carrying amount, net of allowance for impairment		92,335	128,332	132,606	99,935	-	-	-	-
Total carrying amount, net of allowance for impairment		106,538	130,190	175,939	197,889	-	-	-	-
Available-for-sale assets (AFS):									
Grade 1-3: Low-fair risk		-	-	-	-	43,278	183,529	104,315	81,640
Allowance for impairment		-	-	-	-	(3,370)	(2,510)	(3,363)	(3,363)
Carrying amount, net of allowance for impairment		-	-	-	-	39,908	181,019	100,952	78,277
Total carrying amount, net of allowance for impairment		-	-	-	-	39,908	181,019	100,952	78,277

5(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity risk management process

The Group's liquidity management process is primarily the responsibility of the Assets and Liabilities Committee (ALCO).

Treasury is the executive arm of ALCO and its functions includes:

- a. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;
- b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- c. Monitoring balance sheet liquidity ratios against internal and regulatory requirements (in conjunction with financial control unit);

Residual contractual maturities of financial liabilities

The table below shows the undiscounted cash flows on the Group's financial liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

<i>In millions of Nigerian Naira</i>	Note	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	5 years	More than 5 years
<i>30 September 2011</i>								
Non-derivative assets:								
Cash and cash equivalents	17	68,133	68,133	68,133	-	-	-	-
Trading securities	18	5,424	6,627	6,627	-	-	-	-
Pledged assets	19	250,559	297,140	19,250	7,460	6,700	238,030	25,700
Loans and advances to customers	20	106,538	161,028	10,033	47,885	35,023	68,087	-
Investment securities	22	39,908	41,964	10,804	5,928	1,144	22,707	1,381
		470,562	574,892	114,847	61,273	42,867	328,824	27,081
Non-derivative liabilities								
Deposits from banks	29	308,463	(311,319)	(311,319)	-	-	-	-
Deposits from customers	30	580,670	(904,900)	(892,647)	(8,236)	(2,562)	(21)	(1,434)
Other borrowed funds	36	127,883	(127,683)	(25,701)	(13)	-	(100,879)	(1,091)
		1,017,016	(1,343,902)	(1,229,667)	(8,249)	(2,562)	(100,899)	(2,524)
Gap (asset - liabilities)				(1,114,820)	53,024	40,305	227,925	24,556
Cumulative liquidity gap				(1,114,820)	(1,061,796)	(1,021,491)	(793,566)	(769,010)

<i>In millions of Nigerian Naira</i>	Note	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	5 years	More than 5 years
<i>31 December 2010</i>								
Non-derivative assets:								
Cash and cash equivalents	17	91,137	91,137	91,137	-	-	-	-
Trading securities	18	4,997	5,079	3,579	-	1,500	-	-
Pledged assets	19	72,862	75,100	8,200	2,210	14,500	34,790	15,400
Loans and advances to customers	20	130,191	270,090	182,091	18,027	13,472	51,145	5,354
Investment securities	22	181,019	184,680	3,483	22,795	22,446	120,562	15,393
		480,206	626,086	288,490	43,032	51,919	206,497	36,147
Non-derivative liabilities								
Deposits from banks	29	176,597	(177,358)	(177,358)	-	-	-	-
Deposits from customers	30	677,731	(679,160)	(648,075)	(9,122)	(1,888)	(43)	(20,032)
Other borrowed funds	36	118,707	(118,698)	(3,432)	(8,422)	(8)	(100,000)	(6,835)
		973,035	(975,216)	(828,865)	(17,544)	(1,896)	(100,043)	(26,867)
Gap (asset - liabilities)				(825,382)	5,251	20,550	20,519	(11,474)
Cumulative liquidity gap				(825,382)	(820,131)	(799,581)	(779,062)	(790,536)

<i>In millions of Nigerian Naira</i>	Note	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	5 years	More than 5 years
<i>30 September 2010 (Unaudited)</i>								
Non-derivative assets:								
Cash and cash equivalents	17	83,273	83,273	83,273	-	-	-	-
Trading securities	18	6,881	6,881	6,881	-	-	-	-
Pledged assets	19	53,157	52,910	291	4,515	22,531	17,460	8,113
Loans and advances to customers	20	175,939	270,979	47,333	15,695	35,598	148,912	23,441
Investment securities	22	100,952	103,165	964	31,247	15,227	38,048	17,680
		420,202	517,208	138,742	51,457	73,355	204,420	49,234
Non-derivative liabilities								
Deposits from banks	29	201,513	(201,688)	(201,688)	-	-	-	-
Deposits from customers	30	639,142	(646,180)	(617,927)	(9,037)	(3,904)	(168)	(15,145)
Other borrowed funds	36	107,490	(107,400)	(7,400)	-	-	-	(100,000)
		948,145	(955,267)	(827,015)	(9,037)	(3,904)	(168)	(115,145)
Gap (asset - liabilities)				(826,051)	22,211	11,323	37,880	(97,464)
Cumulative liquidity gap				(826,051)	(803,841)	(792,518)	(754,638)	(852,102)

<i>In millions of Nigerian Naira</i>	Note	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	5 years	More than 5 years
<i>1 January 2010</i>								
Non-derivative assets:								
Cash and cash equivalents	17	52,152	52,152	52,152	-	-	-	-
Trading securities	18	6,922	6,922	6,922	-	-	-	-
Pledged assets	19	88,672	89,157	11,405	17,275	29,516	21,725	9,236
Loans and advances to customers	20	197,889	266,467	61,944	2,945	12,037	155,636	33,907
Investment securities	22	79,136	81,720	974	24,676	16,749	30,677	8,643
		424,771	496,418	133,397	44,896	58,302	208,039	51,785
Non-derivative liabilities								
Deposits from banks	29	299,813	(299,813)	(299,813)	-	-	-	-
Deposits from customers	30	530,131	(546,866)	(213,950)	(5,669)	(326,802)	(246)	(198)
Other borrowed funds	36	113,042	(113,039)	(6,152)	(6,887)	-	-	(100,000)
		942,986	(959,718)	(519,915)	(12,556)	(326,802)	(246)	(100,198)
Gap (asset - liabilities)				(386,518)	32,339	(268,500)	207,792	(48,413)
Cumulative liquidity gap				(386,518)	(354,179)	(622,679)	(414,887)	(463,300)

5(d) Market risks

In the past year there have been changes in the Group's risk profile. As the Group expands across geographies, taking into consideration the world wide market turbulence, foreign exchange risks alongside interest rate risks open up in different countries where ICB operates. Other areas within market risk exposures include ICB subsidiaries within Nigeria that take-on equity positions as well as ICB Treasury which has the responsibility for managing the Group's risk taking positions and harmonising the operations of various countries.

Market risk governance

The Board is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to the Board Credit Committee. The Committee has the group oversight and is charged with ensuring that market risks are managed homogeneously in all areas of operation.

Market risk measurement

Market risk management at the Bank relies on quantitative measures of risks, all of which aim to capture the variation of given target variable generated by uncertainty in market conditions. Measures used are a mix of "Volume methods", which base risk exposures on absolute positions such as portfolio size, and newer methods of risk measurement which measures value. The "value measures" are used for standardising results across products and countries as well as measuring g financial risks in day-to-day business.

Market risk Limits

The Bank takes propriety trading positions in equities, foreign exchange, money market and bonds, primarily in the Nigerian financial market. Market risk limits are based on recommendations by the Board Credit Committee and approved by the Board, as may be required. Transaction size and portfolio volume limits are in place for each trading portfolios from the first quarter of 2009. We believe that market risk is most effectively managed through a combination of VaR and volume limits and not VaR limits only.

VaR on trading portfolio is measured at 99% confidence limit over a 10-day holding period. No diversification deductions to stand-alone VaR numbers are made for prudence sake, given that the Bank operate in inefficient markets. Our approach to proprietary trading will remain cautious.

Exposure to interest rate risk- non-trading portfolio

The principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cashflows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and having pre-approved limits for repricing bands

A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

		Repricing period					
<i>In millions of Nigerian Naira</i>	<i>Note</i>	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 year
<i>(a) 30 September 2011</i>							
Non-derivative assets:							
Cash and cash equivalents	17	68,133	68,133	-	-	-	-
Loans and advances to customers	20	106,538	8,334	912	46,538	48,988	1,768
Investment securities	22	39,908	2,778	2,737	7,686	8,846	22,668
		214,579	79,245	3,649	54,223	57,833	24,436
Non-derivative liabilities:							
Deposits from banks	29	308,463	308,463	-	-	-	-
Deposits from customers	30	580,670	551,503	19,871	9,175	120	-
Other borrowed fund	36	127,883	-	-	-	27,883	100,000
		1,017,016	859,966	19,871	9,175	28,003	100,000
<i>(b) 31 December 2010</i>							
Non-derivative assets:							
Cash and cash equivalents	17	91,137	91,137	-	-	-	-
Loans and advances to customers	20	130,191	7,593	28,966	14,864	78,767	-
Investment securities	22	181,019	6,412	38,850	7,587	98,903	29,268
		402,347	105,142	67,816	22,451	177,670	29,268
Non-derivative liabilities:							
Deposits from banks	30	176,597	176,597	-	-	-	-
Deposits from customers	31	677,731	652,774	18,061	4,311	2,585	-
Other borrowed fund	32	118,707	-	-	-	18,707	100,000
		973,035	829,371	18,061	4,311	21,292	100,000

(c) *30 September 2010 (Unaudited)*

Non-derivative assets:							
Cash and cash equivalents	17	83,273	83,273	-	-	-	-
Loans and advances to customers	20	175,939	6,748	12,127	30,472	126,593	-
Investment securities	22	100,952	20,434	15,535	11,444	27,038	26,500
		360,164	110,455	27,662	41,916	153,631	26,500
Non-derivative liabilities:							
Deposits from banks	30	201,513	201,513	-	-	-	-
Deposits from customers	31	639,142	251,832	30,015	29,825	327,470	-
Other borrowed fund	32	107,490	7,490	-	-	-	100,000
		948,145	460,836	30,015	29,825	327,470	100,000

(d) *1 January 2010*

Non-derivative assets:							
Cash and cash equivalents	17	52,152	52,152	-	-	-	-
Loans and advances to customers	20	197,889	16,197	5,692	26,040	149,960	-
Investment securities	22	79,136	6,468	14,028	19,632	14,770	24,238
		329,177	74,817	19,720	45,672	164,729	24,238
Non-derivative liabilities:							
Deposits from banks	30	299,813	299,813	-	-	-	-
Deposits from customers	31	530,131	503,657	17,162	7,235	2,077	-
Other borrowed fund	32	113,042	13,042	-	-	-	100,000
		942,986	816,512	17,162	7,235	2,077	100,000

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standards and non-standards interest rate scenarios.

Analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position was as follows:

Sensitivity of projected net interest income

	As at Reporting date	RSA constant and RSL increases by 1%	RSA and RSL increases by 1%	RSA increases by 2% and RSL increases by 1%	RSA increases by 3.5% and RSL increases by 1%
<i>30 September 2011</i>					
Average for the period	(2,145)	(3,300)	(2,817)	(2,333)	(1,608)
Maximum for the period	12,448	9,816	12,638	15,461	19,695
Minimum for the period	(14,682)	(17,113)	(17,106)	(17,099)	(17,088)
<i>31 December 2010</i>					
Average for the period	(1,529)	(531)	(160)	(761)	2,864
Maximum for the period	19,260	16,554	18,556	1,297	26,268
Minimum for the period	(18,447)	(10,754)	(10,740)	(3,865)	(4,268)
<i>30 September 2010 (Unaudited)</i>					
Average for the period	4,134	3,030	3,490	3,950	4,639
Maximum for the period	35,564	34,051	36,456	38,861	42,468
Minimum for the period	(9,834)	(12,899)	(12,887)	(12,875)	(12,857)
<i>1 January 2010</i>					
Average for the period	855	(486)	173	833	1,822
Maximum for the period	37,941	36,470	39,087	41,704	45,629
Minimum for the period	(37,869)	(42,327)	(42,218)	(42,110)	(41,947)

Current maturity mis-match profile

Over the past five years, the Nigerian yield curve has lengthened significantly with much longer tenors being available for investors. This is a significant change from being a predominantly 90-day economy. There are available tenors of up to ten years, with much activity in the 3 -5 year tenor buckets.

The mortgage industry is growing rapidly and borrowers are able to access credit for up to ten years. This has caused financial institutions to open up liquidity mis-matches that hitherto did not exist. Though the Bank's capital adequacy ratio was below the prescribed regulatory minimum level at the reporting date, it had sustaining liquidity support from the Central Bank of Nigeria (CBN) in form of a seven (7) year N100billion term loan at an interest rate of MPR-3% coupon, (Note 36). As disclosed in note 3(e), subsequent to the period end, the Bank was recapitalised and merged with Access Bank Plc. The liabilities of the Bank therefore are expected to be settled in the normal course of business as they mature.

Exchange rate exposure limits

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 30 September 2011, 31 December 2010 and 30 September 2010. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

Foreign currency risk.

Foreign currency concentrations risk as at

<i>In millions of Nigerian Naira</i>	US Dollar	Euro	Pound	Naira	Others	Total
<i>(a) 30 September 2011</i>						
Cash and cash equivalents	16,533	821	1,956	31,097	17,725	68,133
Loans and advances to customers	3,195	-	14,651	59,118	29,574	106,538
Non-pledged trading assets	-	-	475	4,949	-	5,424
Investment securities	-	-	478	30,124	9,306	39,908
Investment in associates investee	-	-	-	2,475	208	2,683
Pledged assets	-	-	-	250,559	-	250,559
Other assets	-	-	71	2,516	1,867	4,454
Total financial assets	19,728	821	17,632	380,838	58,679	477,699
Deposits from banks	-	-	3	307,369	1,091	308,463
Deposit from customers	7,625	830	11,762	512,195	48,258	580,670
Other borrowed funds	8,618	-	3,734	114,501	1,029	127,883
Other liabilities	-	-	183	73,141	3,077	76,401
Total financial liabilities	2,186,834	2,170,591	2,169,761	2,154,078	1,146,872	1,093,417
<i>(b) 31 December 2010</i>						
Cash and cash equivalents	28,639	1,354	19,584	16,826	24,734	91,137
Loans and advances to customers	886	3	19,078	68,775	41,449	130,191
Non-pledged trading assets	-	-	-	4,997	-	4,997
Pledged assets	-	-	-	72,862	-	72,862
Investment in associates investee	-	-	-	1,648	208	1,856
Investment securities	-	-	-	162,338	18,681	181,019
Other assets	-	5	3,390	8,531	3,080	15,006
Total financial assets	29,525	1,362	42,052	335,977	88,152	497,068
Deposits from banks	-	-	-	176,597	-	176,597
Deposit from customers	32,985	764	13,126	546,979	83,877	677,731
Other borrowed funds	2,617	-	1,212	114,347	531	118,707
Other liabilities	13,623	566	4,989	20,024	9,936	49,138
Total financial liabilities	2,044,345	1,995,120	1,993,790	1,974,463	1,116,517	1,022,173
<i>(c) 30 September 2010 (Unaudited)</i>						
Cash and cash equivalents	22,285	3,349	13,916	29,745	13,978	83,273
Loans and advances to customers	26,023	-	7,900	118,032	23,984	175,939
Non-pledged trading assets	-	-	-	6,881	-	6,881
Pledged assets	-	-	1,217	41,520	10,420	53,157
Investment in associates investee	-	-	-	1,380	329	1,709
Investment securities	-	-	-	100,952	-	100,952
Other assets	-	-	690	18,434	2,159	21,283
Total financial assets	48,308	3,349	23,723	316,944	50,870	443,194

Deposits from banks	-	-	-	201,513	-	201,513
Deposit from customers	6,729	-	-	590,513	41,899	639,142
Other borrowed funds	7,385	-	11,598	88,497	9	107,490
Other liabilities	-	-	156	51,507	7,321	58,984
Total financial liabilities	14,115	-	11,754	932,030	49,229	1,007,129

(d) 1 January 2010

Cash and cash equivalents	15,733	2,085	11,773	8,396	14,165	52,152
Loans and advances to customers	1,347	-	28,999	104,541	63,003	197,889
Non-pledged trading assets	-	-	-	6,922	-	6,922
Pledged assets	-	-	-	80,505	8,167	88,672
Investment in associates investee	-	-	-	3,070	387	3,457
Investment securities	-	-	-	79,136	-	79,136
Other assets	-	-	1,846	4,649	1,677	8,172
Total financial assets	17,079	2,085	42,618	287,219	87,399	436,400

Deposits from banks	-	-	-	299,813	-	299,813
Deposit from customers	25,801	598	10,267	427,855	65,610	530,131
Other borrowed funds	2,492	-	1,154	108,890	506	113,042
Other liabilities	15,993	664	5,857	23,504	11,665	57,683
Total financial liabilities	44,286	1,262	17,278	860,062	77,780	1,000,669

5(e) Operational Risk Management

Operational Risk Management is defined according to Basell II as losses arising from inadequate or failed internal process, people, systems and external events. This includes legal risk but excludes reputational risk.

The key focus of the definition has to do with :

- i. Process -- this involves our procedural ways and policies of doing things.
People -- this has to do with the Bank's staff .How losses can result from human errors; prevent losses that may arise from fraudulent staff and the
- ii. need to train and retrain our staff to have a very effective and efficient staff.
- iii. Systems -- this involves our IT systems , technology problems and how this can bring losses to the Bank if we are not proactive in managing it.
- iv. External events -- these are losses that could arise from events such as armed robberies, system hijack, frauds, fire, natural disasters.

Tools used by the department include:

- i. Control & Risk Self Assessment (CRSA) - This is a form of questionnaire used to gather information from the risk owners for future decisions to be taken by the management.
- ii. Loss event register URL - This is used to gather past loss incidences ; this is needed to analyse the trend of fraud/forgeries.
- iii. Key Risk Indicators (KRIs) - Data are collected from all departments of the Bank quarterly to determine the threshold limits and any breach.
- iv. Business Continuity Management (BCM)/ Business Continuity Plan.
- v. Process Mapping

Reports are sent out monthly and quarterly basis to Management and other necessary departments in the Bank and also forwarded to Nigerian Deposit Insurance Corporation (NDIC)

Quarterly Operational Risk Management Commiittee meetings is held with all stakeholders to discuss and approve controls for emerging risks in the Bank.

5(f) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Group as a whole.

In implementing current capital requirements, Central Bank of Nigeria requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

Capital Adequacy Ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained. The Bank however did not meet the prescribed minimum ratio. During the period, the Bank received a forbearance for not meeting the required regulatory capital and relevant ratios from the Central Bank of Nigeria (CBN). Subsequent to 30 September 2011, the Bank completed its recapitalisation program and has been merged with Access Bank Plc. See note 3(e) and 41 for additional details.

<i>In millions of Nigeria naira</i>	<i>Note</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Tier 1 capital				Unaudited	
Ordinary share capital		9,453	9,453	9,453	9,453
Share premium		139,478	139,478	139,478	139,478
Retained earnings		(573,383)	(337,294)	(381,090)	(389,642)
Other reserves		(146,924)	(140,274)	(130,648)	(105,555)
Non-controlling interests		4,529	1,150	1,371	227
		(566,847)	(327,487)	(361,435)	(346,039)
Less:					
Fair value reserve on available-for-sale securities		9,001	4,210	2,283	(794)
Intangible assets		(1,025)	(1,486)	(1,421)	(2,067)
Shareholders' fund		(558,871)	(324,763)	(360,573)	(348,900)
Tier 2 capital					
Fair value reserve for available for sale securities		(9,001)	(4,210)	(2,283)	794
Collective allowances for impairment		1,338	1,494	1,597	9,722
Total		(7,663)	(2,716)	(686)	10,516
Total regulatory capital		(566,534)	(327,479)	(361,259)	(338,384)
Risk-weighted assets		247,951	418,934	473,658	499,139
Capital ratios					
Total regulatory capital expressed as a percentage of total risk-weighted assets		-228%	-78%	-76%	-68%
Total tier 1 capital expressed as a percentage of risk-weighted assets		-225%	-78%	-76%	-70%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

6 Use of estimates and judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(k).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, 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 interest losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 4(k)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 3(j)(vi).

The Group measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) 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 identical or 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: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value into the fair value hierarchy at the end of the reporting period:

30 September 2011	Note	Level 1	Level 2	Level 3	Total
<i>In thousands of Naira</i>					
Non pledged trading assets	18	5,424,000	-	-	5,424,000
Pledged assets	19	62,855,000	32,313,000	-	95,168,000
Investment securities	22	7,533,000	17,497,000	-	25,030,000
		75,812,000	49,810,000	-	125,622,000
31 December 2010	Note	Level 1	Level 2	Level 3	Total
<i>In thousands of Naira</i>					
Non pledged trading assets	18	3,579,000	1,418,000	-	4,997,000
Pledged assets	19	49,230,000	23,632,000	-	72,862,000
Investment securities	22	29,077,000	28,764,000	-	57,841,000
		81,886,000	53,814,000	-	135,700,000
30 September 2010 (Unaudited)	Note	Level 1	Level 2	Level 3	Total
<i>In thousands of Naira</i>					
Non pledged trading assets	18	6,881,000	-	-	6,881,000
Pledged assets	19	27,979,637	25,177,689	-	53,157,327
Investment securities	22	62,009,000	26,011,000	-	88,020,000
		96,869,637	51,188,689	-	148,058,327
1 January 2010	Note	Level 1	Level 2	Level 3	Total
<i>In thousands of Naira</i>					
Non pledged trading assets	18	6,921,915	-	-	6,921,915
Pledged assets	19	43,394,899	45,277,372	-	88,672,271
Investment securities	22	55,353,637	10,567,562	-	65,921,199
		105,670,450	55,844,934	-	161,515,384

Financial assets and liabilities classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

Details of the Group's classification of financial assets and liabilities are given in note 7.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets, excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

7 Operating segments

Segment information is presented in respect of the Group's geographic segments which represents the primary segment reporting format and is based on the Group's management and reporting structure.

(a) Geographical segments

The Group operates in two geographical regions being:

- Nigeria
- Rest of the world

(i) 30 September 2011

<i>In millions of Nigerian Naira</i>	Nigeria	Rest of the World	Total
Derived from external customers	56,085	10,005	66,090
Derived from other segments	-	-	-
Total revenues	56,085	10,005	66,090
Interest and similar expenses	(36,288)	(2,793)	(39,081)
Fee and commission expenses	(210)	-	(210)
Operating income	19,587	7,212	26,799
Operating expenses	(88,181)	(5,184)	(117,882)
(Loss) / Profit on Ordinary Activities before Taxation	(93,111)	2,028	(91,083)
Income Tax Expense	(151,714)	(416)	(152,130)
(Loss) / Profit on Ordinary Activities after Taxation	(244,825)	1,612	(243,213)
Assets and liabilities:			
Total assets	474,255	63,209	537,464
Total liabilities	1,039,674	64,637	1,104,311
Net Liabilities	(565,419)	(1,428)	(566,847)

(ii) 31 December 2010

<i>In millions of Nigerian Naira</i>	Nigeria	Rest of the World	Total
Derived from external customers	183,395	6,575	189,970
Derived from other segments	-	-	-
Total revenues	183,395	6,575	189,970
Interest and similar expenses	(46,610)	(6,134)	(52,744)
Fee and commission expenses	(1,035)	-	(1,035)
Operating income	135,750	441	136,191
Operating expenses	(93,807)	(4,999)	(98,806)
(Loss) / Profit on Ordinary Activities before Taxation	41,943	(4,558)	37,385
Income Tax Expense	(14,445)	(435)	(14,880)
(Loss) / Profit on Ordinary Activities after Taxation	27,499	(4,994)	22,505
Assets and liabilities:			
Total assets	642,841	71,553	714,394
Total liabilities	982,976	58,906	1,041,882
Net (Liabilities) / Assets	(340,134)	12,647	(327,487)

(iii) 30 September 2010 (Unaudited)

<i>In millions of Nigerian Naira</i>	Nigeria	Rest of the World	Total
Derived from external customers	153,431	7,754	161,185
Derived from other segments	-	-	-
Total revenues	153,431	7,754	161,185
Interest and similar expenses	(39,900)	-	(39,900)
Fee and commission expenses	-	-	-
Operating income	(39,900)	-	(39,900)
Operating expenses	(126,618)	(3,040)	(129,658)
(Loss) / Profit on Ordinary Activities before Taxation	(166,518)	(3,040)	(169,558)
Income Tax Expense	(4,987)	(22)	(5,009)
(Loss) / Profit on Ordinary Activities after Taxation	(171,505)	(3,062)	(174,567)
Assets and liabilities:			
Total assets	591,548	73,092	664,640
Total liabilities	964,505	61,570	1,026,075
Net (Liabilities) / Assets	(372,957)	11,522	(361,435)

(b) Business segment

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

- (1) Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.
- (2) Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigeria GAAP while an incurred loss model is used to determine the impairment loss under IFRS.
- (3) Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

The following summary describes the operations in each of the Group's reportable segments:

- Corporate and retail banking provides banking solutions to commercial enterprises and individuals.
- Investment management conducts the Group's financial advisory and securities trading activities.
- Insurance provides insurance coverage and insurance related services to individual and corporate customers.

All transactions between business segments are conducted on an arm's length basis, internal charges and transfer pricing adjustments are reflected in the performance of each business.

(i) 30 September 2011

<i>In millions of Nigerian Naira</i>	Corporate and retail banking	Investment mgt and advisory	Insurance	Unallocated	Total
Revenue:					
Derived from external customers	60,567	1,238	1,818	2,296	65,918
Derived from other business segments	-	172	-	-	172
Total Revenue	60,567	1,410	1,818	2,296	66,090
Interest expenses	(38,907)	(59)	-	(115)	(39,081)
Fee and commission expenses	-	-	(210)	-	(210)
Net operating income	21,660	1,350	1,818	2,181	26,799
Expense:					
Operating expenses	(75,141)	(2,010)	(5,055)	(3,276)	(85,481)
Loan loss expenses	(25,943)	-	(448)	(52)	(26,443)
Depreciation and amortisation	(5,807)	(34)	(74)	(43)	(5,958)
Total Cost	(106,890)	(2,043)	(5,577)	(3,371)	(117,882)
Profit on Ordinary Activities before Taxation	(85,230)	(693)	(3,760)	(1,190)	(91,083)
Assets and liabilities:					
Total assets	509,352	4,215	12,180	11,718	537,464
Total liabilities	1,079,022	5,008	4,258	16,023	1,104,311
Net Assets/ (Liabilities)	(569,671)	(793)	7,922	(4,306)	(566,847)

(ii) 31 December 2010

<i>In millions of Nigerian Naira</i>	Corporate and retail banking	Investment mgt and advisory	Insurance	Unallocated	Total
Revenue:					
Derived from external customers	62,767	6,173	1,468	119,598	190,005
Derived from other business segments	-	(35)	-	-	(35)
Total Revenue	62,767	6,138	1,468	119,598	189,970
Interest expenses	(46,605)	(6,074)	-	(65)	(52,744)
Fee and commission expenses	-	-	(1,035)	-	(1,035)
Net operating income	16,162	64	433	119,533	136,191
Expense:					
Operating expenses	(65,973)	(1,335)	(4,452)	(2,363)	(74,123)
Loan loss expenses	66,647	955	31	(83,987)	(16,354)
Depreciation and amortisation	(7,977)	(202)	(121)	(29)	(8,329)
Total Cost	(7,303)	(582)	(4,542)	(86,379)	(98,806)
Profit on Ordinary Activities before Taxation	8,859	(519)	(4,110)	33,154	37,385
Assets and liabilities:					
Total assets	695,507	1,970	11,072	5,845	714,394
Total liabilities	990,059	45,940	4,179	1,704	1,041,882
Net Assets/ (Liabilities)	(294,552)	(43,970)	6,893	4,141	(327,487)

(iii) 30 September 2010 (Unaudited)

<i>In millions of Nigerian Naira</i>	Corporate and retail banking	Investment mgt and advisory	Insurance	Unallocated	Total
Revenue:					
Derived from external customers	153,330	2,135	3,662	2,058	161,185
Derived from other business segments	-	-	-	-	-
Total Revenue	153,330	2,135	3,662	2,058	161,185
Interest expenses	(39,326)	(283)	-	(292)	(39,900)
Fee and commission expenses	-	-	(1,383)	-	(1,383)
Net operating income	114,004	1,852	2,279	1,767	119,902
Expense:					
Operating expenses	(49,263)	(997)	(3,325)	(1,777)	(55,362)
Loan loss expenses	(43,607)	(625)	(20)	(22,892)	(67,144)
Depreciation and amortisation	(218)	(67)	(101)	(5,383)	(5,769)
Total Cost	(93,088)	(1,689)	(3,446)	(30,052)	(128,275)
Profit on Ordinary Activities before Taxation	20,916	164	(1,167)	(28,286)	(8,373)
Assets and liabilities:					
Total assets	647,025	1,833	10,300	5,482	664,640
Total liabilities	975,040	45,243	4,115	1,677	1,026,075
Net Assets/ (Liabilities)	(328,015)	(43,410)	6,185	3,805	(361,435)

Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

<i>In millions of Nigerian Naira</i>	<i>Note</i>	At fair value through P/L	Held-to- maturity	Loans and receivables	Available- for-sale	Other financial liabilities	Total carrying amount	Fair value
(a) 30 September 2011								
Cash and cash equivalents	17	-	-	68,133	-	-	68,133	68,133
Non-pledged trading assets	18	5,424	-	-	-	-	5,424	6,627
Pledged assets	19	-	155,391	-	95,168	-	250,559	250,559
Loans and advances to customers	20	-	-	106,538	-	-	106,538	125,359
Investment securities	22	-	2,125	-	37,783	-	39,908	38,646
		5,424	157,516	174,671	132,951	-	470,562	489,324
Deposits from banks	29	-	-	-	-	308,463	308,463	308,435
Deposits from customers	30	-	-	-	-	580,670	580,670	580,627
Interest bearing loans and borrowings	36	-	-	-	-	127,883	127,883	128,233
		-	-	-	-	1,017,016	1,017,016	1,017,295
(b) 31 December 2010								
Cash and cash equivalents	17	-	-	91,137	-	-	91,137	91,137
Non-pledged trading assets	18	4,997	-	-	-	-	4,997	4,997
Pledged assets	19	-	72,862	-	-	-	72,862	72,862
Loans and advances to customers	20	-	-	130,191	-	-	130,191	123,202
Investment securities	22	-	110,085	-	70,934	-	181,019	181,019
		4,997	182,947	221,328	70,934	-	480,206	473,217
Deposits from banks	29	-	-	-	-	176,597	176,597	176,521
Deposits from customers	30	-	-	-	-	677,731	677,731	678,322
Interest bearing loans and borrowings	36	-	-	-	-	118,707	118,707	119,267
		-	-	-	-	973,035	973,035	974,110
(c) 30 September 2010 (Unaudited)								
Cash and cash equivalents	17	-	-	83,273	-	-	83,273	83,273
Non-pledged trading assets	18	6,881	-	-	-	-	6,881	6,881
Pledged assets	19	-	-	-	53,157	-	53,157	53,157
Loans and advances to customers	20	-	-	175,939	-	-	175,939	162,367
Investment securities	22	-	97	-	100,855	-	100,952	100,855
		6,881	97	259,212	154,012	-	420,202	406,533
Deposits from banks	29	-	-	-	-	201,513	201,513	200,579
Deposits from customers	30	-	-	-	-	639,142	639,142	639,086
Interest bearing loans and borrowings	36	-	-	-	-	107,490	107,490	107,895
		-	-	-	-	948,145	948,145	947,560
(d) 1 January 2010								
Cash and cash equivalents	17	-	-	52,152	-	-	52,152	52,152
Non-pledged trading assets	18	6,922	-	-	-	-	6,922	6,922
Pledged assets	19	-	-	-	88,672	-	88,672	88,672
Loans and advances to customers	20	-	-	197,889	-	-	197,889	122,868
Investment securities	22	-	10	-	79,126	-	79,136	79,126
		6,922	10	250,041	167,798	-	424,771	349,740
Deposits from banks	29	-	-	-	-	299,813	299,813	299,557
Deposits from customers	30	-	-	-	-	530,131	530,131	539,933
Interest bearing loans and borrowings	36	-	-	-	-	113,042	113,042	113,511
		-	-	-	-	942,986	942,986	953,001

8 Net interest income

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010 Unaudited
<i>In millions of Nigerian Naira</i>			
Interest income			
Cash and cash equivalents	1,167	954	1,736
Loans and advances to banks and customers	21,572	140,075	127,559
Investments securities	17,389	10,150	7,277
Total interest income	40,128	151,179	136,572
Interest expense			
Deposits from banks	17,732	19,161	13,897
Deposits from customers	17,692	27,741	21,365
Long term borrowing	3,454	5,388	4,638
Other borrowed funds	203	454	-
Total interest expense	39,081	52,744	39,900
Net interest income	1,047	98,435	96,672

Interest income for the year period ended 30 September 2011 includes N5,613,000,000 (December 2010: N51,357,000,000; September 2010: N167,413,000,000) accrued income on impaired financial assets and the assets have been specifically tested for impairment.

9 Fees and commission income

	9 months to 30 September 2011	12 months to 31 December 2010	9 months to 30 September 2010 Unaudited
<i>In millions of Nigerian Naira</i>			
Retail banking customer fees & commissions	3,949	5,150	3,522
Corporate banking fees & commissions	1,695	2,834	671
Investment banking fees	891	1,176	1,913
Brokerage/Management fee	3,654	4,757	2,205
Other fees and charges	2,875	11,740	11,610
Total fee and commission income	13,064	25,657	19,921

10 Net trading income

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010
<i>In millions of Nigerian Naira</i>			
Fixed income securities	3,085	5,592	-
Treasury bills	-	-	-
Equities	(2,160)	751	(2,443)
Foreign exchange gain/(loss)	1,047	761	1,175
Foreign exchange trading	2,578	456	727
	4,550	7,560	(541)

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

11 Other operating income

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010
<i>In millions of Nigerian Naira</i>			
Dividends on available-for-sale equity securities	1,000	1,240	1,000
Gains on disposal of property and equipment	103	158	40
Gains on disposal of trading property	320	1,070	-
Others	5,448	998	1,055
	6,871	3,466	2,095

12 Impairment loss on financial assets

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010
<i>In millions of Nigerian Naira</i>			
Impairment losses on loans and advances			
-specific impairment	42,524	126,186	113,841
-portfolio impairment	(521)	(8,483)	(8,207)
Writeback of provision on loans and advances	-	(25,382)	(39,630)
Impairment writeback on loans sold to AMCON	(20,565)	(78,928)	-
Impairment loss on available for sale financial assets	860	(853)	-
Impairment loss on Held to Maturity financial assets	-	10	-
Impairment loss on investments in associates	411	-	-
Recoveries on other investment	-	-	(1,889)
Impairment loss in investment properties	-	454	-
Impairment loss on insurance receivables	-	(1,587)	-
Impairment loss on other assets	3,734	4,937	3,029
	26,443	16,354	67,144

13 Personnel expenses

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010
<i>In millions of Nigerian Naira</i>			
Wages and salaries	23,432	29,218	22,205
Contributions to defined contribution plans	3,196	924	701
Increase/ (decrease) in liability for defined benefit plans	(4,193)	3,601	2,751
Other staff costs	2,644	5,120	3,612
	25,079	38,863	29,269

14 Other operating expenses

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010
<i>In millions of Nigerian Naira</i>			
Auditors remuneration	158	177	238
NDIC Premium	3,023	3,512	3,935
Directors' emoluments	456	367	108
Rents and rates	1,929	3,344	4,651
Repair and maintenance	4,037	2,830	2,084
Professional fees	8,554	1,072	884
Advertising and promotion expenses	7,520	7,326	7,099
General administrative expenses	33,150	16,632	6,381
Insurance claims	-	-	713
AMCON surcharge (see note (i) below)	1,575	-	-
	60,402	35,260	26,093

- (i) This represents the Bank's contribution to a fund established by the Assets Management Corporation of Nigeria (AMCON) for the period ended 30 September 2011. Effective 1 January 2011, the Bank is required to contribute an equivalent of 0.3% of its total assets as at the preceding year end (31 December 2010) to AMCON's sinking fund in line with existing guidelines.

15 Income tax expense

(a) Recognised in the profit or loss

	Group 9 months to 30 September 2011	Group 12 months to 31 December 2010	Group 9 months to 30 September 2010
<i>In millions of Nigerian Naira</i>			
Current tax expense			
Company Income Tax	2,684	245	2,408
Education tax	1	1,127	-
NITDA Levy	-	638	-
Adjustments for prior year	(10)	-	-
	2,675	2,010	2,408
Deferred tax expense			
Changes in deferred tax	149,455	12,870	2,601
Total income tax expense/(credit)	152,130	14,880	5,009

(b) Reconciliation of effective tax rate

<i>In millions of Nigerian Naira</i>		30 September 2011		31 December 2010		30 September 2010
	Rate		Rate		Rate	
Profit/(loss) before income tax		(91,402)		37,764		(8,360)
Income tax using the domestic corporation tax rate	-3%	2,684	1%	245	-29%	2,408
Education tax levy	0%	1	3%	1,127	0%	-
NITDA Levy	0%	-	2%	638	0%	-
Prior year under provision	0%	(10)	0%	-	0%	-
Changes in deferred tax assets	-163%	149,373	34%	12,706	-31%	2,590
Changes in deferred tax liabilities	0%	82	0%	164	0%	11
Total income tax expense in comprehensive income	-166%	152,130	39%	14,880	-60%	5,009

The effective income tax rate for September 2011 is -166% (December 2010: 39%, September 2010: -60%)

16 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2011 was based on the (loss)/ profit attributable to ordinary shareholders of (N244,362,000,000) (December 2010: N22,313,000,000; September 2010: (N14,157,000,000)) and weighted average number of ordinary shares outstanding of 13,850,000,000,000 (December 2010: 13,850,000,000,000; September 2010: 13,850,000,000,000), calculated as follows:

<i>Weighted average number of ordinary shares</i>	Group	Group	Group
	30 September 2011	31 December 2010	30 September 2010
Issued ordinary shares at beginning of the period/year	13,850	13,850	13,850
Weighted average number of ordinary shares at end of the period/year	13,850	13,850	13,850

(b) Profit attributable to ordinary shareholders

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010
(Loss)/Profit for the period attributable to equity holders of the Bank	(244,362)	22,313	(14,157)

(c) Number of ordinary shares

<i>In millions of shares</i>	30 September 2011	31 December 2010	30 September 2010
Issued ordinary shares	13,850	13,850	13,850

17 Cash and cash equivalents

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Cash and balances with banks	31,360	53,014	54,179	36,021
Unrestricted balances with central bank	22,185	16,503	5,015	8,440
Money market placements	14,588	21,620	24,079	7,691
	68,133	91,137	83,273	52,152

18 Non-pledged trading assets

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Treasury bills	-	1,418	-	-
Equities	5,424	3,579	6,881	6,922
	5,424	4,997	6,881	6,922

19 Pledged assets

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Treasury bills (<i>Available for sale</i>)	32,313	22,716	25,178	45,277
Treasury bills (<i>Held for trading</i>)	-	916	-	-
Government Bonds (<i>Available for sale</i>)	62,855	49,230	27,980	43,395
AMCON bonds (<i>Held to maturity</i>)	155,391	-	-	-
	250,559	72,862	53,157	88,672

The pledged assets are placed on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 29.

These transactions have been conducted under terms that are usual and customary to standard lending and securities borrowing activities. Also included in pledged asset is AMCON bonds with face value of N 194.93 billion (December 2010: nil; September 2010: nil) and discounted value of N 156.7 billion (December 2010: nil; September 2010: nil).

AMCON Bonds represent Bonds issued by the Asset Management Corporation of Nigeria (AMCON) and fully guaranteed by the Federal Government of Nigeria. AMCON Bonds have a three year zero coupon with a yield to maturity of 10.125%. The Bonds were issued to banks in exchange for non-performing margin loans as part of the Nigerian Government's policy measures to reduce the negative impact of Non performing loans on the Nigerian banking industry and the economy as a whole.

20 Loans and advances to customers at amortised cost

In millions of Nigerian Naira

(a) 30 September 2011

	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	16,673	(6,467)	(56)	(6,523)	10,150
Loans to corporate entities and other organizations	150,053	(52,327)	(1,338)	(53,665)	96,389
	166,726	(58,794)	(1,394)	(60,188)	106,538

(b) 31 December 2010

	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	43,514	(23,232)	(421)	(23,653)	19,861
Loans to corporate entities and other organizations	267,299	(155,476)	(1,494)	(156,970)	110,330
	310,813	(178,708)	(1,915)	(180,623)	130,191

(c) 30 September 2010

	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	154,493	(81,562)	(2,115)	(83,677)	70,816
Loans to corporate entities and other organizations	547,918	(441,198)	(1,597)	(442,795)	105,123
	702,411	(522,760)	(3,712)	(526,472)	175,939

(d) 1 January 2010

	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	87,598	(62,932)	(2,214)	(65,146)	22,452
Loans to corporate entities and other organizations	627,853	(442,694)	(9,722)	(452,417)	175,437
	715,451	(505,626)	(11,937)	(517,562)	197,889

Impairment allowance on loans and advances to customers

In millions of Nigerian Naira 30 September 2011 31 December 2010 30 September 2010

Specific impairment

Balance, beginning of period/year	178,708	505,626	505,626
Impairment loss for the year:			
- Charge for the period/year	42,524	126,186	113,841
- Recoveries	-	(25,382)	(39,630)
Allowances reversed on transfer of loans to AMCON	(20,565)	(78,928)	-
Net impairment for the period/year	200,667	527,502	579,837
Effect of foreign currency movements			
Write-offs	(141,873)	(348,794)	(57,077)
Balance, end of period/year	58,794	178,708	522,760

Portfolio impairment

Balance, beginning of the period/year	1,915	11,937	11,937
Impairment loss for the period/year:			
- Charge for the period/year	(521)	(8,483)	(8,207)
- Allowance no longer required	-	(1,476)	(18)
Excess interest refund		(63)	
Net impairment for the period/year	1,394	1,915	3,712
Effect of foreign currency movements	-	-	-
Balance, end of the period/year	1,394	1,915	3,712

21 Investment in equity accounted investee

In millions of Nigerian Naira 30 September 2011 31 December 2010 30 September 2010 1 January 2010

Cost				
Beginning of period as originally stated	3,457	3,457	3,457	
Previously unconsolidated reserves	1,024	-	-	
	4,481	3,457	3,457	
Impairments (see note (i) below)	(1,970)	(1,559)	(1,748)	
Exchange difference	-	(7)	-	
Share of profit/(loss)	172	(35)	-	
Balance, end of the period/year	2,683	1,856	1,709	3,457

Movement in impairment

(i)	30 September 2011	31 December 2010	30 September 2010	
Beginning of period	1,559	-	-	
Addition during the period	411	1,559	1,748	
End of period	1,970	1,559	1,748	

This represents the Group's equity investment in Associated Discount House (47%), Blue Intercontinental Microfinance Bank (35%) and Magnate Technology and Service Limited (40%) as at 30 September 2011. The Group's share of profit in equity accounted investments amounted to N172 million (December 2010: loss N35m, September 2010: Nil, December 2009: loss N1.5billion)

All associates are incorporated in Nigeria except Magnate Technology and Services Limited, which is incorporated in Ghana.

22 Investment securities

Available-for-sale investment securities comprise: 30 September 2011 31 December 2010 30 September 2010 1 January 2010
In millions of Nigerian Naira

Treasury bills	17,497	28,764	26,011	10,568
Unquoted equities (see (a) below)	16,036	15,533	16,128	15,639
Mutual funds	87	70	70	70
Debt securities	-	-	-	859
Government Bonds	7,533	29,077	62,009	55,354
	41,153	73,444	104,218	82,489
Less: specific allowance impairment	(3,370)	(2,510)	(3,363)	(3,363)
	37,783	70,934	100,855	79,126

Held to maturity investment securities comprise:

Treasury bills	-	-	-	-
Government bonds	1,885	1,569	97	10
Corporate bonds	250	262	-	-
AMCON bonds (See note 19)	-	108,264	-	-
	2,135	110,095	97	10
Less: specific allowance impairment	(10)	(10)	-	-
	2,125	110,085	97	10
	39,908	181,019	100,952	79,136

(a) Available for sale unquoted equity securities are measured at cost because their fair value could not be reliably measured.

Specific allowance for impairment on available-for-sale investment securities:

	30 September 2011	31 December 2010	30 September 2010
<i>In millions of Nigerian Naira</i>			
Balance, beginning of the period/year	2,510	3,363	3,363
Allowance no longer required	-	-	-
Changes in carrying value of long term investment	860	(853)	-
Charge for the period/year	-	-	-
Balance, end of the period/year	3,370	2,510	3,363

Specific allowance for impairment on held to maturity investment securities:

	30 September 2011	31 December 2010	30 September 2010
<i>In millions of Nigerian Naira</i>			
Balance, beginning of the period/year	10	-	-
Allowance no longer required	-	-	-
Changes in carrying value of long term investment	-	10	-
Charge for the period/year	-	-	-
Balance, end of the period/year	10	10	-

23 Trading Properties

(a) This represents the cost of real estate properties held by the Bank's subsidiaries which are designated for resale to customers.

The details of trading properties account during the year was as follows:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Completed projects	5,928	7,899	90	6,527
Properties under construction	950	207	1,442	171
	6,878	8,106	1,532	6,698
Impairment loss	(11)	-	-	-
Trading Properties	6,867	8,106	1,532	6,698

(b) The profit/(loss) on disposal of trading properties during the period was as follows:

Proceeds from disposal	2,506	4,957	1,435
Less: cost of trading property (see note (a) above)	(2,186)	(3,887)	(966)
Profit/(loss) on disposal	320	1,070	469

24 Investment Properties

These investment properties were last revalued during the year ended 31 December 2010 by Messers Diya Fatimilehin & Co, a firm of estate surveyors and valuers, using the open market basis of valuation, and their report was dated 29 October 2010. As at 30 September 2011, the Directors are of the opinion that there were no material fluctuations in the value of the Bank's investment properties since its last valuation during the year ended December 2010.

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance, beginning of period/year	3,369	8,737	8,737	6,303
Additions	133	1,115	-	18,033
Disposal	(580)	(6,514)	(6,347)	(15,599)
Transfer from property and equipment	-	485	-	-
Fair value (gain)/loss	-	-	-	-
	2,922	3,823	2,390	8,737
Impairment loss during the period/year	-	(454)	-	-
Balance, end of the period/year	2,922	3,369	2,390	8,737

25 Property and equipment

(a) 30 September 2011

In millions of Nigerian Naira

Cost	Land	Land & Buildings N'million	Leasehold Improvement N'million	Furniture & Equipment N'million	Motor vehicles N'million	Computer Equipment N'million	Computer software N'million	Work in Progress N'million	Total N'million
Balance at 1 January 2011	-	29,424	1,724	13,945	7,176	16,166	-	8,385	76,820
Additions	-	332	67	292	294	224	-	-	1,209
Disposals	-	-	-	(78)	(1,558)	(56)	-	-	(1,692)
Transfers	-	129	69	200	34	116	-	(548)	-
Reclassification	-	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	(1,082)	(1,082)
Exchange difference	-	-	-	-	-	-	-	-	-
Balance at 30 September 2011	-	29,885	1,860	14,359	5,946	16,450	-	6,755	75,254
Depreciation and impairment losses									
Balance at 1 January 2011	-	1,973	1,151	7,966	5,357	10,262	-	-	26,709
Additions	-	480	122	1,333	876	2,717	-	-	5,498
Disposals	-	-	(12)	(10)	(862)	(39)	-	-	(923)
Transfers	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	-	-	-	-
Balance at 30 September 2011	-	2,423	1,261	9,289	5,371	12,940	-	-	31,284

Carrying amounts

Balance at 30 September 2011	-	27,462	599	5,070	575	3,510	-	6,755	43,970
Balance at 31 December 2010	-	27,451	573	5,979	1,819	5,904	-	8,385	50,111

(b) 31 December 2010

In millions of Nigerian Naira

Cost	Land	Land & Buildings N'million	Leasehold Improvement N'million	Furniture & Equipment N'million	Motor vehicles N'million	Computer Equipment N'million	Computer software N'million	Capital Work in Progress N'million	Total N'million
Balance as at 1 January 2010	-	25,155	1,758	14,905	7,290	11,360	-	10,159	70,627
Prior year adjustments (see note (i) below)	-	-	(22)	(1,386)	671	5,708	-	-	4,971
Adjusted opening balance	-	25,155	1,736	13,519	7,961	17,068	-	10,159	75,598
Additions	-	1,791	28	575	733	791	5	408	4,331
Disposals	-	-	-	(120)	(1,192)	(57)	-	(248)	(1,617)
Transfers	-	2,479	-	-	-	-	(1,706)	(2,479)	(1,706)
Reclassification	-	(485)	-	-	-	(1,648)	1,648	545	60
Exchange difference	-	34	(40)	(29)	(326)	12	53	-	(296)
Revaluation surplus	-	450	-	-	-	-	-	-	450
Balance at 31 December 2010	-	29,424	1,724	13,945	7,176	16,166	-	8,385	76,820
Depreciation and impairment losses									
Balance as at 1 January 2010	-	1,051	589	6,067	4,267	4,845	-	-	16,819
Prior year adjustments (see note (i) below)	-	(60)	519	(5)	3,736	820	-	-	5,010
Adjusted opening balance	-	991	1,108	6,062	5,087	8,581	-	-	21,829
Additions	-	1,027	60	2,020	1,272	3,169	-	-	7,548
Disposals	-	-	-	(82)	(996)	(54)	-	-	(1,132)
Transfers	-	-	-	-	-	-	(1,506)	-	(1,506)
Reclassification (see note (iii) below)	-	(28)	-	(3)	9	(1,527)	1,524	-	(25)
Exchange difference	-	(17)	(17)	(31)	(15)	93	(18)	-	(5)
Balance as at 31 December 2010	-	1,973	1,151	7,966	5,357	10,262	-	-	26,709

Carrying amounts

Balance as at 31 December 2010	-	27,451	573	5,979	1,819	5,904	-	8,385	50,111
Balance as at 1 January 2010	-	24,164	628	7,457	2,874	8,487	-	10,159	53,769

(b) 30 September 2010

In millions of Nigerian Naira

	Land	Land and Buildings N'million	Leasehold Improvement N'million	Furniture & Equipment N'million	Motor vehicles N'million	Computer Equipment N'million	Computer software N'million	Capital Work in Progress N'million	Total N'million
Cost									
Balance at 1 January 2010	-	25,155	1,758	14,905	7,290	11,360	-	10,159	70,627
Prior year adjustments (see note (i) below)	-	-	(22)	(1,386)	671	5,708	-	-	4,971
Adjusted opening balance	-	25,155	1,736	13,519	7,961	17,068	-	10,159	75,598
Additions	-	2,501	8	339	229	3,040	82	1,102	7,301
Disposals	-	-	(0)	(56)	(1,075)	(54)	-	-	(1,186)
Reclassification (see note (iii) below)	-	124	(27)	(1,361)	679	3,506	(1,081)	(1,840)	(0)
Transfers	-	(283)	410	1,789	(1,046)	(6,382)	1,000	29	(4,483)
Exchange difference	-	-	-	-	-	-	-	-	-
Balance at 30 September 2010	-	27,497	2,127	14,230	6,748	17,178	-	9,450	77,230
Depreciation and impairment losses									
Balance at 1 January 2010	-	1,051	589	6,067	4,267	4,845	-	-	16,819
Prior year adjustments (see note (i) below)	-	(60)	519	(5)	820	3,736	-	-	5,010
Adjusted opening balance	-	991	1,108	6,062	5,087	8,581	-	-	21,829
Additions	-	458	14	1,516	916	2,251	-	-	5,154
Disposals	-	-	(0)	(43)	(881)	(53)	-	-	(977)
Reclassification (see note (iii) below)	-	(60)	517	(8)	820	(267)	(1,002)	-	0
Transfers	-	(4)	(475)	(142)	(1,130)	34	1,002	-	(715)
Exchange difference	-	-	-	-	-	-	-	-	-
Balance at 30 September 2010	-	1,385	1,164	7,385	4,812	10,546	-	-	25,292
Carrying amounts									
Balance at 30 September 2010	-	26,112	963	6,844	1,936	6,632	-	9,450	51,938
Balance as at 1 January 2010	-	24,164	628	7,457	2,874	8,487	-	10,159	53,769

26 Intangible assets

In millions of Nigerian Naira

	Software			
Cost:	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance as at the beginning of the period/year	4,954	3,248	3,248	-
Additions	-	-	-	-
Reclassification	-	1,706	200	3,248
Balance as at the end of the period/year	4,954	4,954	3,448	3,248
Amortization and impairment losses:				
Balance as at the beginning of the period/year	3,468	1,181	1,181	-
Amortisation for the period	461	781	615	-
Reclassification	-	1,506	232	1,181
Impairment losses	-	-	-	-
Balance as at the end of the period/year	3,929	3,468	2,028	1,181
Carrying amounts				
Net book balance as at the end of the period/year	1,025	1,486	1,421	2,067
Net book balance as at the beginning of the period/year	1,486	2,067	2,067	-

27 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In millions of Nigerian Naira

	30 September 2011		
	Assets	Liabilities	Net
Property, equipment, and software	3,891	246	3,645
Allowances for loan losses	180	-	180
Tax loss carry forward	840	-	840
Others	69	-	69
Net tax assets (liabilities)	4,980	246	4,734
	31 December 2010		
	Assets	Liabilities	Net
Property, equipment, and software	(3,204)	164	(3,368)
Allowances for loan losses	149,512	-	149,512
Tax loss carry forward	7,832	-	7,832
Others	114	-	114
Net tax assets (liabilities)	154,254	164	154,090
	30 September 2010		
	Assets	Liabilities	Net
Property, equipment, and software	(745)	11	(756)
Allowances for loan losses	9,643	-	9,643
Tax loss carry forward	155,557	-	155,557
Others	(289)	-	(289)
Net tax assets (liabilities)	164,166	11	164,155
	1 January 2010		
	Assets	Liabilities	Net
Property, equipment, and software	(745)	-	(745)
Allowances for loan losses	12,105	-	12,105
Tax loss carry forward	155,557	-	155,557
Others	(161)	-	(161)
Net tax assets (liabilities)	166,756	-	166,756

Deferred tax assets and liabilities

Movement on the net deferred tax assets/(liabilities) account during the year/period:

In millions of Nigerian Naira

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance, beginning of the period/year	154,090	163,637	163,637	98,837
Prior year under-provision	-	-	-	-
Credit/(reversal) (see (a) below)	(149,274)	(9,751)	518	67,919
Charge for the period	(82)	-	-	-
Arising from revaluation of fixed asset	-	204	-	-
	-	-	-	-
Net deferred tax assets/(liabilities)	4,734	154,090	164,155	166,756
Out of which				
Deferred tax assets	4,980	154,254	164,166	166,756
Deferred tax liabilities	246	164	11	-

- (a) Amount represents unrelieved losses which the management of the Bank considers doubtful of recovery and thus impaired as a result of the merger with Access Bank Plc.
- (b) As at the prior periods, the directors of Intercontinental Bank Plc estimated that there would be future taxable profits on a standalone basis against which the deferred tax assets will be utilised. However, as a consequence of the proposed merger with Access Bank Plc, the deferred tax assets would not be recoverable based on tax regulation in a merger arrangement and the deferred tax asset was consequently impaired to the extent of the realisable amount.

28 Other assets

In millions of Nigerian Naira

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Accounts receivable and prepayments	19,912	26,786	42,627	26,663
Prepaid operating lease (see (i))	8,324	7,871	-	3,346
Restricted deposits with Central Bank (see (ii))	603	6,064	6,279	5,474
Non-current assets held for sale	-	-	-	-
Others	2,184	158	629	2,805
Insurance Receivable	2,090	1,939	4,915	3,505
	33,113	42,818	54,450	41,793
Provision for Impairment on other assets	(28,659)	(27,812)	(33,167)	(33,621)
	4,454	15,006	21,283	8,172

- (i) This represents up- front payments for the operating leases of own use property which are amortised on a straight line basis over the period of the lease.
- (ii)

The Bank had restricted balances of N603,170,000 with the Central Bank of Nigeria (CBN) as at 30 September 2011(31 December 2010: N5,564,000,000; 30 September 2010: N5,779,000,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with central banks are not available for use in the Group's day-to-day operations

Movement in impairment on other assets:

In millions of Nigerian Naira

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance, beginning of period/year	27,812	33,621	33,621	6,311
Charge for the period/year	3,682	4,937	3,029	27,357
Allowance no longer required	-	(1,587)	-	-
Allowance written off	(2,886)	(9,159)	(3,483)	(47)
Balance, end of period/year	28,608	27,812	33,167	33,621

29 Deposits from banks

In millions of Nigerian Naira

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Money market deposits	308,463	176,597	201,513	299,813
Other deposits from banks	-	-	-	-
	308,463	176,597	201,513	299,813

30 Deposits from customers

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Retail customers:				
Term deposits	39,781	186,283	291,622	230,125
Current deposits	210,635	181,756	241,284	205,954
Savings	135,170	112,479	105,591	94,052
Corporate customers:				
Term deposits	195,084	117,010	645	-
Current deposits	-	74,533	-	-
Savings	-	5,670	-	-
	580,670	677,731	639,142	530,131

31 Redeemable preference shares

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance, beginning of the year	7,619	7,619	7,619	7,619
Transfer from share capital	-	-	-	-
Interest payable on preference shares	-	-	-	-
Premium on preference shares	-	-	-	-
Preference shares redeemed (See (a) below)	(6,981)	-	-	-
Gain on settlement of redeemable preference shares (See(a) below)	(638)	-	-	-
Balance, end of period/year	-	7,619	7,619	7,619

(a) The Bank's redeemable preference shares, were redeemed during the period ended 30 September 2011 and a gain of N638million was realised.

32 Liability on investment contracts

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Deposit administered funds (secured funds)	61	79	81	110
Other managed funds	672	1,407	1,360	4,491
	733	1,486	1,441	4,601

33 Liability on insurance contracts

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Life assurance contracts	1,672	1,074	1,439	2,208
Non-life insurance contracts	1,250	788	1,482	-
	2,922	1,862	2,921	2,208

34 Current tax liabilities

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance, beginning of period/year	8,578	5,359	5,369	10,792
Foreign exchange translation difference (see (a) below)	-	10	-	-
Prior period under provision	-	2,598	-	-
Acquired from business combination	-	-	-	-
Charge for the period	2,685	2,010	2,547	1,211
Payments during the period/year	(4,270)	(1,399)	(962)	(6,634)
Balance, end of period	6,993	8,578	6,954	5,369

(a) This arose as a result of the differences in the exchange rates used in translating the tax payable as at 31 December 2009 on 31 December 2010.

35 Other liabilities

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Recognised liability for defined benefit obligations	726	1,042	3,911	8,313
Creditors and accruals	47,685	32,599	35,591	24,193
Certified cheques	3,871	2,462	3,676	4,359
Deferred income	2,180	1,360	3,922	1,880
Foreign currency transfers payable	6,365	7,272	7,998	9,962
Other credit balances	-	270	-	192
Other current liabilities	665	4,083	2,647	2,602
Deposit for shares	-	-	-	2,760
Interest payable	-	-	-	-
Accounts payable	11,708	-	1,239	-
Unclaimed dividend	3,201	50	-	3,422
	<u>76,401</u>	<u>49,138</u>	<u>58,984</u>	<u>57,683</u>

36 Other borrowed funds

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Due to multilateral lending agencies (see (a) below)	12,780	13	7,385	6,890
Due to commercial banks (see (b) below)	14,897	18,685	15	6,152
Due to CBN (see (c) below)	100,205	100,009	100,089	100,000
Other borrowings	1	-	-	-
	<u>127,883</u>	<u>118,707</u>	<u>107,490</u>	<u>113,042</u>

- (a) Borrowings from multilateral agencies represent amount due to the Bank of Industry and Private Export Funding Corporation at interest rate of 7% and with maturities from June 2010 to November 2025.
- (b) Due to commercial banks represent trade related loans from foreign banks in respect of letters of credit negotiated on behalf of customers. The corresponding receivables from these customers are included in loans and advances
- (c) Due to CBN represents the subordinated loan granted to the Bank by the Central Bank of Nigeria (CBN) as part of its intervention in rescued Banks. The principal amount is repayable at maturity in September 2016 while interest is payable semi-annually at Monetary Policy Rate (MPR)-3% (December 2010: MPR-3%; September 2010:MPR-3%). The amount is carried at amortised cost using an effective interest rate.

37 Capital and reserves

Share capital

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
(a) Authorised :				
24,500,000,000 units of ordinary shares of 50 kobo each	<u>12,250</u>	<u>12,250</u>	<u>12,250</u>	<u>12,250</u>
1,500,000,000 units of 7% convertible preference shares of 50 kobo each	<u>750</u>	<u>750</u>	<u>750</u>	<u>750</u>

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010

(b) Issued and fully paid -				
18,906,000,000 Ordinary shares of 50 kobo each	<u>9,453</u>	<u>9,453</u>	<u>9,453</u>	<u>9,453</u>

- (c) Share premium
Share premium is the excess paid by shareholders over the nominal value for their shares.

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Balance, beginning of period	139,478	139,478	139,478	139,478
Transfer to redemption of preference share capital	-	-	-	-
Premium on preference share not redeemed	-	-	-	-
Balance, end of period	<u>139,478</u>	<u>139,478</u>	<u>139,478</u>	<u>139,478</u>
	<u>148,931</u>	<u>148,931</u>	<u>148,931</u>	<u>148,931</u>

- (d) Translation reserve
Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(e) Other regulatory reserves

The other regulatory reserves includes movements in the statutory reserves and contingency reserve.

(i) Statutory Reserves:

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank did not make any transfer to statutory reserve during the period/year.

(ii) Contingency Reserve:

As required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life insurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premium and 20% of net profits of the business for the period.

The appropriation of contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the period. The appropriations are charged to the life fund.

The contingency reserve for the Group is the post acquisition portion of the Group's holding in the contingency reserve of Intercontinental WAPIC Insurance Limited as at period end.

(f) Treasury shares

(i) The treasury shares are analysed as follows:

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Nominal value (see note (i) below)	(2,528)	(2,528)	(2,528)	(2,528)
Premium	(164,704)	(164,704)	(164,704)	(164,704)
	<u>(167,232)</u>	<u>(167,232)</u>	<u>(167,232)</u>	<u>(167,232)</u>

(i) This represents the nominal value of the Bank's shares purchased by the Bank in the previous period. No additional shares were purchased during the period.

(g) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired and revaluation surplus on buildings.

(h) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed under the Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the incurred loss model used in calculating the impairment under IFRSs.

(I) Other reserves

The other reserves includes movements in the Small and Medium Scale Industries Reserve (SMEEIS).

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory.

The Bank has suspended further appropriation to SMEEIS (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN. In prior year, 10% of profit after taxation was transferred to SMEEIS reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005.

(j) Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

38 Contingencies

(a) Litigations and claims

The Bank, in its ordinary course of business was involved in a number of litigation cases. The total amount claimed against the Bank as at 30 September 2011 is estimated at N394.3 billion (31 December 2010: N60.5 billion; 1 January 2010: N64.9 billion) while the total amount claimed in the cases instituted by the Bank is N69.8 billion (31 December 2010: N2.7 billion and \$540,000; 1 January 2010: N3.2 billion and \$nil). Based on the advice of the solicitors, the Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and they are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the Group was N118.7 billion (31 December 2010: N73.1 billion; 30 September 2010: N65.98 billion)

(b) Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

Nature of instruments:

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

Acceptances, bonds, guarantees and other obligations for the account of customers:

(a) These comprise:

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010	1 January 2010
Performance bonds and guarantees	103,945	62,793	57,595	68,671
Letters of credit	14,771	10,344	7,541	3,958
Bankers Acceptances	-	-	844	-
	<u>118,716</u>	<u>73,137</u>	<u>65,980</u>	<u>72,629</u>

39 Related parties

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

Parent

The parent company, which is also the ultimate parent company, is Intercontinental Bank Plc.

Subsidiaries

Transactions between Intercontinental Bank Limited and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

Associates

Related party transactions with Associate companies, namely, Associated Discount House Limited and Blue Microfinance Bank Limited were as follows:

Loans and advances:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
<i>In millions of Nigerian naira</i>				
Secured loans and advances	2	-	-	-

Deposit liabilities:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
<i>In millions of Nigerian naira</i>				
Total Deposits	71	18	-	6,284

Placements:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
<i>In millions of Nigerian naira</i>				
Total placement	160	-	-	-

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No Impairment losses have been recorded against balances outstanding during the period with the associated companies as at period end.

Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Intercontinental Bank Plc and its subsidiaries.

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

Loans and advances:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
<i>In millions of Nigerian naira</i>				
Secured loans and advances	13,145	16,651	24,691	32,174

Deposit liabilities:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
<i>In millions of Nigerian naira</i>				
Total Deposits	1,840	6,907	-	-

Placements:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
<i>In millions of Nigerian naira</i>				
Total placement	4,409	-	-	-

Key management personnel compensation for the year comprised:

Directors' remuneration

30 September 2011 31 December 2010 30 September 2010 1 January 2010

In millions of Nigerian Naira

Fees as directors	3	33	99	27
Other emoluments	20	105	-	0
	23	138	99	27
Executive compensation	165	229	9	168
	188	367	108	195

40 Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest			
		30 September 2011	31 December 2010	30 September 2010	1 January 2010
Intercontinental Wapic Insurance Plc	Nigeria	58%	58%	58%	58%
Intercontinental Capital Markets Limited	Nigeria	63%	63%	63%	63%
Intercontinental Homes and Savings Limited	Nigeria	52%	52%	52%	52%
Intercontinental Properties Limited	Nigeria	67%	67%	67%	67%
Intercontinental Finance and Investment Limited	Nigeria	100%	100%	100%	100%
Intercontinental Registrars Limited	Nigeria	100%	100%	100%	100%
Intercontinental Trustees Limited	Nigeria	100%	100%	100%	100%
Intercontinental Bank Ghana Limited	Ghana	90%	90%	90%	90%
Intercontinental Securities Limited	Nigeria	51%	51%	51%	51%
Intercontinental Bank (UK) Limited	United Kingdom	100%	100%	100%	100%
Integrity Press Limited	Nigeria	0%	0%	100%	100%
Intercontinental Bureau de Change Limited	Nigeria	100%	100%	100%	100%
Flexmore Technologies limited	Nigeria	100%	100%	100%	100%

41 Subsequent events

- (a) Subsequent to period end, the Bank completed its recapitalisation process. The capital injection involved N 574billion as consideration for 15% equity interest in the Bank from Asset Management Corporation of Nigeria (AMCON) and N 50billion from Access bank Plc for the acquisition of a 75% majority interest in the Bank. Effective October 14, 2011, Intercontinental Bank Plc became a subsidiary of Access Bank Plc. See note 3(e) for further details.

The directors believe that the combined effect of the restoration of the Net Asset Value (NAV) to zero by the Asset Management Corporation of Nigeria (AMCON) and the injection of capital by Access Bank Plc will turn the Bank's net liabilities to net assets and improve the Bank's liquidity position.

- (b) The Bank held a Court Ordered Meeting on 30 December 2011, where the holders of ordinary shares of the Bank voted in favour of special resolutions to merge the business of the Bank with that of Access Bank Plc. In line with the resolution and under a court saction and approval by Nigerian Securities and Exchange Commission (SEC) and all assets, liabilities and undertakings of the Bank, including real property rights, have been transferred to Access Bank Plc without the Bank being wound up in February 2012.

Following Access Bank Plc's acquisition of a controlling interest in the Bank, effective 14 October 2011, the Board of Directors of Intercontinental Bank Plc was reconstituted as follows:

Aigboje Aig-Imoukhuede	Chairman
Victor Etuokwu	Managing Director
Herbert Wigwe	Non Executive Director
Taukeme Koroye	Non Executive Director
Paul Usoro	Non Executive Director
Obinna Nwosu	Non Executive Director
Ojini Olaghere	Executive Director
Segun Ogbonnewo	Executive Director

42 Explanation of transition to IFRSs

(a) Implementation of IFRSs

As stated in note 4 on significant accounting policies, these are the Group's first consolidated financial statements prepared in accordance with IFRSs. The accounting policies set out in note 4 have been applied in preparing the financial statements for the period ended 30 September 2011, the comparative information presented in these financial statements for the year ended 31 December 2010 and in the preparation of an opening IFRS statement of financial position at 1 January 2010 (the Group's date of transition). An explanation of how the transition from Nigerian GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

Reconciliation of equity		30 September 2011			31 December 2010		
		Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
<i>In millions of Naira</i>	<i>Notes</i>						
Assets							
Cash and cash equivalents	b(iii)	68,597	(464)	68,133	90,978	159	91,137
Non-pledged trading assets	b(i)	5,482	(58)	5,424	3,795	1,202	4,997
Pledged assets	b(i)	-	250,559	250,559	-	72,862	72,862
Loans and advances to customers	b(i)	99,491	7,047	106,538	119,211	10,980	130,191
Investments in equity accounted investee		2,683	-	2,683	1,856	-	1,856
Investment securities	b(i)	41,009	(1,101)	39,908	183,615	(2,596)	181,019
Trading properties	b(ix)	6,878	(11)	6,867	8,106	-	8,106
Investment properties		2,826	96	2,922	3,369	-	3,369
Property and equipment	b(ii)	43,959	11	43,970	51,597	(1,486)	50,111
Intangible assets	b(ii)	1,025	-	1,025	-	1,486	1,486
Deferred tax assets	b(vii)	4,731	249	4,980	153,596	658	154,254
Other assets	b(iv)	266,128	(261,674)	4,454	92,449	(77,443)	15,006
Total assets		542,809	(5,345)	537,464	708,572	5,823	714,395
Liabilities							
Deposits from banks	b(vi)	309,361	(898)	308,463	175,527	1,070	176,597
Deposits from customers	b(vi)	579,202	1,468	580,670	679,233	(1,502)	677,731
Redeemable preference shares	b(x)	-	-	-	-	7,619	7,619
Liability on investment contract		733	-	733	1,486	-	1,486
Liability on insurance contract		2,922	-	2,922	1,862	-	1,862
Current tax liabilities		6,846	147	6,993	8,578	-	8,578
Deferred tax liabilities		246	-	246	164	-	164
Other liabilities	b(v)	78,979	(2,578)	76,401	49,043	95	49,138
Other borrowed funds	b(viii)	127,656	227	127,883	118,572	135	118,707
Total liabilities		1,105,945	(1,634)	1,104,311	1,034,465	7,418	1,041,882
Equity							
Share capital and share premium	b(xi)	149,463	(532)	148,931	156,165	(7,234)	148,931
Preference shares	b(xi)	-	-	-	280	(280)	-
Treasury shares		(167,232)	-	(167,232)	(167,232)	-	(167,232)
Retained earnings		(573,214)	(169)	(573,383)	(339,055)	1,761	(337,294)
Other reserves		23,318	(3,010)	20,308	22,800	4,158	26,958
				-			
Total equity attributable to equity holders of the Bank		(567,665)	(3,711)	(571,376)	(327,042)	(1,595)	(328,637)
Non-controlling interest		4,529	-	4,529	1,150	-	1,150
Total equity		(563,136)	(3,711)	(566,847)	(325,892)	(1,595)	(327,487)
Total liabilities and equity		542,809	(5,345)	537,464	708,572	5,822	714,395
Acceptances and guarantees		118,716	-	118,716	73,137	-	73,137

Reconciliation of equity

In millions of Naira	Notes	30 September 2010			1 January 2010		
		Previous GAAP	Effect of transition to		Previous GAAP	Effect of transition	
			IFRS	IFRS		to IFRS	IFRS
Assets							
Cash and cash equivalents	b(iii)	88,166	(4,893)	83,273	57,626	(5,474)	52,152
Non-pledged trading assets	b(i)	10,052	(3,171)	6,881	7,000	(78)	6,922
Pledged assets	b(i)	-	53,157	53,157	-	88,672	88,672
Loans and advances to customers	b(i)	154,964	20,975	175,939	158,100	39,789	197,889
Investments in equity accounted investee		1,709	-	1,709	3,457	-	3,457
Investment securities	b(i)	98,675	2,277	100,952	79,119	17	79,136
Trading properties	b(ix)	-	1,532	1,532	6,698	-	6,698
Investment properties		2,390	-	2,390	8,737	-	8,737
Property and equipment	b(ii)	54,890	(2,952)	51,938	55,835	(2,067)	53,769
Intangible assets	b(ii)	-	1,421	1,421	-	2,067	2,067
Deferred tax assets	b(vii)	163,509	657	164,166	163,637	3,119	166,756
Other assets	b(iv)	75,673	(54,389)	21,283	92,626	(84,454)	8,172
Total assets		650,027	14,613	664,640	632,835	41,592	674,427
Liabilities:							
Deposits from banks	b(vi)	200,700	813	201,513	297,238	2,575	299,813
Deposits from customers	b(vi)	637,919	1,223	639,142	527,289	2,842	530,131
Redeemable preference shares	b(x)	-	7,619	7,619	-	7,619	7,619
Liability on investment contract	b(xii)	2,678	(1,237)	1,441	4,601	-	4,601
Liability on insurance contract	b(xii)	1,684	1,237	2,921	2,208	-	2,208
Current tax liabilities		6,954	-	6,954	5,369	-	5,369
Deferred tax liabilities		11	-	11	-	-	-
Other liabilities	b(v)	61,596	(2,613)	58,984	63,207	(5,524)	57,683
Other borrowed funds	b(viii)	107,385	105	107,490	113,039	3	113,042
Total liabilities		1,018,928	7,147	1,026,075	1,012,951	7,515	1,020,466
Equity							
Share capital and share premium	b(xi)	156,165	(7,233)	148,931	156,165	(7,234)	148,931
Preference shares	b(xi)	280	(280)	-	280	(280)	-
Treasury shares		(167,232)	-	(167,232)	(167,232)	-	(167,232)
Retained earnings		(382,313)	1,223	(381,090)	(392,067)	2,425	(389,642)
Other reserves		22,828	13,756	36,584	22,511	39,166	61,677
Total equity attributable to equity holders of the Bank		(370,273)	7,466	(362,807)	(380,343)	34,077	(346,266)
Non-controlling interest		1,371	-	1,371	227	-	227
Total equity		(368,901)	7,466	(361,435)	(380,116)	34,077	(346,039)
Total liabilities and equity		650,027	14,613	664,640	632,835	41,592	674,427
Acceptances and guarantees		65,980	-	65,980	72,629	-	72,629

Reconciliation of comprehensive income for the nine-months period ended 30 September 2011 and the year ended 31 December 2010
30 September 2011

	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	31 December 2010 Effect of transition to IFRS	IFRS
In millions of Naira							
Interest income	c(i)	30,449	9,679	40,128	61,564	89,615	151,179
Interest expense		(39,098)	17	(39,081)	(52,700)	(44)	(52,744)
Net interest income		(8,649)	9,697	1,047	8,864	89,571	98,435
Net fees and commission income		13,064	-	13,064	25,657	-	25,657
Net income from other financial instruments carried at fair value		-	(319)	(319)	-	379	379
Net trading income		4,613	(63)	4,550	7,387	173	7,560
Other operating income		6,234	637	6,871	3,466	-	3,466
		23,911	255	24,166	36,510	552	37,062
Premium from Insurance contracts		1,305	-	1,305	2,143	-	2,143
Premium ceded to re-insurers		(210)	-	(210)	(1,035)	-	(1,035)
Net Premiums from insurance contracts		1,095	-	1,095	1,108	-	1,108
Operating income		16,357	9,952	26,308	46,482	90,122	136,604
Net impairment loss on financial assets	c(iii)	(12,178)	(14,265)	(26,443)	101,403	(117,757)	(16,354)
Personnel expenses		(25,079)	-	(25,079)	(38,863)	-	(38,863)
Depreciation and amortization		(5,959)	1	(5,958)	(8,329)	-	(8,329)
Other operating expenses		(60,893)	491	(60,402)	(35,065)	(195)	(35,260)
		(87,752)	(3,821)	(91,574)	65,628	(27,829)	37,799
Share of profit of equity accounted investee		172	-	172	(35)	-	(35)
(Loss)/profit before income tax		(87,580)	(3,821)	(91,402)	65,593	(27,829)	37,764
Income tax expense		(151,574)	(556)	(152,130)	(12,419)	(2,461)	(14,880)
(Loss)/profit for the period/year		(239,154)	(4,377)	(243,532)	53,174	(30,290)	22,884
Other comprehensive income, net of income tax							
Foreign currency translation differences for foreign operations		296	-	296	319	-	319
Regulatory risk reserve	b(xii)	-	(2,696)	(2,696)	-	(29,626)	(29,626)
Fair value (losses)/gains on available-for-sale investments	b(xii)	-	(4,791)	(4,791)	-	(5,004)	(5,004)
Net change in fair value		-	-	-	-	-	-
Other comprehensive income for the period/year		296	(7,487)	(7,191)	319	(34,631)	(34,312)
Total comprehensive income for the period/year		(238,858)	(11,864)	(250,722)	53,493	(64,921)	(11,428)
Profit attributable to:							
Equity holders of the Bank		(239,984)	4,378	(244,362)	52,603	30,290	22,313
Non-controlling interest		(830)	-	(830)	(571)	-	(571)
(Loss)/profit for the period/year		(239,154)	4,378	(243,532)	53,174	30,290	22,884
Total comprehensive income attributable to:							
Equity holders of the Bank		(239,688)	10,205	(249,893)	52,922	64,921	(11,999)
Non-controlling interest		(830)	-	(830)	(571)	-	(571)
Total comprehensive income for the period/year		(238,858)	10,205	(250,722)	53,493	64,921	(11,428)

Reconciliation of comprehensive income for the nine-month period ended 30 September 2010

	Notes	Previous GAAP	Effect of transition to IFRS	IFRS
In millions of Naira				
Interest income	c(i)	49,708	86,864	136,572
Interest expense		(39,874)	(26)	(39,900)
Net interest income		9,834	86,839	96,672
Net fees and commission income		19,921	-	19,921
Net trading income	b(i)	1,892	(2,433)	(541)
Net income from other financial instruments carried at fair value		-	13	13
Other operating income		2,095	-	2,095
		23,908	(2,420)	21,488
Premium from Insurance contracts		3,138	-	3,138
Premium ceded to re-insurers		(1,383)	-	(1,383)
Net Premiums from insurance contracts		1,755	-	1,755
Operating income		35,496	84,419	119,915
Net impairment loss on financial assets	c(iii)	38,336	(105,480)	(67,144)
Personnel expenses		(29,269)	-	(29,269)
Depreciation and amortization		(5,769)	-	(5,769)
Other operating expenses		(26,080)	(13)	(26,093)
		12,714	(21,074)	(8,360)
Share of profit of equity accounted investee		-	-	-
Profit/(loss) before income tax		12,714	(21,074)	(8,360)
Income tax expense		(2,547)	(2,462)	(5,009)
Profit/(loss) for the period		10,166	(23,536)	(13,369)
Other comprehensive income, net of income tax				
Foreign currency translation differences for foreign operations		693	-	693
Regulatory risk reserve	b(xii)	-	(22,333)	(22,333)
Fair value (losses)/gains on available-for-sale investments	b(xii)	-	(3,077)	(3,077)
Net change in fair value		-	-	-
Other comprehensive income for the period		693	(25,410)	(24,717)
Total comprehensive income/(loss) for the period		10,859	(48,946)	(38,086)
Profit attributable to:				
Equity holders of the Bank		9,378	23,536	(14,157)
Non-controlling interest		788	-	788
Profit/(loss) for the period		10,166	23,536	(13,369)
Total comprehensive income attributable to:				
Equity holders of the Bank		10,071	48,946	(38,874)
Non-controlling interest		788	-	788
Total comprehensive income for the period		10,859	48,946	(38,086)

Notes to the reconciliations:

The Bank adopted IFRSs effective 1 January 2010. The key principle of IFRS 1 – First-time Adoption of International Financial Reporting Standards for reporting entities with adoption date subsequent to 1 January 2006 is a full retrospective application of IFRSs. However, this statement provides exemption from retrospective application in certain instances due to costs and practical considerations. The Group's transitional elections in this regard are set out below:

(b) Key impact analysis of IFRS on the financial position from 01 January 2010, date of transition, till 30 September 2011.

i IAS 32, 39 and IFRS 7 financial instruments

Under IFRSs, financial assets and liabilities are required to be classified as held for trading at fair value through profit or loss, fair value through equity, loans and receivables and held to maturity and other financial assets and liabilities. Financial instruments are measured based on their classification. Nigerian GAAP does not require such classification of financial instruments and measurement. The basis of valuation of individual instruments is provided in the accompanying statement of accounting policy.

Non-pledged trading assets

In accordance with IFRSs, financial assets held for trading have been measured at fair value. The fair value of the financial assets designated as held for trading is N5.4billion as at 30 September 2011, N4.9billion as at 31 December 2010, N6.9billion as at 30 September 2010 and N6.9billion as at 1 January 2010; and their carrying amount under previous GAAP was N5.4billion, N3.8billion, N10.1billion and N7billion respectively. The impact arising from the change is summarised as follows:

	30 September 2011 Audited	31 December 2010 Audited	30 September 2010 Unaudited	1 January 2010 Audited
<i>In millions of Nigerian Naira</i>				
Adjustments impacting trading assets	(58)	1,202	(3,171)	(78)
Adjustments impacting the fair value of the assets	(58)	-	(2,483)	(78)
Reclassification entries	-	1,202	(688)	-
Impact on equity	(58)	-	(2,483)	(78)

Available-for-sale financial instruments

Available for sale financial instruments are classified as either pledged financial assets or investment securities. In accordance with IFRS, financial assets designated as available for sale have been measured at fair value. Under Nigerian GAAP, some of these financial instruments were not measured at fair value.

Pledged Assets

The Nigerian GAAP did not require separate classification of pledged assets and as such they were classified as other assets. Under IFRS these financial instruments have been separately classified as pledged assets and measured at fair value. The impact arising from the change was N250.6billion as at 30 September 2011, N72.8billion as at 31 December 2010, N53.16billion as at 30 September 2010 and N88.67billion as at 1 January 2010.

The impact arising from the change is summarised as follows:

	30 September 2011 Audited	31 December 2010 Audited	30 September 2010 Unaudited	1 January 2010 Audited
<i>In millions of Nigerian Naira</i>				
Reclassification to pledged assets	260,880	76,302	54,218	89,082
Entries to properly state assets at fair value	(10,320)	(3,440)	(1,061)	(409)
	250,559	72,862	53,157	88,672
Impact on equity	(10,320)	(3,440)	(1,061)	(409)

Investment Securities

The fair value of investment securities designated as available for sale is N39.9billion as at 30 September 2011, N181billion as at 31 December 2010, N100.9billion as at 30 September 2010 and N79.1billion as at 1 January 2010; and their carrying amount under previous GAAP was N41billion, N183.6billion, N98.7billion and N79.1billion respectively.

The impact arising from the change is summarised as follows:

	30 September 2011 Audited	31 December 2010 Audited	30 September 2010 Unaudited	1 January 2010 Audited
<i>In millions of Nigerian Naira</i>				
Reclassification to investment securities	(632)	(629)	4,588	697
Entries to properly state assets at fair value	(468)	(1,967)	(2,312)	(680)
	(1,101)	(2,596)	2,277	17
Impact on equity	(468)	(1,967)	(2,312)	(680)

Impairment of loans and advances:

Under Nigerian GAAP, loans and advances are measured at costs net of impairment losses using an expected loss model. A specific risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. A general reserve of at least 1% is made for all performing accounts to recognize losses in respect of risks inherent in any credit portfolio. Under IFRS, an impairment loss can only be accounted for if there is objective evidence that a loss has occurred after the initial recognition but before the balance sheet date. IFRS also allows for the creation of a credit impaired for incurred but not reported losses in order to provide latent losses in a portfolio of loans that have not yet been individually identified as impaired and the general reserve to be reversed. Generally, the impairment for credit losses is lower than the level required by the regulatory authorities. As a result, the shortfall on impairment for credit losses, if any, is set aside in a regulatory risk reserve within total equity.

The difference in the measurement basis of impairment loss assessment between IFRS and Nigerian GAAP increased the net assets of the Group N1.3billion as at 30 September 2011 while it decreased the net assets by N40.4billion, N146.5billion and N41.6billion as at 31 December 2010, 30 September 2010 and 1 January 2010 respectively. In addition, the de-recognition of interest in suspense in line with IFRS resulted in an increase in the net carrying amount of loans and advances of the Group by N5billion, N51.3billion, N167.4billion and N81.3billion as at 30 September 2011, 31 December 2010, 30 September 2010 and 1 January 2010 respectively while the net assets of the Group increased by N10.2billion as at 30 September 2011 (31 December 2010: 36.5billion; 30 September 2010: N86.1billion; and 1 January 2010: 81.3billion). Furthermore, in order to properly state the carrying value of the loans and advances at amortised cost, adjustments were raised to impact interest income on loans and advances as at each period/year end.

The impact arising from the change is summarised as follows:

	30 September 2011	31 December 2010	30 September 2010	1 January 2010
	Audited	Audited	Unaudited	Audited
<i>In millions of Nigerian Naira</i>				
Entries to properly state loans and advances at amortised cost, recognise additional impairment under IFRS and to reclassify interest in suspense to interest income	7,047	10,979	20,975	39,789
	<u>7,047</u>	<u>10,979</u>	<u>20,975</u>	<u>39,789</u>
Impact on equity	<u>6,945</u>	<u>10,909</u>	<u>20,880</u>	<u>39,640</u>

ii Property and Equipment / Intangible assets

Prior to the enactment of SAS 31 on 1 January 2011 under the Nigerian GAAP, which is in line with IFRS as regards the classification of intangible assets, acquired software was capitalised as computer software and computer equipment under property and equipment, and depreciated over the estimated useful life of the asset. IFRSs requires that software should be classified as intangible assets. As a result, the net book value of software amounting to N1.5billion, N1.4billion and N2.1billion were reclassified from property and equipment to intangible assets as at 31 December 2010, 30 September 2010 and 1 January 2010 respectively. The reclassification had no impact in the profit or loss account, neither did it impact equity.

iii Explanation of material adjustments to cash and cash equivalents

The net impact of application of IFRSs on cash and cash equivalents of the Group is a decrease in cash and cash equivalents by N464million, N4.9billion and N5.5billion as at 30 September 2011, 30 September 2010 and 01 January 2010 respectively while it increased by N159million as at 31 December 2010. Apart from the reclassification of restricted cash to other assets, there have been no material adjustments to the cash flow statements.

iv Explanation of material adjustments to other assets

As described in notes b(iii) above restricted cash and mandatory deposits previously classified as cash and cash equivalent in GAAP were reclassified to other assets in line with IFRS. Furthermore, pledged bonds and treasury bills which were previously classified as other assets under the previous GAAP were reclassified to pledged assets securities in line with IFRS. Also, interest receivables warehoused in other assets under Nigerian GAAP were reclassified to the principal amounts in line with IFRS.

v Other Liabilities

The impact of changes in liabilities from the Nigerian GAAP to IFRS were mainly attributable to conversion adjustment to properly state other liabilities at amortised cost. These changes do not have significant impact on the profit and loss or equity.

vi Deposit from banks and customers

The impact of changes in deposits from banks and customers from the Nigerian GAAP to IFRS were mainly attributable to conversion adjustment to properly state deposits from banks and customers at amortised cost. These changes do not have significant impact on the profit and loss or equity.

vii Deferred tax asset

The impact of changes in deferred tax asset from the Nigerian GAAP to IFRS were mainly attributable to the impact of IFRS conversion adjustments on timing differences.

The impact arising from the change is summarised as follows:

	30 September 2011 Audited	31 December 2010 Audited	30 September 2010 Unaudited	1 January 2010 Audited
<i>In millions of Nigerian Naira</i>				
Adjustments impacting deferred tax	249	658	657	3,119
	<u>249</u>	<u>658</u>	<u>657</u>	<u>3,119</u>
Impact on equity	249	658	657	3,119

viii Borrowed funds

The impact of changes in borrowed funds from the Nigerian GAAP to IFRS were mainly attributable to conversion adjustment to properly state borrowed funds at amortised cost. These changes do not have significant impact on the profit and loss or equity.

ix Trading properties

Trading properties which had been classified as investment properties under the Nigerian GAAP have now been reclassified to trading properties under IFRS.

x Redeemable preference shares

Redeemable preference shares which qualify as liabilities under IFRS have now been reclassified to liabilities.

xi Share capital, share premium and preference shares

The impact of changes in share capital, share premium and preference shares from the Nigerian GAAP to IFRS were mainly attributable to conversion adjustment to properly classify redeemable preference shares as liabilities.

xii Reclassifications

The impact of changes in these balances from the Nigerian GAAP to IFRS were mainly attributable to reclassifications done to present the items fairly in line with IFRS.

Explanation of material changes to income statement items

Interest income and expense

Under IFRSs, interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the In addition, interest initially suspended under the Nigerian GAAP, were classified as part of the loans and advances balance while under IFRS interest

The impact arising from the change is summarised as follows:

	30 September 2011 Audited	31 December 2010 Audited	30 September 2010 Unaudited
<i>In millions of Nigerian Naira</i>			
ii			
Entries to properly state financial assets at amortised cost	(541)	647	816
Entries to de-recognised interest in suspense	10,220	88,968	86,049
	<u>9,679</u>	<u>89,615</u>	<u>86,865</u>
iii.			
Impact on equity	9,679	89,615	86,865

Net Premiums from insurance contracts

Under IFRS, net premium and claims on insurance contract is required to be presented separately on the income statement. Net premium and claims

Net impairment loss on financial assets

The loan loss expense of N12.2billion as at 30 September 2011 (loan provision write-back of N101.4billion as at 31 December 2010 and N38.3billion

The impact arising from the the conversion from Nigerian GAAP to IFRS consists of additional impairment on loans and advances, financial

The impact arising from the change is summarised as follows:

<i>In millions of Nigerian Naira</i>	30 September 2011	31 December 2010	30 September 2010
	Audited	Audited	Unaudited
<i>iv.</i> Entries to properly state impairment on loans and advances under IFRS	(14,270)	(117,704)	(104,831)
Entries to properly state impairment on other assets under IFRS	5	(44)	(648)
Entries to properly state impairment on financial instruments under IFRS	-	(10)	-
	<u>(14,265)</u>	<u>(117,757)</u>	<u>(105,480)</u>
Impact on equity	<u>(14,265)</u>	<u>(117,757)</u>	<u>(105,480)</u>

Exceptional and extra-ordinary income

IFRSs does not recognise the principles of exceptional and extra-ordinary income as defined under Nigerian GAAP. The Bank did not recognise any exceptional and extra-ordinary income under Nigerian GAAP. Consequently, there was no IFRS reporting impact on the Bank.

Access Finance B.V.
(Amsterdam)

Financial statements for the
period from 17 November 2011
to 31 December 2011

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Balance sheet as at 31 December 2011

(before profit appropriation)

		2011	
		EUR	EUR
Current assets			
Cash and cash equivalents	3		18,274
Current liabilities			
Payable to shareholder	4	500	
Accrued expenses	5	3,024	
			<u>3,524</u>
Net current assets			<u>14,750</u>
Capital and reserves	6		
Issued share capital		18,000	
Accumulated result		-	
Result for the period		(3,250)	
			<u>14,750</u>
Total capital and reserves			<u>14,750</u>

Profit and loss account for the period from 17 November 2011 to 31 December 2011

		EUR
Operational income and expenses		
Administrative expenses	7	(3,250)
Result before tax		(3,250)
Corporate income tax	8	-
Result for the period		<u>(3,250)</u>

Notes to the 2011 financial statements

1 General

Relationship with parent company and principal activities

Access Finance B.V. (“the Company”), having its legal address in Amsterdam, is a private limited liability company under Dutch law, with 100% of its shares held by Access Bank Plc, a company domiciled in Nigeria.

The company has not yet commenced any activities. The Company intends to issue Guaranteed Notes to the market. These Guaranteed Notes will be guaranteed by the Company’s sole shareholder, and will be listed on the London Stock Exchange.

Financial Reporting period

The Company was incorporated on 17 November 2011, so the first reporting period is from that date, up to and including 31 December 2011. No comparative figures are presented, as this is the first reporting period.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

The applied accounting policies are based on the historical cost convention.

In accordance with section 396.7 of Title 9, Book 2 of the Netherlands Civil Code, the Company has not prepared a directors’ report.

2 Accounting policies

General

Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros, the company's functional currency.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

Principles for the translation of foreign currency

Transactions in foreign currencies

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date. Translation gains and losses are taken to the profit and loss account as expenditure.

Financial instruments

Financial instruments may include long-term receivables, cash items, loans and other financing commitments, and trade and other payables.

Financial instruments are initially recognised at fair value. If instruments are not measured at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses.

Loans, liabilities, and other financial commitments

Loans and other financial commitments that are not held for trading are carried at amortised cost on the basis of the effective interest rate method.

Financial fixed assets

Loans to related parties are carried at amortised cost using the effective interest method, less impairment losses.

Impairment

Assets with a long life should be tested for impairment in the case of changes or circumstances arising that lead to an indication that the carrying amount of the asset will not be recovered. The recoverability of assets in use is determined by comparing the carrying amount of an asset with the estimated present value of the future net cash flows which the asset is expected to generate.

If the carrying amount of an asset exceeds the estimated present value of the future cash flows, impairment is charged to the difference between the carrying amount and the recoverable amount.

Receivables

The accounting policies applied for the valuation of receivables are described under the heading 'Financial instruments'.

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Non-current liabilities

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Revenue recognition

Interest income

Interest income is recognised in the period to which it relates, using the effective interest method.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period.

Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Determination of fair value

A number of accounting policies and disclosures in the Group's financial statements may require the determination of the fair value for both financial and non-financial assets and liabilities. For measurement and disclosure purposes, fair value is determined on the basis of the following methods. Where applicable, detailed information concerning the principles for determining fair value are included in the section that specifically relates to the relevant asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows.

Non-derivative financial commitments

The fair value of non-derivative financial commitments is calculated on the basis of the net present value of future repayments and interest payments, discounted at the market interest rate with which a mark-up is included for the relevant risks as at the reporting date. For financial leases, the market interest rate is determined using comparable leasing agreements.

3 Cash and cash equivalents

Cash and cash equivalents are available on demand.

4 Payable to shareholder

The payable to the shareholder comprises a current account, payable on demand.

5 Accrued expenses

The accrued expenses are comprised as follows:

	2011 EUR
Management fees	2,956
Accrued Chamber of Commerce fees	68
	3,024

6 Capital and reserves

	Issued share capital EUR	Accumulated result EUR	Result for the period EUR	Total 2011 EUR
Balance as at 17 November 2011	-	-	-	-
Changes:				
• Issue of ordinary shares	18,000	-	-	18,000
• Result for the period	-	-	(3,250)	(3,250)
Balance as at 31 December 2011	18,000	-	(3,250)	14,750

Issued capital

The Company's authorised capital, amounting to EUR 90,000, comprises 90,000 ordinary shares of EUR 1 each, of which 18,000 shares have been issued.

Result for the period

At the General Meeting of Shareholders, it will be proposed to approve the appropriation of the result for the year to accumulated result.

7 Administrative expenses

The administrative expenses are comprised as follows:

	2011
	EUR
Management fees	2,956
Bank charges	226
Accrued Chamber of Commerce fees	68
	3,250

8 Tax on result from ordinary activities

The Company has a fiscal loss for the period ended 31 December 2011, which will be carried forward to future years. No deferred tax asset has been recognised in the balance sheet, as it is not certain whether the Company will generate future taxable income.

9 Financial instruments

General

During the normal course of business, the Company may use various financial instruments that expose the company to market and/or credit risks. These relate to financial instruments that are included on the balance sheet.

The Company does not trade in financial derivatives and follows procedures and code of conduct to limit the size of the credit risk with each counterparty and market. If a counterparty fails to meet its payment obligations to the Company, the resulting losses are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or fair risks.

Credit risk

The Company does not have any credit risk, as it does not have any assets other than cash and cash equivalents.

Interest rate risk and cash-flow risk

The interest rate risk is limited as the Company only has a bank account, which generates no interest, and an interest-free intercompany current account with its shareholder. The company's policy is not to use derivative financial instruments to control interim or other interest rate fluctuations.

Fair value

The fair value of most of the financial instruments stated on the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount.

10 Commitments and guarantees

The Company does not have any commitments or guarantees at 31 December 2011.

11 Transactions with related parties

Transactions with related parties occur when a relationship exists between the company, its participating interests and their directors and key management personnel.

There were no transactions with related parties that were not on a commercial basis.

The remuneration of the managing and supervisory directors is included in note 12.

12 Remuneration of managing and supervisory directors

During the period, no remuneration was paid to the managing directors or the supervisory directors.

Amsterdam, 29 June 2012

The Board of Management:

TMF Management B.V.

Ebenezer Sunday Olufowose

The Supervisory Board:

Mohammed Mahmoud Isa-Dutse

Tamramat Mosunmola Belo-Olusoga

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 23 of the Company's Articles of Association, the result for the period is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the statutory reserves.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the appropriation of the result for the period ended 31 December 2011 to accumulated result.

Subsequent events

There are no events subsequent to balance date which would have an impact on the Company's financial statements for the period ended 31 December 2011.

Independent auditor's report

The independent auditor's report is set out on the following page.

Independent auditor's report

To: the Shareholder of Access Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements for the period from 17 November 2011 to 31 December 2011 of Access Finance B.V. (Amsterdam), which comprise the balance sheet as at 31 December 2011, the profit and loss account for the period then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Access Finance B.V. as at 31 December 2011 and of its result for the period then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the information as required under Section 2:392 sub 1 at b - h has been annexed.

Amstelveen, 29 June 2012

KPMG Accountants N.V.

E. Michels RA

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