ACCESS BANK PLC

Consolidated financial statements for the year ended 31 December 2010.

Table of contents

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:

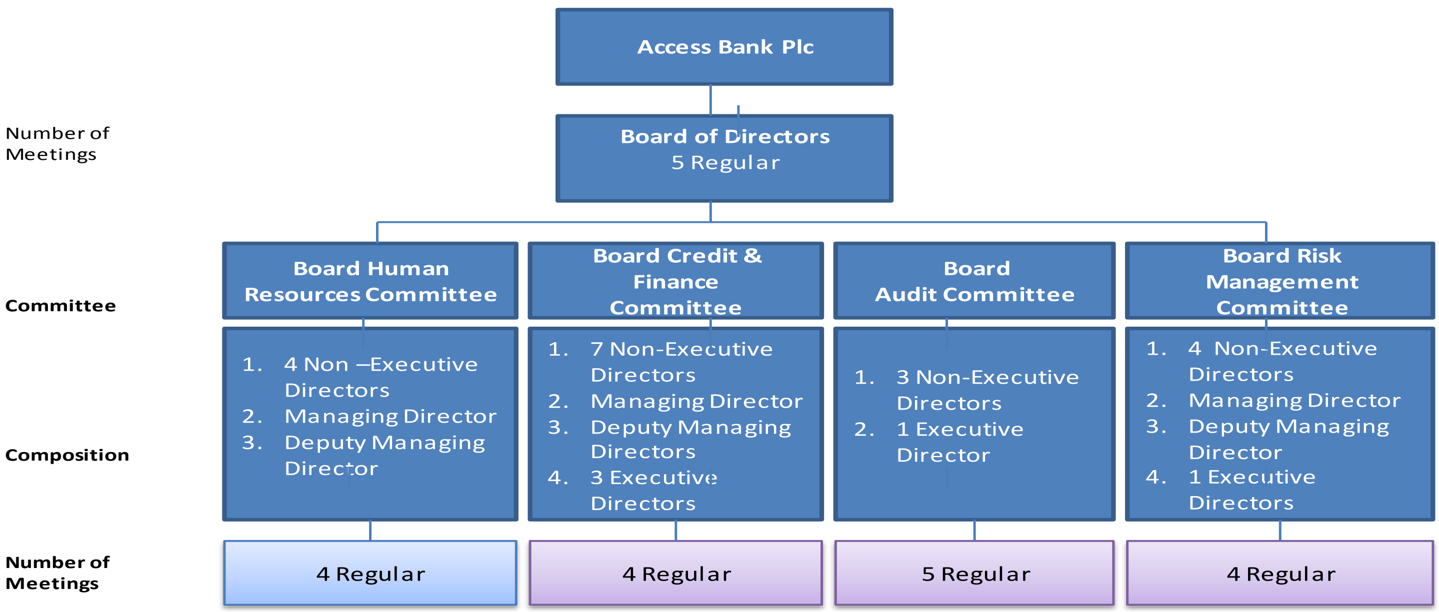
Name	Board Audit Committee	Board Risk Management Committee	Board Credit & Finance Committee	Board Human Resources Committee
Mr. Gbenga Oyebode[1]	-	-	-	-
Dr Cosmas Maduka[1]	-	-	C	-
Mr Oritsedere Otubu[1]	C	-	M	M
Dr.Mahmoud Isa-Dutse[2]	M	C	M	-
Mr. Emmanuel Chiejina[2]	-	-	M	C
Dr. Adewunmi Desalu[1]	-	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	-

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



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 Oyebode	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 polices. 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.

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.

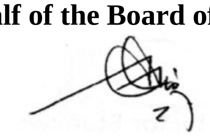
24 August 2011
Lagos, Nigeria.

Consolidated statement of financial position

As at 31 December 2010

In thousands of Naira	***Notes***	**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

In thousands of Naira	***Notes***	**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.

In thousands of Naira	***Notes***	**December 2010 12 months**	**December 2009 9 months**
Other comprehensive income net of income tax:			
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 1January 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 1April 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	-	-	-	-	-	-	-	-	-	-	(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 cash flows

For the year ended 31 December 2010

In thousands of Naira	*Notes*	December 2010	December 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

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 loses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

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

(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

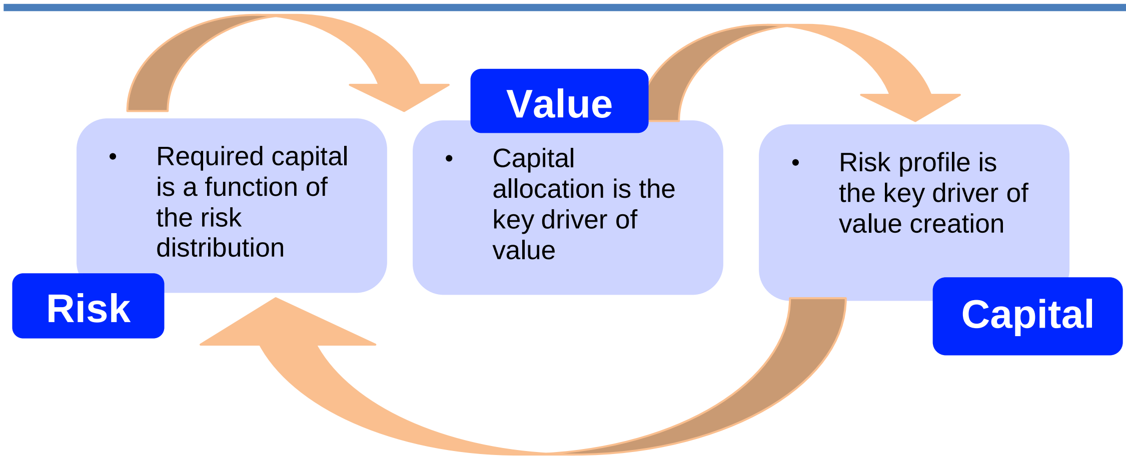
The pursuit of value requires us to balance risk assumed with capital required. Hence, we have embarked on a journey, which requires us to undertake analysis involving optimizing the upside and minimizing the downside an ongoing and rigorous basis. We believe that this process will add value for our 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.

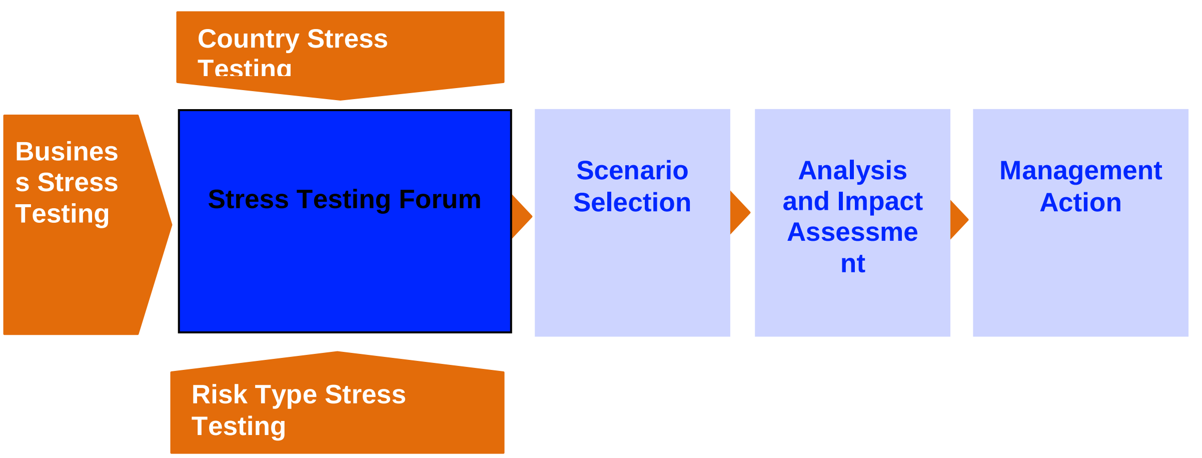
Enterprise-wide Stress Testing

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.

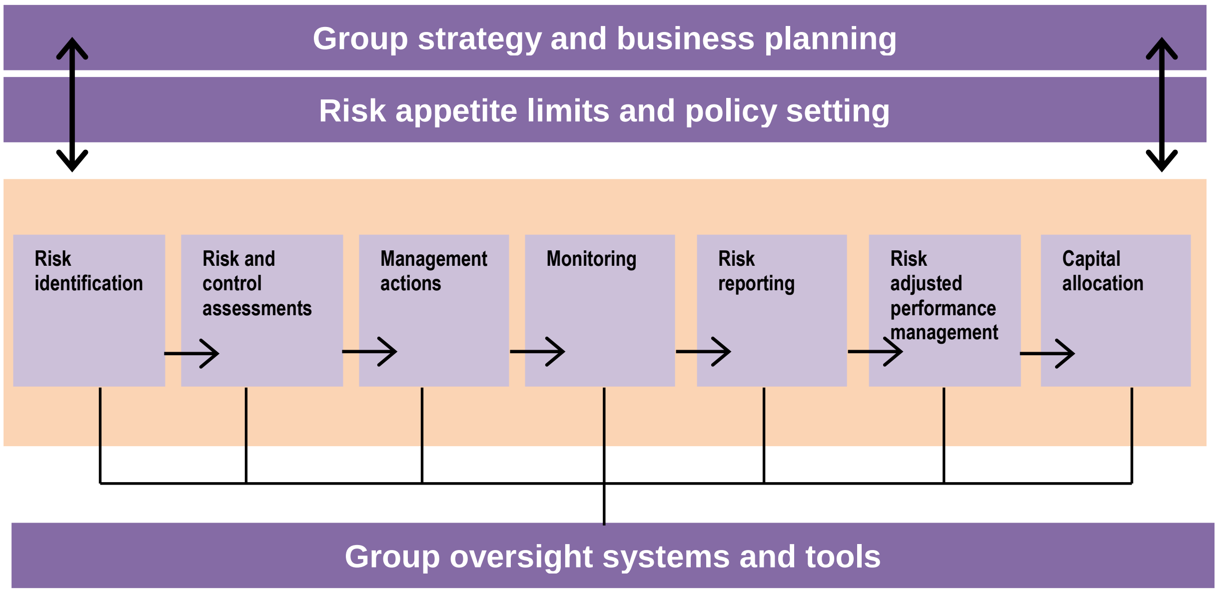
c) Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is based on consensus.

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:

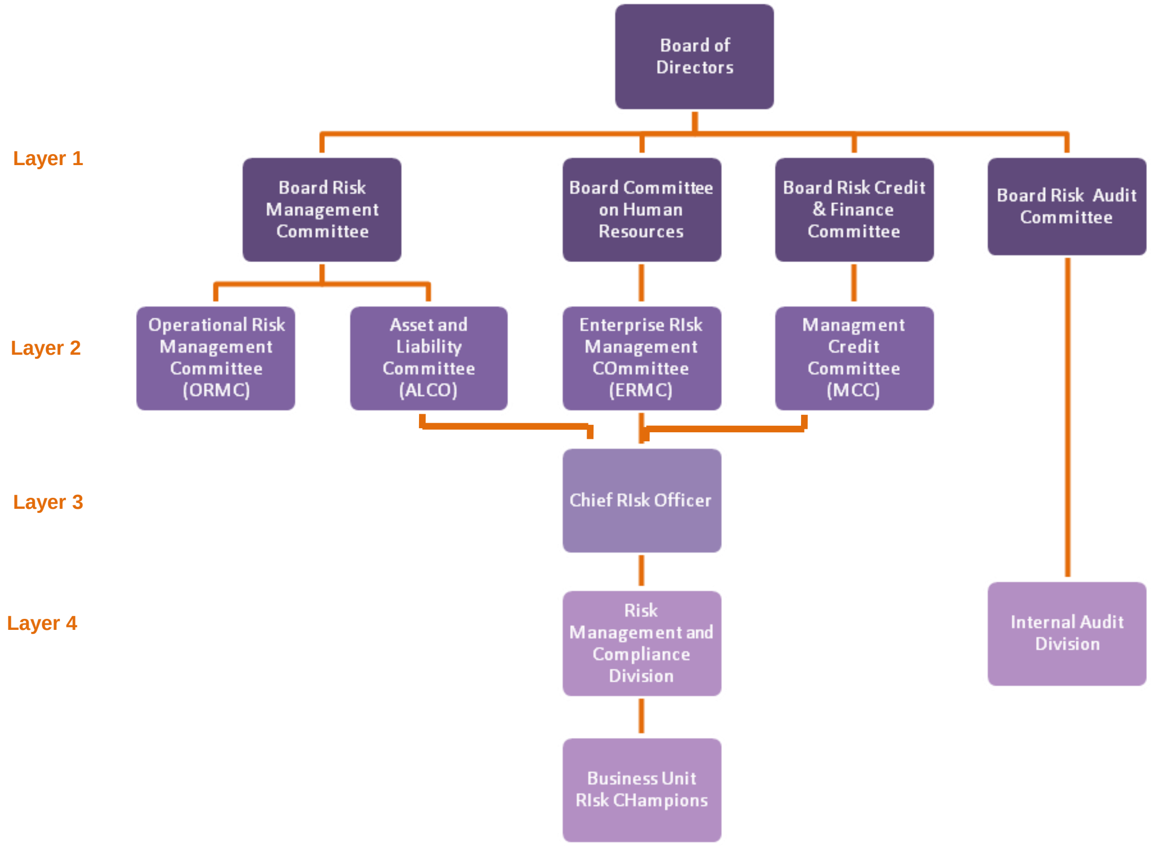
1. The enterprise-wide risk management and corporate governance committee forums;

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:

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; and

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 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;

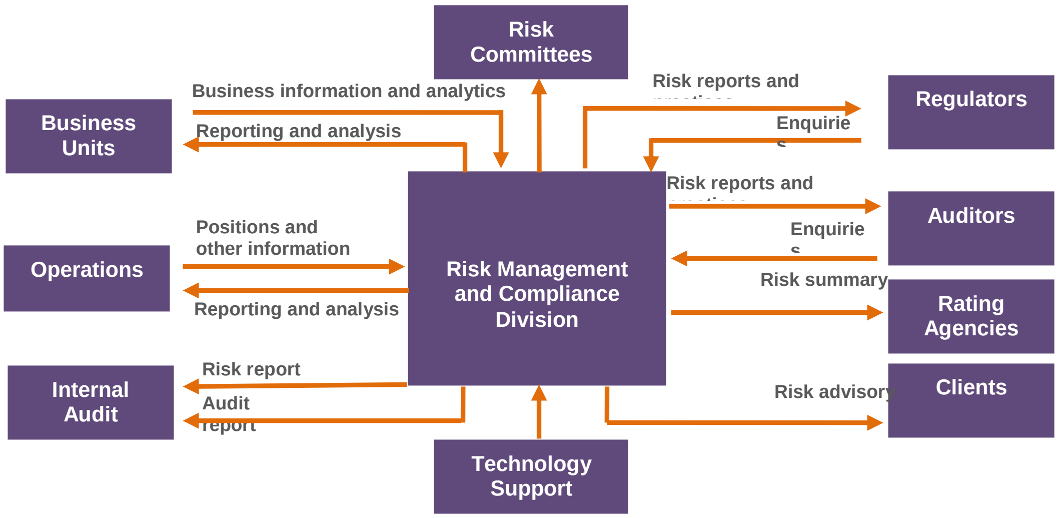
- Coordinate the gathering of risk-related information, while ensuring the completeness and accuracy of the risk information gathered, analyze the information and periodically report to the group head and the risk management department in the agreed format;
- In conjunction with other managers in the 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 it's 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 rigourous 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 Managament 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		December	December	December	December	December	December
In thousands of Naira	**Note**	**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	-	-	-	-
Past due comprises:							
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:

	Loans and advances to customers		Loans and advances to bank		Investment securities	
In thousands of Naira	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**	
In thousands of Naira	***December* 2010**	***December* 2009**	***December* 2010**	***December* 2009**
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	
	December 2010	*December* 2009	*December* 2010	*December* 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:

		Loans and advances to customers		**Loans and advances to Banks**		**Investment securities**	
In thousands of Naira	*Note*	***December*** **2010**	***December*** **2009**	***December*** **2010**	***Decemb e*** **2009**	***December*** **2010**	***December*** **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

In thousands of Naira	***Note***	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31-Dec-10								
Non-derivative assets								
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
Non-derivative liabilities								
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	**Note**	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31-Dec-09								
Non-derivative assets								
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. 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; 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

Re-pricing period

In thousands of Naira	*Note*	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
31-Dec-10							
Non-derivative assets							
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	240,804	51,110,650
Loans and advances to banks	22	610,108	86,499	-	-	354,635	168,974
Loans and advances to customers	23	447,810,357	181,025,545	46,003,206	33,185,567	145,076,849	42,519,190
Investment securities	25	69,892,874	336,402	-	4,887,330	28,731,879	35,937,263
		733,170,969	**335,587,028**	**54,242,031**	**39,201,666**	**174,404,167**	**129,736,077**
Non-derivative liabilities							
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	1,703,128	11,202
Interest bearing loans & borrowings	35	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**

Re-pricing period

In thousands of Naira	Note	Carrying amount	Less than 3 months	6 months	12 months	5 years	More than 5 years
31-Dec-09							
Non-derivative assets							
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**
Non-derivative liabilities		-	-	-	-	-	-
Deposits from banks	31	43,216,841	25,846,852	17,369,989	-	-	-
Deposits from customers	32	442,334,863	441,352,932	571,403	318,188	92,340	-
Debt securities issued	33	2,604,277	-	-	-	2,604,277	-
Interest bearing loans & borrowings	35	3,376,945	3,103	34,148	248,227	2,226,500	864,967
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 summaries the Group’s assets and liabilities at carrying amount, categorised by currency:

Financial instruments by currency *In thousands of Naira*	***Note***	**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
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		**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
In thousands of Naira	***Note***						
31-Dec-09							
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 ERMC meetings. The Bank operational risk profile is presented to the Board quarterly. Control effectiveness is monitored at the ERMC and at the Board; and the multi-layered system of defences ensures pro-active operational risk management.

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 ERMC. The Group also uses a database of external public risk events and is part of a consortium of international banks that share loss data information anonymously to assist in risk identification, assessment, modelling and benchmarking.

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.

Notes to the consolidated financial statements

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

Notes to the consolidated financial statements

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.

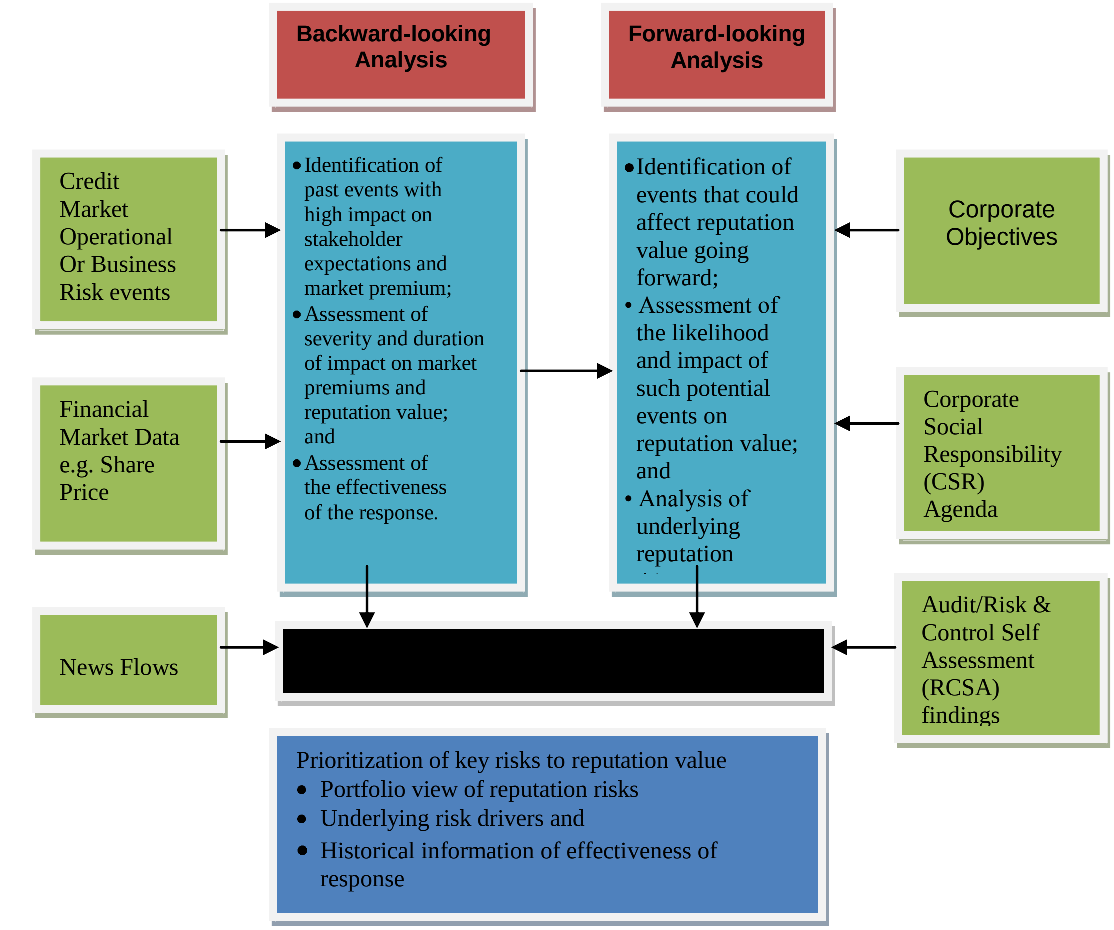
With banks operating and competing in a global environment, risks emerging from a host of different sources and locations is difficult to keep up with and to know how best to respond if they occur. The effects of the occurrence of a reputational risk event include but are not limited to the following:

- 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.

Notes to the consolidated financial statements

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.

Notes to the consolidated financial statements

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

Notes to the consolidated financial statements

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;

Notes to the consolidated financial statements

- 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).

Notes to the consolidated financial statements

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;

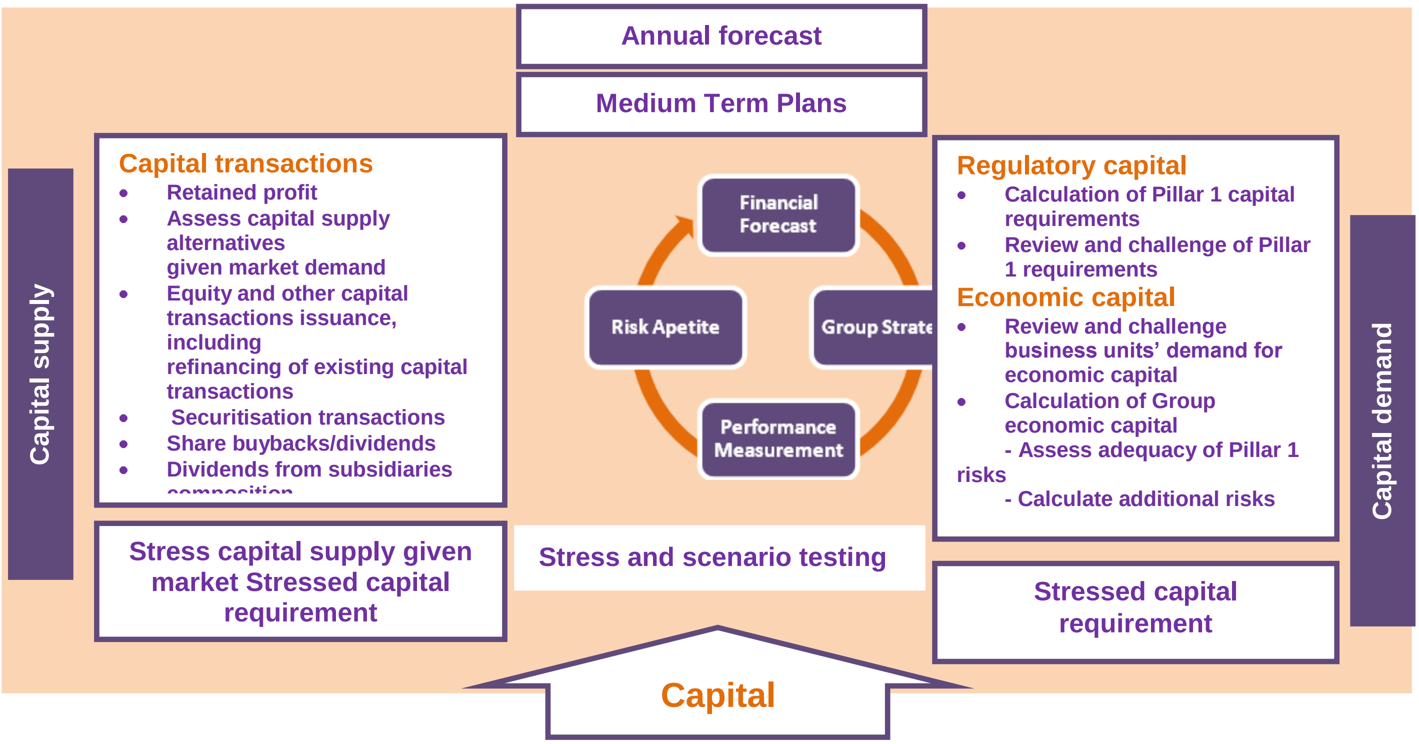
Notes to the consolidated financial statements

- 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.

Notes to the consolidated financial statements

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.

Notes to the consolidated financial statements

In thousands of Naira	***Note***	**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 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 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(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

Notes to the consolidated financial statements

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 date (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.

Notes to the consolidated financial statements

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 *In thousands of Naira*	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
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.

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 in determine the impairment loss under IFRS..

3. Credit related fees are recognised in the profit and loss account at the time of occurrence under Nigeria GAAP while under IFRS, credit related fees are recognised as part of effective interest or over the period of the contract depending on the nature of the contract.

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

- **Institutional banking** – The Institutional Banking 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.

Notes to the consolidated financial statements

7 Operating segments (Continued)
Information about operating segments

31 December 2010

In thousands of Naira	**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	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

7. Operating segments (Continued)

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

In thousands of Naira	**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.

In thousands of Naira	*Note*	Trading	Derivative Designated at fair value	Held-to-maturity	Loans & Receivables Loans at amortised cost	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2010									
Cash and cash equivalents	18	-	-	-	-	-	123,957,778	123,957,778	116,198,836
Non pledged trading assets	19	30,969,755	-	-	-	-	-	30,969,755	30,969,755
Pledged assets	20	-	-	59,930,096	-	-	-	59,930,096	52,044,653
Derivative financial instruments	21	-	1,110,803	-	-	-	-	1,110,803	1,110,803
Loans and advances to banks	22	-	-	-	610,108	-	-	610,108	601,324
Loans and advances to customers	23	-	-	-	447,810,358	-	-	447,810,358	441,363,363
Investment securities	25	-	-	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**	**123,957,778**	**734,281,772**	**704,692,187**
Deposits from banks	31	-	-	-	-	-	69,889,795	69,889,795	64,038,436
Deposits from customers	32	-	-	-	-	-	484,723,475	484,723,475	485,082,731
Derivative financial instruments		-	725,007	-	-	-	-	725,007	725,007
Interest bearing loans and borrowings	35	-	-	-	-	-	22,760,350	22,760,350	22,598,005
		-	**725,007**	**-**	**-**	**-**	**577,373,620**	**578,098,627**	**572,444,179**

In thousands of Naira	***Note***	**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**

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 *In thousands of Naira*	12 months 2010	9 months 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 *In thousands of Naira*	12 months 2010	9 months 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

31 December *In thousands of Naira*	12 months 2010	9 months 2009
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

31 December *In thousands of Naira*	12 months 2010	9 months 2009
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

31 December *In thousands of Naira*	12 months 2010	9 months 2009
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

31 December *In thousands of Naira*	Note	12 months 2010	9 months 2009
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	*Cash payments*
Less than five years	Net asset value
More than five years	Higher of market price and net asset value at the time of leaving the scheme.

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 *In thousands of Naira*	Note	12 months 2010	9 months 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 *In thousands of Naira*	Note	12 months 2010	9 months 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 *In thousands of Naira*	12 months 2010	9 months 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 *In thousands of Naira*	12 months 2010	9 months 2009
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

In thousands of Naira	*December* 2010	*December* 2010	*December* 2009	*December* 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

In millions of shares	**December 2010**	**December 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 *In thousands of Naira*	**12 months 2010**	**9 months 2009**
(Loss)/Profit for the period attributable to equity holders of the Bank	7,903,841	(1,880,451)

Number of ordinary shares

In millions of shares	**December 2010**	**December 2009**
Issued ordinary shares	17,888,251	16,262,047

18. Cash and cash equivalents

In thousands of Naira	**December 2010**	**December 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

In thousands of Naira	**December 2010**	**December 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:

In thousands of Naira	**December 2010**	**December 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

In thousands of Naira	Assets	Liabilities	Assets	Liabilities
	December 2010		December 2009	
Instrument type:				
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	**12 months 2010**	**9 months 2009**
In thousands of Naira		
Instrument type:		
Foreign exchange	-	-
Cross currency swap	(724,499)	113,900
	(724,499)	113,900

22. Loans and advances to banks

In thousands of Naira	December 2010	December 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

In thousands of Naira	December 2010	December 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

In thousands of Naira	December 2010	December 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 *In thousands of Naira*	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 *In thousands of Naira*	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

In thousands of Naira	**December 2010**	**December 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

In thousands of Naira	**December 2010**	**December 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

In thousands of Naira	December 2010	December 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 *In thousands of Naira*	December 2010	December 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 *In thousands of Naira*	**December 2010**	**December 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 *In thousands of Naira*	**December 2010**	**December 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 *In thousands of Naira*	**December 2010**	**December 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.

In thousands of Naira	**December 2010**	**December 2009**
Balance, beginning of year/period	1,404,000	-
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

In thousands of Naira	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

In thousands of Naira	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:

In thousands of Naira	**December 2010**	**December 2009**
Access Bank Rwanda	681,007	681,007
FinBank Burundi	369,714	369,714
Omni Finance Bank Cote d'Ivoire	687,427	687,427
	1,738,148	1,738,148

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:

In thousands of Naira		**December 2010**			**December 2009**	
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property and equipment, and software		(380,071)	(380,071)		(1,170,151)	(1,170,151)
Allowances for loan losses	2,020,997		2,020,997	2,232,476		2,232,476
Tax loss carry forward	512,713		512,713	2,905,875		2,905,875
Employee benefits	459,030		459,030	463,664		463,664
Others	(154,072)		(154,072)		(652,737)	(652,735)
Net tax assets/(liabilities)	2,838,668	(380,071)	2,458,597	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:

In thousands of Naira	**December 2010**	**December 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
Out of which		
Deferred tax assets	2,838,668	5,602,017
Deferred tax liabilities	(380,071)	(1,822,888)

30. Other assets

In thousands of Naira	December 2010	December 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:

In thousands of Naira	December 2010	December 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

In thousands of Naira	**December 2010**	**December 2009**
Money market deposits	26,495,970	11,619,261
Other deposits from banks	43,393,825	31,597,580
	69,889,795	43,216,841

32. Deposits from customers

In thousands of Naira	**December 2010**	**December 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
	484,723,475	442,334,863

33. Debt securities issued

In thousands of Naira	**December 2010**	**December 2009**
Due to Access Bank Bond holders	-	2,604,277
	-	2,604,277

The final instalment balance of the 14% redeemable convertible bond was fully redeemed on 15 June 2010.

34. Other liabilities

In thousands of Naira	Note	December 2010	December 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

In thousands of Naira	December 2010	December 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

	In thousands of Naira	**December 2010**	**December 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

	In thousands of Naira	**December 2010**	**December 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:

	In thousands of Naira	**December 2010**	**December 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.

	In thousands of units	**December 2010**	**December 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:

In thousands of Naira	**December 2010**	**December 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:

In thousands of Naira	**December 2010**	**December 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:

In thousands of Naira	**December 2010**	**December 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:

In thousands of Naira	**December 2010**	**December 2009**
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
	136,753,187	89,743,367
Commitments:		
Clean line facilities for letters of credit	102,128,235	48,312,144
	102,128,235	48,312,144

c. All the transactions relating to bonds and guarantees are fully collaterised. 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:

Loans and advances: *In thousands of Naira*	**December 2009**	**December 2009**
Secured loans and advances	58,866,046	49,200,335

Deposits: *In thousands of Naira*	**December 2009**	**December 2009**
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

In thousands of Naira	**December 2010**	**December 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	***United Securities Limited***	***Access Investment and Securities Limited***
	N'000	N'000
Due from other banks	5,681,467	392,251
Other assets	382,110	181,343
Property and equipment	29,944	31,304
	6,093,521	604,898

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
	6,093,521	604,898

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	97,670	(348,820)

43. Subsequent events

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.