# Access Bank Plc

# Consolidated and separate financial statements for the year ended 31 December 2013

**ACCESS BANK PLC**
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**For the year ended 31 December 2013**

## Directors, officers and professional advisors

**These are the list of Directors who served in the entity during the year and up to the date of this report**

**Directors**

| | |
|---|---|
| Gbenga Oyebode, MFR | Chairman/Non-Executive Director |
| Herbert Onyewumbu Wigwe (former DMD, appointed GMD effective 01 January 2014) | GMD/Executive Director |
| Obinna David Nwosu** | DMD/Executive Director |
| Aigboje Aig-Imoukhuede**** | GMD/Executive Director |
| Mosunmola Belo-Olusoga | Non-Executive Director |
| Ernest Chukwuka Ndukwe | Independent Non-Executive Director |
| Oritsedere Samuel Otubu | Non-Executive Director |
| Anthonia Olufeyikemi Ogunmefun | Non-Executive Director |
| Babatunde Tijani Folawiyo | Non-Executive Director |
| Emmanuel Chiejina | Non-Executive Director |
| Mahmoud Isa-Dutse | Non-Executive Director |
| Ajoritsedere Josephine Awosika* | Independent Non-Executive Director |
| Victor Okenyenbunor Etuokwu | Executive Director |
| Roosevelt Michael Ogbonna** | Executive Director |
| Ojinika Nkechinyelu Olaghere** | Executive Director |
| Elias Igbinakenzua** | Executive Director |
| Titi Osuntoki** | Executive Director |
| Taukeme Edwin Koroye**** | Executive Director |
| Okey Nwuke**** | Executive Director |
| Obeahon Ohiwerei**** | Executive Director |
| Ebenezer Olufowose*** | Executive Director |

* New Director appointed May 21, 2013
** New Director appointed November 26, 2013
*** Director retired with effect from August 1, 2013
**** Director retired with effect from December 31, 2013

**Company Secretary**
Mr Sunday Ekwochi

**Corporate Head Office**
Access Bank Plc
Plot 999c, Danmole Street,
Victoria Island, Lagos.
Telephone: +234 01 2621040-41
+234 01 2641517-72

Email: info@accessbankplc.com
Website: www.accessbankplc.com
Company Registration Number: RC125 384
FRC Number: FRC/2012/0000000000271

**Independent Auditors**
PricewaterhouseCoopers
252E Muri Okunola Street
Victoria Island, Lagos
Telephone: (01) 271 1700
Website: www.ng.pwc.com

**Registrars**
United Securities Limited
10 Amodu Ojikutu Street
Victoria Island, Lagos
Telephone: +234 01 730898
+234 01 730891

## Directors' report
## For the year ended 31 December 2013

The Directors have pleasure in presenting their report on the affairs of Access Bank Plc (the "Bank") together with its subsidiaries (the "Group"), and the Group and Bank audited financial statements and auditor's report for the year ended 31 December 2013.

**Legal form and principal activity**
The Bank was incorporated as a private limited liability company on 8 February 1989 and commenced business on 11 May 1989. The Bank was converted to a public limited liability company on 24 March 1998 and its shares were listed on the Nigerian Stock Exchange on 18 November 1998. The Bank was issued a universal banking license by the Central Bank of Nigeria on 5 February 2001.

The Bank's principal activities incude the provision of money market product and services, retail banking, granting of loans and advances, equipment leasing, corporate finance and foreign exchange operations.
The Bank has the following international banking subsidiaries: Access Bank (Gambia) Limited, Access Bank (Sierra Leone) Limited, Access Bank Zambia Limited, The Access Bank UK Limited, Access Bank (Ghana) Limited, Access Bank Rwanda, Access Bank (D.R. Congo) and FinBank Burundi. The Bank also has Access Finance BV, an offshore Special Purpose Vehicle for the issuance of the U.S.$350,000,000 7.25 Per Cent Guaranteed Notes Dues 2017 guaranteed by the Bank.

The Bank in December 2013 concluded its divestment from Access Bank Cote d'Ivoire. The divestment was concluded with full regulatory approvals via a direct sale of the Bank's entire equity holding in the subsidiary to a preferred bidder, Afriland First Group S.A, a financial services group based in the Republic of Cameroun. The impairments arising from the divestment have been accounted for in the Bank's financials beginning from January 2013.

In line furtherance of the objective of bringing the Bank's activities in compliance with the provisions of the Central Bank of Nigeria's Regulation on Scope of Banking Activities and Other Ancilliary Matters, on the permitted activities for Commercial Banks with International Authorisation , the Bank in 2013 concluded its divestment from the following non- banking subsidiaries: Access Investment and Securities Limited, Access Insurance Brokers Limited, Access Bureau d' Change Limited, Project Star Limited. The dissolution of the five capital market subsidiaries namely: Intercontinental Capital Markets Limited, Intercontinental Trustees Limited , Intercontinental Registrar Limited and Intercontinental Finance and Invetments Limited was completed sequel to the orders of the Federal High Court sitting in Lagos. The Bank has also completed the spin-off of Wapic Insurance Plc, following the receipt of shareholders' approvals at the Court Ordered meeting on September 11, 2013, and the court sanction of the Scheme by the Federal High Court on September 20, 2013. The winding up modalities for Access Homes and Mortgages Limited, Intercontinental Bureau d' Change Limited and Flexmore Technologies Limited are at completion stage.

The financial results of all operating subsidiaries have been consolidated in these financial statements.

**Operating results**
Highlights of the Group's operating results for the year are as follows:

| *In thousands of Naira* | Group Dec-13 | Group Dec-12 | Bank Dec-13 | Bank Dec-12 |
|---|---|---|---|---|
| Gross earnings | **206,891,219** | **207,103,908** | **180,230,976** | **180,725,850** |
| Profit before income tax | 44,996,410 | 46,534,979 | 31,365,396 | 36,259,530 |
| Income tax expense | (7,498,759) | (1,695,343) | (5,153,552) | (443,919) |
| Profit from continuing operations | 37,497,651 | 44,839,636 | 26,211,844 | 35,815,611 |
| Loss from discontinued operations (net of tax) | (1,200,059) | (5,511,362) | - | - |
| Profit for the year | 36,297,592 | 39,328,274 | 26,211,844 | 35,815,611 |
| Other comprehensive (loss)/gain | (1,655,989) | 3,963,269 | 4,834,223 | (4,217,928) |
| Total comprehensive income for the year | 34,641,603 | 43,291,543 | 31,046,067 | 31,597,683 |
| Non-controlling interest | 210,250 | (239,485) | - | - |
| Profit attributable to equity holders of the Bank | 34,431,353 | 43,531,028 | 31,046,067 | 31,597,683 |

| *In thousands of Naira* | Group Dec-13 | Group Dec-12 | Bank Dec-13 | Bank Dec-12 |
|---|---|---|---|---|
| Earnings per share - Basic (k) | 159 | 172 | 115 | 157 |
| Dividend (paid): | | | | |
| - Final | 13,729,751 | 6,866,476 | 13,729,751 | 6,866,476 |
| - Interim | 5,720,730 | 6,864,876 | 5,720,730 | 6,864,876 |
| - Proposed | 8,009,022 | 13,729,751 | 8,009,022 | 13,729,751 |
| Total equity | 244,482,048 | 241,284,854 | 245,181,996 | 237,624,211 |
| Total impaired loans and advances | 22,589,092 | 28,153,635 | 17,924,178 | 23,764,263 |
| Total impaired loans and advances to gross risk assets (%) | 2.74% | 5.32% | 2.35% | 4.04% |

**Interim dividend**
The Board of Directors proposed and paid an Interim Dividend of 25 kobo (HY 2012: 30 kobo) each on the issued share capital of 22,882,918,908 ordinary shares of 50k each as at 30 June 2013. Withholding tax was deducted at the time of payment.

**Proposed dividend**
The Board of Directors recommended a final dividend of 35 kobo (2012:60 kobo) for the year ended 31 December 2013. Withholding tax will be deducted at the time of payment.

## Directors' report
## For the year ended 31 December 2013

### Directors and their interests

The Directors who served during the year, together with their direct and indirect interests in the issued share capital of the Bank as recorded in the register of Directors' shareholding and as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act and listing requirements of the Nigerian Stock Exchange is noted below:

| | Number of Ordinary Shares of 50k each held as at 31-Dec-13 | | 31-Dec-12 | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| G. Oyebode - Chairman | 78,652,858 | 76,752,411 | 78,652,858 | 76,752,411 |
| A.I Aig-Imoukhuede (Former GMD, retired 31 December, 2013) | 119,231,715 | 629,932,456 | 119,231,715 | 629,932,456 |
| H. O. Wigwe - GMD | 119,231,713 | 629,932,455 | 119,231,713 | 629,932,455 |
| O. S. Otubu | 18,979,886 | 16,840,286 | 18,979,886 | 16,840,286 |
| M. Isa-Dutse | 3,136,220 | - | 3,136,220 | - |
| E. Chiejina | 7,080,754 | - | 7,080,754 | - |
| T. Folawiyo | 15,937,029 | 433,450,017 | 15,937,029 | 125,340,789 |
| M. Belo-Olusoga | 1,953,629 | - | 1,953,629 | - |
| K. Ogunmefun | - | 352,456 | - | - |
| T. E. Koroye - ED, Retired 31 December, 2013 | 19,912,013 | - | 19,912,013 | - |
| O. Nwuke - ED, Retired 31 December, 2013 | 28,508,427 | - | 33,008,427 | - |
| O. Ohiwerei - ED, Retired 31 December, 2013 | - | - | 30,314,074 | - |
| O. D Nwosu - ED, Appointed 26 November 2013 | - | - | - | - |
| E. Olufowose - ED, Retired 1 August, 2013 | - | - | 27,887,558 | - |
| V.O. Etuokwu | 7,782,788 | - | 7,782,788 | - |
| R. C. Ogbonna - ED, Appointed 26 November 2013 | 9,195,874 | - | - | - |
| O.N. Olaghere - ED, Appointed 26 November 2013 | 5,451,332 | - | - | - |
| E. Igbinakenzua - ED, Appointed 26 November 2013 | - | - | - | - |
| T. Osuntoki - ED, Appointed 26 November 2013 | - | - | - | - |

### Directors' interest in contracts

In accordance with the provisions of Section 277 (1) and (3) of the Companies and Allied Matters Act of Nigeria, the Board has received a declaration of Interest from the under-listed Directors in respect of the companies (vendors to the Bank) set against their respective names.

| **Related director** | **Interest in entity** | **Name of company** | **Services to the Bank** |
|---|---|---|---|
| Mr. Gbenga Oyebode | Chaiman | Aluko & Oyebode | Legal services |
| Mr. Gbenga Oyebode | Director | MTN Nigeria Limited | Mobile telephone services |
| Mr. Gbenga Oyebode | Director | Crusader Nigeria Plc | Underwriting services |
| Mr. Oritsedere Otubu | Director | Staco Insurance Plc | Underwriting services |
| Mr. Oritsedere Otubu | Director | Senforce Insurance Brokers Ltd | Insurance brokerage services |
| Mr. Oritsedere Otubu | Shareholder | Chapel Hill Denham Group | Financial services |
| Mr. Taukeme Koroye | Shareholder | Petrodata Management Services | Optix document management solution |
| Mrs. Mosun Belo- Olusoga | Director | The KRC Ltd. | Training services |
| Dr Tunde Folawiyo | Director | MTN Nigeria Limited | Mobile telephone services |
| Dr Tunde Folawiyo | Director | Classic Insurance Brokers Limited | Insurance brokerage services |
| Dr. Tunde Folawiyo | Director | DTD Services Limited | Air Charter Services |
| Mr. Aigboje Aig-Imoukhuede | Shareholder | Marina Securities Limited | Brokerage services |
| Mr. Aigboje Aig-Imoukhuede | Director / Shareholder | Wapic Insurance Plc | Insurance Services |
| Mr. Aigboje Aig-Imoukhuede | Shareholder | FMDQ Plc | Dealing Services |
| Mr. Herbert Wigwe | Shareholder | Marina Securities Limited | Brokerage services |
| Mr. Herbert Wigwe | Shareholder | Wapic Insurance Plc | Insurance Services |

### Analysis of shareholding:

The shareholding pattern of the Bank as at 31 December 2013 was as stated below:

| | **31 Dec 2013** | | | |
|---|---|---|---|---|
| Range | Number of Shareholders | % of Shareholders | Number of shares held | % of Shareholders |
| **Domestic Shareholders** | | | | |
| 1-1,000 | 418,338 | 50.53 | 66,077,606 | 0.29 |
| 1,001-5,000 | 252,564 | 30.51 | 557,585,577 | 2.44 |
| 5,001-10,000 | 66,149 | 7.99 | 449,424,043 | 1.96 |
| 10,001-50,000 | 70,692 | 8.54 | 1,418,827,283 | 6.20 |
| 50,001- 100,000 | 10,428 | 1.26 | 755,713,426 | 3.30 |
| 100,001-500,000 | 7,225 | 0.87 | 1,448,182,975 | 6.33 |
| 500,001-1,000,000 | 709 | 0.09 | 495,834,674 | 2.17 |
| 1,000,001-5,000,000 | 635 | 0.08 | 1,282,784,615 | 5.61 |
| 5,000,001-10,000,000 | 111 | 0.01 | 787,720,839 | 3.44 |
| 10,000,001 and above | 149 | 0.01 | 13,620,821,201 | 59.52 |
| | **827,000** | **99.89** | **20,882,972,239** | **91.26** |

| | | | | |
|---|---|---|---|---|
| **Foreign Shareholders** | | | | |
| 1-1,000,000 | 890 | 0.11 | 18,925,956 | 0.08 |
| 1,000,001-5,000,000 | 2 | 0.00 | 3,948,930 | 0.02 |
| 5,000,001-10,000,000 | - | - | - | - |
| 10,000,001 and above | 9 | 0.00 | 1,977,071,783 | 8.64 |
| | **901** | **0.11** | **1,999,946,669** | **8.74** |
| Total | 827,901 | 100.00 | 22,882,918,908 | 100.00 |

The shareholding pattern of the Bank as at 31 December 2012 is as stated below:

| Range | Number of Shareholders | % of Shareholders | Number of shares held | % of Shareholders |
|---|---|---|---|---|
| | | **31 December 2012** | | |
| **Domestic Shareholders** | | | | |
| 1-1,000 | 422,754 | 50.24 | 66,556,261 | 0.29 |
| 1,001-5,000 | 255,642 | 30.38 | 564,793,082 | 2.47 |
| 5,001-10,000 | 67,998 | 8.08 | 461,664,646 | 2.02 |
| 10,001-50,000 | 74,004 | 8.80 | 1,491,878,767 | 6.52 |
| 50,001- 100,000 | 11,146 | 1.32 | 808,461,642 | 3.53 |
| 100,001-500,000 | 8,137 | 0.97 | 1,625,653,457 | 7.10 |
| 500,001-1,000,000 | 747 | 0.09 | 523,562,623 | 2.29 |
| 1,000,001-5,000,000 | 676 | 0.08 | 1,390,945,549 | 6.08 |
| 5,000,001-10,000,000 | 112 | 0.02 | 780,570,123 | 3.41 |
| 10,000,001 and above | 169 | 0.02 | 14,642,479,794 | 63.99 |
| | 841,385 | 100.00 | 22,356,565,944 | 97.70 |
| **Foreign Shareholders** | | | | |
| 500,001-1,000,000 | 3 | 0.00 | 3,496,046 | 0.01 |
| 1,000,001-5,000,000 | 3 | 0.00 | 3,948,930 | 0.02 |
| 5,000,001-10,000,000 | - | - | - | - |
| 10,000,001 and above | 6 | 0.00 | 518,907,988 | 2.27 |
| | 12 | 0.00 | 526,352,964 | 2.30 |
| Total | 841,397 | 100.00 | 22,882,918,908 | 100.00 |

**Substantial interest in shares**

According to the register of members at 31 December 2013, the following shareholders held more than 5% of the issued share capital of the Bank as follows:

| | **31 December 2013** | | **31 December 2012** | |
|---|---|---|---|---|
| | Number of shares held | % of shareholding | Number of shares held | % of shareholding |
| Stanbic Nominees Nigeria Limited* | 6,701,433,113 | 29.26% | 5,955,663,655 | 26.03% |
| Blakeney GP | 1,386,901,385 | 6.06% | 1,476,901,385 | 6.45% |

*Stanbic Nominees held the shares as custodian for various investors. Stanbic Nominees does not exercise any right over the underlying shares. All the rights resides with the various investors on behalf of whom Stanbic Nominees carries out the custodian services.

**Donations and charitable gifts**

The Bank identifies with the aspirations of the community and the environment in which it operates. The Bank made contributions to charitable and non-charitable organisations amounting to N 391,000,000 (December 2012: N 173,229,020) during the year, as listed below:

| Beneficiary | Purpose | Amount |
|---|---|---|
| Bankers Committee | Donation towards relief for flood victims | 300,000,000 |
| Financial Reporting Council of Nigeria | Donation towards IFRS Centre of Excellence | 50,000,000 |
| Nigerian Stock Exchange | Nigerian Stock Exchange annual essay competition | 12,000,000 |
| Friends of Africa | Sponsorship of Friends' of Africa on World's aids day novelty match | 10,000,000 |
| Mastercare Foundation | Donation to Mastercare Foundation | 10,000,000 |
| Murtala Muhammed Foundation | Muritala Mohammed Foundation'S Education For Leadership & Sustainable Development Conference 2013 | 5,000,000 |
| Fate Foundation | 2013 Fate Foundation Business Plan Competition | 2,000,000 |
| Chartered Institute of personnel management of Nigeria | Support towards CIPM Millemium Building Project | 1,000,000 |
| Salvage Africa | Support towards Salvage Africa building project | 1,000,000 |
| | | **391,000,000** |

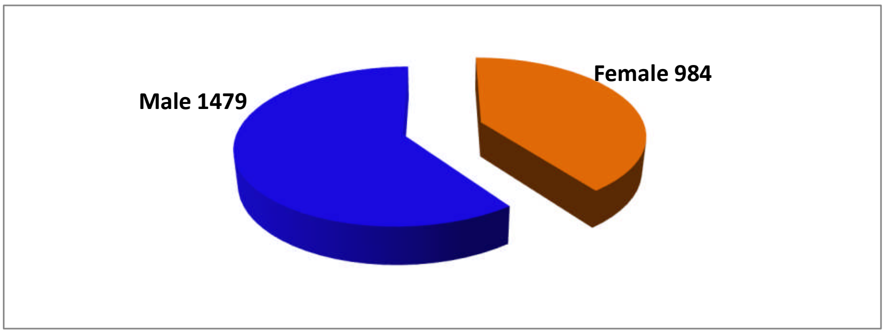
**Property and equipment**
Information relating to changes in property and equipment is given in Note 33 to the financial statements. In the Directors' opinion, the fair value of the Group's property and equipment is not less than the carrying value in the financial statements.

**Human resources**

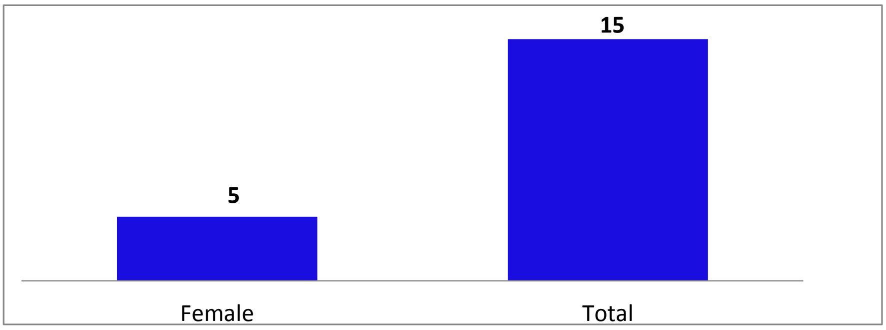
**(i) Report on Diversity in employment**
The Group operates a non-discriminatory policy in the consideration of applications for employment. The Bank's policy is that the most qualified and experienced persons are recruited for appropriate job levels, irrespecti t's state of origin, ethnicity, religion, gender or physical condition.

We believe diversity and inclusiveness are powerful drivers of competitive advantage in developing an understanding of our customers' needs and creatively adressing them.

**(a) Composition of employees by gender**



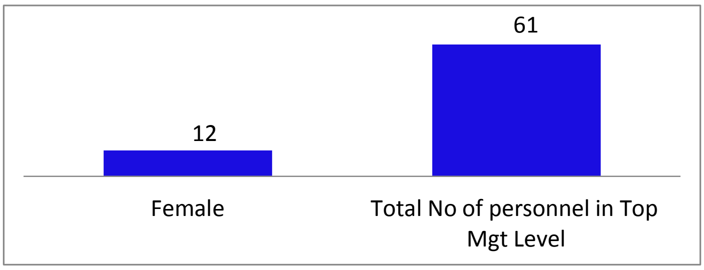

**(b) Board Composition By Gender**




**( c) Top Management (Executive Director To CEO) Compositon By Gender**

| | |
|---|---|
| Total number of women in Executive Management position | 2 |
| Total number of persons in Executive Management position | 8 |

**(d) Top Management (AGM To GM) Compositon By Gender**




**(ii) Employment of disabled persons**
In the event of any employee becoming disabled in the course of employment, the Group will endeavour to arrange appropriate training to ensure the continuous employment of such a person without subjecting the employee to any disadvantage in career development. As at 31 December 2013, the Bank had 8 staff with physical disability (31 December 2012: 7).

**(iii) Health, safety and welfare of employees**
The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank retains top-class hospitals where medical facilities are provided for its employees and their immediate families at its expense.
Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.

The Bank operates both a Group Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2004 and other benefit schemes for its employees.

**(iv) Employee involvement and training**

The Bank encourages participation of employees in arriving at decisions in respect of matters affecting their wellbeing. Towards this end, the Bank provides opportunities where employees deliberate on issues affecting the Group and employee interests, with a view to making inputs to decisions thereon. The Bank places a high premium on the development of its manpower. Consequently, the Bank sponsors its employees for various training courses, both locally and overseas.

**(v) Statement of commitment to maintain positive work environment**

The Group shall strive to maintain a positive work environment that is consistent with best practice to ensure that business is conducted in a positive and professional manner and to ensure that equal opportunity is given to all qualified members of the Group's operating environment.

**Audit committee**

Pursuant to Section 359(3) of the Companies and Allied Matters Act of Nigeria, the Bank has an Audit Committee comprising three Directors and three shareholders as follows:

| | | | | |
|---|---|---|---|---|
| 1 | Mr Oluwatoyin Eleoramo | - | Shareholder | Chairman |
| 2 | Mr. Henry Omatshola Aragho | - | Shareholder | Member |
| 3 | Mr Idaere Gogo Ogan | - | Shareholder | Member |
| 4 | Mr Oritsedere Otubu | - | Director | Member |
| 5 | Dr. Ernest Ndukwe | - | Director | Member |
| 6 | Mrs. Mosun Belo-Olusoga | - | Director | Member |

The functions of the Audit Committee are as provided in Section 359(6) of the Companies and Allied Matters Act of Nigeria.

Auditors: PricewaterhouseCoopers were appointed the external auditors of the Bank by the ordinary resolution of shareholders passed during the the 24th Annual General Meeting held on April 25 2013 .

BY ORDER OF THE BOARD

Plot 999c, Danmole Street,
Victoria Island, Lagos.
Lagos

Sunday Ekwochi
Company Secretary

## CORPORATE GOVERNANCE REPORT

### Introduction

Our corporate governance report provides us with the opportunity to report how the company was directed and governed during the year. It covers the functions of the Board of Directors (the Board) and the workings of our systems and structures of governance.

Access Bank Plc. ("Access Bank" or the "the Bank") is committed to implementing the best practice standards of corporate governance. The Bank and its subsidiaries (the Group) are governed under a framework that enables the Board to discharge its oversight functions while providing strategic direction to the Bank in balance with its responsibility to ensure regulatory compliance. The subsidiaries comply with the statutory and regulatory requirements of their host countries and also align their governance framework to the Bank's governance framework.

The Board is responsible for embedding high standards of corporate governance across the Group which is essential for the sustainability of the enterprise. Our governance framework is designed to ensure on-going compliance with relevant corporate governance codes via: Central Bank of Nigeria's Code of Corporate Governance for Banks in Nigeria Post Consolidation (the CBN Code), the Securities and Exchange Commission's Code of Corporate Governance (the SEC Code) and the Post-Listing Requirements of the Nigeria Stock Exchange. These in addition to the Board charter and the Bank's Memorandum and Articles of Association collectively provide the foundation for sound corporate governance. Our core values of excellence, innovation, leadership, passion for customers, professionalism and empowered employees continue to shape our corporate behavior.

### Performance Monitoring and Evaluation

The Board in the discharge of its oversight function continuously engages Management in the planning, definition and execution of strategy. Management's report on the execution of defined strategic objectives is a regular feature of the Board's agenda thus providing the Board the opportunity to evaluate and critique Management's execution of strategy.

The Bank's performance on Corporate Governance is continuously being monitored and reported. We carry out monthly and half-yearly reviews of our compliance with CBN Code and SEC Code respectively and render reports to the regulators.

The Board has also established a system of independent annual evaluation of its performance, that of its committees and individual directors. The evaluation is done by an independent consultant approved by the Board. In 2013, Accenture Limited was retained to conduct the performance evaluation. The Board is confident that the firm provides valuable and objective evaluation notwithstanding its provision of strategy consulting assistance to the Group. The result of the Board performance evaluation was presented by the independent consultant during the Board Meeting held on January 28, 2014. The evaluation was a 360 degree exercise covering directors self-assessment, peer assessment and evaluation of the Board and the Committee. The effectiveness of the independent directors vis-à-vis the CBN Guidelines on Independent Directors of Banks was also evaluated. The result confirmed that the individual directors and the Board continue to operate at a very high level of effectiveness and efficiency.

**Appointment, Retirement and Re-election of Directors**

The Board pursuant to the powers vested on it by Article 67 of the Bank's Articles of Association on April 25, 2013 and December 19, 2013 appointed Dr. (Mrs.) Ajoritsedere Awosika MFR and Mr. Paul Usoro, SAN as an Independent Non-Executive Director and Non-Executive Director respectively. The appointments have been approved by the CBN. In line with the Articles, the two directors will retire at this Annual General Meeting and being eligible for reelection will be submitting themselves for re-election.

The Board on April 25, 2013 appointed Mr. Herbert Wigwe as the Group Managing Director/CEO Designate to succeed Mr. Aigboje Aig-Imoukhuede who proceeded on early voluntary retirement in December 2013. During the period, Messrs Ebenezer Olufowose, Taukeme Koroye, Okey Nwuke and Obeahon Ohiwerei retired as Executive Directors in line with their contracts of employment.

To fill the vacancies created by the exit of the retiring Executive Directors, the Board on October 23, 2013 appointed Messrs Obinna Nwosu (Group Deputy Managing Director), Ojinika Olaghere, Elias Igbinakenzua, Titi Osuntoki and Roosevelt Ogbonna as Executive Directors. The Board also approved the renewal of the appointment of Mr. Victor Etuokwu as an Executive Director. Mr Etuokwu's initial term expired on December 31, 2013. These individuals constitute the Executive Management team led by Mr. Herbert Wigwe. The Executive Management team is made up of first class talents with the necessary attributes to drive the Bank's medium term strategy.

The appointments reflect a well governed selection process based on merit and have been approved by the CBN.

The brief biographies of the members of the Executive Management team are set out below while the biographies of Dr. (Mrs.) Ajoritsedere Awosika MFR and Mr. Paul Usoro, SAN are set out on page 8 of the Annual Report.

**Herbert Wigwe FCA**
Herbert was appointed Group Managing Director/Chief Executive Officer Designate of Access Bank by the Board on April 25, 2013 and assumed office on December 20, 2013 following the retirement of Mr. Aigboje Aig-Imoukhuede. He has over two decades of banking experience cutting across several facets of banking. He resigned from Guaranty Trust Bank Plc. in 2002 as an Executive Director to co-lead the Bank's transformation as the Deputy Managing Director, a position he held till his appointment.

Herbert is a Director of Access Bank Ghana and The Access Bank UK. He sits on the Advisory Board of the Global Fund, Africa, and an international agency mobilizing public and private efforts in the fight against HIV/AIDS, Malaria and Tuberculosis.

He is an alumnus of Harvard Business School and a Fellow of the Institute of Chartered Accountants of Nigeria. He holds a Second Class Upper Degree in Accountancy from University of Nigeria Nsukka and Master's Degree in Banking and Finance and Financial Economics from the University College of North Wales and University of London respectively.

**Obinna Nwosu**
Obinna was appointed Group Deputy Managing Director/Chief Operating Officer on October 23, 2013. He has over two decades of banking experience garnered from Guaranty Trust Bank and Access Bank.

Obinna was the Bank's Divisional Head, Retail Banking till December 2012 when he took a study leave for a programme at Columbia University New York. He joined Access Bank in 2002 from Guaranty Trust Bank as a

Senior Manager. Obinna was a director of Wapic Insurance Plc and Access Bank's subsidiaries in Rwanda and Burundi. He holds a Master's Degree in Business Administration and Second Class Upper Degree in Accountancy from University of Nigeria Nsukka. Obinna has attended several Executive Management and Leadership Development Programmes in leading institutions.

**Victor Etuokwu**

Victor's appointment as Executive Director was renewed following the expiration of his initial term. He oversees the Personal Banking Division. He has over two decades of banking experience cutting across operations, Information Technology and business development. He joined Access Bank in July 2003 from Citibank Nigeria and was promoted to General Manager in February 2008.

He was appointed Managing Director of the defunct Intercontinental Bank upon acquisition by the Bank in October 2011. Victor became an Executive Director of Access Bank in January 2012 following the merger with Intercontinental Bank. He holds a Bachelor of Science Degree and Masters of Business Administration from the University of Ibadan and University of Benin respectively. Victor is a Senior Honorary member of the Chartered Institute of Bankers of Nigeria and a director of E-Tranzact Plc and Unified Payments Systems Plc.

**Ojinika Olaghere**

Ojini was appointed Executive Director Operations and IT. She has over 22 years banking experience, 16 of which were with Eco bank Group. She joined Access Bank in August 2007 as a General Manager in charge of Enterprise Business Support. She was appointed Executive Director Operations and IT in Intercontinental Bank in October 2011 upon its acquisition by Access Bank. Her banking experience spans across operations, business development, general administration and information technology. She sits on the Board of Access Bank Congo.

Ojini holds a Second Class Upper Degree in French Language from University of Nigeria Nsukka and a Fellow of the Institute of Chartered Accountants of Nigeria. She has attended several Executive Management Development Programmes in leading institutions.

**Elias Igbinakenzua**

Elias was appointed Executive Director, Corporate and Investment Banking. He is a seasoned banker with over 20 years banking experience from Zenith Bank Plc and 4 years audit and investigation experience from PricewaterhouseCoopers. He joined Zenith Bank in 1993 and served as Executive Director between March 2005 and July 2013. He represents the Bank on the Board of Access Bank (Ghana) Ltd.

Elias is a fellow of the Institute of Chartered Accountants of Nigeria, Chartered Institute of Taxation of Nigeria and Chartered Institute of Credit Administration of Nigeria. He also holds a Masters of Business Administration and a Second Class Upper Degree in Accountancy from Enugu State University of Science and Technology and University of Benin respectively. He has attended several Executive Management Development Programmes in leading training institutions across the globe.

**Titi Osuntoki**

Titi was appointed Executive Director, Business Banking Division. She is an accomplished banker with over two decades" experience cutting across all facets of banking. She joined Guaranty Trust Bank Plc in 1991 and was appointed Executive Director in 2008. She resigned from Guaranty Trust Bank in October 2011. Titi is a member of the Non-Oil/Non-Agric Policy Commission of the Nigerian Economic Summit Group. Until her appointment, she was an Independent Non-Executive Director on the Board of Wapic Insurance Plc. She represents the Bank on the Board of Financial Institutions Training Centre.

Titi holds a Second Class Upper Degree in Civil Engineering and a Masters of Business Administration from the

University of Lagos. She is an alumnus of Cranfield University School of Management, UK and has attended various Executive Management Programmes in world leading Business Schools.

**Roosevelt Ogbonna**
Roosevelt was appointed Executive Director, Commercial Banking Division. He has over 18 years‟ experience in banking cutting across treasury, commercial and corporate banking. He joined Access Bank in 2002 from Guaranty Trust Bank Plc. Prior to his appointment; he was the Divisional Head of Commercial Banking.

Roosevelt is a Fellow of the Institute of Chartered Accountants of Nigeria and holds a Second Class Upper Degree in Banking and Finance from University of Nigeria Nsukka. He has attended various Executive Management Development Programmes on Leadership, Credit and Risk Management at world leading institutions. Mr. Ogbonna is a director of Access Bank Zambia.

In accordance with the Bank's Articles of Association, one third of all Non-Executive directors (rounded down) are offered for re-election every year (Depending on their tenure on the Board) together with Directors appointed by the Board since the last Annual General Meeting (AGM).In keeping with the requirement, Messrs Emmanuel Chiejina, Oritsedere Otubu and Antonia Kemi Ogunmefun will retire at this AGM and being eligible for re-election will stand for re-election.

The biographical details of the candidates for election and re-election are provided in pages 8 and 9 of this of the Annual Report.

**Shareholders Engagement**

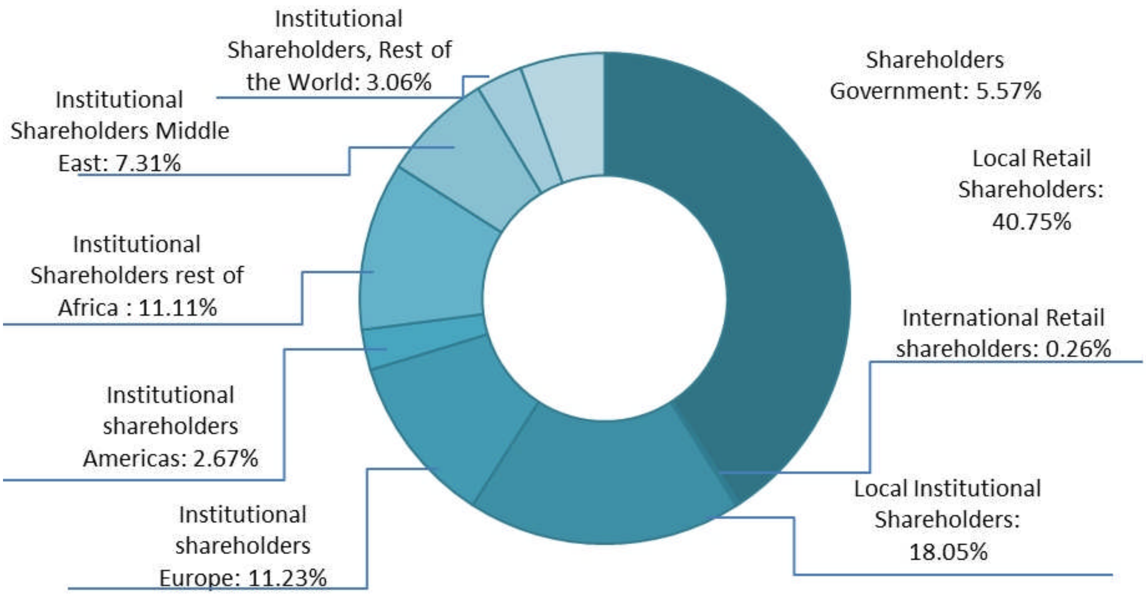
Shareholders meetings are convened and held in an open manner in line with the Bank's Articles of Association and existing statutory and regulatory regimes, for the purpose of deliberating on issues affecting the Bank's strategic direction. This serves as a medium for promoting interaction between the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

The Board and Management are committed to providing shareholders with a continuous and timely flow of information about the Group. Access Bank continues to enhance the ability of its Investor Relations function to effectively communicate with its local and international shareholders. Investors and stakeholders are frequently provided with information about the Bank through various channels including Quarterly Investors Conference Calls, the General Meeting, the website, Annual Report and Accounts, No-Deal Road Shows and Investor forum at the Stock Exchange.

The Bank has a robust Investors Communication and Disclosure Policy. As provided in the policy, the Board and Management ensure that communication with the investing public about the Bank and its subsidiaries is timely, factual, broadly disseminated and accurate in accordance with all applicable legal and regulatory requirements. The Bank's reports and communication to shareholders and other stakeholders are in plain, readable and understandable format while its website www.accessbankplc.com is regularly updated with both financial and non-financial information. The details of the Investors Communication and Disclosure Policy are available at the Investor portal on the Bank's website.

The Board ensures that shareholders statutory and general rights are protected at all times particularly their right to vote at general meetings. The Board also ensures that all shareholders are treated equally regardless of the size of their shareholding and social conditions. Our shareholders are encouraged to share in the responsibility of sustaining the Bank's corporate values and ethical impact by exercising their rights as protected by law.

**Shareholder Make-up**
The diagram below depict the constitution of the Bank shareholders as at 31 December 2013




**Access to Information and Resource**
There is ongoing engagement between Executive Management and the Board, and the heads of relevant Strategic Business Units attend Board meetings to make presentations. The Bank's external auditors attend the Group Board, the Group Board Audit Committee and the Group Shareholders Audit Committee Meetings. Directors have unrestricted access to the Group Management and company information in addition to the resources to carry out their roles and responsibilities. This includes access to external professional advice at the Bank's expense as provided by the Board and Committees charters.

**The Board**
The primary obligation of the Board of Directors is to advance the prosperity of the Bank by collectively directing the Bank's affairs, whilst meeting the appropriate interests of shareholders and other stakeholders. The Board is the Group's highest decision making body responsible for governance. It operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders which is critical to sustainable growth. As part of its oversight role over Subsidiaries Boards, the Board in 2013 received and considered the report of Accenture Limited on the Subsidiaries Boards Corporate Governance Evaluation exercise. The exercise provided an opportunity for an independent evaluation of the subsidiaries compliance with their applicable corporate governance regimes and the Group's corporate governance practices. Recommended remedial actions arising from the review have been implemented.

**Composition and Role**
The Group has a unitary board structure. The details of the directors that served on the Board in 2013 are as set out below:

| S/N | Name | Designation |
|---|---|---|
| 1 | Mr. Gbenga Oyebode | Chairman |
| 2 | Mr. Oritsedere Samuel Otubu | Non-Executive Director |
| 3 | Dr. Babatunde Folawiyo | Non-Executive Director - Retired from the Board on January 29, 2014 |
| 4 | Mr. Emmanuel Chiejina | Non-Executive Director |
| 5 | Dr. Mahmoud Isa-Dutse | Non-Executive Director |
| 6 | Mrs. Mosun Belo-Olusoga | Non-Executive Director |
| 7 | Mrs. KemiOgunmefun | Non-Executive Director |
| 8 | Dr. Ernest Chukwuka-Anene | Independent Director |
| 9 | Dr. (Mrs.) Ajoritsedere Awosika | Independent Director -Appointed by the Board on April 25, 2013 |
| 10 | Mr. Aigboje Aig-Imoukhuede | Group Managing Director/Chief Executive Officer |
| 11 | Mr. Herbert Wigwe | Group Deputy Managing Director |
| 12 | Mr. Taukeme Edwin Koroye | Executive Director -Retired December 2013 |
| 13 | Mr. Okey Nwuke | Executive Director -Retired December 2013 |
| 14 | Mr. Obeahon Ohiwerei | Executive Director -Retired December 2013 |
| 15 | Mr. Ebenezer Olufowose | Executive Director-Retired August 2013 |
| 16 | Mr. Victor Etuokwu | Executive Director Designate-Appointed by the Board on October 23, 2013 |
| 17 | Mr. Obinna Nwosu | Group Deputy Managing Director Designate-Appointed by the Board on October 23, 2013 |
| 18 | Mr. Elias Igbinakenzua | Executive Director Designate-Appointed by the Board on October 23, 2013 |
| 19 | Mrs. Ojini Olaghere | Executive Director Designate-Appointed by the Board on October 23, 2013 |
| 20 | Mr. Roosevelt Ogbonna | Executive Director Designate-Appointed by the Board on October 23, 2013 |

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

The Board is responsible for ensuring the creation and delivery of sustainable value to the Bank's stakeholders. 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 are executed within the relevant regulatory framework. The board charter embodies a set of principles that have been adopted by the Board as a definitive statement of guiding principles on Corporate Governance. Some of the matters reserved for the Board include but are not limited to:

- Defining the Bank's business strategy and objectives
- Formulating risk policies
- Approval of quarterly, half yearly and full year financial statements
- Approval of significant changes in accounting policies and practices
- Appointment or removal of directors and company secretary
- Approval of major acquisitions, divestments of operating companies, disposal of capital assets or capital expenditure
- Approval of charter and membership of Board Committee
- Setting of annual board objectives and goals
- Approval of allotment of shares
- Approval of remuneration of Auditors and recommendation for appointment or removal of Auditors
- Approval of the framework for determining the policy and specific remuneration of Executive Directors
- Monitoring delivery of the strategy and performance against plan
- Review and monitoring of the performance of the Group Managing Director and the executive team
- Ensuring the maintenance of ethical standard and compliance with relevant laws.
- Performance appraisal and compensation of Board members and Senior Executives
- Ensuring effective communication with shareholders
- Ensuring the integrity of financial reports by promoting disclosure and transparency
- Succession Planning for Key positions

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

The Group's Fit and Proper Person Policy is designed to ensure that the Bank and its subsidiary entities are managed and overseen by competent, capable and trustworthy individuals. In making the appointment, the Board takes cognizance of the knowledge, skill and experience of a potential director as well as other attributes considered necessary for the role. The Board also considers the need for appropriate demographic and gender representation. Candidates are subjected to enhance due diligence enquiry as required by regulations.

The Governance and Remuneration Committee is responsible for both Executive and Non-Executive Directors succession planning and recommends new appointments to the Board. The Committee takes cognizance of the existing range of skills, experience, background and diversity on the Board in the context of the strategic direction of the Bank before articulating the specifications for the candidate sought. We are comfortable that the Board is sufficiently diversified to optimize its performance.

The Board ensures the regular training and education of board members on issues pertaining to their oversight functions. Regarding new directors, there is a personalized induction programme which includes one-on-one meeting with Executive Directors and Senior Executives responsible for the Bank's key business areas. Such sessions focus on the challenges, opportunities and risks facing the business areas. The induction programme covers Group overview and review of the strategic business units as well as Board processes and policies. A new director receives an induction pack which includes charters, significant reports, important legislation and policies, minutes of previous Board Meetings and Calendar of Board Activities.

The Board believes that a robust induction and continuing professional development will improve directors" performance. It ensures that directors have appropriate knowledge of the Bank and access to its operations. Directors are therefore required to participate in periodic, relevant continuing professional developments to update their knowledge. During the period under review the Directors attended the training courses as shown below:

| S/N | Training | Course provider | Date |
|---|---|---|---|
| 1. | International Directors Program | Insead, France | January 17- 20, 2013 |
| 2. | International Directors Program | Insead, France | Sept 11 -14, 2013 |
| 3. | International Directors Program | Insead, France | Nov 21 - 23, 2013 |
| 4. | Driving Strategic Impact | Columbia | April 30 - May 2, |
| 5. | High impact leadership | Columbia Business School | June 2-7,2013 |
| 6. | 9th Annual Corporate Governance Conference | Business school advantage training, Johannesburg, South Africa | June 10- 13, 2013 |
| 7. | Making Corporate Boards more effective | Harvard Business School | July 24 - 27, 2013 Business School |
| 8. | Audit Committees in a New Era of Governance | Harvard Business School | July 28 - 30, 2013 Business School |
| 9. | CBN-Sustainability Training | Lagos | September-October |
| 10. | High Performance Leadership | IMD 2 (Santa Cruz, CA) | April 7 -12, 2013 |
| 11. | Leadership & Ethics | Access Bank | February 23, 2013 |

| | | | |
|---|---|---|---|
| 12. | Customer Experience Workshop | Access Bank | May 30 - 31, 2013 |
| 13. | CBN-Sustainability Training | Central bank of Nigeria | September-October 2013 |

**Delegation of Authority**

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

The Board meets quarterly and emergency meetings are convened as may be required. The Annual Calendar of Board and Committee meetings are approved in advance at the first meeting of the board in each financial year. Material decisions may be taken between meetings through written resolutions as provided for by the Bank's Articles of Association. The Annual Calendar of Board activities include a Board Retreat at an off-site location to consider strategic matters and review the opportunities and challenges facing the institution. All directors are provided with Notices, Agenda and meeting papers in advance of each meeting and where a director is unable to attend a meeting he/she is still provided with the relevant papers for the meeting. Such director reserves the right to discuss with the Chairman any matter he/she may wish to raise at the meeting. Directors are also provided with regular updates on developments in the regulatory and business environment The Board met seven times in 2013.

**Board Committees**

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

| S/N | Name | BAC | BRMC | BCFC | BGRC |
|---|---|---|---|---|---|
| 1 | Mr. Gbenga Oyebode[1] | - | - | - | |
| 2 | Mr. Oritsedere Otubu[1] | C | - | M | M |
| 3 | Dr. Mahmoud Isa-Dutse[1] | M | C | M | - |
| 4 | Mr. Emmanuel Chiejina[1] | - | M | M | C |
| 5 | Mrs. Anthonia Kemi Ogunmefun[1] | - | M | M | M |
| 6 | Dr. Tunde Folawiyo[1] | - | M | M | M |
| 7 | Mrs. Mosun Belo-Olusoga[1] | M | M | C | M |
| 8 | Dr. Chukwuka-Anene Ndukwe[1] | M | - | M | - |
| 9 | Dr. (Mrs.) Ajoritsedere Awosika[1]Ajoritsedere | - | M | M | M |
| 10 | Mr. Aigboje Aig- Imoukhuede[2] | - | M | M | M |
| 11 | Mr. Herbert Wigwe[2] | - | M | M | M |

| | | | | | |
|---|---|---|---|---|---|
| 12 | Mr. Taukeme Koroye[2] | - | M | - | - |
| 13 | Mr. Okey Nwuke[2] | - | - | M | - |
| 14 | Mr. Obeahon Ohiwerei[2] | - | - | M | - |
| 15 | Mr. Ebenezer Olufowose[2] | - | M | M | - |
| 16 | Mr. Victor Etuokwu[2] | - | - | M | - |
| 17 | Mr. Obinna Nwosu | - | M | M | - |
| 18 | Mr. Roosevelt Ogbonna | - | - | M | - |
| 19 | Mr. Elias Igbinakenzua | - | - | M | - |
| 20 | Mrs. Ojinika Olaghere | - | M | - | - |

**Keys**
C Chairman of Committee
M Member
\- Not a member
[1] Non- Executive
[2] Executive
BAC- Board Audit Committee
BRMC - Board Risk Management Committee
BCFC- Board Credit and Finance Committee
BGRC-Board Governance and Remuneration

**Credit and Finance Committee**

The Committee considers and approves loan applications above certain limits (as defined by the Board from time to time) which have been recommended by the Management Credit Committee. It also acts as a catalyst for credit policy changes and oversees the administration and effectiveness of the Bank's credit policies. The Committee met eighteen times during the reporting period.

The Committee's key activities during the period include review and approval of credit facilities, review of the Credit Portfolio and the collateral for same, monitoring the implementation of credit risk management policies, approval of credit portfolio plan and sector limits.

Mrs. Mosun Belo-Olusoga chaired the Committee. She is a graduate of Economics from the University of Ibadan (1979) and a Fellow of the Institute of Chartered Accountants of Nigeria and Chartered Institute of Bankers of Nigeria. She retired from Guaranty Trust Bank in 2006 as Executive Director Investment Banking. She was at various times in charge of Risk Management, Corporate and Commercial Banking, Transaction service and Settlement.

**Governance and Remuneration Committee**

The Committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the Bank. The Committee is responsible for determining and executing the processes for board appointments, recommending appropriate remuneration for Bank's directors and employees. The Committee reviews and recommends the Bank's organizational structure to the Board for approval. The Committee is responsible for reviewing the performance and effectiveness of Board of the Bank's subsidiaries and ensures that the Bank's human resources are maximized to support the long term success of the enterprise. The Committee supervises Management's implementation of the Bank's sustainability agenda.

The key decisions and initiatives of the Committee in the reporting period include recommendation of Senior Management and directors appointments to the Board recommendation of steps to ensure compliance with the CBN Competency Assessment Framework for the Banking Industry and supervision of the implementation Executive Management transition program and recommendation of Handover Framework to the Board for approval. The Committee met seven times in 2013.

Mr. Emmanuel Chiejina chaired the Committee. He is a law graduate from the University of Lagos and was called to Nigeria Bar in 1976. He retired from Elf Petroleum Nigeria Limited in 2007 as Deputy Managing Director having spent 27 years with the organization. Before his appointment as Deputy Managing Director, he was Executive Director Corporate Development and Services with responsibility for human Resources.

**Risk Management Committee**

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

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

During the year under review the Committee provided strategic oversight over the Bank's divestment from subsidiaries. The Committee also considered and recommended some policies to the Board for approval including the Legislative Engagement Framework, the Whistleblowers Reward Policy, and Policy on the Requirements for Operating Bureau De Change accounts. The Committee monitored and ensured the Group's compliance with relevant regulatory policies. The Committee met four times in 2013.

**Audit Committee**

The Committee supports the Board in meeting 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. It oversees 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 key issues considered by the Committee during the period include approval of audited financial statements, review of whistle blowing reports, review of quality assurance report, the Group Internal Audit Report on Subsidiaries, a recommendation to the Board for the approval of the Framework for Internal Audit Function in Foreign Subsidiaries.

Mr. Oritsedere Otubu chairs the Committee. He holds Bachelors and Masters Degrees in Finance and Accounting respectively from Houston Baptist University, United States of America. He has over two decades of professional experience in the financial services industry. Other members of the Committee have relevant financial management and accounting background as required by the CBN Code. The Committee met six times in 2013.

**Attendance at Board and Board Committees meetings**

The records of Directors' attendances at meetings in 2013 are provided below:

| **NAMES OF DIRECTORS** | | **MEETING** | | | | |
|---|---|---|---|---|---|---|
| | | **BoD** | **BRMC** | **BCFC** | **BGRC** | **BAC** |
| **Number of Meetings Held** | | 7 | 4 | 18 | 7 | 6 |
| **ATTENDANCE** | | | | | | |
| 1 | Mr. Gbenga Oyebode | 7 | N/A | N/A | N/A | N/A |
| 2 | Dr. Mahmoud Isa-Dutse | 7 | 4 | 17 | N/A | 6 |
| 3 | Dr. Tunde Folawiyo | 7 | 2 | 13 | 3 | N/A |
| 4 | Mrs. Kemi Ogunmefun | 7 | 4 | 18 | 7 | N/A |
| 5 | Mr. Oritsedere Otubu | 7 | N/A | 15 | 6 | 6 |
| 6 | Mr. Emmanuel Chiejina | 2 | 4 | 17 | 7 | N/A |
| 7 | Dr. Ernest Ndukwe* | 6 | N/A | 16 | N/A | 3 |
| 8 | Dr.(Mrs.)Ajoritsedere Awosika** | 3 | 1 | 6 | 3 | N/A |
| 9 | Mrs. Mosun Belo-Olusoga | 7 | 4 | 18 | 7 | 6 |
| 10 | Mr. Aigboje Aig-Imoukhuede | 6 | 4 | 6 | 6 | N/A |
| 11 | Mr. Herbert Wigwe | 7 | 3 | 16 | 6 | N/A |
| 12 | Mr. Taukeme Koroye | 6 | 2 | N/A | N/A | N/A |
| 13 | Mr. OkeyNwuke | 6 | N/A | 14 | N/A | N/A |
| 14 | Mr. Obeahon Ohiwerei | 6 | N/A | 15 | N/A | N/A |
| 15 | Mr. Ebenezer Olufowose*** | 6 | 3 | 8 | N/A | N/A |
| 16 | Mr. Victor Etuokwu | 5 | N/A | 12 | N/A | N/A |
| 17 | Mr. Obinna Nwosu **** | 1 | N/A | N/A | N/A | N/A |
| 18 | Mr. Roosevelt Ogbonna**** | 1 | N/A | N/A | N/A | N/A |
| 19 | Mrs. Ojinika Olaghere**** | 1 | N/A | N/A | N/A | N/A |
| 20 | Mr. Elias Igbinakenzua***** | 1 | N/A | N/A | N/A | N/A |

**Keys**

BoD - Board of Directors
BRMC - Board Risk Management Committee
BCFC - Board Credit and Finance Committee
BGRC - Board Governance and Remuneration Committee
BAC - Board Audit Committee
* Appointed by the Board on December 18 2012 and approved by the CBN on January 18, 2013
** Appointed by the Board on April 25, 2013 and approved by the CBN on May 21, 2013.
***Retired from the Board with effect from August 1 2013
* Appointed by the Board on October 23, 2013 and approved by the CBN on November 26 2013

**Executive Committee**

The Executive Committee (EXCO) is made up of the Group Managing Director as Chairman, the Group Deputy Managing Director, all Executive Directors and Heads of Strategic Business Unit appointed by the Group Managing Director. The Committee 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 Bank's Executive and Senior Management staff. The Committees are risk driven and are set up to identify, analyze and make recommendations on risks pertaining to the Bank's day to day activities. They ensure that risk limits set by the Board and the regulatory bodies are complied with and also provide input to the various Board Committees in addition to ensuring the effective implementation of risk polices. These Committees meet as frequently as risk issues occur and take actions and decisions within the confines of their respective powers.

The Management Committees include Management Credit Committee, Asset and Liabilities Committee, Enterprise Risk Management Committee, Operational Risk Management Committee, Criticized Assets Committee and IT Steering Committee.

**Statutory Audit Committee**

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

| | | | |
|---|---|---|---|
| 1. | Mr. Oluwatoyin Eleoramo | (Shareholder) | Chairman |
| 2. | Mr. Idaere Gogo Ogan | (Shareholder) | Member |
| 3. | Mr. Henry Omatsola Aragho* | (Shareholder) | Member |
| 4. | Mr. Oritsedere Otubu | (Director) | Member |
| 5. | Mrs. Mosun Belo-Olusoga | (Director) | Member |
| 6. | Dr. Ernest Ndukwe** | (Director) | Member |

* Mr. Henry OmatsolaAragho was appointed at the 24th AGM held on April 25, 2013
** Dr Ernest Ndukwe was appointed during the 125th Board Meeting held on July 25 2013.

**Succession planning**

Access 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 key positions, including Country Managing Director positions for all Access Bank operating entities in respect of which there will be formal succession planning. It provides that potential candidates for positions shall be identified at the beginning of each financial year.

**Code of Ethics**

The Bank's Code of Conduct specifies expected behaviors for its employees and directors. The code is designed to empower employees and directors and enable effective decision making at all levels of the business according to defined ethical principles. Bank employees are required to read and sign a confirmation that they understood the content. In addition, there is an annual re-affirmation exercise. There is also a Compliance Manual that 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 function is responsible for the design and implementation of the "Code of Conduct" while the Chief Compliance Officer is responsible for monitoring compliance.

The Chief Compliance Officer issues at the beginning of the year, an Ethics and Compliance message to all employees. The message reiterates the Bank's policy of total compliance with all applicable laws, regulations, corporate ethical standards and policies in the conduct of the Bank's business. It employs staff to promote the franchise and advance its growth in a sustainable manner while ensuring compliance with relevant policies, laws and regulations.

**Dealing in Company Securities**

The Group implements a Non-Dealing Period Policy that prohibits directors, members of the Audit Committee, employees and all other insiders from abusing, or placing themselves under the suspicion of abusing price sensitive information in relation the Bank's securities. In line with the policy affected persons are prohibited from trading on the company's security during closed period which is usually announced by the Company Secretary. The Bank has put in place a mechanism for monitoring compliance with the policy.

**Remuneration Statement**

The Report on Directors' remuneration is contained in pages as set out in the Audited Financial Statements. The Group has established a remuneration policy that seeks to attract and retain the best talent in countries that it operates. To achieve this, the Group seeks to position itself among the best performing and best employee rewarding companies in its industry in every market that it operates. This principle will act as a general guide for the determination of compensation in each country. The objective of the policy is to ensure that salary structure including short and long term incentives motivate sustained high performance and are linked to corporate performance. It is also designed to ensure that stakeholders are able to make reasonable assessment of the Bank's reward practices. The Group complies with all local tax policies in the countries of operation.

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

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

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

The Bank complies with the Pension Reform Act on the provision of retirement benefit to employees at all levels. Based on the approval of shareholders the Bank has established an Employee Performance Share Plan for the award of the units of the Bank's shares to its employees subject to terms and conditions determined by the Board of Directors.

The Bank's Long Term Incentive programme rewards Executive Officers for loyal service to the Bank for a period up to 10 years. This is to ensure that Executives share in the Bank's success and focus on the Bank's long term sustainability. The justification for a long term incentive plan for Senior and Executive Management is very compelling given recent industry developments. The stability, loyalty and commitment of senior and executive management need to be strengthened by a long term retirement benefit.

## Whistle Blowing Procedure

The Bank expects all its employees and directors to observe the highest level of probity in their dealings with the Bank and its stakeholders. The Bank's Whistle-Blowing policy covers internal and external whistleblowers and extends to the conduct of the stakeholders including employees, vendors, and customers. It provides the framework for reporting suspected breaches of the Bank's internal policies and laws and regulations. The Bank has retained KPMG Professional Services to provide consulting assistance in the implementation of the policy. The policy provides that suspected wrong doing by an employee/vendor/supplier/consultant be reported through the Bank's or KPMG Ethics lines or emails details of which are provided below:

**Telephone**

Internal: +234-1-2712065
External: KPMG Toll free lines: 0703-000-0026; 0703-000-0027; 0808-822-8888

**E-Mail**

Internal: whistleblower@accessbankplc.com
External: kpmgethicsline@ng.kpmg.com

The Bank's website also provides an avenue for lodging whistleblower's reports. Individuals interested in whistle blowing may click on the Customer Service link on the Bank's website, scroll down to the whistleblower column, and then register anonymously or otherwise, any allegations they want the Bank to investigate.

The Bank's Chief Internal Auditor is responsible for monitoring and reporting on whistle blowing. Quarterly reports are rendered to the Board Audit Committee.

**The Company Secretary**

The Company Secretary assists the Board and Management in developing and implementing good corporate governance standard. He ensures that there is timely and appropriate information dissemination within and to the Board. He plays a critical role in ensuring the effectiveness of the Group and subsidiaries' boards. He is responsible for designing and implementing the induction programme for new directors and the annual training curriculum. In line with the provisions of Companies and Allied Matters Act and the SEC Code, the Board has ultimate responsibility for the appointment and removal of the Company Secretary.

**Customer Complaints and Resolution**

The Bank complied with the provision of CBN Circular FPR/DIR/CIR/GEN/01/020 dated 16 August 2011 on handling consumer complaints. The detailed report on customer complaint and feedback is contained in Page 25 of this Annual Report.

**Statement of Compliance**

The Bank complies with the relevant provisions of the SEC and the CBN Codes of Corporate Governance. In the event of any conflict between the Provisions of the two codes regarding any matter, the Bank will defer to the provisions of the CBN Code as its primary regulator.

**Statement of Directors' Responsibilities in relation to the Consolidated Financial Statements for the year ended 31 December, 2013**

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, require the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Company and Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company and Group;

**I.** Keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and Group and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;

**II.** Establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

**III.** Prepare financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with,

- International Financial Reporting Standards
- Prudential Guidelines for Licensed Banks in Nigeria;
- Relevant circulars issued by the Central Bank of Nigeria;
- The requirements of the Banks and Other Financial Institutions Act and
- The requirements of the Companies and Allied Matters Act; and
- The Revised Guidelines for Discount Houses
- The Financial Reporting Council Act

The directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Company and Group and of the financial performance and cash-flows for the period. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the directors to indicate that the Company and Group will not remain a going concern for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

**Herbert Wigwe**
**Group Managing Director**
**28 January 2014**

**Victor Etuokwu**
**Executive Director**
**28 January 2014**

**Report of the statutory audit committee**

To the members of **Access Bank Plc:**

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Access Bank Plc hereby report on the annual financial statements for the period ended 31 December 2013 as follows:

We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

We are of the opinion that the accounting and reporting policies of the Bank and Group are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the period ended 31 December 2013 were satisfactory and reinforce the Group's internal control systems.

We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks". We hereby confirm that an aggregate amount of N53,341,230,000 (December 2012: N82,577,604,000) was outstanding as at 31 December 2013 which was performing as at 31 December 2013 (see note 53).

We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from management in the course of their interim audit and we are satisfied with management's responses thereon and with the effectiveness of the Bank's system of accounting and internal control.

Mr Oluwatoyin Eleoramo
Chairman, Audit Committee
January 2014

Members of the Audit Committee are:

| | | | |
|---|---|---|---|
| 1 | Mr Oluwatoyin Eleoramo | Shareholder | Chairman |
| 2 | Mr. Henry Omatshola Aragho | Shareholder | Member |
| 3 | Mr Idaere Gogo Ogan | Shareholder | Member |
| 4 | Mr Oritsedere Otubu | Director | Member |
| 5 | Dr. Ernest Ndukwe | Director | Member |
| 6 | Mrs. Mosun Belo-Olusoga | Director | Member |

In attendance:
Sunday Ekwochi – Secretary

## CUSTOMER COMPLAINTS AND FEEDBACK

Access Bank is fully committed to its core value of '**passion for customers**. The Bank prides itself on providing excellent customer services at all times. At the same time, given the number and complexity of financial transactions that take place every day, the Bank recognizes that there will inevitably be occasions when mistakes and misunderstandings occur. In these situations, Access bank encourages customers to bring their concerns to the attention of the bank for prompt resolution. In addition, deliberate efforts are made to solicit customers' feedback on its products and services.

### Complaints Channels

In order to facilitate seamless complaint and feedback process, the bank has provided various channels for customers. These include:

- 24 hour contact centre with feedback through emails, telephone, SMS,
- Contacts through the bank's website
- Customer service desks in over 300 branches and toll-free telephone in the banking halls in key branches. .
- Correspondence from customers
- The Ombudsman desk.

### Complaints Handling

We handle customer complaints with sensitivity and in due regard for the needs and understanding of each complainant. Efforts are made to resolve customer's complaints at first level. Where this cannot be done, they are immediately referred to the appropriate persons for resolution. All complaints are logged and tracked for resolution and feedback is provided to the customer.

### Resolve or Refer command Centre

In 2011, the 'resolve or refer' initiative was launched to further encourage timely service delivery and **First Time Resolution** (FTR) of customer issues. The 'Resolve or Refer Command Centre' which is being run by a senior management staff has the mandate to ensure that most customer issues are resolve same day. The command centre provides support to all our departments and branches on issues resolution.

### Complaints Tracking and Reporting

We diligently track complaint information for continuous improvement of our processes and services. An independent review of the root cause of complaints made is carried out and lessons learnt are fed back to the relevant business units to avoid future repetition. Customer complaint metrics are analysed and reports presented to Executive Management and the Operational Risk Management committee.

Reports on customer complaints are also sent to the Central bank as required.

**CUSTOMER COMPLAINTS FOR THE YEAR ENDED DECEMBER 31, 2013**

**NAIRA**

| S/N | DESCRIPTION | NUMBER | AMOUNT CLAIMED | AMOUNT REFUNDED |
|---|---|---|---|---|
| | | 2013 | 2013 | 2013 |
| | | ('N'000) | ('N'000) | ('N'000) |
| 1 | Pending complaints B/F | 180 | 2,049,744 | N/A |
| 2 | Received Complaints | 6,620 | 17,999,537 | 1,135,113 |
| 3 | Resolved complaints | 6,584 | 9,085,263 | 1,135,113 |
| 4 | Unresolved Complaints escalated to CBN for intervention | 7 | 351,929 | N/A |
| 5 | Unresolved complaints pending with the bank C/F | 209 | 10,612,089 | N/A |

**USD**

| S/N | DESCRIPTION | NUMBER | AMOUNT CLAIMED (USD) | AMOUNT REFUNDED (USD) |
|---|---|---|---|---|
| | | 2013 | 2013 | 2013 |
| 1 | Pending complaints B/F | 2 | 387 | N/A |
| 2 | Received Complaints | 118 | 429,393 | 349,975 |
| 3 | Resolved complaints | 121 | 428,867 | 349,975 |
| 4 | Unresolved Complaints escalated to CBN for intervention | 0 | - | N/A |
| 5 | Unresolved complaints pending with the bank C/F | 1 | 912 | N/A |

**GBP**

| S/N | DESCRIPTION | NUMBER | AMOUNT CLAIMED (GBP) | AMOUNT REFUNDED (GBP) |
|---|---|---|---|---|
| | | 2013 | 2013 | 2013 |
| 1 | Pending complaints B/F | - | - | N/A |
| 2 | Received Complaints | 4 | 42,730 | 41,772 |
| 3 | Resolved complaints | 4 | 42,730 | 41,772 |
| 4 | Unresolved Complaints escalated to CBN for intervention | - | - | N/A |
| 5 | Unresolved complaints pending with the bank C/F | - | - | N/A |

**EUR**

| S/N | DESCRIPTION | NUMBER | AMOUNT CLAIMED (EUR) | AMOUNT REFUNDED (EUR) |
|---|---|---|---|---|
| | | **2013** | **2013** | **2013** |
| **1** | Pending complaints B/F | - | - | N/A |
| **2** | Received Complaints | 2 | 11,140 | 7,000 |
| **3** | Resolved complaints | 2 | 11,140 | 7,000 |
| **4** | Unresolved Complaints escalated to CBN for intervention | - | - | N/A |
| **5** | Unresolved complaints pending with the bank C/F | - | - | N/A |

**Solicited Customer Feedback**

Deliberate efforts are made to solicit feedback from customers and staff on the services and products of the bank through the following:

- Questionnaires
- Customer interviews
- Customers forum
- Quest for excellence sessions (for staff)

The various feedback efforts are coordinated by our Innovation and Total Quality Management (ITQM) department. The feedbacks obtained are reviewed and lessons learnt are used for service improvement across the bank.

## RESPONSIBLE RISK MANAGEMENT - A Key Business Driver

Access Bank recognizes the role of responsible risk management practices in achieving her strategic vision of being the most respected Bank in Africa. The Bank has a well-established risk governance structure and an experienced risk team. Our risk management framework provides essential tools to enable us take timely and informed decisions to maximize opportunities and mitigate potential threats.

## Our Approach to Risk Management

Risk is an inherent part of the business activities of Access Bank Plc and its subsidiary companies (the 'Bank' or the 'Group'). 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 part of 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.

Access Bank maintains a disciplined approach in its management of risk. The Group has increased its focus on the inter-relationships between risk types and, where appropriate, underwriting standards have been tightened. It has also conducted periodic reviews of risk exposure limits and risk control so as to position itself against any adverse scenarios. To mitigate against higher level of market volatility and economic uncertainty, the Group regularly subjects its exposures to a range of stress tests across a wide variety of products, currencies, portfolios and customer segments.

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

The Board of Directors determines Access Bank's overall objectives in terms of risk by issuing risk policies. These policies define acceptable levels of risk for day-to-day operations as well as the willingness of Access Bank to assume risk, weighed against the expected rewards. The umbrella risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different core risk areas of credit, market and operational risks as well as for other key risks such as liquidity, strategic and reputational risk

The evolving nature of risk management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit; and through independent evaluation by external auditors, examiners and consultants.

The Chief Risk Officer has primary responsibility for risk management and the review of the ERM Framework and to provide robust challenge to the management teams based on quantitative and qualitative metrics. All amendments to the Bank's ERM Framework require Board approval. The risk management division is responsible for the enforcement of the Bank's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

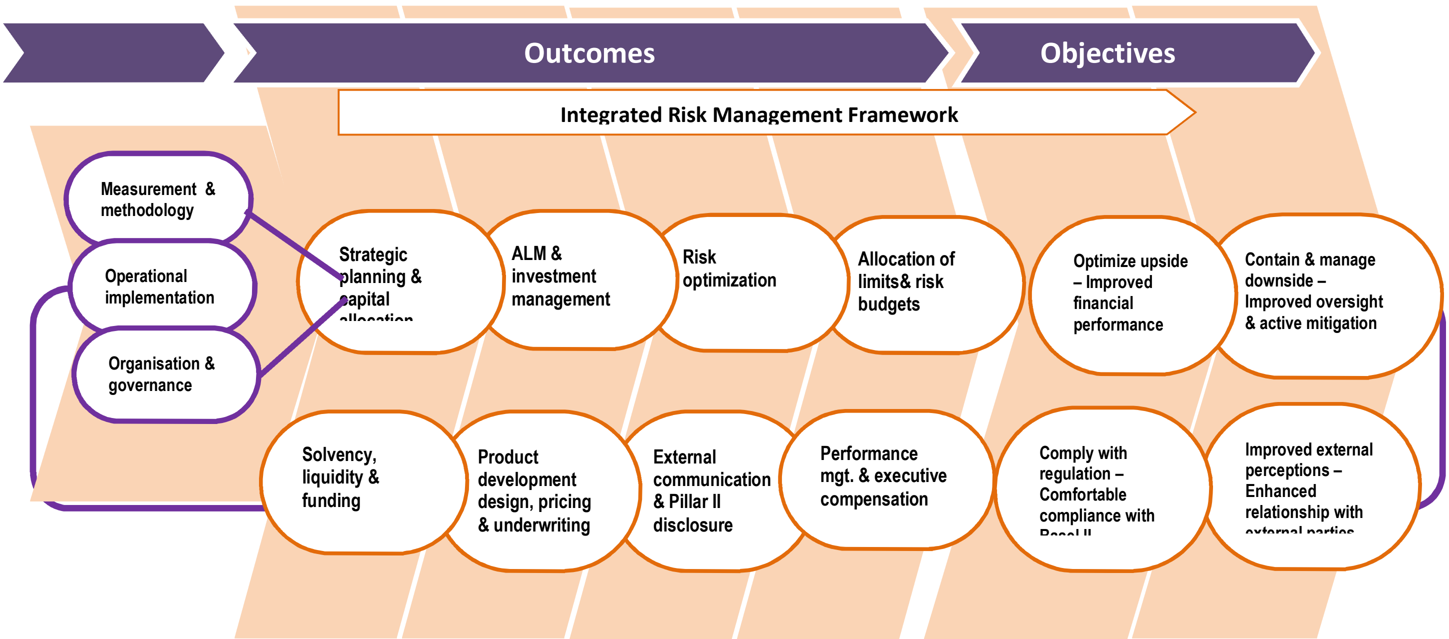
Overall, we view risk not only as a threat or uncertainty, but also as a potential opportunity to grow and develop the business, within the context of our clearly articulated and Board driven risk appetite. Hence our approach to risk management is not limited to considering downside impacts or risk avoidance; it also encompasses taking risk knowingly for competitive advantage. Access Bank approaches risk, capital and value management robustly and we believe that our initiatives to date have positioned the Group at the leading edge of risk management.

## Risk Management Framework

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

Our annual risk cycle is designed to give management relevant, up-to-date information from which trends can be observed and assessed. The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, to the right people.

Risk Practice focused on the future




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

We are committed to the continued development of our risk management framework.

**Enterprise risk management**
**For the year ended 31 December 2013**

## Risk and Capital Drive Value

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

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

- Understand the nature of the risks we are taking, and what the range of outcomes could be under various scenarios, for taking these risks;
- Understand the capital required in order to assume these risks;
- Understand the range of returns that we can earn on the capital required to back these risks; and
- Attempt to optimize the risk-adjusted rate of return we can earn, by reducing the range of outcomes and capital required arising from these risks, and increasing the certainty of earning an acceptable return.
-

Our objective of balancing risk, return and capital has led us to enhance substantially our risk management methodologies, in order to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve an optimal outcome.

Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.

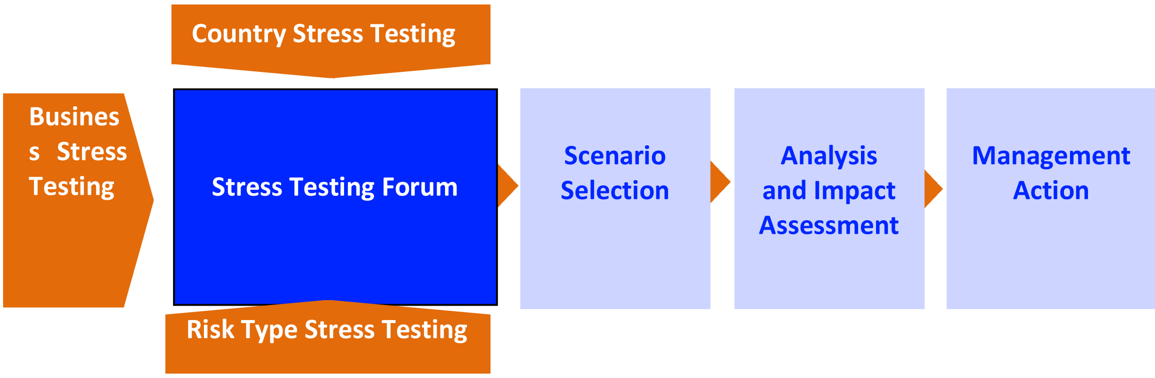
## Enterprise-wide Stress Testing

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

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

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

## Stress testing framework




Our stress testing framework is designed to:

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

### Risk Management 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 our moderate 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 has continued to achieve desired results as evidenced by improved risk ratios and independent risk ratings. In line with the Group's core value of excellence, the Group's risk management is continuously evolving and improving, given that there can be no assurance that all market developments, in particular those of extreme nature, can be fully anticipated at all times. Hence, executive management has remained closely involved with important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, as well as managing the risk portfolios.

Risk management is integral to the Group's decision-making and management process. It is embedded in the role of all employees via the organizational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions.

Access Bank considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterize how the Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities. In this regard, the Bank's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

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

- Risk acceptance is done in a responsible manner;
- The executive and the Board of the Bank have adequate risk management support;
- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

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

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

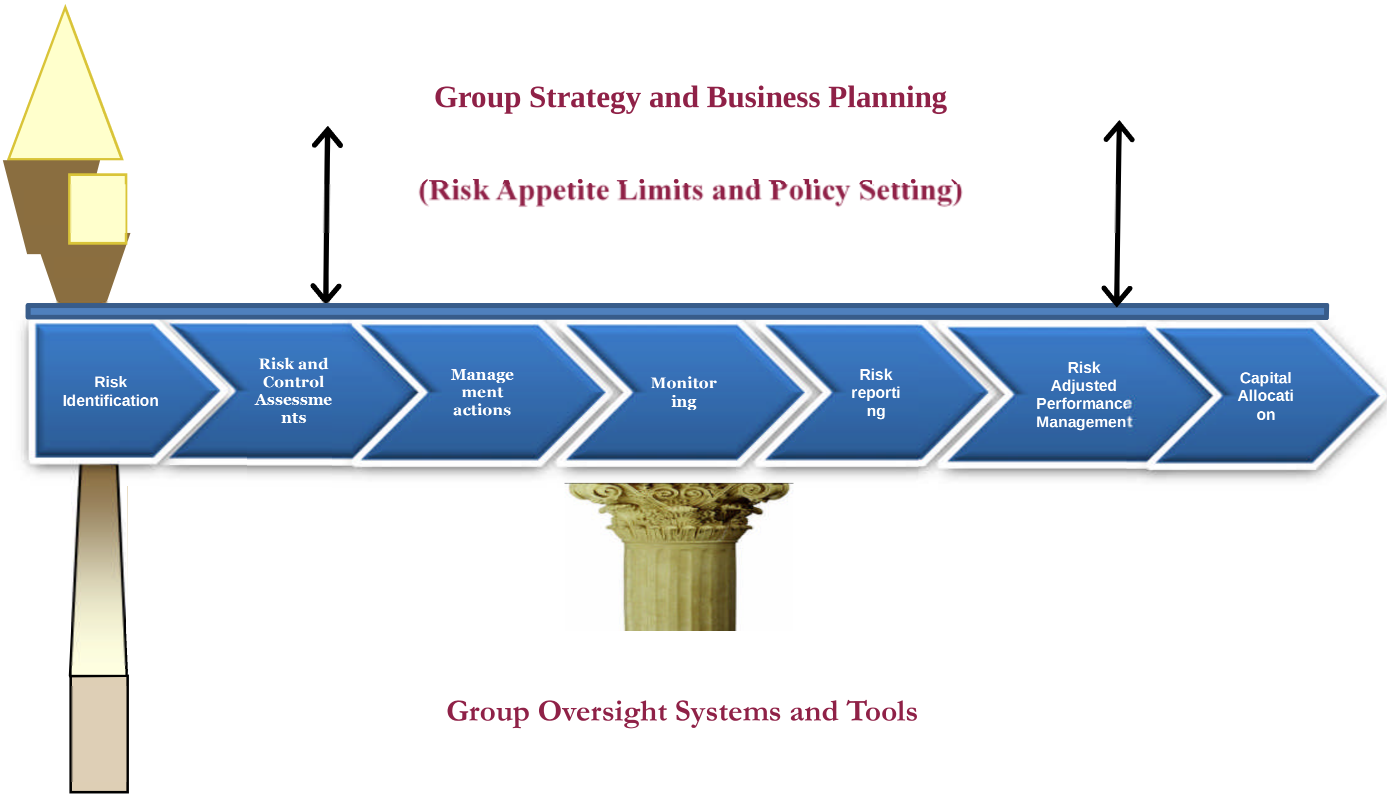
b) Risk officers work as allies and thought partners to other stakeholders within and outside the Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

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

d) Risk management is governed by well-defined policies, which are clearly communicated across the Bank.
e) Equal attention is paid to both quantifiable and non-quantifiable risks.

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

## Risk management process




### Group risk oversight approach

Our oversight starts with the strategy setting and business planning process. These plans help us articulate our appetite for risk, which is then set as risk appetite limits for each business unit to work within.

The Bank's risk management and compliance division provides a central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored and controlled in order to minimize adverse outcomes.

The division is complemented by the financial control and regulatory/reputation risk group in the management of strategic and reputational risks respectively.

The Chief Risk Officer coordinates the process of monitoring and reporting risks across the Bank. Internal audit has the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Audit also tests the adequacy of internal control and makes appropriate recommendations where there are weaknesses.

## Strategy and Business Planning

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

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

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

## Risk Appetite

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

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

The Bank's risk profile is assessed through a 'bottom-up' analytical approach covering all of the Group's major businesses 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 2013, the risk appetite metrics were tracked against approved triggers and exceptions were reported to management for prompt corrective actions. Key issues were also escalated to the Enterprise Risk Management committee and the Board risk Management committee.
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## Risk management objectives

The broad risk management objectives of the Bank are:

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

## Scope of risks

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

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

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

**Responsibilities and functions**

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

**Risk Management 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

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;

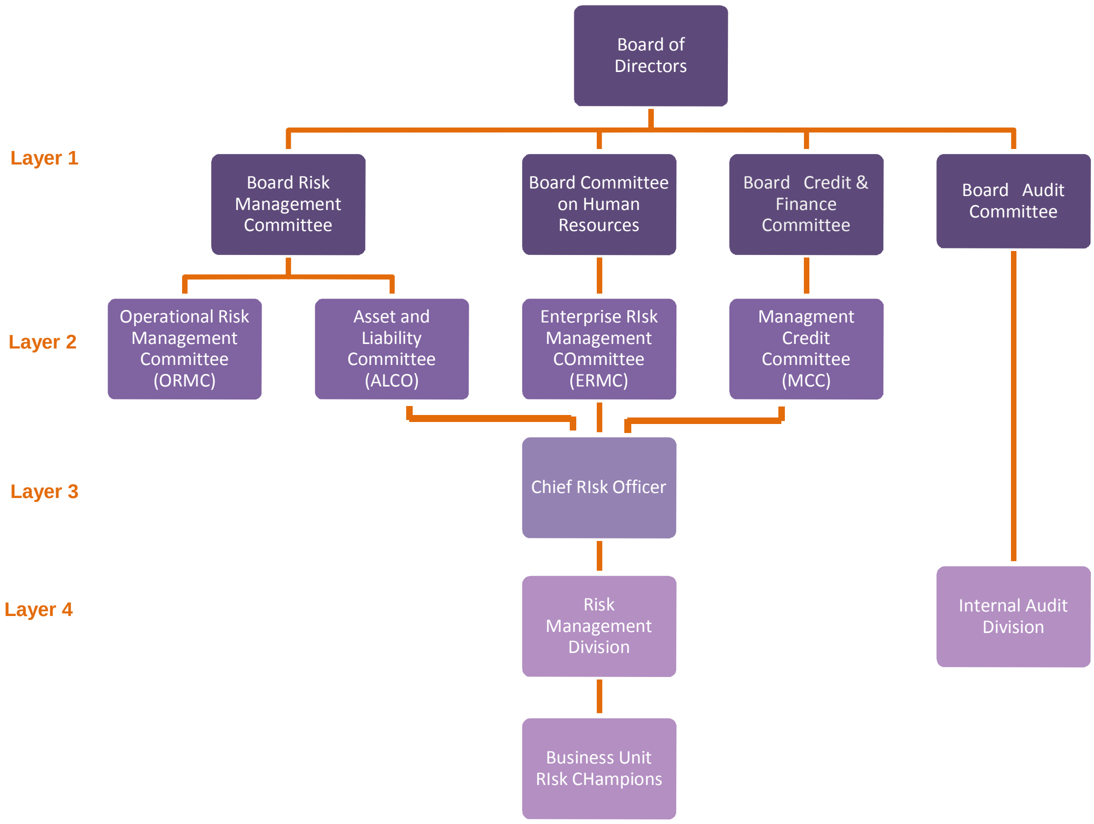
2. The executive management committees; and

3. Risk management responsibilities per risk area.

**Access Bank Plc**

**Enterprise risk management**
**For the year ended 31 December 2013**
**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 seven areas; general, credit, market, compliance, operational, reputational and strategic risk.

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.

**Strategic Risk**

a) Oversee the strategic risk management process.

b) Ensure that the bank has in place an appropriate strategic risk management framework which suits its own circumstances and needs;

c) Ensure that the strategic goals and objectives are set in line with its corporate mission and values, culture, business direction and risk tolerance;

d) Approve the strategic plan (including strategies contained therein) and any subsequent changes, and review the plan (at least annually) to ensure its appropriateness;

e) Ensure the organization's structure, culture, infrastructure, financial means, managerial resources and capabilities, as well as systems and controls are appropriate and adequate to support the implementation of its strategies.

f) Review high-level reports periodically submitted to the Board on the overall strategic risk profile, and ensure that any material risks and strategic implications identified from those reports are properly addressed; and

g) Ensure that senior management is competent in implementing strategic decisions approved by the Board, and supervising such performance on a continuing basis

**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, structure, frequency of meetings, duties, tenure, and reporting lines to the Board.

In line with best practice, the Chairman of the Board does not seat on any of the Committees. The Board's four standing committees are: the Board Risk Management Committee, the Board Audit Committee, the Board Human Resources Committee and the Board Credit & Finance Committee.

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

The roles and membership of the committees are as follows:

| Committee | Key Objective | Membership |
|---|---|---|
| **Board Risk Management Committee** | The primary role of the committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to risk management. | 3 Non-Executive Directors appointed by the Board of Directors<br>The Group Managing Director<br>The Group Deputy Managing Director<br>Executive Directors as appointed. |
| **Board Audit Committee** | The committee assists the Board in ensuring the independence of the internal audit function of the Bank. | 2 Non-Executive Directors appointed by the Board of Directors<br>The Group Managing Director<br>The Group Deputy Managing Director<br>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. | 5 Non-Executive Directors appointed by the Board of Directors<br>The Group Managing Director<br>The Group Deputy Managing Director<br>Executive Directors as appointed.<br>One of the non-Executive Directors shall be Chairman of the Committee. |
| **Board Human Resources Committee** | The committee advises the Board on its oversight responsibilities in relation to compensation, benefits and all other human resource matters affecting the directors and employees of the Bank. | 4 Non-Executive Directors appointed by the Board of Directors<br>The Group Managing Director<br>The Group Deputy Managing Director |
| **The Executive Committee (EXCO)** | The committee is primarily responsible for the implementation of strategies approved by the Board and ensuring the efficient deployment of the Bank's resources. | Group Managing Director as - Chairman,<br>Group Deputy Managing Director<br>All the Executive Directors |
| **Enterprise risk management committee (ERMC)** | The Bank's enterprise risk management committee is responsible for managing all risks with the exception of credit, market and liquidity risks. The risks within the committee's purview include (but are not limited to) strategic, reputational, compliance and operational risks. | The Group Managing Director (Chairman)<br>The Group Deputy Managing Director<br>All Executive Directors<br>Chief Risk Officer<br>Chief Compliance Officer<br>Chief Financial Officer<br>All ERM Division Heads<br>Head, Corporate Affairs<br>Head, Legal Department<br>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<br>Group Deputy Managing Director – Vice Chairman<br>All Executive Directors<br>Group Head, Credit Risk Management<br>Team Leaders, Credit Risk Management<br>Group Heads, Commercial Bank<br>Group Heads, Institutional Bank<br>Group Heads, Operations & IT<br>Group Head, Compliance<br>Group Head, Internal Audit<br>Head of Legal (or his/her nominee as approved by the GMD/CEO)<br>Other Group Heads |

| Committee | Key Objective | Membership |
|---|---|---|
| **Group Asset & Liability Committee (Group ALCO)** | The Group Alco is responsible for the optimum management of the Bank's balance sheet and taking relevant decisions as well as recommending to the Board of Directors' prudent asset/liability management policies and procedures that enable the Bank to achieve its goals while operating in full compliance with all relevant laws and regulations. | The Group Managing Director/Chief Executive Officer – Chairman<br>The Group Deputy Managing Director<br>The Group Executive Directors<br>Chief Risk Officer<br>Country Managing Directors<br>Country Treasury Heads<br>The Group Treasurer;<br>Head, Financial Control – Domestic<br>Head, Financial Control – International<br>Head, Group Asset & Liability Management<br>Head, Group Market Risk<br>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<br>Group Deputy Managing Director;<br>All Division Heads / Executive Directors<br>Chief Risk Officer<br>Head, Group Operational Risk Management<br>Chief Information Officer<br>Head, Group compliance and Internal Control<br>Head, Group Internal Audit<br>Head, Group HR<br>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.

### Group Asset & Liability Committee (Group 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 (hereinafter called the Group) in accordance with the risk appetite set by the Board of Directors;
- review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;
- approve Market Risk, Liquidity Risk and Banking Book Interest Rate Risk Policies for each of the banking subsidiaries;
- review and note the impact of internal and external factors on the net interest margin; and
- recommend to the Board, policies and guidelines under which the Bank will manage the matters listed below, and in so doing protect the Bank's capital base and reputation:
- balance sheet growth:
    - deposits, advances and investments;
    - Non earning assets;
    - foreign exchange activities and positions;
    - 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 Group ALCO and Group ALCO, through this mandate, shall be responsible for the establishment of appropriate policies and limits across the Group;
- 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 Group ALCO to enable it to perform its function;
- Country ALCO will be responsible for proposing amendments to Policies for approval and ratification by Group ALCO, such amendments having been first approved at the Country ALCO;
- Group ALCO 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;
- Group 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 Group ALCO chairman casting the deciding vote in the event of a tie.

**Other responsibilities include:**

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

- Prudent management of liquidity risk:
    - To ensure the levels of tactical and strategic liquidity risk assumed by the bank are effectively and prudently managed in accordance with the Liquidity Risk Policy;
    - To approve liquidity risk limits and guidelines in accordance with the risk appetite set by Group ALCO;
    - To note compliance with all liquidity risk guidelines and limits, and ensure actions to address breaches are promptly executed and reported to authorising bodies;
    - To ensure appropriate steps are taken where there is deterioration in liquidity;
    - To approve funding and liquidity management strategies based on forecast balance sheet growth;
    - To ensure the provision of standby funding facilities is kept within prudent levels;
    - To review and approve all policies, procedures and contingency plans relating to liquidity risk management; 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 Group ALCO and the Group 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 Group Operational Risk Management (ORM) unit, business lines and their respective risk profiles to concur on areas of highest priority and put in place the related mitigation strategies;
- Ensure adequate resources are allotted at various levels to manage operational risk across the enterprise;
- Ensure adequate communication to the functional departments and emphasize on, the importance of operational risk management and assure adequate participation;
- Co-ordinate an ongoing appropriate awareness and education programme on operational risk in the Bank from top to bottom through the implementation of an enterprise wide operational risk approach; 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;

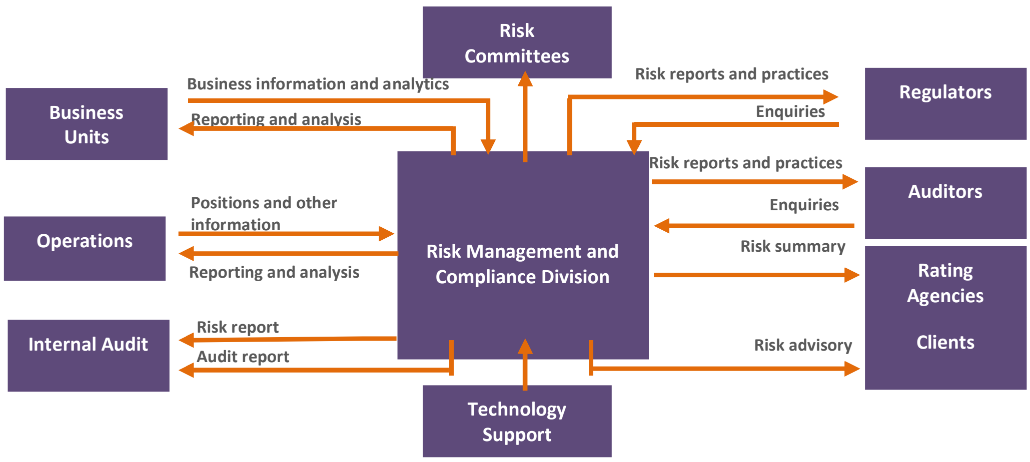
- Liaise with risk management and compliance division to obtain new systems, approaches and methods for managing risks and advise staff within the unit appropriately;
- Coordinate the gathering of risk-related information, while ensuring the completeness and accuracy of the risk information gathered, 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 Division – relationship with other units**

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

- RMD sets risk policies and defines risk limits for other units in the Bank;
- RMD performs bank-wide risk monitoring and reporting;
- Other units provide relevant data to RMD for risk monitoring and reporting and identify potential risks in their line of business and RMD provides a framework for managing such risks;
- RMD and market facing units collaborate in designing new products;
- RMD and internal audit co-ordinate activities to provide a holistic view of risks across the Bank;
- RMD 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 RMD function in respect of the various risk management software.

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



**Key Developments in 2013**

- **Establishment of Risk Analytics and Reporting Unit**
  The group's Enterprise risk management framework was strengthened in 2013 by establishing a dedicated Risk Analytics and Reporting function to support enhanced risk modeling, integrated risk data management and reporting. This is expected to further improve the group's focus on integrated approach to risk management while aligning all business decisions with the approved risk appetite.

- **Automated Risk Reporting**
  The quality of risk reporting was also enhanced in 2013 by implementing an automated risk reporting system. This has led to easy and timely access to risk reports, provided early warning signals, better limit monitoring and better decision making.

- **Strengthening the Anti Fraud Function**
  In other to ensure our capability to respond to emerging fraud threats, the anti Fraud Unit was strengthened in 2013 through strategic collaboration with world class reputable partners. New automated monitoring processes were developed and the quality of the anti-fraud team was enhanced through training and skill development activities provided by local and foreign partners.

- **Promoting Sustainability Principles**
  The Bank is one of the Champions of the Nigerian Sustainable Banking Principles (NSBP) which is in line with the United Nations principles on Human Right, Environments, Labour and Corruption etc. As the Chair of the NSBP Steering Committee, the Bank supported industry efforts to ensure proper entrenchment of sustainability best practices in the industry during the year. For example, a sustainability conference was organised for industry operators. The Bank also partnered with other International Banks with global best practices through staff exchange during the year.

- **Seamless Implementation of Succession Plan**
  There were major changes in the leadership of the group in 2013 with the retirement of the Group Managing Director and some of the Executive Directors. The change of baton was seamlessly executed with no negative impact on the business. The implementation of the succession plan has become a model for the industry.

- **Overall Winner of 2013 Nigerian Risk Management award**

  Access Bank emerged as the **Overall Winner** in the Banking & Investment category at the 2013 Nigerian Risk management award. The award was meant to recognize organizations and individuals who have achieved measurable results through the effective implementation of enterprise risk management principles. Particular emphasis was also placed on those who have developed creative and innovative solutions in overcoming the challenges facing businesses and organizations in Nigeria. This is a further testimony to the Bank's full commitment to the implementation of best practices in risk management.

**Compliance**

In 2013, the bank engaged the services of Ernst & Young to strengthen its compliance function. The Bank also received commendation letters from the National Drug Law Enforcement Agency (NDLEA) and Independent Corrupt Practices Commission (ICPC) with regards to the high level of compliance with the provisions of the Money Laundering Prohibition Act (MLPA) 2012 (Amended) and collaboration with the law enforcement agencies

- **Strengthening the Credit Risk Management Function.**
  Our Credit Risk Management function was enhanced during the year by optimizing the Credit processing and collateral management automated platform, creation of dedicated Credit Risk Management teams for Retail Banking and Business Banking to support the Bank's strategy of growing the retail end of the market.

Below is a summary of key risks and developments in 2013

| Risk Type | Definition | Features | Key developments in 2013 | Risk mitigation |
|---|---|---|---|---|
| Credit risk | The risk of loss arising from the failure of a client or counterparty to fulfil its obligations to the Group. | Potential risk to earnings and capital.<br><br>Significant correlation between credit risk and the macroeconomic environment.<br><br>Potential for large material losses due to concentration risk. | Structural realignment of the credit risk function to support the Bank's new 5 year strategy of growing the retail end of the market. Dedicated risk management teams were created for Retail Banking and Business Banking during the year. | Optimisation of the new automated credit processing and collateral management platform<br><br>Intensified training for credit risk management staff.<br><br>Strengthening of Credit risk monitoring unit.<br><br>Establishment of a dedicated Risk Analytics and Reporting Unit. |
| Market risk | The risk of losses in On and Off-balance sheet positions arising from adverse movements in market prices and rates | Potential for large material losses from complicated treasury products.<br><br>Potential for losses due to volatilities and stress events | Policy review of foreign exchange market operations and reintroduction of retail dutch auction system leading to pressure on banks liquidity.<br><br>Release of regulatory guidelines for calculation of Market Risk Capital Charge.<br><br>Introduction of 50% Cash Reserve Ratio on public sector deposits leading to a spike in interest rates<br><br>The US Federal reserve commenced a tapering of its quantitative easing (QE) leading to a reduction in portfolio and FDI flows into emerging markets<br><br>The CBN was able to maintain the +-3% band set for the Naira-Dollar exchange rate | The use of limits and management action triggers for strict adherence to the Bank's internal policies and risk appetite<br><br>Assets and liabilities were repriced in line with market realities<br><br>Limiting transactions to approved counterparties<br><br>Significant investments are approved by the board and all others by the relevant management committee |
| Operational risk | The risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. | Frequent small losses that can become surprisingly high.<br><br>Infrequent material losses with high impact. | The rising level of external threats e.g. electronic fraud attempts and physical Security exposed the Bank to operational risks. | Diligent implementation of our enhanced policy standards and control frameworks<br><br>Material events are escalated to Divisional and Group Executives.<br><br>Bank wide training of staff on key operational risk issues. |

## Enterprise risk management
## For the year ended 31 December 2013

| | | | | |
|---|---|---|---|---|
| | | | | Strengthening of risk measurement and reporting process through automation.<br><br>Establishment of a dedicated Anti-Fraud unit to facilitate proactive fraud prevention and monitoring. |
| Funding and liquidity risk | The risk of being unable to meet short term obligations as they fall due. | May disrupt the business model and disrupt the Group's activities.<br><br>Significantly correlated with credit risk losses. | Focus was geared towards consolidating balance sheet growth through deposit mobilisation utilising the bank's Value Chain Model and the enhanced customer base | Significant liquidity reserve<br><br>Bank's liquidity ratio consistently above regulatory limits. |
| Regulatory risk | The risks arising from changes in law, guidelines and other regulatory enforcement. | Compliance with laws and regulations.<br><br>Potential for fines and/or restrictions in business activities. | Several circulars were issued by regulators during the year in line with the ongoing reforms in the banking industry | Proactive engagement strategy with the CBN and other regulators, driven by a well developed Regulatory Risk framework<br><br>New regulations and compliance plan are discussed in management and board committee risk meetings. |
| Other risks (Reputation, Strategic e.t.c) | The risk of failure to comply with applicable financial services regulatory rules and regulations.<br><br>It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment | Expose the Group to penalties and reputation damage.<br><br>Failure to meet expectations of stakeholders. | There was no major negative publicity or reputational risk event during the year | Close monitoring of all reputational risk event drivers<br><br>Adherence to the principle of zero tolerance for regulatory breaches<br><br>Active engagement with all stakeholders - customers, investors, regulators, staff, etc.<br><br>All significant strategic actions are approved by the Board |

**Operational Risk Management**
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks.

It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Access Bank's global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management.

This framework includes:

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

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 and 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.

**Level 3** refers to the operational function carried out by all business units and support functions in the Bank. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks. Internal audit provides independent assessment and evaluation of the Bank's operational risk management framework. This periodic confirmation of the existence and utilisation of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the bank include; a loss database of operational risk events; an effective risk and control self-assessment process that helps to analyse business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an ongoing basis.

### The Group's operational risk framework

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

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

### Management and control responsibilities

The first line of governance for managing operational risk rests with business and operational risk management forms part of the day-to-day responsibilities of all business unit management. Business unit staff 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. The Group operational risk profile is presented to the Board quarterly. Control effectiveness is monitored at the ERMC and at the Board; and the multi-layered system of defences ensures pro-active operational risk management.

### Measuring and managing operational risk

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

## Risk event data collection and reporting

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

## Risk and control self assessments (RCSA)

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

## Key risk indicators (KRIs)

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

## Reporting

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

## Allocating Capital to Business Units

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

## Expected loss (EL) budgeting mitigation

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

## Insurance mitigation

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

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

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

## Information Security and Continuity of Business

Information security and the protection of confidential and sensitive customer data are a priority of Access Bank. The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information.

The Bank mitigates business continuity risks by reviewing and testing recovery procedures. The bank's business continuity plan has been reviewed in view of recent enlarged operations. Regular bank wide awareness campaigns are also used to drive information security and business continuity culture in the bank.

## Compliance Risk Management

Compliance Risk is the risk of loss resulting from 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/criminal penalties, and 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 of Leadership, Excellence and Professionalism

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 has put in place a robust Compliance Risk Management policy with set out guidelines to manage the Group's compliance risk in view of expansion of Access Bank activities in various jurisdictions, the evolving nature of the Global financial services industry, the introduction of new legislation, and the update of existing legislation; as well as the increasing complexities of the Bank's activities.

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

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

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

## 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 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  resulting in a fusion of different cultures;

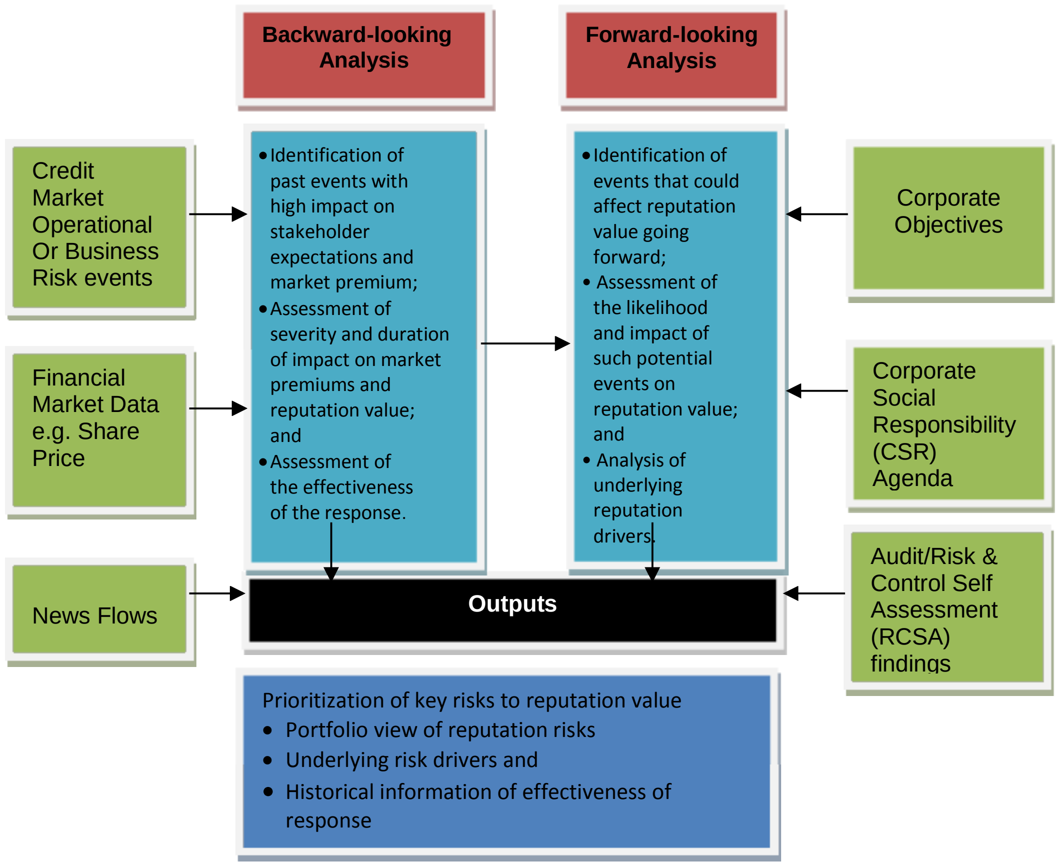
- Keen competition and largely homogeneous products and services have led customers not to perceive significant differences between financial service providers; and
- Given the financing nature of products and services they provide, Banks are not only exposed to their own reputation, but also to the reputation of their clients.

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

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

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

Key Drivers of Reputational Risk




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 are derived and analyzed and risk events identified with possible negative reputational Impact on the Bank.

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 in mitigating reputational risk issues

## Compilation of Trigger Events

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

| Risk Drivers | Trigger Events |
|---|---|
| Corporate governance and leadership | • Corporate frauds and scandals;<br>• Association with dishonest and disreputable characters as directors, management<br>• Association with politically exposed persons<br>• Incidence of shareholders conflict and Board Instability. |
| Regulatory Compliance | • Non - Compliance with laws and regulation;<br>• Non submission of Regulatory returns |
| Delivering customer promise | • Security Failure<br>• Shortfall in quality of service/fair treatment;<br>• Bad behavior by employees |
| Workplace talent and culture | • Unfair employment practices<br>• Not addressing employee grievances<br>• Uncompetitive remuneration |
| Corporate social responsibility | • Lack of community development initiatives |
| Corporate Culture | • Lack of appropriate culture to support the achievement of business objective.<br>• Ineffective risk management practices.<br>• Unethical behaviors on the part of staff and management.<br>• Lack of appropriate structure for employees to voice their concerns |
| Risk Management and Control Environment | • Inadequate Risk Management and Control environment<br>• Continuous violations of existing policies and Procedures |
| Financial Soundness and Business viability | • Consistent poor financial performance<br>• Substantial losses from unsuccessful Investment |
| Crisis Management | • Inadequate response to a crisis or even a minor incident |

### Events data analysis

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

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

### Approach to managing reputation events

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

### Post reputation 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.

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## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ACCESS BANK PLC

### Report on the financial statements

We have audited the accompanying consolidated and separate financial statements of Access Bank Plc ("the bank") and its subsidiaries (together "the group"). These financial statements comprise the statements of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Directors' responsibility for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an independent opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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*Opinion*

In our opinion the accompanying consolidated and separate financial statements give a true and fair view of the state of the financial affairs as at 31 December 2013 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

**Report on other legal requirements**

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us ;

iii) the bank's balance sheet and profit and loss account are in agreement with the books of account;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 53 to the financial statements;

v) except for the contraventions disclosed in Note 51 to the financial statements, the bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

Anthony Oputa

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria.

07 April 2014

Engagement Partner: Anthony Oputa
FRC/2013/ICAN/00000000980

**Statement of comprehensive income**

| *In thousands of Naira* | *Notes* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|---|
| *Continuing operations* | | | | | |
| Interest income | 8 | 145,961,028 | 165,293,728 | 127,710,965 | 148,277,802 |
| Interest expense | 8 | (68,237,387) | (65,059,458) | (61,025,846) | (59,424,878) |
| Net interest income | | 77,723,641 | 100,234,270 | 66,685,119 | 88,852,924 |
| Writeback/(impairment charge) on financial assets | 9a | 6,163,544 | (10,021,978) | 7,508,216 | (8,006,142) |
| Net interest income after impairment charges | | 83,887,185 | 90,212,292 | 74,193,335 | 80,846,782 |
| Fee and commission income | 10 | 31,653,170 | 24,877,843 | 26,395,198 | 19,266,497 |
| Fee and commission expense | | (105,638) | (605,835) | - | - |
| Net fee and commission income | | 31,547,532 | 24,272,008 | 26,395,198 | 19,266,497 |
| Net gains on financial instruments classified as held for trading | 11 | 1,875,283 | 110,589 | 1,760,388 | 59,147 |
| Foreign exchange income | 12 | 7,537,545 | 7,434,264 | 5,735,812 | 5,396,987 |
| Other operating income | 13 | 15,013,907 | 9,387,484 | 13,778,327 | 7,725,417 |
| Loss on disposal of subsidiary | 17d | - | - | (504,323) | - |
| Fair value gain on investment property | 30 | 4,850,286 | - | 4,850,286 | - |
| Writeback/(Impairment) charge on non-financial assets | 9b | - | (768,672) | (823,182) | (3,609,936) |
| Personnel expenses | 14 | (31,081,954) | (32,510,560) | (25,937,818) | (28,412,192) |
| Operating lease expenses | | (1,451,667) | (1,442,926) | (1,273,023) | (1,384,837) |
| Depreciation and amortization | 33,34 | (8,714,544) | (10,866,941) | (7,780,207) | (9,678,299) |
| Loss on settlement of non-cash distribution to shareholders | 17a | - | - | (2,462,629) | - |
| Other operating expenses | 15 | (59,932,982) | (39,929,462) | (56,566,768) | (33,950,036) |
| Operating profit | | 43,530,591 | 45,898,076 | 31,365,396 | 36,259,530 |
| Share of profit of equity accounted investee | 31 | 1,465,819 | 636,903 | - | - |
| **Profit before income tax** | | **44,996,410** | **46,534,979** | **31,365,396** | **36,259,530** |
| Income tax expense | 16 | (7,498,759) | (1,695,343) | (5,153,552) | (443,919) |
| Profit for the year from continuing operations | | 37,497,651 | 44,839,636 | 26,211,844 | 35,815,611 |
| *Discontinued operations* | | | | | |
| Loss from discontinued operations | 17c,d | (1,200,059) | (5,511,361) | - | - |
| **Profit for the year** | | **36,297,592** | **39,328,275** | **26,211,844** | **35,815,611** |
| Other comprehensive income (OCI) for the year: | | | | | |
| *Items that will not be reclassified to the income statement:* | | | | | |
| Remeasurements of post employment benefit obligations | | (1,560,220) | 538,032 | (1,560,220) | 538,032 |
| *Items that may be subsequently reclassified to the income statement:* | | | | | |
| Foreign currency translation differences for foreign subsidiaries | | | | | |
| - Unrealised (losses)/gains/ arising during the year | | (7,248,271) | 1,387,577 | - | - |
| - Realised gains arising during the year | | 979,824 | - | - | - |
| Net changes in fair value of AFS financial instruments | | | | | |
| -Fair value changes arising during the year | | 6,189,893 | 1,904,176 | 6,394,443 | (4,755,960) |
| Fair value changes on AFS financial instruments from associates | | (17,215) | 133,484 | | |
| Other comprehensive (loss)/gain for the year, net of related tax effects: | | (1,655,989) | 3,963,269 | 4,834,223 | (4,217,928) |
| **Total comprehensive income for the year** | | **34,641,604** | **43,291,544** | **31,046,067** | **31,597,683** |
| Profit attributable to: | | | | | |
| Owners of the Bank | | 36,101,830 | 39,520,179 | 26,211,844 | 35,815,611 |
| Non-controlling interest | | 195,762 | (191,904) | - | - |
| **Profit for the year** | | **36,297,592** | **39,328,275** | **26,211,844** | **35,815,611** |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Bank | | 34,431,354 | 43,531,029 | 31,046,067 | 31,597,683 |
| Non-controlling interest | | 210,250 | (239,485) | - | - |
| Total comprehensive income for the year | | 34,641,604 | 43,291,544 | 31,046,067 | 31,597,683 |
| Total comprehensive income for the year: | | | | | |
| Continuing operations | | 35,841,662 | 48,802,905 | 31,046,067 | 31,597,683 |
| Discontinued operations | | (1,200,059) | (5,511,361) | - | - |
| | | 34,641,604 | 43,291,544 | 31,046,067 | 31,597,683 |
| Earnings per share | | | | | |
| Basic earnings per share(kobo) | 19 | 159 | 172 | 115 | 157 |
| Diluted (kobo) | | 159 | 172 | 115 | 157 |
| Earnings per share - continuing operations | | | | | |
| Basic earnings per share(kobo) | 19 | 164 | 196 | 115 | 157 |
| Diluted (kobo) | | 164 | 196 | 115 | 157 |

**Statement of financial position**
***As at 31 December 2013***

| *In thousands of Naira* | *Notes* | Group December 2013 | Group December 2012 | Group December 2011 | Bank December 2013 | Bank December 2012 | Bank December 2011 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances with banks | 20 | 439,459,541 | 405,292,241 | 267,917,288 | 395,808,747 | 284,062,159 | 131,647,158 |
| Non pledged trading assets | 21 | 3,877,969 | 27,906,803 | 10,812,122 | 3,877,969 | 3,769,260 | 5,787,534 |
| Pledged assets | 22 | 63,409,851 | 60,949,856 | 66,191,144 | 63,347,823 | 60,949,856 | 66,191,144 |
| Derivative financial instruments | 23 | 102,123 | 30,949 | 9,909 | 72,675 | - | - |
| Loans and advances to banks | 24 | 24,579,875 | 4,564,943 | 775,765 | 13,048,651 | 3,054,520 | 775,765 |
| Loans and advances to customers | 25 | 786,169,704 | 604,073,399 | 576,228,507 | 735,300,741 | 554,592,199 | 490,877,501 |
| Trading properties | 26 | - | 2,693,227 | 6,688,000 | - | - | - |
| Investment securities | 27 | 353,811,348 | 447,281,811 | 561,733,704 | 309,071,802 | 420,346,295 | 127,420,035 |
| Insurance receivables | 28 | - | 627,337 | 1,405,000 | - | - | - |
| Other assets | 29 | 52,019,723 | 67,935,352 | 44,475,554 | 44,326,360 | 61,431,658 | 15,676,950 |
| Investment properties | 30 | 23,974,789 | 14,360,567 | 16,097,044 | 23,974,789 | 14,072,673 | 12,417,043 |
| Investments in equity accounted investee | 31 | 3,623,325 | 2,774,647 | 2,812,805 | 1,521,812 | 1,980,808 | - |
| Investment in subsidiary | 32 | - | - | - | 38,029,992 | 43,209,688 | 80,400,287 |
| Property and equipment | 33 | 67,243,305 | 64,634,438 | 67,647,817 | 63,203,245 | 58,938,450 | 17,042,268 |
| Intangible assets | 34 | 3,659,071 | 3,404,945 | 3,277,608 | 2,661,553 | 2,339,510 | 1,146,412 |
| Deferred tax (net) | 35 | 10,687,635 | 8,113,973 | 2,930,928 | 9,847,853 | 7,007,387 | - |
| | | 1,832,618,259 | 1,714,644,488 | 1,629,003,195 | 1,704,094,012 | 1,515,754,463 | 949,382,097 |
| Assets classified as held for sale | 18 | 2,847,741 | 30,827,257 | - | - | - | - |
| **Total assets** | | **1,835,466,000** | **1,745,471,745** | **1,629,003,195** | **1,704,094,012** | **1,515,754,463** | **949,382,097** |
| **Liabilities** | | | | | | | |
| Deposits from financial institutions | 36 | 72,147,955 | 96,893,015 | 135,228,759 | 61,295,352 | 16,312,516 | 131,494,136 |
| Deposits from customers | 37 | 1,331,418,659 | 1,201,481,996 | 1,101,703,921 | 1,217,176,793 | 1,093,979,220 | 522,922,292 |
| Derivative financial instruments | 23 | 32,955 | 35,515 | 9,413 | - | - | - |
| Claims payable | 38 | - | 118,226 | 450,000 | - | - | - |
| Current tax liabilities | 16 | 6,899,558 | 8,937,964 | 9,747,004 | 6,075,590 | 7,686,568 | 2,084,899 |
| Other liabilities | 39 | 56,847,216 | 58,418,260 | 140,772,972 | 52,092,559 | 50,246,164 | 61,029,366 |
| Deferred tax liabilities | 35 | 37,861 | - | - | - | - | 2,841,403 |
| Liabilities on investment contracts | 40 | - | 65,591 | 61,000 | - | - | - |
| Liabilities on insurance contracts | 41 | - | 3,351,234 | 2,703,000 | - | - | - |
| Debt securities issued | 42 | 55,828,248 | 54,685,891 | - | - | - | - |
| Interest-bearing loans and borrowings | 43 | 64,338,982 | 48,369,849 | 40,837,800 | 120,342,026 | 103,872,441 | 40,823,345 |
| Retirement benefit obligations | 44 | 1,933,021 | 2,487,589 | 1,876,578 | 1,929,695 | 2,485,093 | 1,149,578 |
| Contingent settlement provisions | 45 | - | 3,548,250 | 3,548,000 | - | 3,548,250 | - |
| | | 1,589,484,455 | 1,478,393,380 | 1,436,938,447 | 1,458,912,015 | 1,278,130,252 | 762,345,019 |
| Liabilities classified as held for sale | 18 | 1,499,495 | 25,793,512 | - | - | - | - |
| **Total liabilities** | | **1,590,983,950** | **1,504,186,892** | **1,436,938,447** | **1,458,912,015** | **1,278,130,252** | **762,345,019** |
| **Equity** | | | | | | | |
| Share capital and share premium | 46 | 172,477,671 | 176,628,255 | 155,104,963 | 172,477,671 | 176,628,255 | 155,104,963 |
| Retained earnings | 46 | 22,232,375 | 17,856,630 | (6,744,577) | 23,095,392 | 18,880,711 | 3,376,997 |
| Other components of equity | 46 | 48,003,894 | 38,700,374 | 20,649,521 | 49,608,934 | 42,115,245 | 28,555,118 |
| **Total equity attributable to owners of the Bank** | | **242,713,940** | **233,185,259** | **169,009,907** | **245,181,997** | **237,624,211** | **187,037,078** |
| **Non controlling interest** | 46 | 1,768,110 | 8,099,594 | 23,054,841 | - | - | |
| **Total equity** | | **244,482,050** | **241,284,853** | **192,064,748** | **245,181,997** | **237,624,211** | **187,037,078** |
| **Total liabilities and equity** | | **1,835,466,000** | **1,745,471,745** | **1,629,003,195** | **1,704,094,012** | **1,515,754,463** | **949,382,097** |

**Signed on behalf of the Board of Directors on 28 January 2014 by:**

**Group Managing Director**
**Herbert Wigwe**
**FRC/2013/ICAN/00000001998**

**Executive Director**
**Victor Etuokwu**
**FRC/2014/CIBN/00000006249**

Additionally certified by:

**Chief Financial Officer**
**Oluseyi Kumapayi**
**FRC/2013/ICAN/00000000911**

**Consolidated statement of changes in equity**

*In thousands of Naira*
**Group**

| | Attributable to owners of the Bank | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Share Scheme reserve | Treasury Shares | Capital Reserve | Fair value reserve | Contingency reserve | Foreign currency translation reserve | Retained earnings | Total | Non Controlling interest | Total Equity |
| **Balance at 1 January 2013** | **11,441,460** | **165,186,795** | **6,961,919** | **26,080,715** | **-** | **-** | **3,489,080** | **65,261** | **650,437** | **1,452,962** | **17,856,630** | **233,185,260** | **8,099,594** | **241,284,854** |
| **Total comprehensive income for the year:** | | | | | | | | | | | | | | |
| Profit for the year | | | | | | | | | | | 36,101,830 | **36,101,830** | 195,762 | 36,297,592 |
| **Other comprehensive income, net of tax** | | | | | | | | | | | | | | |
| Unrealised foreign currency translation difference | - | - | - | - | - | - | - | - | - | (7,248,271) | - | **(7,248,271)** | - | (7,248,271) |
| Realised foreign currency translation difference | | | | | | | | | | 979,824 | - | **979,824** | - | 979,824 |
| Actuarial gain/loss on remeasurement of retirement benefit | - | - | - | - | - | - | - | - | - | | (1,560,220) | **(1,560,220)** | - | (1,560,220) |
| Net changes in fair value of AFS financial instruments | - | - | - | - | - | - | - | 6,189,893 | - | - | - | **6,189,893** | - | 6,189,893 |
| Fair value changes on AFS financial instruments from associates | - | - | - | - | - | - | - | (17,215) | - | - | - | **(17,215)** | - | (17,215) |
| **Total other comprehensive income/ (loss)** | **-** | **-** | **-** | **-** | | **-** | **-** | **6,172,678** | **-** | **(6,268,447)** | **(1,560,220)** | **(1,655,989)** | **-** | **(1,655,989)** |
| **Total comprehensive income/ (loss)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6,172,678** | **-** | **(6,268,447)** | **34,541,610** | **34,445,841** | **195,762** | **34,641,603** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | | | | | | | | |
| Non-cash diistribution to shareholders | - | (4,150,584) | - | - | - | - | - | - | - | - | - | **(4,150,584)** | - | (4,150,584) |
| Transfers during the year | - | - | 6,112,829 | 4,284,694 | - | - | - | - | - | - | (10,397,523) | **-** | - | - |
| Scheme shares | - | - | - | - | 112,783 | (460,580) | - | - | - | - | - | **(347,797)** | - | (347,797) |
| Deemed disposal of subsidiary | - | - | - | - | - | - | - | - | - | - | (968,300) | **(968,300)** | 968,300 | - |
| Transfer from disposed subsidiaries | - | - | - | - | - | - | - | - | (650,437) | - | 650,437 | **-** | (7,495,546) | (7,495,546) |
| Dividend paid to equity holders | - | - | - | - | - | - | - | - | - | - | (19,450,480) | **(19,450,480)** | - | (19,450,480) |
| **Total contributions by and distributions to equity holders** | **-** | **(4,150,584)** | **6,112,829** | **4,284,694** | **112,783** | **(460,580)** | **-** | **-** | **(650,437)** | **-** | **(30,165,865)** | **(24,917,161)** | **(6,527,246)** | **(31,444,407)** |
| **Balance at 31 December 2013** | **11,441,460** | **161,036,211** | **13,074,748** | **30,365,409** | **112,783** | **(460,580)** | **3,489,080** | **6,237,939** | **-** | **(4,815,485)** | **22,232,375** | **242,713,941** | **1,768,110** | **244,482,050** |

**Consolidated Statement of Changes in Equity**
***For the year ended 31 December 2012***

*In thousands of Naira*
**Group**

| | Attributable to owners of the Bank | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Treasury Shares | Capital Reserve | Fair value reserve | Contingency reserve | Foreign currency translation reserve | Retained earnings | Total | Non controlling interest | Total Equity |
| **Balance at 1 January 2012** | **8,944,126** | **146,160,837** | **4,153,575** | **19,276,823** | **(5,048,872)** | **3,489,080** | **(1,872,471)** | **586,000** | **65,385** | **(6,744,577)** | **169,009,906** | **23,054,841** | **192,064,747** |
| **Total comprehensive income for the year:** | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 39,520,179 | **39,520,179** | (191,904) | 39,328,275 |
| **Other comprehensive income, net of tax** | | | | | | | | | | | | | |
| Actuarial gain/loss on remeasurement of retirement benefit | - | - | - | - | - | - | - | - | - | 538,032 | **538,032** | - | 538,032 |
| Foreign currency translation difference | - | - | - | - | - | - | - | - | 1,387,577 | - | **1,387,577** | - | 1,387,577 |
| Fair value changes on AFS financial instruments from associates | - | - | - | - | - | - | 133,484 | - | - | - | **133,484** | - | 133,484 |
| Net changes in fair value of AFS financial instruments | - | - | - | - | - | - | 1,904,176 | - | - | - | **1,904,176** | - | 1,904,176 |
| **Total other comprehensive (loss)/income** | **-** | **-** | **-** | **-** | **-** | **-** | **2,037,660** | **-** | **1,387,577** | **538,032** | **3,963,269** | **-** | **3,963,269** |
| **Total comprehensive (loss)/income** | **-** | **-** | **-** | | **-** | **-** | **2,037,660** | **-** | **1,387,577** | **40,058,211** | **43,483,448** | **(191,904)** | **43,291,544** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | | | | | | | |
| Transfers for the year | - | - | 2,808,344 | 6,957,029 | - | - | - | - | - | (9,765,373) | **-** | - | - |
| New issue of shares | 622,334 | 20,900,958 | - | - | - | - | - | - | - | - | **21,523,292** | (21,523,292) | - |
| Scheme shares to existing shareholders | 1,875,000 | (1,875,000) | - | - | - | - | - | - | - | - | **-** | - | - |
| Transfer to contingency reserve | - | - | - | - | - | - | - | 64,437 | - | (64,437) | **-** | - | - |
| Reclassification | - | - | - | - | - | - | - | - | - | - | **-** | - | - |
| Increase in non-controlling interest | - | - | - | - | - | - | - | - | - | - | **-** | 5,679,732 | 5,679,732 |
| Loss of control due to liquidation of subsidiaries | - | - | - | (153,137) | - | - | (99,928) | - | - | 8,330,533 | **8,077,468** | 1,080,217 | 9,157,685 |
| Disposal of own shares/consideration received | - | - | - | - | 5,048,872 | - | - | - | - | (1,369,187) | **3,679,685** | - | 3,679,685 |
| Dividend paid to equity holders | - | - | - | - | - | - | - | - | - | (12,588,539) | **(12,588,539)** | - | (12,588,539) |
| **Total contributions by and distributions to equity holders** | **2,497,334** | **19,025,958** | **2,808,344** | **6,803,892** | **5,048,872** | **-** | **(99,928)** | **64,437** | **-** | **(15,457,003)** | **20,691,906** | **(14,763,343)** | **5,928,563** |
| **Balance at 31 December 2012** | **11,441,460** | **165,186,795** | **6,961,919** | **26,080,715** | **(0)** | **3,489,080** | **65,261** | **650,437** | **1,452,962** | **17,856,630** | **233,185,260** | **8,099,594** | **241,284,854** |

**Access Bank Plc**

**Consolidated financial statement**
**For the year ended 31 December 2013**

**Statement of changes in equity**
*In thousands of Naira*
**Bank**

| | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Share Scheme reserve | Capital Reserve | Fair value reserve | Merger Reserve | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | **11,441,460** | **165,186,795** | **4,068,288** | **24,635,492** | **-** | **3,489,081** | **(132,303)** | **10,054,688** | **18,880,711** | **237,624,212** |
| **Total comprehensive income for the year:** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | 26,211,843 | **26,211,843** |
| **Other comprehensive income, net of tax** | | | | | | | | | | |
| Actuarial gain/loss on remeasurement of retirement benefit | - | - | - | - | - | - | - | - | (1,560,220) | **(1,560,220)** |
| Net changes in fair value of AFS financial instruments | - | - | - | - | - | - | 6,394,443 | - | - | **6,394,443** |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **6,394,443** | **-** | **(1,560,220)** | **4,834,224** |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **6,394,443** | **-** | **24,651,623** | **31,046,066** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | | | | |
| Non-cash distribution to shareholders | - | (4,150,584) | - | - | - | - | - | - | - | **(4,150,584)** |
| Transfers for the year | - | - | 7,109,374 | 3,931,776 | - | - | - | - | (11,041,150) | **-** |
| Transfer of merger reserve to retained earnings | - | - | - | - | - | - | - | (10,054,688) | 10,054,688 | **-** |
| Dividend paid to equity holders | - | - | - | - | - | - | - | - | (19,450,480) | **(19,450,480)** |
| Scheme shares | - | - | - | - | 112,783 | - | - | - | - | **112,783** |
| **Total contributions by and distributions to equity holders** | **-** | **(4,150,584)** | **7,109,374** | **3,931,776** | **112,783** | **-** | **-** | **(10,054,688)** | **(20,436,942)** | **(23,488,281)** |
| **Balance at 31 December 2013** | **11,441,460** | **161,036,211** | **11,177,662** | **28,567,268** | **112,783** | **3,489,081** | **6,262,140** | **-** | **23,095,392** | **245,181,997** |

**Consolidated Statement of Changes in Equity**
***For the year ended 31 December 2012***

*In thousands of Naira*
**Bank**

| | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Capital Reserve | Fair value reserve | Merger Reserve | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012** | **8,944,126** | **146,160,837** | **1,259,944** | **19,182,446** | **3,489,080** | **4,623,657** | **-** | **3,376,997** | **187,037,087** |
| **Total comprehensive income for the year:** | | | | | | | | | |
| Profit for the year | - | - | - | 5,453,046 | - | - | - | 30,362,565 | **35,815,611** |
| **Other comprehensive income, net of tax** | | | | | | | | | |
| Actuarial gain/loss on remeasurement of retirement benefit | - | - | - | - | - | - | - | 538,032 | **538,032** |
| Net changes in fair value of AFS financial instruments | - | - | - | - | - | (4,755,960) | - | - | **(4,755,960)** |
| **Total other comprehensive (loss)/income** | **-** | **-** | **-** | **-** | **-** | **(4,755,960)** | **-** | **538,032** | **(4,217,928)** |
| **Total comprehensive (loss)/income** | **-** | **-** | **-** | **5,453,046** | **-** | **(4,755,960)** | **-** | **30,900,597** | **31,597,683** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | | | |
| Business combination | - | - | - | - | - | - | 10,054,688 | - | **10,054,688** |
| Transfers during the year | - | - | 2,808,344 | - | - | - | - | (2,808,344) | **-** |
| New issue of shares | 622,334 | 20,900,958 | - | - | - | - | - | - | **21,523,292** |
| Scheme shares to existing shareholders | 1,875,000 | (1,875,000) | - | - | - | - | - | - | **-** |
| Acquisition/disposal of own shares | - | - | - | - | - | - | - | - | **-** |
| Dividend paid to equity holders | - | - | - | - | - | - | - | (12,588,539) | **(12,588,539)** |
| **Total contributions by and distributions to equity holders** | **2,497,334** | **19,025,958** | **2,808,344** | **-** | **-** | **-** | **10,054,688** | **(15,396,883)** | **18,989,441** |
| **Balance at 31 December 2012** | **11,441,460** | **165,186,795** | **4,068,288** | **24,635,492** | **3,489,080** | **(132,303)** | **10,054,688** | **18,880,711** | **237,624,211** |

**Consolidated statement of cash flows**
*For the year ended 31 December 2013*

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the year | 43,796,352 | 41,023,618 | 31,365,395 | 36,259,530 |
| *Adjustments for:* | | | | |
| Depreciation of property and equipment | 7,486,600 | 10,192,675 | 6,702,482 | 8,690,580 |
| Amortization of intangible assets | 1,227,944 | 1,335,149 | 1,077,726 | 987,718 |
| Gain on disposal of property and equipment | (2,134,945) | (59,197) | (2,135,015) | (32,808) |
| Profit on disposal of trading properties | - | (18,843) | - | - |
| Profit on disposal of investment properties | (12,000) | - | (12,000) | - |
| Loss on disposal of investment securities | 152,619 | (256,215) | (565,506) | (256,215) |
| Fair value gain on investment properties | (4,850,286) | - | (4,850,286) | - |
| Impairment on financial assets | (6,163,545) | 10,790,651 | (6,685,033) | 11,616,078 |
| Additional gratuity provision | 801,168 | 1,920,678 | 801,168 | 1,920,678 |
| Contribution to defined contribution plans | 428,233 | 574,428 | 427,403 | 366,603 |
| Loss on disposal of subsidiaries | 732,082 | - | 2,966,951 | - |
| Write back of contigent provision | (3,548,250) | - | (3,548,250) | - |
| Equity share-based payment expense | 112,783 | - | 112,783 | - |
| Profit on disposal of equity investment | - | (1,190,000) | - | (1,190,000) |
| Property and equipment written off | 460,877 | 550,571 | - | 236,668 |
| Share of profit of equity accounted investee | (1,369,778) | (544,569) | - | - |
| Net interest income | (77,723,641) | (95,866,920) | (66,685,119) | (84,996,482) |
| Profit on disposal of associates | (23,734) | (450,000) | (68,624) | (450,008) |
| Loss on disposal of AMCON bonds investments | 849,362 | 7,417,651 | 849,362 | 7,417,651 |
| Dividend income | (3,161,572) | (1,684,579) | (3,257,632) | (1,643,081) |
| | (42,939,731) | (26,264,902) | (43,504,195) | (21,073,088) |
| **Increase/(decrease) in operating assets:** | | | | |
| Change in non-pledged trading assets | 24,509,283 | (19,091,136) | 401,203 | 1,685,723 |
| Change in pledged assets | (2,459,995) | 5,241,288 | (2,397,967) | 5,241,290 |
| Change in restricted deposit with CBN | (64,119,022) | (32,708,461) | (64,111,310) | (74,442,033) |
| Change in loans and advances to banks and customers | (202,226,428) | (48,108,093) | (188,724,917) | (45,670,356) |
| Change in insurance receivables | (254,921) | (180,326) | - | - |
| Changes in trading properties | - | 1,301,815 | - | - |
| Change in other assets | 44,026,433 | (43,613,368) | 31,826,811 | (1,107,636) |
| Change in deposits from banks | (24,402,736) | (38,350,750) | 44,982,836 | (121,083,609) |
| Change in derivative financial instruments-assets | | | | |
| Change in derivative financial instruments-liabilities | (73,734) | 76,414 | (72,675) | - |
| Change in deposits from customers | 126,657,173 | 109,983,219 | 124,442,847 | 107,639,255 |
| Change in claims payable | (118,226) | (331,774) | - | - |
| Change in liabilities on investment contracts | (65,591) | 4,591 | - | - |
| Change in liabilities on insurance contracts | 1,578,125 | 648,234 | - | - |
| Change in other liabilities | 1,849,314 | (75,706,621) | 1,846,395 | (68,059,302) |
| Changes in retirement benefit obligation | (4,012,855) | (574,428) | (4,012,855) | (366,603) |
| Interest paid on deposits and borrowings | (59,852,128) | (55,073,269) | (57,118,876) | (43,856,101) |
| Interest received on loans and advances | 95,479,688 | 100,091,117 | 84,871,814 | 89,437,481 |
| | (106,425,352) | (122,656,450) | (71,570,888) | (171,654,979) |
| Income tax paid | (10,850,841) | (7,652,116) | (8,936,331) | (4,849,638) |
| **Net cash used in operating activities** | (117,276,193) | (130,308,566) | (80,507,218) | (176,504,617) |
| **Cash flows from investing activities** | | | | |
| Cash payments to acquire investment securities | (184,591,071) | (12,330,894) | (124,550,520) | (8,849,112) |
| Interest received on investment securities | 55,041,060 | 46,819,601 | 41,918,885 | 33,535,108 |
| Dividend received | 3,161,572 | 1,684,579 | 3,257,632 | 1,643,081 |
| Acquisition of property and equipment | (14,768,856) | (12,068,916) | (13,596,707) | (10,482,823) |
| Proceeds from the sale of property and equipment | 4,746,630 | 1,006,357 | 3,464,445 | 246,996 |
| Acquisition of intangible assets | (1,555,181) | (1,971,261) | (1,399,769) | (1,422,816) |
| Acquisition of investment properties | (585,261) | (1,799,293) | - | - |
| Proceeds from disposal of investment properties | 120,000 | 2,297,956 | 120,000 | 54,690 |
| Proceeds from matured investment securities | 86,241,142 | 44,820,429 | 79,777,294 | 20,158,641 |
| Proceeds from sale of subsidiary and asociates | 6,762,269 | - | 6,762,269 | - |
| Acquisition of subsidiaries | - | - | (6,931,299) | - |
| Cash acquired from subsidiary | - | - | - | 81,984,000 |
| Proceeds from sale of equity investments | - | 1,200,000 | - | 1,200,000 |
| Proceeds from sale of investment securities | 193,608,111 | 88,050,442 | 171,354,325 | 67,891,801 |
| Cash lost on loss of control of subsidiaries | (24,974,504) | (536,675) | - | - |
| **Net cash generated from investing activities** | 123,205,910 | **157,172,325** | **160,176,555** | **185,959,566** |
| **Cash flows from financing activities** | | | | |
| Interest paid on interest bearing loans and borrowings | (4,586,103) | (4,095,028) | (4,586,103) | (394,451) |
| Proceeds from new interest bearing borrowings | 26,756,853 | 14,677,378 | 25,739,309 | 69,363,269 |
| Repayment of interest bearing borrowings | (9,309,994) | (12,224,357) | (9,421,714) | (12,473,833) |
| Purchase of own shares | (460,580) | - | - | - |
| Dividends paid to owners | (19,450,480) | (12,588,539) | (19,450,480) | (12,588,539) |
| Debt securities issued | - | 54,685,891 | - | - |
| **Net cash provided (used in)/by financing activities** | (7,050,304) | **40,455,345** | **(7,718,988)** | **43,906,446** |
| **Net (decrease)/increase in cash and cash equivalents** | (1,120,586) | 67,319,104 | 71,950,348 | 53,361,395 |
| Cash and cash equivalents at beginning of year | 271,573,393 | 191,518,474 | 151,617,359 | 98,255,964 |
| Cash and cash equivalents of assets held for sale | - | 13,122,271 | - | - |
| Effect of exchange rate fluctuations on cash held | (3,696,066) | (386,456) | - | - |
| Cash and cash equivalents at end of year | 266,756,741 | 271,573,393 | 223,567,707 | 151,617,359 |
| **Net (decrease)/increase in cash and cash equivalents** | (1,120,586) | 67,319,104 | 71,950,348 | 53,361,395 |

## 1.0 General information

Access Bank Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Plot 999c, Danmole Street, off Adeola Odeku/Idejo Street, Victoria Island, Lagos (formerly Plot 1665, Oyin Jolayemi, Victoria Island, Lagos). The consolidated financial statements of the Bank for the year ended 31 December 2013 comprise the Bank and its subsidiaries (together referred to as "the Group" and separately referred to as "Group entities"). The Group is primarily involved in investment, corporate, commercial and retail banking and is listed on the Nigerian Stock Exchange.

These financial statements were authorised for issue by the Board of Directors on 28th January 2014

## 2.0 Statement of compliance with International Financial Reporting Standards

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

## 3.0 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (see note 3.5)

## 3.1 Basis of preparation

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

### (a) Functional and presentation currency

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

### (b) Basis of measurement

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

- derivative financial instruments are measured at fair value.
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- investment property is measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation and related current service cost
- non-current assets held for sale measured at fair value less costs to sell
- share based payment at fair value or an approximation of fair value allowed by the relevant standard.
- insurance liabilities measured at present value of future cashflows

### (c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate financial statements are described in note 4.

## 3.2 Changes in accounting policy and disclosures

### (i) New and amended standards adopted by the group

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

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

*Disclosures- Offsetting Financial Assets and Financial Liabilities* (amendments to IFRS 7) introduces disclosures about the impact of right of offsets and related arrangements for financial instruments under a master netting or similar arrangements. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are applied restrospectively, the Group has offsetting arrangements in place as at December 2013 disclosed in Note 5.1.5. The application of the amendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

**(b) New and revised standards - IFRS 10 - Consolidated Financial Statement, IFRS 11 - Joint arrangements, IAS 27 - Separate financial statement, IAS 28 - Investment in Associates and IFRS 12 - Disclosures of Interest in Other Entities**

Early adoption of IFRS 10, 11 and 12 is permitted but is required to take place simultaneously. Only IFRS 12 can be early adopted without IFRS 10 and 11. None of these standards were early adopted by the Group.

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

***(i) IFRS 10 Consolidated Financial Statements***

IFRS 10 replaces all of the consolidation guidance of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new standard changes the definition of control such that it can only be present when there is (i) power, (ii) exposure to variability in returns and (iii) ability to use the power to affect returns. Consolidation will only be required when all the three criteria are met. IFRS 10 is effective for annual periods beginning on or after 1 January 2013. The amendments have been applied retrospectively, the Group does not have any entity which would result to a loss of controls or an existence of a control relationship based on the requirement of the new standard. The application of the amendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

***(ii) IFRS 11 Joint Arrangements***

IFRS 11 overhauls the accounting for joint ventures and replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities - Non Monetary Contributions by Venturers. It uses the principles of control in IFRS 10 in defining joint control and whether joint control exists may change. Under IFRS 11, there are only two types of joint arrangements (i) Joint operations (ii) Joint ventures. The new standard does not allow proportional consolidation of joint ventures and the equity method must be applied. IFRS 11 is effective in annual periods beginning on or after 1 January 2013. The amendments have been applied retrospectively, the Group does not have any joint arrangement relationship. The application of the amendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

***(iii) IFRS 12 Disclosure of Interests in Other Entities***

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associated entities, structured entities and other balance sheet vehicles. Changes include the requirement to disclose the judgements made to determine whether it controls another entity and other more extensive disclosures in the consolidated financial statements. IFRS 12 is effective in annual periods beginning on or after 1 January 2013. The application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (See note 27, 28 and 50 for details) .

***(iv) IAS 27 (revised 2011) – Separate financial statements***

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The financial statement includes information relating to the stand alone parent and all relevant disclosures included.

***(v) AS 28 (revised 2011) – Associates and joint ventures***

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The revision hs no impact on the Bank.

***(c) IFRS 13 Fair Value Measurement***

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

IFRS 13 requires prospective application from 1 January 2013, specific transition provision was also granted to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the application of this standard. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. In accordance with the transition provisions, the Group has not made any new disclosures required for comparative periods, see note 4 for 2013 disclosures.

***(d) IAS 1 Presentation of Financial Statements***

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

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

***(e) IAS 19 Employee benefits***

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

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

The amended IAS 19 is effective for periods beginning on or after 1 January 2013. The amendments have been applied restrospectively, therefore actuarial gains or losses previously recognised in income staement tshould be reclassed to other comprehensive income. The application of the amendments will impact the Group's previous treatment of recognising actuarial gains and losses in income statement.

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

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

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

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

| **IFRS** | **Effective Date** | **Subject of amendment** |
|---|---|---|
| Amendments to IFRS 1, 'First time adoption of IFRS' | 1 January 2013 | The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances and that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. Lastly the amendments clarifies that a first-time adopter should provide the supporting notes for all statements presented. |
| Amendment to IAS 32, 'Financial instruments: Presentation' | 1 January 2013 | The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity. |
| Amendment to IAS 1, 'Presentation of financial statements' | 1 January 2013 | The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily. |
| Amendment to IAS 16, 'Property, plant and equipment' | 1 January 2013 | The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. |
| Amendment to IAS 34, 'Interim financial reporting' | 1 January 2013 | The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements. |
| IFRIC 20 - Stripping costs in the production phase of a surface mine | 1 January 2013 | In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. |

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

As at 31 December 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statement of the group, except the following set out below.

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

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

The IFRS 9 (2009) requirements represents a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity, available-for-sale and loans and receivables.* For an investment in equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividend on such investments are recognized in the income statement, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investments. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in the income statement.

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

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

**Amendments to IAS 36 - Impairment of assets (effective 1 January 2014)**

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

## 3.3 Basis of consolidation

### (i) Subsidiaries

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

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

The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed. The existence and effect of potential voting rights are considered when assessing whether the group controls another entity.
The group assesses existence of control where it does not have more than 50% of the voting power i.e when it holds less than a majority of the voting rights of an investee. An investor considers all relevant facts and circumstances in assessing whether or not it's voting rights are sufficient to give it power, including:

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

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

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

**(ii) Business combinations**

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

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

The Group measures goodwill at the acquisition date as the total of:
- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in statement of comprehensive income,after a re-assessment to ensure correctness.

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

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

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

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

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

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

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

### (vi) Loss of control

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

### (iv) Disposal of subsidaries

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

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

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

### (vi) Associates

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

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

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

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

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.
Investments in associates are measured at cost less impairment in the separate financial statement.

### (viii) Transactions eliminated on consolidation

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

### 3.4 Segment reporting

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

### 3.5 Foreign currency translation

#### (i) Functional and presentation currency

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

The Group in the normal course of business sets up Structured Entiries (SEs) for the sole purpose of raising finance in foreign jurisdictions. The SEs raises finance in the currency of their jurisdictions and passes the proceeds to the group entity that set them up. All costs and interest on the borrowing are borne by the sponsoring group entity. These SEs are deemed to be extensions of the sponsoring entity, and hence, their functional currency is the same as that of the sponsoring entity.

#### (ii) Transactions and balances

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

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

#### (iii) Group companies

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

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

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

(c) all resulting exchange differences are recognised in other comprehensiveincome.

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

## 3.6 Operating income

### (i) Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.

- interest on available-for-sale investment securities calculated on an effective interest basis

### (ii) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

### (iii) Net gains/losses on financial instuments classified Held for Trading

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

### (iv) Foreign exchange income

Foreign exchange income includes foreign exchange gains on revaluation and unrealised foreign exchange gains on revaluation.

### (v) Dividends

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

## 3.7 Lease payments

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

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

## 3.8 Income tax expense

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

### (i) Current tax

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

### (ii) Deferred tax

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

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

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

## 3.9 Financial assets and liabilities

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

The table below reconciles classification of financial instruments to the respective IAS 34/39 category.

| | **Category (as defined by IAS 39)** | **Class (as determined by the Group)** | **Sub classes** |
|---|---|---|---|
| Financial assets | Financial assets at fair value through profit or loss | Non pledged trading assets | Equity securities |
| | | | Debt securities |
| | Loans and receivables | Cash and balances with banks | Cash on hand and balances with banks |
| | | | Unrestricted balances with central banks |
| | | | Restricted balances with central banks |
| | | | Money market placements and other cash equivalents |
| | | Loans and advances to banks | Loans and advances to banks |
| | | Loans and advances to customers | Loans to individuals |
| | | | Loans to corporate entities and other organisations |
| | | Other assets | Receivables |
| | Held to maturity | Investment securities - debt securities | Listed |
| | | Pledged assets | Listed |
| | Available for sale financial assets | Investment securities - debt securities | Listed |
| | | | Unlisted |
| | | Investment securities - equity securities | Listed |
| | | | Unlisted |

| | Category (as defined by IAS 39) | Class (as determined by the Group) | Sub classes |
|---|---|---|---|
| Financial liabilities | Financial liabilities at fair value through profit or loss | Derivatives | |
| | Financial liabilities at amortised cost | Deposits from banks | |
| | | Deposits from customers | Demand deposits |
| | | | Savings deposits |
| | | | Term deposits |
| | | Interest bearing loans and borrowings | |
| | | Retirement benefit obligations | Liability for defined benefit and defined contribution |
| | | Other liabilities | |

The purchases and sales of financial assets are accounted for in the Group's books at settlement date.

**(a) Classification, recognition and measurement**

**- Financial assets**

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

**(i) Financial assets at fair value through profit or loss**

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

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

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

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

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

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

### (ii) Loans and receivables

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

Finance lease receivables are reported within loans and receivables where the Group is the lessor in a lease agreement. Such lease agreement transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee. The loans and receivables equal to the net investment in the lease is recognised and presented within loans and advances.

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

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the consolidated income statement and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement under "net impairment loss on financial assets"

### (iii) Held-to-maturity

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

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

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

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

### (iv) Available-for-sale

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

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

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 the income statement as a reclassification adjustment.

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

Availabe for sale instruments include investment seccurities.

### - Financial liabilities

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

### (v) Financial liabilities at amortised cost

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

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

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

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

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

### (vi) Financial liabilities at fair value

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in Note 24 to the financial statements.
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.
Derivative assets and liabilities are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle on a net basis.

### (b) De-recognition

**- Financial assets**

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

The Group enters into transactions whereby it transfers assets recognised on its financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

### (c ) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant
IFRS7IG27 and whose terms have been renegotiated are no longer considered to be past due but are
treated as new loans. In subsequent years, the asset is considered to be past due and
disclosed only if renegotiated again.

**- Financial liabilities**

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

### Classification of Financial Assets and Liabilities
### (d) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity. See note 5.1.5

### (e ) 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.

### (f) Measurement

### (i) Amortised cost measurement

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

### (ii) Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.
Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

### (g) Identification and measurement of impairment

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

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

### (i) Loans and receiveables

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

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the income statement 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.

### (ii) Available for sale securities

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the income statement as a reclassification adjustment.

For debt securities, the group uses the criteria referred to in (i) above to assess impairment.If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.  For equity, a prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through the income statement; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Group writes off previously impaired  loans and advances (and investment securities) when they are determined not to be recoverable. The Group writes off loans or investment debt securities that are impaired (either partially or in full and any related allowance for impairment losses) when the Group credit team determines that there is no realistic prospect of recovery.

### (g) Cash and balances with banks

Cash and balances with banks include notes and coins on hand, 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.

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, unrestricted balances with foreign and central banks, money market placements and other short-term highly liquid investments with original maturities of three months or less.

### (h) Repossessed collateral

Repossessed collateral are equities, investment properties or other investments repossesed from a customer and used to settle his outstanding obligation. Such investments are classified in accordance with the intention of the Group in the asset class which they belong and are also seperately disclosed in the financial statement.

### (i) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for swaps and currency transactions), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group mitigates the credit risk of derivatives by holding collateral in the form of cash.

### (j) Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### k) Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial assets held for trading or investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.

Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated as held for trading, available for sale or held to maturity. Where the assets pledged as collateral are designated as held for trading, subsequent measurement is at fair value through profit and loss, whilst assets pledged as collateral designated as available for sale are measured at fair-value through equity. Assets pledged as collateral designated as held to maturity are measured at amortized cost.

## 3.10 Trading properties

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

The gains and losses arising from sale of traded properties are reported as part of “Other operating income”. Write-downs in the carrying amount of traded properties are also recognised in “Operating expenses".

### 3.11 Investment properties

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Group. An occupation of more than 15% of the property is considered substantial. Investment properties is measured initially at cost including transaction cost and subsequently carried in the statement of financial position at their market value and revalued yearly on a systematic basis. Investment properties are not subject to periodic charge for depreciation. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period which it arises as: "Fair value gain on investment property"

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in income statement inside operating income.

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

### 3.12 Property and equipment

#### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

#### (ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The costs of the day-to-day repairs and maintenance of property and equipment are recognised in Income statement as incurred.

#### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

| | |
|---|---|
| Leasehold Land and Building | Over the shorter of the useful life of the item or lease term |
| Leasehold improvements | Over the shorter of the useful life of the item or lease term |
| Buildings | 50 - 60 years |
| Computer hardware | 3 - 4.5 years |
| Furniture and fittings | 3 - 6 years |
| Motor vehicles | 4 years |

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

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

**(iv) De-recognition**

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

## 3.13 Intangible assets

**(i) Goodwill**

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

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

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

**(ii) Software**

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

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

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software is between three and five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### 3.14 Leases

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

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

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

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

### 3.15 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

### 3.16 Discontinued operations

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

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

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

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

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

### 3.17 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expenses.

#### (i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

### 3.18 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

## 3.19 Employee benefits

### (i) Defined contribution plans

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

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

### (ii) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### (v) Long-term Incentive Plan

The Bank has a non-contributory, un-funded lump sum defined benefit plan for top executive management of the Bank from General Manager and above based on the number of years spent in these positions.

Depending on their grade, executive staff of the Bank upon retirement are entitled to certain benefits based on their length of stay on that grade. The Bank's net obligation in respect of the long term incentive scheme is calculated by estimating the amount of future benefits that eligible employees have earned in return for service in the current and prior periods. That benefit is discounted to determine its present value. The rate used to discount the post employment benefit obligation is determined by reference to the yield on Nigerian Government Bonds, that have maturity dates approximating the terms of the Bank's obligations.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement. The Bank recognized all actuarial gains or losses and all expenses arising from defined benefit plan immediately in the income statement. However during the year, IAS 19 became effective and all actuarial gains or losses are recognised in other comprehensive income during the period under review.

### (iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (iv) Share-based payment remuneration scheme

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in the income statement. Liability under this scheme was settled in 2012.

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

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

## 3.20 Insurance contracts and investment contracts

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

### (i) Insurance contracts

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

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

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

***Individual Life***

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

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

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

***Group Life***

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

***Outstanding claims provision***

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

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

## 3.21 Share capital and reserves

### (i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

### (ii) Dividend on the Bank's ordinary shares

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

### (iii) Treasury shares

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

### (iv) Earnings per share

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

## 4 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5). Estimates where management has applied judgements are:

(i) Allowances for credit losses
(ii)Valuation of financial instruments
(iii) Determination of fair value of investment property
(iv) Determination of impairment of property and equipment, and intangible assets excluding goodwill
(v) Assessment of impairment of goodwill on acquired subsidiaries
(vi) Defined benefit plan

**Changes in accounting estimates**

i) Review of useful life of certain classes of Furniture& Fittings and Computer Hardware.
Estimates of useful life and residual value, and the method of depreciation, are reveiwed as a minimum at the end of each reporting period. Any changes are accounted for prospectively as a change in estimate.

During the year, the estimated useful life of certain classes of assets i.e furniture & fittings and computer hardware were revised to better reflect the consumption pattern of the assets. The following table summarises the adjustments made to the statement of financial position on implementation of the change in accounting estimates.

The effects on the statement of financial position were as follows:

**For the year ended 31 December 2013**

| *In thousands of Naira* | **Group Dec-13** | **Bank Dec-13** |
|---|---|---|
| Net carrying amount of Property plant & Equipment | 66,128,473 | 62,088,413 |
| Impact of change in accounting estimate | 1,114,832 | 1,114,832 |
| Adjusted net carrying amount of Property plant & Equipment | **67,243,305** | **63,203,245** |

The effects on the statement of comprehensive income were as follows:

**For the year ended 31 December 2013**

| In thousands of Naira | **Group Dec-13** | **Bank Dec-13** |
|---|---|---|
| Decrease in depreciation | (1,114,832) | (1,114,832) |
| Increase in profit for the year | 1,114,832 | 1,114,832 |

**Key sources of estimation uncertainty**

***(i) Allowances for credit losses***

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

The Bank reviews its loan portfolios to assess impairment at least on a half yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

The Bank makes use of estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A collective component of the total allowance is established for:

Collective allowance for group of assets that are individually significant but that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar credit characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Had there been no expected cashflows from all the significant impaired loans, there would have been an additional impairment of N11.862billion in the financial statements relating to this. In addition, if the PDs and LGDs were increased by 2%, there would have been an additional impairment charge of N233Mn and if the PDs and LGDs decreased by 2%, there would have been a write back of impairment of N228Mn.

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

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

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

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

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

b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.
The Bank has complied with the requirements of the guidelines as follows:

| **Statement of prudential adjustments**<br>*In thousands of Naira* | Note | **December 2013** | **December 2012** |
|---|---|---|---|
| **Loans & advances:** | | | |
| Specific impairment allowances on loans to customers | | | |
| - Loans to Individuals | 25(b) | 289,574 | 4,224,972 |
| - Loans to Corporate | 25(b) | 6,522,938 | 15,618,666 |
| Specific impairment allowances on loans to banks | 24 | - | 96,755 |
| Collective impairment allowances on loans to customers | | | |
| - Loans to Individuals | 25(b) | 383,897 | 208,818 |
| - Loans to Corporates | 25(b) | 6,043,683 | 13,139,625 |
| Collective impairment allowances on loans to banks | 24 | 9,337 | 12,599 |
| Total impairment allowances on loans | | 13,249,429 | 33,301,435 |
| **Total regulatory impairment based on prudential gudielines** | | 24,427,091 | 37,369,723 |
| **Balance, beginning of the year** | | 4,068,288 | 1,259,944 |
| **Additional transfers to regulatory risk reserve** | | 7,109,374 | 2,808,344 |
| **Balance, end of the year** | | **11,177,662** | **4,068,288** |

### *4.1 Valuation of financial instruments*
The Group's accounting policy on fair value measurements is discussed under note 3.10

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: Valuation techniques based on observable inputs either directly- i.e. as prices or indirectly- i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes investment securities.

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

### 4.1.1 Recurring fair value measurements

| *In thousands of Naira* | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Group** | | | | | |
| December 2013 | | | | | |
| **Assets** | | | | | |
| Non pledged trading assets | 21 | 3,877,969 | - | - | 3,877,969 |
| Pledged assets | 22 | 63,409,851 | - | - | 63,409,851 |
| Derivative financial instrument | 23 | - | 102,123 | - | 102,123 |
| Investment securities | 27 | 159,280,820 | 39,231,799 | - | 198,512,619 |
| Investment properties | 30 | - | 23,974,789 | - | 23,974,789 |
| | | 226,568,640 | 63,308,711 | - | 289,877,351 |
| **Liabilities** | | | | | |
| Derivative financial instrument | 23 | - | 32,955 | - | 32,955 |
| | | - | 32,955 | - | 32,955 |

| *In thousands of Naira* | | | | | |
|---|---|---|---|---|---|
| **Group** | | | | | |
| December 2012 | | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | |
| Non pledged trading assets | 21 | 330,818 | 27,575,985 | - | 27,906,803 |
| Pledged assets | 22 | - | 6,560,147 | - | 6,560,147 |
| Derivative financial instrument | 23 | - | 30,949 | - | 30,949 |
| Investment securities | 27 | 32,501,959 | 24,238,652 | - | 56,740,611 |
| Investment properties | 30 | - | 14,360,567 | - | 14,360,567 |
| | | 32,832,777 | 72,766,300 | - | 105,599,077 |
| **Liabilities** | | | | | |
| Derivative financial instrument | 23 | - | 35,515 | - | 35,515 |
| | | - | 35,515 | - | 35,515 |

| **Bank** | Note | | | | |
|---|---|---|---|---|---|
| December 2013 | | | | | |
| **Recurring fair value measurements** | | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | |
| Non pledged trading assets | 21 | 3,877,969 | - | - | 3,877,969 |
| Pledged assets | 22 | 63,347,823 | - | - | 63,347,823 |
| Investment securities | 27 | 137,963,638 | 39,231,799 | - | 177,195,437 |
| Investment properties | 30 | - | 23,974,789 | - | 23,974,789 |
| Derivative financial instrument | 23 | - | 72,675 | - | 72,675 |
| | | 205,189,430 | 63,279,263 | - | 268,468,693 |

| **Bank** | | | | | |
|---|---|---|---|---|---|
| December 2012 | | | | | |
| **Assets** | | | | | |
| Non pledged trading assets | 21 | 173,725 | 3,595,535 | - | 3,769,260 |
| Pledged assets | 22 | - | 6,560,147 | - | 6,560,147 |
| Investment securities | 27 | 32,501,959 | 21,071,487 | - | 53,573,446 |
| Investment properties | 30 | - | 14,072,673 | - | 14,072,673 |
| | | 32,675,684 | 45,299,842 | - | 77,975,526 |

There were no transfers between levels 1 and 2 during the year.

### 4.1.2 Financial instruments not measured at fair value

**Group**

| December 2013 | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with banks | 20 | - | 438,997,781 | - | 438,997,781 |
| Loans and advances to banks | 24 | - | 24,579,875 | - | 24,579,875 |
| Loans and advances to customers - Individual | 25 | - | - | 13,975,466 | 13,975,466 |
| Loans and advances to customers - Corporate | 25 | - | 772,194,238 | - | 772,194,238 |
| Held to maturity investment securities | 27 | 156,076,617 | 66,509,933 | - | 222,586,550 |
| Other assets | 29 | - | 43,174,648 | - | 43,174,648 |
| | | 156,076,617 | 1,345,456,475 | 13,975,466 | 1,515,508,558 |
| **Liabilities** | | | | | |
| Deposits from financial institutions | 36 | - | 72,147,955 | - | 72,147,955 |
| Deposits from customers | 37 | - | 1,331,418,659 | - | 1,331,418,659 |
| Debt securities issued | 42 | - | 55,828,248 | - | 55,828,248 |
| Interest-bearing loans and borrowings | 43 | - | 64,338,982 | - | 64,338,982 |
| | | - | 1,523,733,844 | - | 1,523,733,844 |

**Bank**

| December 2013 | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| cash and balances with banks | 20 | - | 395,808,747 | - | 395,808,747 |
| Loans and advances to banks | 24 | - | 13,048,651 | - | 13,048,651 |
| Loans and advances to customers - Individual | 25 | - | - | 11,612,196 | 11,612,196 |
| Loans and advances to customers - Corporate | 25 | - | 723,688,545 | - | 723,688,545 |
| Held to maturity investment securities | 27 | 135,514,671 | 63,587,485 | - | 199,102,156 |
| Other Assets | 29 | - | 36,436,496 | - | 36,436,496 |
| | | 135,514,671 | 1,232,569,924 | 11,612,196 | 1,379,696,791 |
| **Liabilities** | | | | | |
| Deposits from financial institutions | 36 | - | 61,295,352 | - | 61,295,352 |
| Deposits from customers | 37 | - | 1,217,176,793 | - | 1,217,176,793 |
| Interest-bearing loans and borrowings | 43 | - | 120,342,026 | - | 120,342,026 |
| | | - | 1,398,814,171 | - | 1,398,814,171 |

There were no transfers between levels 1 and 2 during the year.

**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.
A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily government bonds, corporate bonds, treasury bills and equity investments classified as trading securities or available for sale investments.

**(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:
(i) Quoted market prices or dealer quotes for similar instruments;
(ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**(c) Financial instruments in level 3**

The Group uses widely recognised valuation models for determining the fair value of its financial assets. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain Investment securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

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

**4.2** ***Determination of fair value of financial instruments.***

Investments in unquoted equity securities have been classified as equity securities with readily determinable fair values as available for sale financial instrument in line with the accounting policies as set out in note 3.10 of the statement of significant accounting policies. Varying valuation techniques in determining the fair value are as follows:

**(ii)** **Determination of fair value of financial instruments.**

***Valuation techniques used to derive Level 2 fair values***

Level 2 fair values of investments have been generally derived using the adjusted fair value comparison approach. Quoted *price per earning* or *price per book value* ratios of comparable entities in a similar industry were obtained and adjusted for key factors to reflect estimated ratios of the investment being valued.
Adjusting factors used are the *Illiquidity Discount* which assumes a reduced earning on a private entity in comparison to a publicly quoted entity and the *Haircut adjustment* which assumes a reduced earning for an entity located in Nigeria contributed by lower transaction levels in comparison to an entity in a developed or emerging market.

| Description | Level | Valuation technique | Fair value at 31 December 2013 (N' 000) |
|---|---|---|---|
| MTN Nigeria | Level 2 | Share price on last transaction | 8,468,523 |
| Nigeria Interbank Settlement System (NIBSS) | Level 2 | Adjusted fair value comparison approach | 403,226 |
| Central Securities Clearing System Limited (CSCS) | Level 2 | Adjusted fair value comparison approach | 2,350,030 |
| IBTC Pension Managers | Level 2 | Adjusted fair value comparison approach | 2,345,888 |
| Unified Payment Services Limited | Level 2 | Adjusted fair value comparison approach | 788,387 |
| Africa Finance Corporation | Level 2 | Adjusted fair value comparison approach | 24,206,487 |

**(iii)** ***Determination of fair value of investment property***
Management employed the services of estate surveyors and valuers expert to value its investment properties. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighborhood properties were also considered in deriving the open market values. A variation of -/+5% will result in N0.242Bn fair value loss/gain respectively.

**(iv)** ***Determination of impairment of property and equipment, and intangible assets excluding goodwill***

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

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

***(vi)*** ***Defined benefit plan***

The present value of the long term incentive plan depends on a number of factors that are determined in an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Group determines the appropriate discount rate at the end of the reporting period. In determining the appropriate discount rate, reference is made to the yield on Nigerian Government Bonds that have maturity dates approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. See note 41 for the sensitivity analysis.

**Fair value measurement**

## 4.3 Financial assets and liabilities

Accounting classification measurement basis and fair values

**The table below sets out the classification of each class of financial assets and liabilities, and their fair values.**

| **Group**<br>*In thousands of Naira*<br>**31 December 2013** | ***Note*** | **Trading** | **Derivatives held for trading** | **Held-to-maturity** | **Loans and receivables at amortized cost** | **Available-for-sale** | **Financial Liabilities measured at amortized cost** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | - | - | - | 439,459,541 | - | - | 439,459,541 | 439,459,541 |
| Non pledged trading assets | 21 | 3,877,969 | - | - | - | - | - | 3,877,969 | 3,877,969 |
| Pledged assets | 22 | - | - | 58,635,348 | - | 4,774,503 | - | 63,409,851 | 42,391,995 |
| Derivative financial instruments | 23 | - | 102,123 | - | - | - | - | 102,123 | 102,123 |
| Loans and advances to banks | 24 | - | - | - | 24,579,875 | - | - | 24,579,875 | 24,300,412 |
| Loans and advances to customers | 25 | - | - | - | 786,169,704 | - | - | 786,169,704 | 785,207,118 |
| Investment securities | 27 | - | - | 163,951,202 | - | 189,860,147 | - | 353,811,349 | 338,300,138 |
| Other assets | 29 | - | - | - | 43,174,648 | - | - | 43,174,648 | 43,174,648 |
| | | **3,877,969** | **102,123** | **222,586,550** | **1,293,383,768** | **194,634,650** | **-** | **1,714,585,060** | **1,676,813,944** |
| Deposits from financial institutions | 36 | - | - | - | - | - | 72,147,955 | 72,147,955 | 72,147,955 |
| Deposits from customers | 37 | - | - | - | - | - | 1,331,418,659 | 1,331,418,659 | 1,331,418,659 |
| Other liabilities | 39 | - | - | - | - | - | 54,043,974 | 54,043,974 | 54,043,974 |
| Derivative financial instruments | 23 | - | 32,955 | - | - | - | - | 32,955 | 32,955 |
| Debt securities issued | 42 | - | - | | - | - | 55,828,248 | 55,828,248 | 56,556,465 |
| Interest bearing loans and borrowings | 43 | - | - | - | - | - | 64,338,982 | 64,338,982 | 58,515,183 |
| | | **-** | **32,955** | **-** | **-** | **-** | **1,577,777,818** | **1,577,810,773** | **1,572,715,191** |

| *In thousands of Naira*<br>**31 December 2012** | ***Note*** | **Trading** | **Derivatives held for trading** | **Held-to-maturity** | **Loans and receivables at amortised cost** | **Available-for-sale** | **Other amortized cost** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | - | - | - | 405,292,241 | - | - | 405,292,241 | 405,292,241 |
| Non pledged trading assets | 21 | 27,906,803 | - | - | - | - | - | 27,906,803 | 27,906,803 |
| Pledged assets | 22 | - | - | 60,949,856 | - | - | - | 60,949,856 | 46,718,883 |
| Derivative financial instruments | 23 | - | 30,949 | - | - | - | - | 30,949 | 30,949 |
| Loans and advances to banks | 24 | - | - | - | 4,564,943 | - | - | 4,564,943 | 4,597,931 |
| Loans and advances to customers | 25 | - | - | - | 604,073,399 | - | - | 604,073,399 | 634,389,210 |
| Investment securities | 27 | - | - | 390,541,200 | - | 56,740,611 | - | 447,281,811 | 410,215,324 |
| Insurance receivables | 28 | - | - | - | 627,337 | - | - | 627,337 | 627,337 |
| Other assets | 29 | - | - | - | 59,391,258 | - | - | 59,391,258 | 59,391,258 |
| | | **27,906,803** | **30,949** | **451,491,056** | **1,073,949,178** | **56,740,611** | **-** | **1,610,118,597** | **1,589,169,936** |
| Deposits from financial institutions | 36 | - | - | - | - | - | 96,893,015 | 96,893,015 | 108,972,262 |
| Deposits from customers | 37 | - | - | - | - | - | 1,201,481,996 | 1,201,481,996 | 1,188,514,320 |
| Derivative financial instruments | 23 | - | 35,515 | - | - | - | - | 35,515 | 35,515 |
| Claims payable | 38 | - | - | - | - | - | 118,226 | 118,226 | 118,226 |
| Other liabilities | 39 | - | - | - | - | - | 40,425,436 | 40,425,436 | 40,425,436 |
| Liabilities on investment contracts | 41 | - | - | - | - | - | 65,591 | 65,591 | 65,591 |
| Debt securities issued | 42 | - | - | - | - | - | 54,685,891 | 54,685,891 | 55,070,670 |
| Interest bearing loans and borrowings | 43 | - | - | - | - | - | 48,369,849 | 48,369,849 | 48,369,849 |
| | | **-** | **35,515** | **-** | **-** | **-** | **1,442,040,004** | **1,442,075,519** | **1,441,571,869** |

| **Bank**<br>*In thousands of Naira*<br>**31 December 2013** | *Note* | **Trading** | **Derivatives held for trading** | **Held-to-maturity** | **Loans and receivables at amortised cost** | **Available-for-sale** | **Financial Liabilities measured at amortized cost** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | - | - | - | 395,808,747 | - | - | 395,808,747 | 395,808,747 |
| Non pledged trading assets | 21 | 3,877,969 | - | - | - | - | - | 3,877,969 | 3,877,969 |
| Pledged assets | 22 | - | - | 58,635,348 | - | 4,712,475 | - | 63,347,823 | 42,329,967 |
| Derivative financial instruments | 23 | - | 72,675 | - | - | - | - | 72,675 | 72,675 |
| Loans and advances to banks | 24 | - | - | - | 13,048,651 | - | - | 13,048,651 | 12,769,188 |
| Loans and advances to customers | 25 | - | - | - | 735,300,741 | - | - | 735,300,741 | 734,338,155 |
| Investment securities | 27 | - | - | 140,466,808 | - | 168,604,993 | - | 309,071,801 | 293,830,590 |
| Other assets | 29 | - | - | - | 36,436,496 | - | - | 36,436,496 | 36,436,496 |
| | | **3,877,969** | **72,675** | **199,102,156** | **1,180,594,635** | **173,317,468** | **-** | **1,556,964,903** | **1,519,463,787** |
| Deposits from financial institutions | 36 | - | - | - | - | - | 61,295,352 | 61,295,352 | 59,689,165 |
| Deposits from customers | 37 | - | - | - | - | - | 1,217,176,793 | 1,217,176,793 | 1,217,176,793 |
| Other liabilities | 39 | - | - | - | - | - | 49,940,868 | 49,940,868 | 49,940,868 |
| Interest bearing loans and borrowings | 43 | - | - | - | - | - | 120,342,026 | 120,342,026 | 114,518,226 |
| | | **-** | **-** | **-** | **-** | **-** | **1,448,755,039** | **1,448,755,039** | **1,441,325,052** |

| *In thousands of Naira*<br>**31 December 2012** | *Note* | **Trading** | **Derivatives held for trading** | **Held-to-maturity** | **Loans and receivables at amortised cost** | **Available-for-sale** | **Other amortized cost** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | - | - | - | 284,062,159 | - | - | 284,062,159 | 284,062,159 |
| Non pledged trading assets | 21 | 3,769,260 | - | - | - | - | - | 3,769,260 | 3,769,260 |
| Pledged assets | 22 | - | - | 60,949,856 | - | - | - | 60,949,856 | 46,718,883 |
| Loans and advances to banks | 24 | - | - | - | 3,054,520 | - | - | 3,054,520 | 3,054,520 |
| Loans and advances to customers | 25 | - | - | - | 554,592,199 | - | - | 554,592,199 | 557,144,866 |
| Investment securities | 27 | - | - | 366,772,849 | - | 53,573,446 | | 420,346,295 | 382,608,406 |
| Other assets | 29 | - | - | - | 51,412,850 | - | - | 51,412,850 | 51,412,850 |
| | | **3,769,260** | **-** | **427,722,705** | **893,121,728** | **53,573,446** | **-** | **1,378,187,139** | **1,328,770,944** |
| Deposits from financial institutions | 36 | - | - | - | - | - | 16,312,516 | 16,312,516 | 16,190,124 |
| Deposits from customers | 37 | - | - | - | - | - | 1,093,979,219 | 1,093,979,219 | 1,083,040,794 |
| Other liabilities | 39 | - | - | - | - | - | 24,302,067 | 24,302,067 | 24,302,067 |
| Interest bearing loans and borrowings | 43 | - | - | - | - | - | 103,872,441 | 103,872,441 | 106,665,852 |
| | | **-** | **-** | **-** | **-** | **-** | **1,238,466,243** | **1,238,466,243** | **1,230,198,837** |

### 4.3 Fair value of financial assets and liabilities

The fair value for financial assets and liabilities that are not carried at fair value were determined respectively as follows:

**(i) Cash**

The carrying amount of Cash and balances with banks is a reasonable approximation of fair value.

**(ii) Loans and advances to banks and customers**

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

**(iii) Investment securities, Pledged and Non-Pledged trading assets**

The fair value for investment securities is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Investment securities (available for sale) disclosed in the table above comprise only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other available for sale assets are already measured and carried at fair value.

**(iv) Other assets**

The bulk of these financial assets have short (less than 3months) maturities with their amounts of financial assets in is a reasonable approximation of fair value.

**(v) Deposits from banks and customers**

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

**(vi) Other liabilities**

The carrying amount of financial assets in other liabilities is a reasonable approximation of fair value.

**(vii) Interest bearing loans and borrowings**

The estimated fair value of fixed interest-bearing borrowings not quoted in an active market is based on discounted cash flows using the contractual interest rates for these debts over their remaining maturity.

## 5. Financial risk management

### 5.1 Credit risk management

Credit risk arises 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).

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

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

The goal of the Bank is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Bank's Basel II strategy.

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

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

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

### Principal Credit Policies

The following are the principal credit policies of the Bank:

- **Credit Risk Management Policy:** The core objective is to enable maximization of returns on a risk adjusted basis from banking book credit risk exposures that are brought under the ambit of Credit Risk Management Policy by putting in place robust credit risk management systems consisting of risk identification, risk measurement, setting of exposure & risk limits, risk monitoring & control and reporting of credit risk in the banking book.

- **Credit Risk Mitigant Management Policy:** The objective is to aid in effective credit portfolio management through mitigation of credit risks by using credit risk mitigation techniques.

- **Credit Risk Rating Policy:** The objective of this policy is to ensure reliable and consistent Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRRs) throughout Access Bank and to provide guidelines for risk rating for retail and non-retail exposures in the banking book covering credit and investment books of the Bank.

- **Country and Cross Border Risk Management Policy:** The objective of this policy is to establish a consistent framework for the identification, measurement and management of country risk across Access Bank.

- **Internal Capital Adequacy Assessment Process (ICAAP) Policy:** The objectives of the policy are identification of material risks, measurement of material risks, monitoring & control of material risks and reporting of material risks.

- **Enterprise-wide Risk Management Policy:** The core objective is to provide reasonable degree of assurance to the Board of Directors that the risks threatening the Bank's achievement of its vision are identified, measured, monitored and controlled through an effective integrated risk management system covering credit, market, operational, interest rate, liquidity and other material risks.

### 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.

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

### 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.

**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 in Access Bank Plc**

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

**<u>For Retail Exposures:</u>**

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)

**<u>For Non – Retail Exposures:</u>**

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.

**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 | External Rating 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 | |

**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 |
|---|---|
| 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 bank subsidiaries | N 25,000,000 |

In addition, approval and exposure limits based on internal Obligor Risk Ratings have been approved by the Board for the relevant credit committees as shown in the table below

| Access Bank Risk Rating | S&P Long term equivalent | Board Credit Committee Approval Limit | Management Credit Committee Approval Limit |
|---|---|---|---|
| 1 | AAA | N25Bn | N10Bn |
| $2^+$ | AA | N25Bn | N7.5bn |
| 2 | A | N15Bn | N2Bn |
| $2^-$ | BBB | N5Bn | N1Bn |
| $3^+$ | BB+ | N1Bn | N0.5Bn |
| 3 | BB | N1Bn | N0.5Bn |
| $3^-$ | $BB^-$ | N0.5Bn | N0.1Bn |
| 4 | B | N0.5Bn | N0.1Bn |
| 5 | $B^-$ | N0.5Bn | N0.1Bn |

## Collateral Policies

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

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

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

*"Bank can utilize transaction structure, collateral and guarantees to help mitigate risks (both identified and inherent) in individual credits but transactions should be entered into primarily on the strength of the borrower's repayment capacity. Collateral cannot be a substitute for a comprehensive assessment of the borrower or the counterparty, nor it 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

### Provisioning policy

A loan or loan portfolio is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or loan portfolio that can be reliably estimated.

### 5.1 Credit risk management

#### 5.1.1 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets are as follows:

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Cash and balances with banks | | | | |
| - Current balances with banks outside Nigeria | 98,875,036 | 77,921,837 | 77,501,261 | 64,004,955 |
| - Unrestricted balances with central banks | 31,143,134 | 25,238,351 | 24,775,442 | 19,461,280 |
| - Restricted balances with central banks | 172,406,297 | 109,107,275 | 171,944,537 | 107,833,227 |
| - Money market placements and other cash equivalents | 121,368,581 | 160,870,921 | 89,433,649 | 66,311,886 |
| Non pledged trading assets | 3,773,051 | 27,575,985 | 3,773,051 | 3,595,535 |
| Pledged assets | 63,409,851 | 60,949,856 | 63,347,823 | 60,949,856 |
| Derivative financial instruments | 102,123 | 30,949 | 72,675 | - |
| Loans and advances to banks | 24,579,875 | 4,564,943 | 13,048,651 | 3,054,520 |
| Loans and advances to customers | 786,169,704 | 604,073,399 | 735,300,741 | 554,592,199 |
| Investment securities | | | | |
| - Available for sale | 150,628,348 | 24,344,361 | 129,373,194 | 21,251,929 |
| - Held to maturity | 163,951,202 | 390,541,200 | 140,466,808 | 366,772,849 |
| Insurance receivables | - | 627,337 | - | - |
| Other assets | 43,174,648 | 59,391,258 | 36,436,496 | 51,412,850 |
| **Total** | **1,659,581,850** | **1,545,237,672** | **1,485,474,328** | **1,319,241,086** |
| | | | | |
| **Off balance sheet exposuress** | | | | |
| Transaction related bonds and guarantees | 158,715,258 | 151,107,937 | 142,850,060 | 147,222,001 |
| Guaranteed facilities | 54,741,356 | 31,623,305 | 46,956,538 | 25,763,514 |
| Clean line facilities for letters of credit and other commitments | 228,957,302 | 198,789,950 | 162,171,919 | 134,284,730 |
| **Total** | **442,413,916** | **381,521,192** | **351,978,517** | **307,270,245** |

Balances included in Other Assets above are those subject to credit risks. The table above shows a worst-case scenario of credit risk exposure to the Group as at 31 December 2013 and 31 December 2012, without taking account of any collateral held or other credit enhancements attached.

For on-balance-sheet assets, the exposures set out above are based on gross amounts reported in the statements of financial position.

The Directors are confident in their ability to continue to control exposure to credit risk which can result from both its Loans and Advances portfolio and debt securities.

#### 5.1.2 Gross loans and advances to customers per sector is as analysed follows:

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Agriculture | 11,574,463 | 11,417,905 | 11,435,182 | 10,453,336 |
| Capital market | 178,303 | 282,125 | 177,518 | 258,292 |
| Construction | 28,466,420 | 21,565,101 | 23,338,255 | 19,743,311 |
| Education | 668,715 | 588,292 | 668,715 | 538,594 |
| Financand insurance | 12,803,857 | 9,596,584 | 12,343,465 | 8,785,877 |
| General | 17,789,296 | 18,679,163 | 14,554,456 | 17,101,173 |
| General commerce | 111,804,399 | 96,522,617 | 93,962,250 | 88,368,519 |
| Government | 64,508,486 | 14,650,485 | 63,676,766 | 13,412,832 |
| Information And communication | 80,013,457 | 84,761,316 | 76,960,274 | 77,600,797 |
| Manufacturing | 158,092,710 | 136,349,163 | 151,316,070 | 124,830,573 |
| Oil And gas | 229,518,146 | 189,196,852 | 221,441,492 | 173,213,763 |
| Real estate activities | 52,018,628 | 38,882,509 | 51,464,340 | 35,597,768 |
| Transportation and storage | 15,551,605 | 12,699,321 | 14,435,214 | 11,626,500 |
| Power and energy | 13,546,822 | 1,093,417 | 10,465,298 | 1,001,047 |
| Professional, scientific and technical activities | 883,097 | 542,411 | 883,097 | 496,588 |
| Others | 3,246,019 | 5,207,861 | 1,418,441 | 4,767,909 |
| **Gross loans to customers** | **800,664,423** | **642,035,122** | **748,540,833** | **587,796,879** |

### 5.1.3 Credit quality

**(a) Credit quality by class**

**Group**

*31 December 2013*

| *In thousands of Naira* | *Note* | Loans and advances to Individuals December 2013 | Loans and advances to Individuals December 2012 | Loans and advances Corporates December 2013 | Loans and advances Corporates December 2012 | Loans and advances to banks December 2013 | Loans and advances to banks December 2012 | Off balance sheet December 2013 | Off balance sheet December 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Carrying amount | 24, 25, 48 | 13,975,466 | 18,601,362 | 772,194,241 | 585,472,036 | 24,579,875 | 4,564,944 | 451,837,327 | 381,893,653 |
| **Neither past due nor impaired** | | | | | | | | | |
| Grade 1 - 3: | | 11,909,292 | 17,949,046 | 709,160,121 | 481,006,887 | 24,589,212 | 4,570,574 | 450,933,653 | 377,530,537 |
| Grade 4 -5: | | 53,449 | 486,394 | 38,425,213 | 102,553,537 | - | 7,269 | 451,837 | 2,191,282 |
| ***Gross amount*** | | 11,962,741 | 18,435,440 | 747,585,334 | 583,560,424 | 24,589,212 | 4,577,843 | 451,385,490 | 379,721,819 |
| Impairment | | (241,932) | (163,470) | (5,172,948) | (12,179,605) | (9,337) | (12,599) | - | - |
| ***Carrying amount*** | | 11,720,810 | 18,271,970 | 742,412,386 | 571,380,819 | 24,579,875 | 4,565,244 | 451,385,490 | 379,721,819 |
| **Past due but not impaired:** | | | | | | | | | |
| Grade 6: | | 208,849 | 152,122 | 1,458,602 | 38,727 | - | - | - | 22,699 |
| Grade 7: | | 683,056 | 89,600 | 8,121,261 | 3,898,265 | - | - | - | - |
| Grade 8: | | 1,188,339 | 29,439 | 6,865,745 | 7,677,471 | - | - | 451,837 | 2,149,135 |
| ***Gross amount*** | | 2,080,244 | 271,161 | 16,445,608 | 11,614,463 | - | - | 451,837 | 2,171,834 |
| Impairment | | (241,866) | (45,348) | (884,544) | (1,340,292) | - | - | - | - |
| ***Carrying amount*** | | 1,838,378 | 225,813 | 15,561,064 | 10,274,170 | - | - | 451,837 | 2,171,834 |
| **Past due and impaired:** | | | | | | | | | |
| Grade 6: Impaired | | 518,269 | 724,499 | 6,084,199 | 4,720,671 | - | - | - | - |
| Grade 7: Impaired | | 260,240 | 989,575 | 6,972,693 | 3,248,522 | - | - | - | - |
| Grade 8: Impaired | | 777,281 | 2,614,477 | 7,976,411 | 15,855,891 | - | - | - | - |
| ***Gross amount*** | | 1,555,790 | 4,328,551 | 21,033,303 | 23,825,084 | - | - | - | - |
| Allowance for impairment | | (1,139,512) | (4,224,972) | (6,812,512) | (20,008,037) | - | - | - | - |
| ***Carrying amount*** | | 416,278 | 103,579 | 14,220,791 | 3,817,047 | - | - | - | - |

**Bank**

*31 December 2013*

| *In thousands of Naira* | *Note* | Loans and advances to Individuals December 2013 | Loans and advances to Individuals December 2012 | Loans and advances Corporates December 2013 | Loans and advances Corporates December 2012 | Loans and advances to banks December 2013 | Loans and advances to banks December 2012 | Off balance sheet December 2013 | Off balance sheet December 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Carrying amount | 24, 25, 48 | 11,612,196 | 17,030,766 | 723,549,794 | 537,561,433 | 13,048,651 | 3,054,520 | 361,401,929 | 310,847,061 |
| **Neither past due nor impaired** | | | | | | | | | |
| Grade 1 - 3: | | 9,965,719 | 16,432,735 | 663,607,507 | 433,347,641 | 13,057,988 | 3,059,850 | 360,512,201 | 306,483,945 |
| Grade 4 -5: | | 49,966 | 445,304 | 38,428,695 | 108,630,932 | - | 7,269 | 382,798 | 2,191,282 |
| ***Gross amount*** | | 10,015,685 | 16,878,039 | 702,036,202 | 541,978,573 | 13,057,988 | 3,067,119 | 360,894,999 | 308,675,227 |
| Impairment | | (241,867) | (162,830) | (5,165,648) | (11,712,452) | (9,337) | (12,599) | - | - |
| ***Carrying amount*** | | 9,773,819 | 16,715,209 | 696,870,554 | 530,266,122 | 13,048,651 | 3,054,520 | 360,894,999 | 308,675,227 |
| **Past due but not Impaired:** | | | | | | | | | |
| Grade 6: | | 208,849 | 152,122 | 1,458,602 | 426,338 | - | - | - | 22,699 |
| Grade 7: | | 683,056 | 82,031 | 8,121,261 | 705,066 | - | - | - | - |
| Grade 8: | | 1,188,339 | 26,952 | 6,865,745 | 3,783,493 | - | - | 506,930 | 2,149,135 |
| ***Gross amount*** | | 2,080,244 | 261,105 | 16,445,608 | 4,914,897 | - | - | 506,930 | 2,171,834 |
| Impairment | | (241,867) | (45,230) | (878,035) | (1,440,530) | | - | | - |
| ***Carrying amount*** | | 1,838,378 | 215,875 | 15,567,573 | 3,474,367 | - | - | 506,930 | 2,171,834 |
| **Past due and Impaired:** | | | | | | | | | |
| Grade 6: Impaired | | - | 723,499 | 6,084,199 | 5,426,522 | - | - | - | - |
| Grade 7: Impaired | | - | 988,075 | 6,972,693 | 2,568,073 | - | - | - | - |
| Grade 8: Impaired | | - | 2,612,478 | 4,867,287 | 11,445,616 | - | - | - | - |
| ***Gross amount*** | | - | 4,324,052 | 17,924,179 | 19,440,211 | - | - | - | - |
| Allowance for impairment | | | (4,224,371) | (6,812,512) | (15,619,267) | - | - | - | - |
| ***Carrying amount*** | | - | 99,681 | 11,111,667 | 3,820,944 | - | - | - | - |

### 5.1.3

**(b) Aging analysis of credit quality**

| | Group Loans to individuals | Group Loans to Corporates | Bank Loans to individuals | Bank Loans to Corporates |
|---|---|---|---|---|
| **December 2013** | | | | |
| **Past due & not impaired** | | | | |
| Past due up to 30days | | | | |
| Past due up 30 - 60 days | 370,869 | 2,716,774 | 346,707 | 2,740,935 |
| Past due up 60 - 90 days | 1,112,605 | 8,150,321 | 1,040,122 | 8,222,804 |
| | 741,737 | 5,433,547 | 693,415 | 5,481,869 |
| **Total** | 2,225,211 | 16,300,642 | 2,080,244 | 16,445,608 |
| **Past due & impaired** | | | | |
| Past due up to 91 - 180days | 518,269 | 6,084,199 | - | 6,084,199 |
| Past due up 180 - 360 days | 260,240 | 6,972,693 | - | 6,972,693 |
| Above 360days | 777,281 | 7,976,411 | - | 4,867,287 |
| **Total** | 1,555,790 | 21,033,303 | - | 17,924,179 |

| **December 2012** | Loans to individuals | Loans to Corporates | Loans to individuals | Loans to Corporates |
|---|---|---|---|---|
| **Past due & not impaired** | | | | |
| Past due up to 30days | 45,194 | 1,935,744 | 43,518 | 819,150 |
| Past due up 30 - 60 days | 135,581 | 5,807,232 | 130,553 | 2,457,448 |
| Past due up 60 - 90 days | 90,387 | 3,871,488 | 87,035 | 1,638,299 |
| **Total** | 271,162 | 11,614,464 | 261,105 | 4,914,897 |
| **Past due & impaired** | | | | |
| Past due up to 91 - 180days | 724,499 | 4,720,671 | 723,499 | 5,426,522 |
| Past due up 180 - 360 days | 989,575 | 3,248,522 | 988,075 | 2,568,073 |
| Above 360days | 2,614,478 | 15,855,890 | 2,612,477 | 11,445,616 |
| **Total** | 4,328,552 | 23,825,083 | 4,324,052 | 19,440,211 |

**(c ) Debt securities**

**Grade 1-3: Low-fair risk**

| **Group** | December 2013 Treasury bills | December 2013 Bonds | December 2013 Total | December 2012 Treasury bills | December 2012 Bonds | December 2012 Total |
|---|---|---|---|---|---|---|
| Available-for-sale assets | 141,119,232 | 9,509,116 | 150,628,348 | 3,414,102 | 20,930,259 | 24,344,361 |
| Held to maturity assets | 17,503,150 | 146,448,052 | 163,951,202 | 15,971,283 | 374,569,917 | 390,541,201 |
| Non pledged trading assets | 2,370,725 | 1,402,326 | 3,773,051 | 26,182,745 | 1,393,240 | 27,575,985 |
| Pledged assets | 4,774,503 | 58,635,348 | 63,409,851 | 6,560,147 | 54,389,709 | 60,949,856 |
| ***Carrying amount*** | 165,767,610 | 215,994,842 | 381,762,452 | 52,128,277 | 451,283,125 | 503,411,402 |

| **Bank** | December 2013 Treasury bills | December 2013 Bonds | December 2013 Total | December 2012 Treasury bills | December 2012 Bonds | December 2012 Total |
|---|---|---|---|---|---|---|
| Available-for-sale assets | 119,864,078 | 9,509,116 | 129,373,194 | 321,670 | 20,930,259 | 21,251,929 |
| Held to maturity assets | - | 140,466,808 | 140,466,808 | - | 366,772,849 | 366,772,849 |
| Non pledged trading assets | 2,370,725 | 1,402,326 | 3,773,051 | 2,884,040 | 711,495 | 3,595,535 |
| Pledged assets | 4,712,475 | 58,635,348 | 63,347,823 | 6,560,147 | 54,389,709 | 60,949,856 |
| ***Carrying amount*** | 126,947,278 | 210,013,598 | 336,960,876 | 9,765,857 | 442,804,312 | 452,570,169 |

The credit risk associated with Cash and balances with banks, insurance receivables and other assets (all neither past due nor impaired) are considered to be low at 31 December 2013.

### 5.1.3 Credit quality

**(d) Credit quality by risk rating class**
**Group**
*31 December 2013*
*In thousands of Naira*

| External Rating Equivalent | Grade | Risk Rating | Loans and advances to Individuals December 2013 | Loans and advances to Individuals December 2012 | Loans and advances Corporates December 2013 | Loans and advances Corporates December 2012 | Loans and advances to banks December 2013 | Loans and advances to banks December 2012 |
|---|---|---|---|---|---|---|---|---|
| AAA | Investment | 1 | - | - | 84,185,983 | 57,125,985 | 24,234,430 | 4,504,628 |
| AA | Investment | 2+ | - | - | 69,316,762 | 47,036,195 | - | - |
| A | Investment | 2 | - | - | 131,742,876 | 89,396,611 | 134,691 | 25,036 |
| BBB | Investment | 2- | - | - | 118,456,596 | 80,380,955 | - | - |
| BB+ | Standard | 3+ | 417,940 | 629,897 | 57,950,888 | 39,323,667 | - | - |
| BB | Standard | 3 | 10,374,717 | 15,636,216 | 196,322,475 | 133,010,286 | 220,091 | 40,610 |
| BB- | Standard | 3- | 1,116,636 | 1,682,935 | 51,185,944 | 34,733,187 | - | - |
| B | Non-Investment | 4 | 1,911 | 17,395 | 36,173,817 | 96,544,758 | - | - |
| B- | Non-Investment | 5 | 51,537 | 468,999 | 2,251,396 | 6,008,779 | - | 7,269 |
| CCC | Non-Investment | 6 | 727,118 | 876,621 | 7,542,801 | 4,759,398 | - | - |
| C | Non-Investment | 7 | 943,296 | 1,079,175 | 15,093,954 | 7,146,787 | - | - |
| D | Non-Investment | 8 | 1,965,620 | 2,643,915 | 14,842,156 | 23,533,362 | - | 96,755 |
| **Gross amount** | | | 15,598,775 | 23,035,153 | 785,065,648 | 618,999,970 | 24,589,212 | 4,674,298 |
| Collective Impairment | | | (483,798) | (208,818) | (6,066,811) | (13,519,897) | (9,337) | (12,599) |
| Specific Impairment | | | (1,139,512) | (4,224,972) | (6,804,598) | (20,008,037) | - | (96,755) |
| ***Carrying amount*** | | | 13,975,465 | 18,601,363 | 772,194,239 | 585,472,036 | 24,579,875 | 4,564,944 |

**Bank**
**31 December 2013**
*In thousands of Naira*

| External Rating Equivalent | Grade | Risk Rating | Loans and advances to Individuals December 2013 | Loans and advances to Individuals December 2012 | Loans and advances Corporates December 2013 | Loans and advances Corporates December 2012 | Loans and advances to banks December 2013 | Loans and advances to banks December 2012 |
|---|---|---|---|---|---|---|---|---|
| AAA | Investment | 1 | - | - | 82,878,804 | 54,121,350 | 12,703,206 | 2,976,714 |
| AA | Investment | 2+ | - | - | 60,596,394 | 39,570,535 | - | - |
| A | Investment | 2 | - | - | 126,176,782 | 82,395,708 | 134,691 | 31,562 |
| BBB | Investment | 2- | - | - | 112,884,334 | 73,715,501 | - | - |
| BB+ | Standard | 3+ | 81,066 | 133,672 | 50,055,376 | 32,687,061 | - | - |
| BB | Standard | 3 | 8,900,767 | 14,676,710 | 182,980,135 | 119,463,911 | 220,091 | 51,574 |
| BB- | Standard | 3- | 983,886 | 1,622,355 | 48,074,597 | 31,393,577 | - | - |
| *B* | Non-Investment | 4 | 465 | 4,141 | 36,175,264 | 102,260,892 | - | 7,269 |
| B- | Non-Investment | 5 | 49,502 | 441,163 | 2,253,431 | 6,370,040 | - | - |
| CCC | Non-Investment | 6 | 208,849 | 875,621 | 7,542,800 | 5,852,860 | - | - |
| C | Non-Investment | 7 | 683,056 | 1,070,106 | 15,093,954 | 3,273,139 | - | - |
| D | Non-Investment | 8 | 1,188,339 | 2,639,429 | 11,733,032 | 15,229,108 | - | 96,755 |
| **Gross amount** | | | 12,095,930 | 21,463,197 | 736,444,903 | 566,333,682 | 13,057,988 | 3,163,874 |
| Collective Impairment | | | (483,733) | (208,060) | (5,943,847) | (13,152,982) | (9,337) | (12,599) |
| Specific Impairment | | | - | (4,224,371) | (6,812,512) | (15,619,267) | - | (96,755) |
| ***Carrying amount*** | | | 11,612,197 | 17,030,766 | 723,688,544 | 537,561,433 | 13,048,651 | 3,054,520 |

**Credit risk management**

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

| **Group** | **Loans and advances to customers** | | **Loans and advances to banks** | |
|---|---|---|---|---|
| *In thousands of Naira* | **December 2013** | **December 2012** | **December 2013** | **December 2012** |
| Against neither past due and not impaired | | | | |
| Property | 43,727,894 | 5,580,278 | - | - |
| Equities | 146,262 | 19,722 | - | - |
| Cash | 32,285,607 | 418,392 | - | 2,480,500 |
| Pledged goods/receivables | 141,479 | - | - | - |
| Others | 29,115,697 | 7,100,246 | - | - |
| Total | **105,416,939** | **13,118,638** | **-** | **2,480,500** |
| Against past due but not impaired: | | | | |
| Property | 163,748,026 | 198,088,526 | - | - |
| Equities | 9,473,950 | 9,882,508 | - | - |
| Cash | 77,487,715 | 48,575,181 | - | - |
| Pledged goods/receivables | 1,867,788 | - | - | - |
| Others | 124,473,451 | 42,429,663 | - | - |
| Total | **377,050,930** | **298,975,878** | **-** | **-** |
| Against past due and impaired | | | | |
| Property | 5,968,558 | 11,400,775 | - | - |
| Equities | 1,607 | 55,848 | - | - |
| Cash | - | 50,000 | - | - |
| Pledged goods/receivables | - | - | - | - |
| Others | 2,318,558 | - | - | - |
| | **8,288,723** | **11,506,623** | **-** | **-** |
| Total | **490,756,592** | **323,601,139** | **-** | **2,480,500** |

| **Bank** | **Loans and advances to customers** | | **Loans and advances to banks** | |
|---|---|---|---|---|
| *In thousands of Naira* | **December 2013** | **December 2012** | **December 2013** | **December 2012** |
| Against neither past due and not impaired | | | | |
| Property | 38,637,027 | 1,030,118 | - | - |
| Equities | 146,262 | 19,722 | - | - |
| Cash | 32,040,402 | 71 | - | - |
| Others | 26,339,739 | - | - | - |
| Total | **97,163,430** | **1,049,911** | **-** | **-** |
| Against past due but not impaired: | | | | |
| Property | 141,946,693 | 184,333,303 | - | - |
| Equities | 9,443,556 | 9,669,177 | - | - |
| Cash | 76,886,940 | 48,273,195 | - | - |
| Others | 109,965,680 | - | - | - |
| Total | **338,242,869** | **242,275,675** | **-** | **-** |
| Against past due and impaired | | | | |
| Property | 5,269,119 | 11,400,775 | - | - |
| Equities | 1,607 | 55,848 | - | - |
| Cash | | 50,000 | - | - |
| Others | 2,318,558 | - | - | - |
| Total | **7,589,284** | **11,506,623** | **-** | **-** |
| **Total** | **442,995,583** | **254,832,209** | **-** | **-** |

There are no collaterals held against other financial assets.

**Collateral held and other credit enhancements, and their financial effect**
The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. Because of the Group's focus on customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

### 5.1.4 Repossessed collateral
The group obtained assets by taking possession of collateral held as security. The nature and carrying amounts of such assets at the reporting date are as follows:

| | Bank | |
|---|---|---|
| | Carrying value | |
| **Nature of assets** | **December 2013** | **December 2012** |
| Investment property | 5,159,830 | - |
| | **5,159,830** | **-** |

### 5.1.5 Offsetting financial assets and financial liabilities

*In thousands of Naira*

The following financial assets are subject to offsetting

| **As at 31 December 2013** | **Gross amounts of recognised financial assets** | **Gross amounts of recognised financial liabilities offset in the statement of financial position** | **Net amounts of financial assets presented in the statement of financial position** |
|---|---|---|---|
| **Financial assets** | | | |
| Loans and advances to banks | 13,442,674 | 394,023 | 13,048,651 |
| **Total** | **13,442,674** | **394,023** | **13,048,651** |

The following financial liabilities are subject to offsetting

| **As at 31 December 2013** | **Gross amounts of recognised financial liabilities** | **Gross amounts of recognised financial assets offset in the statement of financial position** | **Net amounts of financial assets presented in the statement of financial position** |
|---|---|---|---|
| **Financial liabilities** | | | |
| Interest bearing borrowing | 56,222,271 | 394,023 | 55,828,248 |
| **Total** | **56,222,271** | **394,023** | **55,828,248** |

An obligation exists between the Bank and Access Finance B.V., for which Access Finance B.V. was expected to lend the Bank the sum of USD 2,462,000 as a share premium loan. The loan agreement between both parties however permits that the obligation of Access Finance B.V. to grant the loan, be set off against the obligation of the Bank to repay the loan such that each party's obligation either as a borrower or lender is discharged. In view of this, no loan payable has been recognized in the Bank's financial statements.

The gross amounts of financial assets and financial liabilities disclosed in the above tables have been measured in the statement of financial position on the following bases:
(1) Loans and advances to customers – amortised cost; and
(2) Interest bearing borrowings – amortised cost.

**Credit risk management**

**5.1.6 (a) Credit concentration**

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

**By Sector**

**Group**
**2013**
*In thousands of Naira*

| | Corporate | Commercial | Bank | Retail | Government | Others | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | 220,243,617 | - | 203,549,431 | - | 423,793,048 |
| Non pledged trading assets | - | - | - | - | 3,773,051 | - | 3,773,051 |
| Pledged assets | - | - | - | - | 63,409,851 | - | 63,409,851 |
| Derivative financial instruments | 102,123 | - | - | - | - | - | 102,123 |
| Loans and advances to banks | - | - | 24,579,875 | - | - | - | 24,579,875 |
| Loans and advances to customers | 446,380,931 | 237,041,552 | - | 36,569,714 | 66,065,577 | 111,930 | 786,169,704 |
| Investment securities | | | | | | | |
| - Available for sale | 6,690,780 | - | - | - | 143,937,568 | - | 150,628,348 |
| - Held to maturity | 15,202,379 | - | - | - | 148,748,823 | - | 163,951,202 |
| Other assets | - | - | 15,976,057 | - | 5,780,566 | 21,418,025 | 43,174,648 |
| **Total** | **468,376,213** | **237,041,552** | **260,799,549** | **36,569,714** | **635,264,867** | **21,529,955** | **1,659,581,850** |
| Credit risk exposures relating to other credit commitments at gross amount are as follows: | | | | | | | |
| Transaction related bonds and guarantees | 28,348,984 | 129,756,173 | - | 57,655 | 165,014 | 387,432 | 158,715,258 |
| Guaranteed facilities | 14,655,032 | 37,658,194 | 15,000 | 145,341 | 2,145,707 | 122,082 | 54,741,356 |
| Clean line facilities for letters of credit and other commitments | 172,136,387 | 55,973,847 | 743,954 | 103,114 | - | - | 228,957,302 |
| **Total** | **215,140,403** | **223,388,214** | **758,954** | **306,110** | **2,310,721** | **509,514** | **442,413,916** |

**2012**
*In thousands of Naira*

| | Corporate | Commercial | Bank | Retail | Government | Others | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | 238,792,759 | - | 134,345,626 | - | 373,138,385 |
| Non pledged trading assets | - | - | - | - | 27,575,985 | - | 27,575,985 |
| Pledged assets | - | - | - | - | 60,949,856 | - | 60,949,856 |
| Derivative financial instruments | 30,949 | - | - | - | - | - | 30,949 |
| Loans and advances to banks | - | - | 4,564,943 | - | - | - | 4,564,943 |
| Loans and advances to customers | 451,939,534 | 108,591,572 | 498,799 | 38,187,950 | 4,855,544 | - | 604,073,399 |
| Investment securities | | | | | | | |
| - Available for sale | 8,906,991 | - | - | - | 15,437,370 | | 24,344,361 |
| - Held to maturity | 26,631,267 | - | - | - | 363,909,933 | - | 390,541,200 |
| Insurance receivables | - | - | - | - | - | 627,337 | 627,337 |
| Other assets | - | - | - | - | - | 59,391,258 | 59,391,258 |
| **Total** | **487,508,741** | **108,591,572** | **243,856,501** | **38,187,950** | **607,074,314** | **60,018,595** | **1,545,237,673** |
| Credit risk exposures relating to other credit commitments at gross amount are as follows: | | | | | | | |
| Transaction related bonds and guarantees | 59,487,702 | 87,877,199 | - | 10,000 | - | - | 147,374,901 |
| Guaranteed facilities | 18,081,607 | 9,266,453 | 655,000 | 40,000 | 3,544,791 | 564,134 | 32,151,985 |
| Clean line facilities for letters of credit and other commitments | 152,156,373 | 44,135,017 | - | - | 2,498,560 | - | 198,789,950 |
| **Total** | **229,725,682** | **141,278,669** | **655,000** | **50,000** | **6,043,351** | **564,134** | **378,316,836** |

**5.1.6(a)i** **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.**

**By geography**

| **2013**<br>*In thousands of Naira* | **Nigeria** | **Rest of Africa** | **Europe** | **Others** | **Total** |
|---|---|---|---|---|---|
| Cash and balances with banks | 199,600,213 | 49,785,767 | 49,165,466 | 125,241,602 | 423,793,048 |
| Non pledged trading assets | 3,773,051 | - | - | - | 3,773,051 |
| Pledged assets | 63,347,823 | 62,028 | - | - | 63,409,851 |
| Derivative financial instruments | 102,123 | - | - | - | 102,123 |
| Loans and advances to banks | 345,445 | 479,970 | 23,754,460 | - | 24,579,875 |
| Loans and advances to customers | 735,300,741 | 43,458,953 | 7,410,010 | - | 786,169,704 |
| Investment securities | | | | | |
| - Available for sale | 132,588,893 | 15,662,029 | 2,377,427 | - | 150,628,349 |
| - Held to maturity | 140,466,808 | 6,721,313 | 16,763,082 | - | 163,951,203 |
| Other assets | 22,163,640 | 5,034,951 | 9,905,167 | 6,070,890 | 43,174,648 |
| **Total** | **1,297,688,737** | **121,205,011** | **109,375,612** | **131,312,492** | **1,659,581,852** |
| Credit risk exposures relating to othr credit commitments at gross amount are as follows: | | | | | |
| Transaction related bonds and guarantees | 142,850,060 | 14,115,422 | 1,749,776 | - | 158,715,258 |
| Guaranteed facilities | 46,956,539 | 7,784,817 | - | - | 54,741,356 |
| Clean line facilities for letters of credit and other commitments | 162,171,919 | 18,988,528 | 47,796,855 | - | 228,957,302 |
| **Total** | **351,978,518** | **40,888,767** | **49,546,631** | **-** | **442,413,916** |

| **2012**<br>*In thousands of Naira* | **Nigeria** | **Rest of Africa** | **Europe** | **Others** | **Total** |
|---|---|---|---|---|---|
| Cash and balances with banks | 208,813,724 | 73,152,107 | 49,873,051 | 41,299,501 | 373,138,383 |
| Non pledged trading assets | 3,926,354 | 23,649,631 | - | - | 27,575,985 |
| Pledged assets | 60,949,856 | - | - | - | 60,949,856 |
| Derivative financial instruments | - | - | 30,949 | - | 30,949 |
| Loans and advances to banks | 3,054,520 | - | 1,510,423 | - | 4,564,943 |
| Loans and advances to customers | 554,592,199 | 36,836,171 | 12,645,029 | - | 604,073,399 |
| Investment securities | | | | | |
| - Available for sale | 20,013,427 | 1,959,262 | 2,371,672 | - | 24,344,361 |
| - Held to maturity | 371,132,787 | 13,317,257 | 6,091,156 | - | 390,541,200 |
| Insurance receivables | 624,283 | 3,054 | - | - | 627,337 |
| Other assets | 54,467,946 | 1,848,353 | 3,074,959 | - | 59,391,258 |
| **Total** | **1,277,575,095** | **150,765,836** | **75,597,239** | **41,299,501** | **1,545,237,671** |
| Credit risk exposures relating to othr credit commitments at gross amount are as follows: | | | | | |
| Transaction related bonds and guarantees | 147,222,001 | - | 152,900 | - | 147,374,901 |
| Guaranteed facilities | 25,763,514 | 1,679,121 | 4,709,351 | - | 32,151,986 |
| Clean line facilities for letters of credit and other commitments | 134,284,730 | 19,262,825 | 45,242,395 | - | 198,789,950 |
| **Total** | **307,270,245** | **20,941,946** | **50,104,646** | **-** | **378,316,837** |

**Credit risk management**

**5.1.6 (b) By Sector**

**Bank**
**2013**
*In thousands of Naira*

| | Corporate | Commercial | Bank | Retail | Government | Others | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | 166,934,910 | - | 196,719,979 | - | 363,654,889 |
| Non pledged trading assets | - | - | - | - | 3,773,051 | - | 3,773,051 |
| Pledged assets | - | - | - | - | 63,347,823 | - | 63,347,823 |
| Derivative financial instruments | 72,675 | - | - | - | - | - | 72,675 |
| Loans and advances to banks | - | - | 13,048,651 | - | - | - | 13,048,651 |
| Loans and advances to customers | 426,282,835 | 226,807,259 | - | 18,533,881 | 63,676,766 | | 735,300,741 |
| Investment securities | | | | | | | |
| - Available for sale | 6,690,780 | - | - | - | 122,682,414 | - | 129,373,194 |
| - Held to maturity | 12,279,932 | - | - | - | 128,186,876 | - | 140,466,808 |
| Other assets | - | - | 15,976,057 | - | 5,780,566 | 14,679,873 | 36,436,496 |
| **Total** | **445,326,222** | **226,807,259** | **195,959,618** | **18,533,881** | **584,167,475** | **14,679,873** | **1,485,474,328** |
| Credit risk exposures relating to other credit commitments at gross amount are as follows: | | | | | | | |
| Transaction related bonds and guarantees | 12,483,787 | 129,756,172 | - | 57,655 | 165,014 | 387,432 | 142,850,060 |
| Guaranteed facilities | 6,870,216 | 37,658,194 | 15,000 | 145,341 | 2,145,707 | 122,081 | 46,956,539 |
| Clean line facilities for letters of credit and other commitments | 105,351,003 | 55,973,848 | 743,954 | 103,114 | - | - | 162,171,919 |
| **Total** | **124,705,006** | **223,388,214** | **758,954** | **306,110** | **2,310,721** | **509,513** | **351,978,518** |

**2012**
*In thousands of Naira*

| | Corporate | Commercial | Bank | Retail | Government | Others | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | 130,316,841 | - | 127,294,507 | - | 257,611,348 |
| Non pledged trading assets | - | - | - | - | 3,595,535 | - | 3,595,535 |
| Pledged assets | - | - | - | - | 60,949,856 | - | 60,949,856 |
| Loans and advances to banks | - | - | 3,054,520 | - | - | - | 3,054,520 |
| Loans and advances to customers | 402,458,335 | 108,591,572 | 498,798 | 38,187,950 | 4,855,544 | - | 554,592,199 |
| Investment securities | | | | | | | |
| - Available for sale | 8,906,991 | - | - | - | 12,344,938 | - | 21,251,929 |
| - Held to maturity | 20,497,131 | - | - | - | 346,275,718 | - | 366,772,849 |
| Other assets | - | - | 14,812,264 | - | 26,581,778 | 10,018,808 | 51,412,850 |
| **Total** | **431,862,457** | **108,591,572** | **148,682,423** | **38,187,950** | **581,897,876** | **10,018,808** | **1,319,241,086** |
| Credit risk exposures relating to other credit commitments at gross amount are as follows: | | | | | | | |
| Transaction related bonds and guarantees | 59,334,812 | 87,877,189 | - | 10,000 | - | - | 147,222,001 |
| Guaranteed facilities | 11,693,136 | 9,266,453 | 655,000 | 40,000 | 3,544,791 | 564,134 | 25,763,514 |
| Clean line facilities for letters of credit and other commitments | 87,651,153 | 44,135,017 | | - | 2,498,560 | - | 134,284,730 |
| **Total** | **158,679,101** | **141,278,659** | **655,000** | **50,000** | **6,043,351** | **564,134** | **307,270,245** |

**5.1.6 (b)i By geography**

| **Bank**<br>**2013**<br>*In thousands of Naira* | **Nigeria** | **Rest of Africa** | **Europe** | **Others** | **Total** |
|---|---|---|---|---|---|
| Cash and balances with banks | 199,138,453 | 367,249 | 38,907,585 | 125,241,602 | 363,654,889 |
| Non pledged trading assets | 3,877,969 | - | - | - | 3,877,969 |
| Pledged assets | 63,347,823 | - | - | - | 63,347,823 |
| Derivative financial instruments | 72,675 | - | - | - | 72,675 |
| Loans and advances to banks | 345,445 | 479,970 | 12,223,236 | - | 13,048,651 |
| Loans and advances to customers | 735,300,741 | - | - | - | 735,300,741 |
| Investment securities | | | | | |
| - Available for sale | 129,239,133 | - | 134,061 | - | 129,373,194 |
| - Held to maturity | 140,466,808 | - | - | - | 140,466,808 |
| Other assets | 20,460,439 | - | 9,905,167 | 6,070,890 | 36,436,496 |
| **Total** | **1,292,249,486** | **847,219** | **61,170,049** | **131,312,492** | **1,485,579,246** |
| Credit risk exposures relating to othr credit commitments at gross amount are as follows: | | | | | |
| Transaction related bonds and guarantees | 142,850,060 | - | - | - | 142,850,060 |
| Guaranteed facilities | 46,956,539 | - | - | - | 46,956,539 |
| Clean line facilities for letters of credit and other commitments | 162,171,919 | - | - | - | 162,171,919 |
| **Total** | **351,978,518** | **-** | **-** | **-** | **351,978,518** |

| **2012**<br>*In thousands of Naira* | **Nigeria** | **Rest of Africa** | **Europe** | **Others** | **Total** |
|---|---|---|---|---|---|
| Cash and balances with banks | 208,813,724 | 95,804 | 45,007,516 | 3,694,303 | 257,611,347 |
| Non pledged trading assets | 3,595,535 | - | - | - | 3,595,535 |
| Pledged assets | 60,949,856 | - | - | - | 60,949,856 |
| Loans and advances to banks | 3,054,520 | - | - | - | 3,054,520 |
| Loans and advances to customers | 554,592,199 | - | - | - | 554,592,199 |
| Investment securities | | | | | |
| - Available for sale | 12,566,325 | 8,685,604 | - | - | 21,251,929 |
| - Held to maturity | 366,772,849 | - | - | - | 366,772,849 |
| Other assets | 51,412,850 | - | - | - | 51,412,850 |
| **Total** | **1,261,757,858** | **8,781,408** | **45,007,516** | **3,694,303** | **1,319,241,085** |
| Credit risk exposures relating to othr credit commitments at gross amount are as follows: | | | | | |
| Transaction related bonds and guarantees | 147,222,001 | - | - | - | 147,222,001 |
| Guaranteed facilities | 25,763,514 | - | - | - | 25,763,514 |
| Clean line facilities for letters of credit and other commitments | 134,284,730 | - | - | - | 134,284,730 |
| **Total** | **307,270,245** | **-** | **-** | **-** | **307,270,245** |

## 5.2 Market Risk Management

### Definition

Access Bank is faced with the risk of decline in its earnings and capital arising from adverse changes in market variables; such as interest rate and foreign exchange rate. Market Risk is the risk that the value of on/off-balance sheet positions will be adversely affected by movements in equity prices, interest rates, currency exchange rates and commodity prices. Access Bank is exposed to market risk through the positions created in its trading and banking books.

### Market risk policy, management and control

Over the years, the Nigerian financial market has witnessed a dramatic expansion in the array of financial services and products. This tremendous growth in scale and scope has also generated new risks with global consequences, especially market risk, necessitating an assessment of exposures to the volatility of the underlying risk drivers.

These developments have prompted a comprehensive and dynamic Market Risk Policy, ALM Policy, Liquidity Policy, Stress Testing Policy, e.t.c. to ensure that risks faced across business activities and on an aggregate basis are within the stipulated risk appetite of the Bank. These policies have been benchmarked with industry and international best practices, and CBN regulations.

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. Limits are set based on the approved risk appetite, underlying liquidity as well as legal limitations on individual positions imposed by the regulatory authorities in Nigeria. The specific limits are proposed by the Group Head, market risk management and the Bank's Chief Risk Officer and approved by the Bank's Executive Management, relevant management committees, and ultimately by the Board.

The Bank runs a state-of-the-art integrated and straight through processing treasury system for enabling better measuring, monitoring and managing interest rate and foreign exchange risks in the bank. Liquidity, Exchange Rate, and Interest Rate risks are managed through various metrics viz. Liquidity Gap Analysis, Dynamic Cash Flow Analysis, Liquidity Ratios, Value at Risk (VaR), Earnings at Risk (EaR) and Sensitivity Analysis. The primary aim of these processes is risk forecasting and impact mitigation through management action and portfolio rebalancing.

The risk reporting mechanism in the Bank comprises disclosures and reporting to the various management committees viz. Enterprise Risk Management Committee, Asset Liability Committee and the Board Risk Management Committee. The Risk Committees receive a daily/weekly risk dashboard and monthly/quarterly reports which are presented at the committee meetings. Depending on the market conditions and risk outlook, recommendations are made to the risk management committees in respect of the market risk profile, risk appetite appraisal; as well as review of limits against actual position.

The Bank regularly conducts stress testing to monitor its vulnerability towards unfavorable shocks. It monitors and controls its risk, using various internal and regulatory risk limits for trading book and banking book which are set according to a number of criteria including economic scenario, business strategy, management experience, peer analysis and the Bank's risk appetite.

In line with the CBN circular on new capital adequacy framework, Access Bank has adopted the standardised duration approach for market risk and has obtained the board approval for the policy on Internal Capital Adequacy Assessment Process (ICAAP). This policy defines and sets processes to review and improve the techniques used for identification, measurement and assessment of all material risks and resultant capital requirements.

Also, the bank has put in place a detailed plan for the full implementation for the Basel II & III frameworks and have also put in place a road map for the migration to more advanced capital computation method which factors in the actual loss experience of the bank .

### Non-trading portfolio

The principal objective of market risk management of non-trading portfolios is to optimize net interest income. Due to the size of the Bank's holdings in rate-sensitive assets and liabilities, a major area of market risk exposures in the bank is the interest rate on the banking book. This risk arises from the mismatch between the future yield on assets and their funding cost, as a result of interest rate changes. The Bank uses a variety of tools to track and manage this risk:

- Re-pricing gap analysis (which allows the Bank to maintain a positive or negative gap depending upon the forecast of interest rate position). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income
- Liquidity gap analysis
- Earnings-at-Risk (EAR) using various interest rate forecasts
- Sensitivity Analysis

### 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.

## Re-pricing and Liquidity Gap Analysis

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 NIBOR and different types of interest.

Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Group balance sheet, mainly due to re-pricing timing differences between assets, liabilities and equity. These risks impact both the earnings and the economic value of the Group. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

## Earnings-at-Risk (EAR) Approach

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

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

## Sensitivity Analysis and Stress Testing

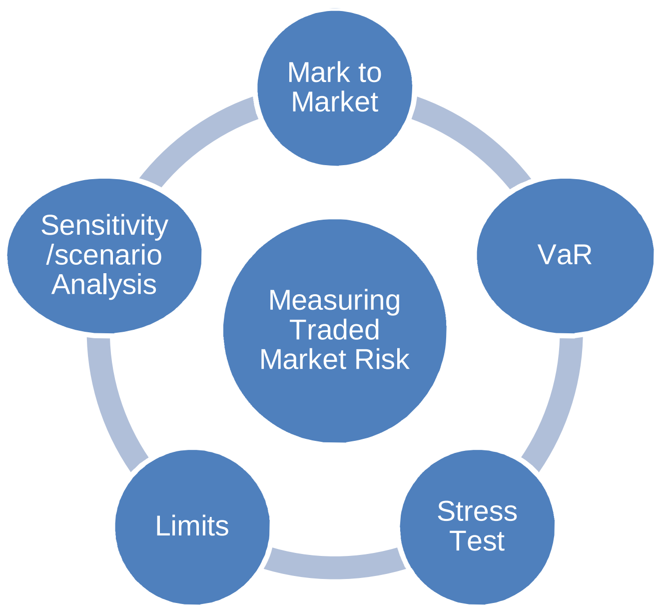
Sensitivity analysis and stress testing are risk measurement techniques that help us ensure that the risks the Bank takes remain within our risk appetite and that our level of capital remains adequate. Sensitivity analysis involves varying a single factor (e.g. a model input or specific assumption) to assess the impact on various risk measures.

Stress testing generally involves consideration of the simultaneous movements in a number of risk factors. It is used to measure the level of potential unexpected losses for Credit, Market (both trading and non-trading), Operational and Liquidity Risks.

Under potential adverse conditions, stress testing plays an important role in supporting overall capital management and adequacy assessment processes. Our enterprise-wide stress testing program utilizes stress scenarios featuring a range of severities based on unlikely but possible adverse market and economic events. These common stress scenarios are evaluated across the organization, and results are integrated to develop an enterprise-wide view of the impacts on our financial results and capital requirements. This program uses macro-economic projections and applies them as stress impacts on the organisation viz-a-viz the various risk types.

## Trading portfolio

The measurement/control techniques used to measure and control traded market risk (interest rate and foreign exchange risk) include daily valuation of positions, limit monitoring, gap analysis, sensitivity analysis, Value at Risk, tail risk, stress testing, e.t.c.



## Limits

Specific limits and triggers (regulatory and in-house) have been set across the various market risk areas to prevent undue exposure and the market risk management group ensure that these limits and triggers are adhered to by the bank. The following limits currently exist;

Fixed income and FX Open Position Limits (OPL): The Bank, in keeping with the prudency concept, sets its policy limit for Open Position at a level lower than the maximum OPL approved by the regulatory authority. In setting the internal OPL, the following considerations are imperative:

- The Regulatory OPL;
- The Bank's tolerance and appetite for FX risk;
- The size and depth of the FX market in Nigeria;
- The degree of volatility of traded currencies; and
- The Bank's desired positioning in the relevant FX market with requirements for international business support.

Interbank placement and takings Limit**:** In line with Banks drive to be a top liquidity provider in the financial market, stringent controls have been set to ensure that any takings from interbank are preceded by proper authority, to reduce the risks that come with huge interbank borrowing.

Management Action Trigger (MAT): This establishes decision points to confirm the Board of Directors' tolerance for accepting trading risk losses on a cumulative basis. MAT therefore, takes into account actual cumulative profit/loss as well as potential losses and the loss tolerance is defined as a percentage of Gross Earnings.

Stop Loss Limit: This limit sets a maximum tolerable unrealized profit/loss to date which will trigger the closing of a position in order to avoid any further loss based on existing exposures. Positions are liquidated uniformly when stop loss limits are breached.

Dealer Limits: This limit sets a maximum tolerable unrealized profit/loss to date based on existing exposures for a specific dealer. Positions are liquidated uniformly when the dealer stop limit is breached independent of the global stop loss limit.

Value-at-Risk Limit: The normal VaR of the portfolio will be the Naira loss that will be exceeded 1% of the time over a one day horizon. The time period may be changed depending on the volume of position held and current market realities. At a maximum of 99% confidence level, and a holding period of 1 day, the bank maintains a VaR limit of 0.25% of Gross earnings.

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

### Mark-to-Market (MTM)

The marking-to-market technique establishes historical profit/loss by revaluing money market exposures to prevailing market prices. When no market prices are available for a specific contract period, mark-to-model is used to derive the relevant market prices; it is the Bank's policy to revalue all exposures categorized under the securities trading portfolio on a daily basis. As a general guide, marking to market is performed independently of the trading unit i.e. prices/rates are obtained from external sources.

### Value at Risk (VaR)

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.

Access Bank uses an internal VaR 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. This model covers general market (position) risk across all approved interest rate and foreign exchange products.

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

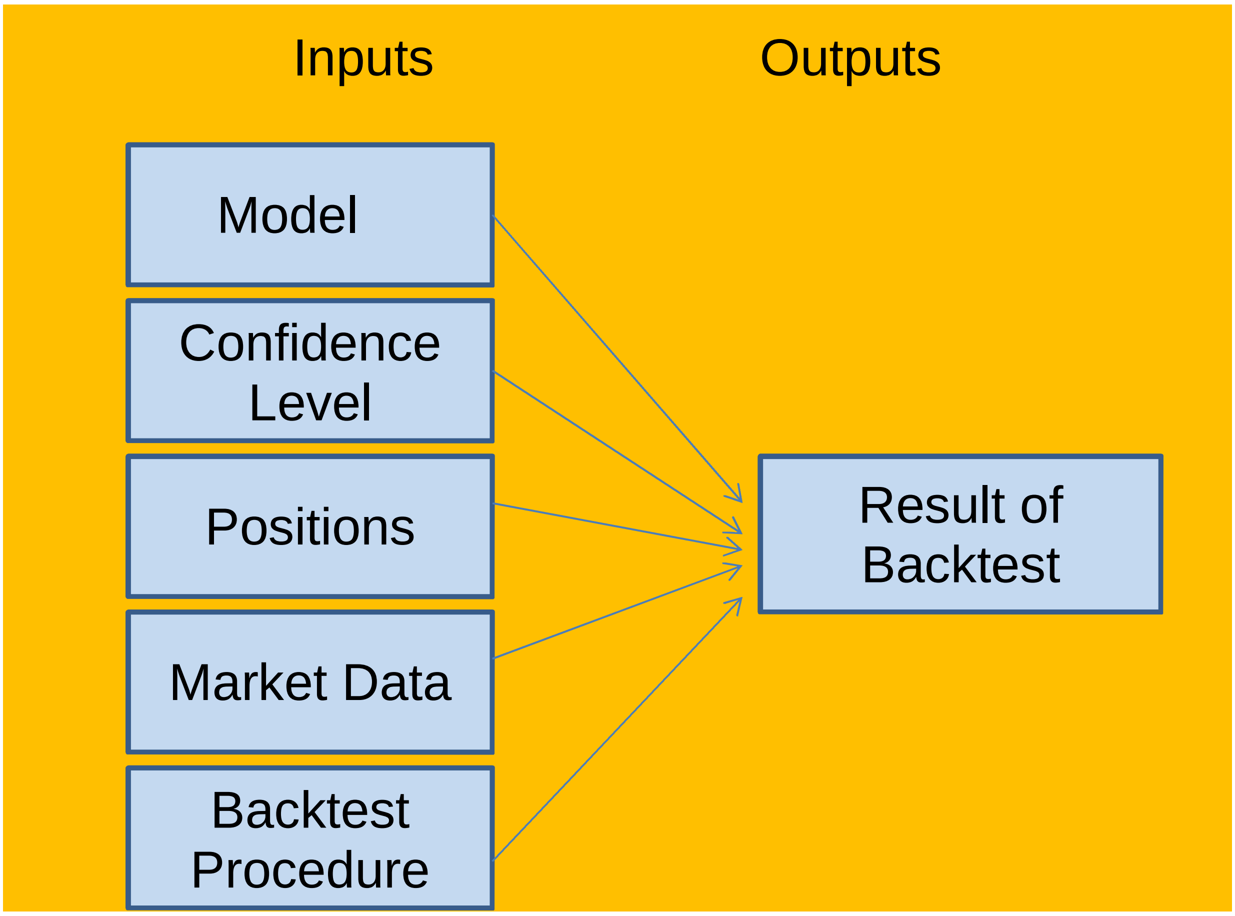
- Historical simulation assumes that the past is a good representation of the future. This may not always be the case.
- The assumed time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- VaR does not indicate the potential loss beyond the selected percentile.
- Intra-day risk is not captured.

- Prudent valuation practices are used in the VaR calculation when there is difficulty obtaining rate/price information.

To complement VaR, stress testing and other sensitivity measures are used.

## Backtesting

The VaR model 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 standard for back testing is to measure daily losses against DVaR assuming a one-day holding period and a 99% level of confidence. The 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.

### Stress testing

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.

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.

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.

**Market risk management**

**5.2.1 A summary of the Group's interest rate gap position on financial insturments is as follows:**

| | | Re-pricing period | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Group**<br>*In thousands of Naira* | *Note* | **Less than 3 months** | **4 - 6 months** | **7 - 12 months** | **1 - 5 years** | **More than 5 years** | **Non-Interest bearing** | **Total** |
| **31 December 2013** | | | | | | | | |
| *Non-derivative assets* | | | | | | | | |
| Cash and balances with banks | 20 | 303,141,161 | 848,929 | 577,130 | - | - | 134,892,321 | 439,459,541 |
| Non pledged trading assets | 21 | 1,181,048 | 348,327 | 849,159 | 212,806 | 1,181,710 | 104,919 | 3,877,969 |
| Pledged assets | 22 | 4,712,475 | - | - | - | 58,365,348 | 332,028 | 63,409,851 |
| Loans and advances to banks | 24 | 5,959,111 | 9,545,550 | 7,644,831 | 1,430,383 | - | - | 24,579,875 |
| Loans and advances to customers | 25 | 324,347,405 | 88,560,378 | 61,332,439 | 84,577,627 | 217,960,416 | 9,455,087 | 786,233,352 |
| Investment securities | 27 | 75,301,132 | 65,024,360 | 84,786,448 | 40,332,993 | 49,134,617 | 39,231,798 | 353,811,348 |
| Other assets | 29 | - | - | - | - | - | 43,174,648 | 43,174,648 |
| | | **714,642,332** | **164,327,544** | **155,190,007** | **126,553,809** | **326,642,091** | **227,190,801** | **1,714,546,584** |
| *Non-derivative liabilities* | | | | | | | | |
| Deposits from financial institutions | 36 | 56,942,176 | 11,082,063 | 4,123,716 | - | - | - | 72,147,955 |
| Deposits from customers | 37 | 830,181,563 | 133,236,381 | 345,376,295 | 2,239,232 | - | 20,385,188 | 1,331,418,659 |
| Debt securities issued | 42 | - | - | - | 55,828,248 | - | - | 55,828,248 |
| Other liabilties | 39 | - | - | - | - | - | 54,043,974 | 54,043,974 |
| Interest bearing loans & borrowings | 43 | 2,292,943 | 1,349,297 | 4,143,416 | 41,328,553 | 15,224,773 | - | 64,338,982 |
| | | **889,416,682** | **145,667,741** | **353,643,427** | **99,396,033** | **15,224,773** | **74,429,162** | **1,577,777,818** |
| **Total interest re-pricing gap** | | (174,774,350) | 18,659,803 | (198,453,420) | 27,157,776 | 311,417,318 | 152,761,639 | 136,768,766 |

| | | Re-pricing period | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Note* | **Less than 3 months** | **4 - 6 months** | **7 - 12 months** | **1 - 5 years** | **More than 5 years** | **Non-Interest bearing** | **Total** |
| **31 December 2012** | | | | | | | | |
| *Non-derivative assets* | | | | | | | | |
| Cash and balances with banks | 20 | 264,277,425 | 26,954,044 | 4,143,727 | - | - | 109,917,045 | 405,292,241 |
| Non- pledged trading assets | 21 | 8,631,893 | 2,545,809 | 6,206,220 | 1,555,332 | 8,636,730 | 330,819 | 27,906,803 |
| Pledged assets | 22 | 6,526,539 | - | - | - | 54,423,317 | - | 60,949,856 |
| Loans and advances to banks | 24 | 2,195,641 | 588,582 | 1,092,643 | 278,997 | 409,080 | - | 4,564,943 |
| Loans and advances to customers | 25 | 210,307,160 | 104,433,918 | 64,696,555 | 121,757,041 | 102,878,725 | - | 604,073,399 |
| Investment securities | 27 | 23,001,397 | 8,681,346 | 19,911,683 | 286,891,916 | 76,399,219 | 32,396,250 | 447,281,811 |
| Other assets | 29 | - | - | - | - | - | 59,391,258 | 59,391,258 |
| | | **514,940,055** | **143,203,699** | **96,050,828** | **410,483,286** | **242,747,071** | **202,035,372** | **1,609,460,311** |
| *Non-derivative liabilities* | | | | | | | | - |
| Deposits from financial institutions | 36 | 80,170,333 | 5,628,900 | 3,906,323 | 2,641,477 | 4,545,982 | - | 96,893,015 |
| Deposits from customers | 37 | 1,099,176,827 | 36,423,289 | 20,746,656 | 1,838,104 | - | 43,297,120 | 1,201,481,996 |
| Debt securities issued | 42 | - | - | - | 54,685,891 | - | - | 54,685,891 |
| Liabilities on investment contracts | 40 | 65,591 | - | - | - | - | - | 65,591 |
| Other liabilties | 39 | - | - | - | - | - | 40,425,436 | 40,425,436 |
| Interest bearing loans & borrowings | 43 | 2,369,748 | 40,800 | 81,600 | 408,000 | 40,540,885 | 4,928,816 | 48,369,849 |
| | | **1,181,782,499** | **42,092,989** | **24,734,579** | **59,573,472** | **45,086,867** | **88,651,372** | **1,441,921,778** |
| **Total interest re-pricing gap** | | (666,842,444) | 101,110,710 | 71,316,249 | 350,909,814 | 197,660,204 | 113,384,000 | 167,538,533 |

## Market risk management

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

**Re-pricing period**

**Bank**

| *In thousands of Naira* | *Note* | Less than 3 months | 4 - 6 months | 7 - 12 months | 1 - 5 years | More than 5 years | Non-Interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **31 December 2013** | | | | | | | | |
| *Non-derivative assets* | | | | | | | | |
| Cash and balances with banks | 20 | 261,378,186 | - | - | - | - | 134,430,561 | 395,808,747 |
| Non- pledged trading assets | 21 | 1,181,048 | 348,327 | 849,159 | 212,806 | 1,181,710 | 104,918 | 3,877,969 |
| Pledged assets | 22 | 4,712,475 | - | - | - | 58,635,348 | - | 63,347,823 |
| Loans and advances to banks | 24 | - | 8,223,486 | 4,345,195 | 479,970 | - | - | 13,048,651 |
| Loans and advances to customers | 25 | 304,429,936 | 80,309,880 | 56,359,919 | 76,240,590 | 217,960,416 | - | 735,300,741 |
| Investment securities | 27 | 64,346,634 | 49,038,636 | 78,232,862 | 34,280,677 | 43,941,194 | 39,231,798 | 309,071,801 |
| Other assets | 29 | - | - | - | - | - | 36,436,496 | 36,436,496 |
| | | **636,048,280** | **137,920,330** | **139,787,134** | **111,214,044** | **321,718,668** | **210,203,773** | **1,556,892,228** |
| *Non-derivative liabilities* | | | | | | | | |
| Deposits from financial institutions | 36 | 56,942,176 | 4,208,541 | 144,634 | - | - | - | 61,295,351 |
| Deposits from customers | 37 | 785,591,169 | 95,673,189 | 335,912,435 | - | - | - | 1,217,176,793 |
| Other liabilities | 40 | - | - | - | - | - | 49,940,868 | 49,940,868 |
| Interest bearing loans & borrowings | 44 | 2,292,943 | 1,349,297 | 4,143,416 | 97,331,598 | 15,224,773 | - | 120,342,026 |
| | | **844,826,288** | **101,231,027** | **340,200,485** | **97,331,598** | **15,224,773** | **49,940,868** | **1,448,755,038** |
| **Total interest re-pricing gap** | | (208,778,008) | 36,689,303 | (200,413,351) | 13,882,446 | 306,493,895 | 160,262,905 | 108,137,190 |

**Re-pricing period**

| *In thousands of Naira* | *Note* | Less than 3 months | 4 - 6 months | 7 - 12 months | 1 - 5 years | More than 5 years | Non-Interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **31 December 2012** | | | | | | | | |
| *Non-derivative assets* | | | | | | | | |
| Cash and balances with banks | 20 | 148,677,264 | 21,467,850 | 4,000,000 | - | - | 109,917,045 | 284,062,159 |
| Non- pledged trading assets | 21 | 1,125,482 | 331,939 | 809,207 | 202,794 | 1,126,113 | 173,725 | 3,769,260 |
| Pledged assets | 22 | 6,526,539 | - | - | - | 54,423,317 | - | 60,949,856 |
| Loans and advances to banks | 24 | 2,349,246 | - | 98,374 | 197,819 | 409,081 | - | 3,054,520 |
| Loans and advances to customers | 25 | 190,705,529 | 85,236,301 | 61,242,050 | 116,235,179 | 101,173,140 | - | 554,592,199 |
| Investment securities | 27 | 14,525,937 | 6,225,976 | 15,442,055 | 283,238,249 | 68,592,560 | 32,321,518 | 420,346,295 |
| Other assets | 29 | - | - | - | - | - | 51,412,850 | 51,412,850 |
| | | **363,909,997** | **113,262,066** | **81,591,686** | **399,874,041** | **225,724,211** | **193,825,138** | **1,378,187,139** |
| *Non-derivative liabilities* | | | | | | | | |
| Deposits from financial institutions | 36 | 9,037,199 | 106,511 | 637 | 2,622,187 | 4,545,982 | - | 16,312,516 |
| Deposits from customers | 37 | 1,028,421,343 | 36,595,982 | 28,694,236 | 267,659 | - | - | 1,093,979,220 |
| Interest bearing loans & borrowings | 44 | 8,277,538 | - | - | 55,502,693 | 40,092,210 | - | 103,872,441 |
| Other liabilities | 39 | - | - | - | - | - | 24,302,067 | 24,302,067 |
| | | **1,045,736,080** | **36,702,493** | **28,694,873** | **58,392,539** | **44,638,192** | **24,302,067** | **1,238,466,244** |
| **Total interest re-pricing gap** | | (681,826,083) | 76,559,573 | 52,896,813 | 341,481,502 | 181,086,019 | 169,523,071 | 139,720,894 |

**Market risk management**

The Group trades on bonds, treasury bills and foreign exchange. Market risk in trading portfolios is monitored and controlled using tools such as position limits, value at risk and present value of an assumed basis points change in yields or exchange rates coupled with concentration limits. The major measurement technique used to measure and control market risk is outlined below.

**5.2.2 Value at risk (VAR)**

The Group applies a 'value at risk' (VAR) methodology to its trading portfolios and at a group level to estimate the market ris+B10k of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Group, which are monitored on a daily basis by Treasury Unit. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis (Note 5.2.1).

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VAR estimate. Value-at-risk estimates the potential maximum decline in the value of a position or portfolio, under normal market conditions, over a one-day holding period. It also assumes that market moves occurring over this holding period will follow a similar pattern. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions - a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/ factors used in the VAR calculation.
The Access Bank value-at-risk method incorporates the factor sensitivities of the trading portfolio, the volatilities and correlations of the market risk factors. The group uses the variance covariance method which derives likely future changes in market value from historical market volatility. Value at risks is estimated on the basis of exposures outstanding at the close of business and therefore might not factor in the intra-day exposures. However, the bank does not only based its risk estimates on Value at Risk, it uses Stress tests to provide an indication of the potential size of losses that could arise in extreme conditions by applying a what-if analysis to further complement it. The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors.

The trading book is made up of foreign currency, Bonds and Treasury bills instruments. The value at Risk of the trading book is as stated:

| **Group VAR by risk type** | | **December 2013** | | |
|---|---|---|---|---|
| *In thousands of Naira* | **Average** | **High** | **Low** | **Actual** |
| Foreign exchange risk | (8,765,308) | 13,669,142 | (19,943,285) | (19,733,507) |
| Interest rate risk | (57,972,316) | 262,820,854 | (460,274,271) | (52,190,081) |
| **Total** | **(66,737,624)** | **276,489,996** | **(480,217,556)** | **(71,923,588)** |

| **Group** | | **December 2012** | | |
|---|---|---|---|---|
| | **Average** | **High** | **Low** | **Actual** |
| Foreign exchange risk | 28,866,282 | 97,340,199 | 708,243 | (9,864,988) |
| Interest rate risk | 255,099,684 | 724,819,622 | 6,757,004 | (109,508,015) |
| **Total** | **283,965,966** | **822,159,821** | **7,465,247** | **(119,373,003)** |

| **Bank VAR by risk type** | | **December 2013** | | |
|---|---|---|---|---|
| *In thousands of Naira* | **Average** | **High** | **Low** | **Actual** |
| Foreign exchange risk | (8,765,308) | 13,669,142 | (19,943,285) | (19,733,507) |
| Interest rate risk | (49,744,235) | 225,518,368 | (394,946,980) | (44,782,679) |
| **Total** | **(58,509,543)** | **239,187,510** | **(414,890,265)** | **(64,516,186)** |

| **Bank** | | **December 2012** | | |
|---|---|---|---|---|
| | **Average** | **High** | **Low** | **Actual** |
| Foreign exchange risk | 28,866,282 | 97,340,199 | 708,243 | (9,864,988) |
| Interest rate risk | 94,538,303 | 268,613,492 | 2,504,102 | (40,582,966) |
| **Total** | **123,404,585** | **365,953,691** | **3,212,345** | **(50,447,954)** |

The table below sets out information on the exposure to fixed and variable interest instruments.

**Exposure to fixed and variable interest rate risk**
**Group**
*In thousands of Naira*

| **31 December 2013** | **Fixed** | **Floating** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|
| **ASSETS** | **N'000** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | 220,243,617 | - | 219,215,924 | 439,459,541 |
| Non pledged trading assets | 3,877,969 | - | - | 3,877,969 |
| Pledged assets | 63,409,851 | - | - | 63,409,851 |
| Derivative financial instruments | - | - | 102,123 | 102,123 |
| Loans and advances to banks | 24,579,875 | - | - | 24,579,875 |
| Loans and advances to customers | - | 786,169,704 | - | 786,169,704 |
| Investment securities: | | | | |
| – Available-for-sale | 150,289,909 | - | 39,570,237 | 189,860,146 |
| – Held-to-maturity | 163,951,202 | - | - | 163,951,202 |
| **TOTAL** | **626,352,423** | **786,169,704** | **258,888,284** | **1,671,410,411** |

| | | | | |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| Deposits from financial institutions | 72,147,955 | - | - | 72,147,955 |
| Deposits from customers | 501,645,662 | 829,772,997 | - | 1,331,418,659 |
| Derivative financial instruments | - | - | 32,955 | 32,955 |
| Interest-bearing loans and borrowings | - | 64,338,982 | - | 64,338,982 |
| **TOTAL** | **573,793,617** | **894,111,979** | **32,955** | **1,467,938,551** |

| **31 December 2012** | **Fixed** | **Floating** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|
| **ASSETS** | **N'000** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | 160,870,921 | - | 244,421,320 | 405,292,241 |
| Non pledged trading assets | 27,906,803 | - | - | 27,906,803 |
| Pledged assets | 60,949,856 | - | - | 60,949,856 |
| Derivative financial instruments | - | - | 30,949 | 30,949 |
| Loans and advances to banks | 4,564,944 | - | - | 4,564,944 |
| Loans and advances to customers | - | 604,073,399 | - | 604,073,399 |
| Investment securities: | | | | |
| – Available-for-sale | 24,344,361 | - | 32,396,250 | 56,740,611 |
| – Held-to-maturity | 390,541,200 | - | - | 390,541,200 |
| **TOTAL** | **669,178,086** | **604,073,399** | **276,848,519** | **1,550,100,003** |
| **LIABILITIES** | | | | |
| Deposits from financial institutions | 96,893,015 | - | - | 96,893,015 |
| Deposits from customers | 455,189,956 | 746,292,040 | - | 1,201,481,996 |
| Derivative financial instruments | - | - | 35,515 | 35,515 |
| Interest-bearing loans and borrowings | - | 48,369,849 | - | 48,369,849 |
| **TOTAL** | **552,082,971** | **794,661,889** | **35,515** | **1,346,780,375** |

**Bank**

| **31 December 2013** | **Fixed** | **Floating** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|
| **ASSETS** | **N'000** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | 166,934,910 | - | 228,873,837 | 395,808,747 |
| Non pledged trading assets | 3,773,051 | - | 104,918 | 3,877,969 |
| Pledged assets | 63,347,823 | - | - | 63,347,823 |
| Derivative financial instruments | - | - | 72,675 | 72,675 |
| Loans and advances to banks | 13,048,651 | - | | 13,048,651 |
| Loans and advances to customers | - | 735,300,741 | - | 735,300,741 |
| Investment securities: | | | | |
| – Available-for-sale | 129,373,195 | - | 39,231,798 | 168,604,993 |
| – Held-to-maturity | 140,466,809 | - | - | 140,466,809 |
| **TOTAL** | **516,944,439** | **735,300,741** | **268,283,228** | **1,520,528,408** |
| **LIABILITIES** | | | | |
| Deposits from financial institutions | 8,191,490 | 53,103,862 | - | 61,295,352 |
| Deposits from customers | 455,231,840 | 761,944,953 | - | 1,217,176,793 |
| Derivative financial instruments | - | - | | - |
| Interest-bearing loans and borrowings | 57,020,588 | 63,321,438 | - | 120,342,026 |
| **TOTAL** | **520,443,918** | **878,370,253** | **-** | **1,398,814,171** |

| **31 December 2012** | **Fixed** | **Floating** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|
| **ASSETS** | **N'000** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | 66,311,886 | - | 217,750,273 | 284,062,159 |
| Non pledged trading assets | 3,595,535 | - | 173,725 | 3,769,260 |
| Pledged assets | 60,949,856 | - | - | 60,949,856 |
| Loans and advances to banks | 3,054,520 | - | - | 3,054,520 |
| Loans and advances to customers | - | 554,592,199 | - | 554,592,199 |
| Investment securities: | | - | | |
| – Available-for-sale | 21,251,929 | - | 32,321,517 | 53,573,446 |
| – Held-to-maturity | 366,772,849 | - | - | 366,772,849 |
| **TOTAL** | **521,936,575** | **554,592,199** | **250,245,515** | **1,326,774,289** |
| **LIABILITIES** | | | | |
| Deposits from financial institutions | 16,312,516 | - | - | 16,312,516 |
| Deposits from customers | 422,272,257 | 671,706,963 | - | 1,093,979,220 |
| Interest-bearing loans and borrowings | 55,502,694 | 48,369,747 | - | 103,872,441 |
| **TOTAL** | **494,087,467** | **720,076,710** | **-** | **1,214,164,177** |

**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing (note 5.2.1) and value at risk (note 5.2.2) that may be undertaken, which is monitored daily by Group Treasury.

**Cash flow and fair value interest rate risk**

The group's interest rate risk arises from risk assets and long-term borrowings, deposits from banks and customers. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Other financial liabilities issued at fixed rates expose the group to fair value interest rate risk.

The management of interest rate risk against interest rate gap limits is supplemented with monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios.

Interest rate movement have both cash flow and fair value effect depending on whether interest rate is fixed or floating. The impact resulting from adverse or favourable movement flows from either retained earnings or OCI and ultimately ends in equity in the following manner:

(i) Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.

(ii) Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in other comprehensive income.

**Group**
**Interest sensitivity analysis - 31 December 2013**
**Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)**

| | Cashflow interest rate risk | | Fair Value interest rate risk | |
|---|---|---|---|---|
| **Time Band** | **100 basis points decline in rates** | **100 basis points increase in rates** | **100 basis points decline in rates** | **100 basis points increase in rates** |
| Less than 3 months | 625,559 | (625,559) | (188,464) | 188,464 |
| 6 months | 210,389 | (210,389) | (303,688) | 303,688 |
| 12 months | 2,169,244 | (2,169,244) | (184,710) | 184,710 |
| | **3,005,192** | **(3,005,192)** | **(676,862)** | **676,862** |

**Interest sensitivity analysis - 31 December 2012**
**Impact of 100 basis points changes in rates over a one year period (N'000)**

| | Cashflow interest rate risk | | Fair Value interest rate risk | |
|---|---|---|---|---|
| **Time Band** | **100 basis points decline in rates** | **100 basis points increase in rates** | **100 basis points decline in rates** | **100 basis points increase in rates** |
| Less than 3 months | 1,737,392 | (1,737,392) | (7,028,576) | 70,286 |
| 6 months | (465,008) | 465,008 | (40,545) | 40,545 |
| 12 months | (669,784) | 669,784 | (43,378) | 43,378 |
| | **602,600** | **(602,600)** | **(7,112,499)** | **154,209** |

**Bank**
**Interest sensitivity analysis - 31 December 2013**
**Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)**

| | Cashflow interest rate risk | | Fair Value interest rate risk | |
|---|---|---|---|---|
| **Time Band** | **100 basis points decline in rates** | **100 basis points increase in rates** | **100 basis points decline in rates** | **100 basis points increase in rates** |
| | 684,706 | (684,706) | 162,761 | (162,761) |
| Less than 3 months | 45,582 | (45,582) | 114,514 | (114,514) |
| 6 months | 2,174,566 | (2,174,566) | 42,608 | (42,608) |
| 12 months | | | | |
| | **2,904,854** | **(2,904,854)** | **319,883** | **(319,883)** |

**Interest sensitivity analysis - 31 December 2012**
**Impact of 100 basis points changes in rates over a one year period (N'000)**

| | Cashflow interest rate risk | | Fair Value interest rate risk | |
|---|---|---|---|---|
| **Time Band** | **100 basis points decline in rates** | **100 basis points increase in rates** | **100 basis points decline in rates** | **100 basis points increase in rates** |
| Less than 3 months | 1,754,965 | (1,754,965) | 50,399 | (50,399) |
| 6 months | (384,850) | 384,850 | 14,539 | (14,539) |
| 12 months | (649,748) | 649,748 | 8,410 | (8,410) |
| | **720,367** | **(720,367)** | **73,348** | **(73,348)** |

The table above sets out the impact on net interest income of a 100 basis points parallel fall or rise in all yields. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel falls in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Bank to mitigate interest rate risk. In practice, ALCO seeks proactively to change the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges, and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

**Price sensitivity analysis on bonds and treasury bills**

The table below shows the impact of likely movement in yields on the value of bonds and treasury bills. This relates to the positions held for trade and available for sales. Since an increase in yields would lead to decline in market values of bonds and treasury bills, the analysis was carried out to show the likely impact of 50 and 100 basis points increase in market yields. The impact of held for trading investments is on the income statement while the impact of available for sale instruments is on the statement of other comprehensive income.

**Group**

| **31 December 2013** | **Caryying Value** | **Impact of 50 basis points increase in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| *Impact on Statement of Comprehensive* | | | |
| Held for trading | 3,773,051 | (61,105) | (90,602) |
| *Impact on Other Comprehensive Income* | | | |
| Available for sale investments | 19,075,871 | 299,509 | 272,995 |
| **TOTAL** | **22,848,922** | **238,404** | **182,393** |

| **31 December 2012** | **Caryying Value** | **Impact of 50 basis points increase in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| *Impact on Statement of Comprehensive* | | | |
| Held for trading | 27,575,985 | 33,731 | (252,690) |
| *Impact on Other Comprehensive Income* | | | |
| Available for sale investments | 15,437,370 | 986,282 | 976,143 |

**Bank**

| **31 December 2013** | **Caryying Value** | **Impact of 50 basis points increase in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| *Impact on Statement of Comprehensive Income* | | | |
| Held for trading Bonds | 1,129,324 | (70,374) | (95,343) |
| Held for trading T.bills | 2,356,425 | 9,270 | 4,741 |
| Held for trading | 3,773,051 | (61,105) | (90,602) |
| *Impact on Other Comprehensive Income* | | | |
| Available for sale investments | 16,257,535 | 255,259 | 232,662 |
| **TOTAL** | **20,030,586** | **194,154** | **142,059** |

| **31 December 2012** | **Caryying Value** | **Impact of 50 basis points increase in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| *Impact on Statement of Comprehensive* | | | |
| Held for trading Bonds | 1,668,756 | 15,364 | (24,633) |
| Held for trading T.bills | 2,875,173 | (9,806) | (17,005) |
| Held for trading | 4,543,928 | 5,558 | (41,638) |
| *Impact on Other Comprehensive Income* | | | |
| Available for sale investments | 6,463,124 | 412,924 | 408,679 |
| **TOTAL** | **11,007,052** | **418,482** | **367,042** |

**Market risk management**

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

**Financial instruments by currency**

| **Group** *In thousands of Naira* **31 December 2013** | ***Note*** | **Total** | **Naira** | **US $** | **GBP** | **Euro** | **Others** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | 439,459,541 | 260,494,916 | 124,326,370 | 20,207,125 | 17,077,120 | 17,354,010 |
| Non-pledged trading assets | 21 | 3,877,969 | 3,877,969 | - | - | - | - |
| Pledged assets | 22 | 63,409,851 | 63,347,823 | - | - | - | 62,028 |
| Derivative financial instruments | 23 | 102,123 | - | 80,829 | 12,889 | 8,405 | - |
| Loans and advances to banks | 24 | 24,579,875 | 345,445 | 23,291,359 | 19,991 | 923,080 | - |
| Loans and advances to customers | 25 | 786,169,704 | 456,666,385 | 289,536,072 | 3,041,954 | 3,305,957 | 33,619,336 |
| Investment securities | 27 | 353,811,348 | 301,559,580 | 29,012,648 | - | 1,374,147 | 21,864,973 |
| Other assets | 29 | 43,174,649 | 20,460,438 | 11,142,427 | 630,530 | 2,756,847 | 8,184,406 |
| | | **1,714,585,059** | **1,106,752,556** | **477,389,705** | **23,912,489** | **25,445,556** | **81,084,753** |
| Deposits from financial institutions | 36 | 72,147,955 | 7,161,530 | 54,577,844 | 1,296,884 | 8,424,934 | 686,763 |
| Deposits from customers | 37 | 1,331,418,659 | 933,913,152 | 317,797,743 | 9,582,405 | 14,034,476 | 56,090,883 |
| Derivative financial instruments | 23 | 32,956 | - | 8,754 | 16,835 | 7,366 | - |
| Other liabilities | 39 | 54,043,974 | 31,235,288 | 13,187,678 | 333,421 | 6,836,079 | 2,451,508 |
| Debt securities issued | 42 | 55,828,248 | - | 55,828,248 | - | - | - |
| Interest bearing loans & borrowings | 43 | 64,338,982 | 38,247,211 | 26,091,771 | - | - | - |
| | | **1,577,810,773** | **1,010,557,181** | **467,492,038** | **11,229,545** | **29,302,855** | **59,229,154** |
| Off balance sheet exposuress | | | | | | | |
| Transaction related bonds and guarantees | 48 | 158,715,258 | 108,458,868 | 36,417,906 | - | 432,422 | 13,406,062 |
| Guaranteed facilities | 48 | 54,741,356 | 21,442,945 | 14,689,365 | - | 18,609,046 | |
| Clean line facilities for letters of credit and other commitments | 48 | 228,957,302 | - | 216,689,716 | 218,918 | 10,024,148 | 2,024,520 |
| | | **442,413,916** | **129,901,813** | **267,796,987** | **218,918** | **29,065,616** | **15,430,582** |

| **Group** *In thousands of Naira* **31 December 2012** | ***Note*** | **Total** | **Naira** | **US $** | **GBP** | **Euro** | **Others** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | 405,292,241 | 222,886,312 | 143,085,678 | 19,319,736 | 12,368,726 | 7,631,790 |
| Non-pledged trading assets | 21 | 27,906,803 | 3,926,353 | - | - | - | 23,980,449 |
| Pledged assets | 22 | 60,949,856 | 60,949,856 | - | - | - | - |
| Derivative financial instruments | 23 | 30,949 | - | 1,522 | 22,070 | 7,357 | - |
| Loans and advances to banks | 24 | 4,564,943 | 704,756 | 3,326,694 | 344,500 | 188,993 | - |
| Loans and advances to customers | 25 | 604,073,399 | 451,093,811 | 139,956,934 | 2,798,233 | 531,304 | 9,693,117 |
| Investment securities | 27 | 447,281,811 | 417,472,818 | 15,313,659 | 546,431 | 2,827,031 | 11,121,872 |
| Insurance receivables | 28 | 627,337 | 296,317 | 108,276 | - | - | 222,745 |
| Other assets | 29 | 59,391,258 | 49,565,333 | 4,434,651 | 281,742 | 3,523,815 | 1,585,717 |
| | | **1,610,118,597** | **1,206,895,556** | **306,227,414** | **23,312,712** | **19,447,226** | **54,235,690** |
| Deposits from financial institutions | 36 | 96,893,015 | 9,583,668 | 79,114,684 | 4,609,128 | 2,501,197 | 1,084,338 |
| Deposits from customers | 37 | 1,201,481,996 | 957,610,171 | 195,127,090 | 10,568,567 | 9,304,049 | 28,872,119 |
| Derivative financial instruments | 23 | 35,515 | - | - | 20,041 | 15,474 | - |
| Claims payable | 38 | 118,226 | 118,226 | - | - | - | - |
| Other liabilities | 39 | 40,425,435 | 1,220,747 | 25,875,094 | 392,047 | 12,937,547 | - |
| Liabilities on investment contracts | 40 | 65,591 | 65,591 | - | - | - | - |
| Debt securities issued | 42 | 54,685,891 | - | 54,685,891 | - | - | - |
| Interest bearing loans & borrowings | 43 | 48,369,849 | 13,313,648 | 35,049,741 | 405 | 6,055 | - |
| | | **1,442,075,518** | **981,912,051** | **389,852,500** | **15,590,188** | **24,764,322** | **29,956,457** |
| Off balance sheet exposuress | | | | | | | |
| Transaction related bonds and guarantees | 48 | 147,374,900 | 92,892,923 | 52,951,846 | 32,322 | 1,356,828 | 140,982 |
| Guaranteed facilities | 48 | 32,151,985 | 17,624,791 | 11,143,055 | - | 1,705,019 | 1,679,120 |
| Clean line facilities for letters of credit and other commitments | 48 | 198,789,950 | - | 192,536,967 | 1,151,658 | 4,858,195 | 243,130 |
| | | **378,316,836** | **110,517,714** | **256,631,868** | **1,183,980** | **7,920,042** | **2,063,232** |

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

**Financial instruments by currency**

| **Bank** *In thousands of Naira* **31 December 2013** | ***Note*** | **Total** | **Naira** | **US $** | **GBP** | **Euro** | **Others** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | 395,808,747 | 259,896,634 | 122,464,877 | 5,868,743 | 7,167,728 | 410,765 |
| Non-pledged trading assets | 21 | 3,877,969 | 3,877,969 | - | - | - | - |
| Pledged assets | 22 | 63,347,823 | 63,347,823 | - | - | - | - |
| Derivative financial instruments | 23 | 72,675 | - | 72,675 | - | - | - |
| Loans and advances to banks | 24 | 13,048,651 | 345,445 | 12,703,206 | - | - | - |
| Loans and advances to customers | 25 | 735,300,741 | 456,665,385 | 275,174,006 | 111,002 | 3,305,957 | 44,391 |
| Investment securities | 27 | 309,071,802 | 301,559,580 | 7,512,222 | - | - | - |
| Other assets | 29 | 36,436,495 | 20,460,438 | 10,979,145 | 20,951 | 2,578,707 | 2,397,254 |
| | | **1,556,964,903** | **1,106,153,274** | **428,906,131** | **6,000,696** | **13,052,392** | **2,852,410** |
| Deposits from financial institutions | 36 | 61,295,352 | 7,161,530 | 52,766,940 | 355,836 | 962,600 | 48,446 |
| Deposits from customers | 37 | 1,217,176,793 | 933,913,285 | 269,649,901 | 6,666,809 | 6,946,406 | 392 |
| Other liabilities | 39 | 49,940,868 | 28,863,854 | 12,186,448 | 308,107 | 6,317,073 | 2,265,386 |
| Interest bearing loans & borrowings | 43 | 120,342,026 | 38,247,211 | 82,094,815 | - | - | - |
| | | **1,448,755,039** | **1,008,185,880** | **416,698,104** | **7,330,752** | **14,226,079** | **2,314,224** |
| Off balance sheet exposuress | | | | | | | |
| Transaction related bonds and guarantees | 48 | 142,850,060 | 108,458,868 | 34,068,343 | - | 322,849 | - |
| Guaranteed facilities | 48 | 46,956,539 | 21,442,945 | 6,904,547 | - | 18,609,047 | - |
| Clean line facilities for letters of credit and other commitments | 48 | 162,171,919 | - | 154,854,385 | 64,778 | 5,609,545 | 1,643,211 |
| | | **351,978,518** | **129,901,813** | **195,827,275** | **64,778** | **24,541,441** | **1,643,211** |

| **Bank** *In thousands of Naira* **31 December 2012** | ***Note*** | **Total** | **Naira** | **US $** | **GBP** | **Euro** | **Others** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | 20 | 284,062,159 | 157,104,351 | 111,228,905 | 7,126,505 | 8,353,044 | 249,354 |
| Non-pledged trading assets | 21 | 3,769,260 | 3,769,260 | - | - | - | - |
| Pledged assets | 22 | 60,949,856 | 60,949,856 | - | - | - | - |
| Loans and advances to banks | 24 | 3,054,520 | 704,756 | 2,349,764 | - | - | - |
| Loans and advances to customers | 25 | 554,592,199 | 416,190,727 | 135,379,149 | 731,461 | 469,427 | 1,821,435 |
| Investment securities | 27 | 420,346,295 | 410,634,801 | 9,711,494 | - | - | - |
| Other assets | 29 | 51,412,850 | 42,603,312 | 3,611,911 | 88,095 | 3,523,815 | 1,585,717 |
| | | **1,378,187,139** | **1,091,957,063** | **262,281,223** | **7,946,061** | **12,346,286** | **3,656,506** |
| Deposits from financial institutions | 36 | 16,312,516 | 9,412,414 | 6,154,403 | 333,573 | 412,126 | - |
| Deposits from customers | 37 | 1,093,979,221 | 909,883,158 | 169,381,246 | 8,250,995 | 6,463,622 | 199 |
| Other liabilities | 39 | 24,302,066 | 733,862 | 15,555,016 | 235,682 | 7,777,507 | - |
| Interest bearing loans & borrowings | 43 | 103,872,441 | 39,318,974 | 64,553,467 | - | - | - |
| | | **1,238,466,245** | **959,348,408** | **255,644,132** | **8,820,250** | **14,653,255** | **199** |
| Off balance sheet exposuress | | | | | | | |
| Transaction related bonds and guarantees | 48 | 147,222,001 | 92,892,923 | 52,951,846 | 32,322 | 1,344,910 | - |
| Guaranteed facilities | 48 | 25,763,514 | 17,624,791 | 6,506,764 | - | 1,631,958 | - |
| Clean line facilities for letters of credit and other commitments | 48 | 134,284,731 | - | 128,986,940 | 317,553 | 4,737,106 | 243,131 |
| | | **307,270,245** | **110,517,714** | **188,445,550** | **349,875** | **7,713,975** | **243,131** |

## 5.3 Liquidity risk

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

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

The Bank's liquidity has consistently been 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 Group ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

### Quantifications

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

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

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

### Limit management and monitoring

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Group Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by risk management. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

### Contingency funding plan

Access Bank has contingency funding plan which incorporate early warning indicators to monitor market conditions. The Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Group Treasury prepares a liquidity worksheet 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.

**Liquidity risk management**

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.

## 5.3.1 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 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **31 December 2013** | | | | | | | | |
| Cash and balances with banks | 20 | 439,459,541 | 439,459,542 | 264,639,659 | 1,097,783 | 1,315,801 | - | 172,406,298 |
| Non-pledged trading assets | 21 | 3,877,969 | 5,114,214 | 1,416,576 | 416,473 | 1,039,850 | 921,589 | 1,319,726 |
| Pledged assets | 22 | 63,409,851 | 100,095,999 | 6,032,902 | 1,211,788 | 2,423,577 | 12,762,012 | 77,665,720 |
| Derivative financial instruments | 23 | 102,123 | 11,471,603 | 11,471,603 | - | - | - | - |
| Loans and advances to banks | 24 | 24,579,875 | 26,753,256 | 8,437,494 | 9,571,785 | 7,429,123 | 775,308 | 539,546 |
| Loans and advances to customers | 25 | 786,169,704 | 788,847,822 | 331,598,823 | 87,849,143 | 63,066,928 | 85,329,870 | 221,003,058 |
| Investment securities | 27 | 353,811,348 | 370,106,042 | 81,546,997 | 67,456,866 | 94,035,298 | 66,655,718 | 60,411,163 |
| Other assets | 29 | 43,174,648 | 43,174,648 | 37,394,082 | - | 5,780,566 | - | - |
| | | **1,714,585,059** | **1,785,023,126** | **742,538,136** | **167,603,838** | **175,091,143** | **166,444,497** | **533,345,511** |
| Deposits from financial institutions | 36 | 72,147,955 | 72,257,134 | 55,496,033 | 12,608,327 | 4,152,775 | - | - |
| Deposits from customers | 37 | 1,331,418,659 | 1,333,474,753 | 848,190,371 | 133,482,680 | 348,933,912 | 2,416,093 | 451,697 |
| Derivative financial instruments | 23 | 32,955 | 2,000,495 | 2,000,495 | - | - | - | - |
| Other liabilities | 39 | 54,043,974 | 54,043,974 | 49,775,515 | 4,268,459 | - | - | - |
| Debt securities issued | 42 | 55,828,248 | 55,828,248 | - | - | - | - | 55,828,248 |
| Interest bearing loans & borrowings | 43 | 64,338,982 | 80,283,462 | 4,560,709 | 2,077,505 | 8,150,902 | 41,740,259 | 23,754,088 |
| | | **1,577,810,773** | **1,597,888,067** | **960,023,123** | **152,436,971** | **361,237,589** | **44,156,352** | **80,034,033** |
| Gap (asset - liabilities) | | 136,774,286 | 187,135,059 | (217,484,986) | 15,166,866 | (186,146,446) | 122,288,145 | 453,311,476 |
| Cumulative liquidity gap | | | | (217,484,986) | (202,318,120) | (388,464,566) | (266,176,421) | 187,135,057 |
| Off-balance sheet | | | | | | | | |
| Transaction related bonds and guarantees | 48 | 158,715,258 | 158,715,258 | 36,391,163 | 21,880,870 | 13,727,023 | 24,498,529 | 62,217,673 |
| Guaranteed facilities | 48 | 54,741,356 | 54,741,357 | 27,078,764 | 6,572,665 | 10,309,368 | 4,610,667 | 6,169,892 |
| Clean line facilities for letters of credit and other commitments | 48 | 228,957,302 | 228,957,302 | 152,715,496 | 47,959,692 | 27,919,468 | 362,646 | - |
| | | **442,413,916** | **442,413,917** | **216,185,423** | **76,413,227** | **51,955,859** | **29,471,842** | **68,387,565** |
| **31 December 2012** | | | | | | | | |
| *In thousands of Naira* | | | | | | | | |
| Cash and balances with banks | 20 | 405,292,241 | 405,292,241 | 269,065,331 | 24,248,836 | 4,144,847 | - | 107,833,227 |
| Non-pledged trading assets | 21 | 27,906,803 | 29,922,220 | 16,294,030 | 7,969,908 | 1,305,755 | 4,352,527 | - |
| Pledged assets | 22 | 60,949,856 | 131,847,049 | 6,671,114 | 2,403,657 | 2,443,496 | 19,401,892 | 100,926,890 |
| Derivative financial instruments | 23 | 30,949 | 1,520,553 | 1,520,553 | - | - | - | - |
| Loans and advances to banks | 24 | 4,564,943 | 66,476,669 | 5,416,514 | 958,506 | 573,418 | 58,813,714 | 714,517 |
| Loans and advances to customers | 25 | 604,073,399 | 673,439,738 | 209,750,681 | 95,953,623 | 93,261,863 | 135,447,307 | 139,026,264 |
| Investment securities | 27 | 447,281,811 | 551,460,057 | 31,785,712 | 5,088,282 | 227,646,901 | 156,521,497 | 130,417,665 |
| Insurance receivables | 28 | 627,337 | 1,065,571 | 1,065,571 | - | - | - | - |
| Other assets | 29 | 59,391,258 | 59,391,257 | 31,928,182 | 13,264,087 | 14,198,989 | - | - |
| | | **1,610,118,597** | **1,920,415,355** | **573,497,688** | **149,886,899** | **343,575,269** | **374,536,937** | **478,918,563** |
| Deposits from financial institutions | 36 | 96,893,015 | 117,524,181 | 106,323,886 | 106,511 | 3,925,613 | 2,622,187 | 4,545,983 |
| Deposits from customers | 37 | 1,201,481,996 | 1,207,459,308 | 1,105,376,078 | 56,923,657 | 42,148,887 | 3,010,686 | - |
| Claims payable | 38 | 118,226 | 118,226 | 118,226 | - | - | - | - |
| Derivative financial instruments | 23 | 35,515 | 1,484,393 | 1,484,393 | - | - | - | - |
| Other liabilities | 39 | 40,425,436 | 40,425,436 | 14,553,157 | 25,468,025 | 404,254 | - | - |
| Liabilities on investment contracts | 40 | 65,591 | 65,591 | 65,591 | - | - | - | - |
| Debt securities issued | 42 | 54,685,891 | 74,714,752 | 2,005,875 | - | 2,005,875 | 70,703,002 | - |
| Interest bearing loans & borrowings | 43 | 48,369,849 | 93,580,943 | 20,400 | 40,800 | 81,600 | 55,093,891 | 38,344,252 |
| | | **1,442,075,519** | **1,535,372,830** | **1,229,947,606** | **82,538,993** | **48,566,229** | **131,429,766** | **42,890,235** |
| Gap (asset - liabilities) | | 168,043,078 | 385,042,525 | (656,449,918) | 67,347,906 | 295,009,039 | 243,107,171 | 436,028,328 |
| Cumulative liquidity gap | | | | (656,449,918) | (589,102,012) | (294,092,972) | (50,985,801) | 385,042,527 |
| Off -balance sheet | | | | | | | | |
| Transaction related bonds and guarantees | 48 | 147,374,901 | 147,374,901 | 99,085,243 | 7,654,455 | 15,962,424 | 24,672,779 | - |
| Guaranteed facilities | 48 | 32,151,986 | 32,151,986 | 10,075,270 | 8,330,358 | 4,267,652 | 9,178,706 | 300,000 |
| Clean line facilities for letters of credit and other commitments | 48 | 198,789,950 | 198,789,950 | 95,244,804 | 67,854,696 | 23,526,011 | 12,164,438 | - |
| | | **378,316,836** | **378,316,836** | **204,405,317** | **83,839,509** | **43,756,087** | **46,015,924** | **300,000** |

| *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 |
|---|---|---|---|---|---|---|---|---|
| **Bank** | | | | | | | | |
| **31 December 2013** | | | | | | | | |
| Cash and balances with banks | 20 | 395,808,747 | 395,808,747 | 223,864,210 | - | - | - | 171,944,537 |
| Non-pledged trading assets | 21 | 3,877,969 | 5,055,502 | 1,357,864 | 416,473 | 1,039,850 | 921,589 | 1,319,726 |
| Pledged assets | 22 | 63,347,823 | 100,095,999 | 6,032,902 | 1,211,788 | 2,423,577 | 12,762,012 | 77,665,720 |
| Derivative financial instruments | 23 | 72,675 | 9,423,411 | 9,423,411 | - | - | - | - |
| Loans and advances to banks | 24 | 13,048,651 | 13,442,286 | 50,160 | 8,237,533 | 4,031,688 | 1,122,906 | - |
| Loans and advances to customers | 25 | 735,300,741 | 741,032,506 | 310,161,701 | 80,309,880 | 56,359,919 | 76,240,590 | 217,960,416 |
| Investment securities | 27 | 309,071,802 | 324,318,271 | 66,311,490 | 50,780,561 | 86,825,357 | 60,661,154 | 59,739,710 |
| Other assets | 29 | 36,436,496 | 36,436,496 | 30,655,930 | - | 5,780,566 | - | - |
| | | **1,556,964,904** | **1,625,613,220** | **647,857,668** | **140,956,235** | **156,460,957** | **151,708,251** | **528,630,109** |
| | | | | | | | | |
| Deposits from financial institutions | 36 | 61,295,352 | 61,376,623 | 57,097,580 | 4,127,708 | 151,335 | - | - |
| Deposits from customers | 37 | 1,217,176,793 | 1,218,851,031 | 786,275,557 | 95,890,264 | 336,056,653 | 176,860 | 451,697 |
| Other liabilities | 39 | 49,940,868 | 49,940,868 | 45,996,477 | 3,944,391 | - | - | - |
| Interest bearing loans & borrowings | 43 | 120,342,026 | 135,088,313 | 4,528,997 | 2,000,692 | 8,118,102 | 97,213,926 | 23,226,596 |
| | | **1,448,755,039** | **1,465,256,835** | **893,898,611** | **105,963,055** | **344,326,090** | **97,390,786** | **23,678,293** |
| Gap (asset - liabilities) | | 108,209,865 | 160,356,384 | (246,040,943) | 34,993,180 | (187,865,133) | 54,317,465 | 504,951,816 |
| Cumulative liquidity gap | | | | (246,040,943) | (211,047,763) | (398,912,896) | (344,595,432) | 160,356,383 |
| | | | | | | | | |
| Off balance-sheet | | | | | | | | |
| Transaction related bonds and guarantees | 48 | 142,850,060 | 142,850,060 | 35,654,495 | 19,902,373 | 9,308,603 | 17,184,986 | 60,799,603 |
| Guaranteed facilities | 48 | 46,956,539 | 46,956,539 | 23,313,012 | 5,179,053 | 7,683,916 | 4,610,667 | 6,169,891 |
| Clean line facilities for letters of credit and other commitments | 48 | 162,171,919 | 162,171,919 | 114,338,950 | 23,663,555 | 23,806,768 | 362,646 | - |
| | | **351,978,518** | **351,978,518** | **173,306,457** | **48,744,981** | **40,799,287** | **22,158,299** | **66,969,494** |
| **31 December 2012** | | | | | | | | |
| *In thousands of Naira* | | | | | | | | |
| Cash and balances with banks | 20 | 284,062,159 | 284,062,159 | 150,718,047 | 21,509,765 | 4,001,120 | - | 107,833,227 |
| Non-pledged trading assets | 21 | 3,769,260 | 5,097,490 | 5,097,490 | - | - | - | - |
| Pledged assets | 22 | 60,949,856 | 131,847,050 | 6,671,114 | 2,403,657 | 2,443,496 | 19,401,892 | 100,926,891 |
| Loans and advances to banks | 24 | 3,054,520 | 3,163,874 | 2,349,246 | - | 100,111 | - | 714,517 |
| Loans and advances to customers | 25 | 554,592,199 | 590,119,610 | 191,365,896 | 88,284,244 | 53,959,405 | 121,198,015 | 135,312,050 |
| Investment securities | 27 | 420,346,295 | 523,180,979 | 16,198,997 | 3,500,204 | 225,215,720 | 148,089,361 | 130,176,696 |
| Other assets | 29 | 51,412,850 | 51,412,850 | 31,928,182 | 8,977,935 | 10,506,733 | - | - |
| | | **1,378,187,139** | **1,588,884,011** | **404,328,972** | **124,675,805** | **296,226,585** | **288,689,268** | **474,963,381** |
| | | | | | | | | |
| Deposits from financial institutions | 36 | 16,312,516 | 16,312,515 | 9,037,200 | 106,511 | 637 | 2,622,187 | 4,545,981 |
| Deposits from customers | 37 | 1,093,979,220 | 1,093,979,209 | 1,028,421,343 | 36,595,982 | 28,694,236 | 267,648 | - |
| Other liabilities | 39 | 24,302,067 | 24,302,067 | 243,021 | 24,059,047 | - | - | - |
| Interest bearing loans & borrowings | 43 | 103,872,441 | 118,538,517 | 2,005,875 | - | 2,005,875 | 78,980,539 | 35,546,228 |
| | | **1,238,466,244** | **1,253,132,309** | **1,039,707,439** | **60,761,539** | **30,700,748** | **81,870,374** | **40,092,209** |
| Gap (asset - liabilities) | | 139,720,895 | 335,751,702 | (635,378,467) | 63,914,267 | 265,525,837 | 206,818,894 | 434,871,172 |
| Cumulative liquidity gap | | | | (635,378,467) | (571,464,201) | (305,938,364) | (99,119,469) | 335,751,702 |
| Off balance-sheet engagements | | | | | | | | |
| Transaction related bonds and guarantees | 48 | 147,222,001 | 147,222,001 | 99,085,243 | 7,501,556 | 15,962,424 | 24,672,779 | - |
| Guaranteed facilities | 48 | 25,763,514 | 25,763,514 | 5,977,038 | 6,115,715 | 4,192,055 | 9,178,706 | 300,000 |
| Clean line facilities for letters of credit and other commitments | 48 | 134,284,730 | 134,284,731 | 59,533,410 | 41,690,216 | 20,896,665 | 12,164,439 | - |
| | | **307,270,245** | **307,270,246** | **164,595,691** | **55,307,487** | **41,051,144** | **46,015,924** | **300,000** |

The amounts in the table above have been compiled as follows

| **Type of financial instrument** | **Basis on which amounts are compiled** |
|---|---|
| Non-derivative financial liabilities and financial assets | Undiscounted cash flows, which include estimated interest payments. |
| Issued financial guarantee contracts, and unrecognised loan commitments | Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. |

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising Cash and balances with banks, and debt securities issued by federal government, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral.

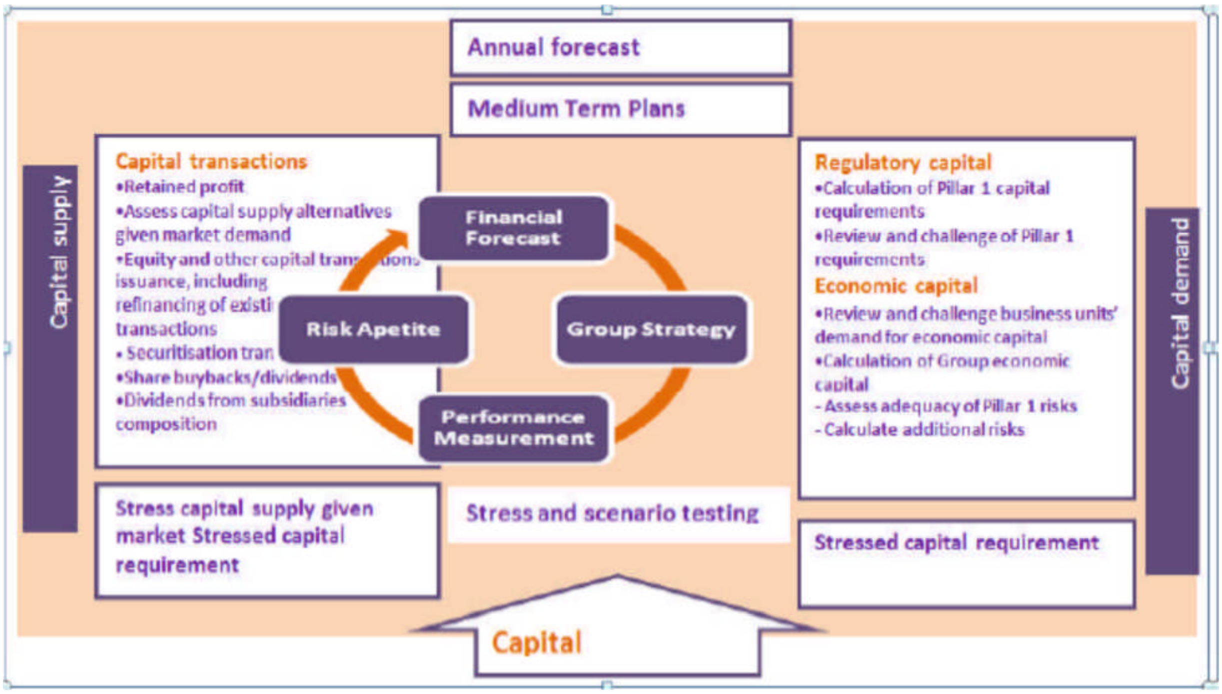
**5.3.2**

| | December 2013 | | | December 2012 | | |
|---|---|---|---|---|---|---|
| **Group** | **Within 12 months** | **After 12 months** | **Total** | **Within 12 months** | **After 12 months** | **Total** |
| *In thousands of Naira* | | | | | | |
| Cash and balances with banks | 267,053,244 | 172,406,297 | **439,459,541** | 297,459,015 | 107,833,226 | **405,292,241** |
| Non pledged trading assets | 1,636,654 | 2,241,315 | **3,877,969** | 23,554,276 | 4,352,527 | **27,906,803** |
| Pledged assets | 9,668,267 | 53,741,584 | **63,409,851** | 11,518,267 | 49,431,589 | **60,949,856** |
| Derivative financial instruments | 102,123 | - | **102,123** | 30,949 | - | **30,949** |
| Loans and advances to banks | 20,921,683 | 3,658,192 | **24,579,875** | 1,948,438 | 2,616,505 | **4,564,943** |
| Loans and advances to customers | 479,836,776 | 306,332,928 | **786,169,704** | 329,599,828 | 274,473,571 | **604,073,399** |
| Trading properties | - | - | **-** | 2,693,227 | - | **2,693,227** |
| Investment securities | 226,792,988 | 127,018,360 | **353,811,348** | 264,520,895 | 182,760,916 | **447,281,811** |
| Insurance receivables | - | - | **-** | 627,337 | - | **627,337** |
| Other assets | 52,019,723 | - | **52,019,723** | 67,935,352 | - | **67,935,352** |
| | **1,058,031,458** | **665,398,676** | **1,723,430,134** | **999,887,584** | **621,468,334** | **1,621,355,918** |
| Deposits from financial institutions | 72,147,955 | - | **72,147,955** | 89,724,846 | 7,168,169 | **96,893,015** |
| Deposits from customers | 1,328,550,869 | 2,867,790 | **1,331,418,659** | 1,198,471,310 | 3,010,686 | **1,201,481,996** |
| Derivative financial instruments | 32,955 | - | **32,955** | 35,515 | - | **35,515** |
| Debt securities issued | - | 55,828,248 | **55,828,248** | 4,011,750 | 50,674,141 | **54,685,891** |
| Claims payable | - | - | **-** | 118,226 | - | **118,226** |
| Current tax liabilities | 6,899,558 | - | **6,899,558** | 8,937,964 | - | **8,937,964** |
| Other liabilities | 56,847,216 | - | **56,847,216** | 58,418,260 | - | **58,418,260** |
| Liabilities on investment contracts | - | - | **-** | 65,591 | - | **65,591** |
| Liabilities on insurance contracts | - | - | **-** | 3,351,234 | - | **3,351,234** |
| Interest-bearing loans and borrowings | 14,789,115 | 49,549,867 | **64,338,982** | 142,800 | 48,227,049 | **48,369,849** |
| | **1,479,267,668** | **108,245,905** | **1,587,513,573** | **1,363,277,496** | **109,080,045** | **1,472,357,541** |

| | December 2013 | | | December 2012 | | |
|---|---|---|---|---|---|---|
| **Bank** | **Within 12 months** | **After 12 months** | **Total** | **Within 12 months** | **After 12 months** | **Total** |
| *In thousands of Naira* | | | | | | |
| Cash and balances with banks | 223,864,210 | 171,944,537 | **395,808,747** | 176,228,932 | 107,833,227 | **284,062,159** |
| Non pledged trading assets | 1,636,654 | 2,241,315 | **3,877,969** | 3,769,260 | - | **3,769,260** |
| Pledged assets | 9,668,267 | 53,679,556 | **63,347,823** | 11,518,267 | 49,431,589 | **60,949,856** |
| Derivative financial instruments | 72,675 | - | **72,675** | - | - | **-** |
| Loans and advances to banks | 11,925,744 | 1,122,907 | **13,048,651** | 2,340,003 | 714,517 | **3,054,520** |
| Loans and advances to customers | 441,099,735 | 294,201,006 | **735,300,741** | 298,082,134 | 256,510,065 | **554,592,199** |
| Investment securities | 188,670,938 | 120,400,864 | **309,071,802** | 244,914,922 | 175,431,373 | **420,346,295** |
| Other assets | 44,326,360 | - | **44,326,360** | 61,431,658 | - | **61,431,658** |
| | **921,264,583** | **643,590,186** | **1,564,854,769** | **798,285,175** | **589,920,770** | **1,388,205,945** |
| Deposits from financial institutions | 61,295,352 | - | **61,295,352** | 9,144,348 | 7,168,168 | **16,312,515** |
| Deposits from customers | 1,216,548,236 | 628,557 | **1,217,176,793** | 1,093,711,571 | 267,649 | **1,093,979,220** |
| Current tax liabilities | 6,075,590 | - | **6,075,590** | 7,686,568 | - | **7,686,568** |
| Other liabilities | 52,092,559 | - | **52,092,559** | 50,246,164 | - | **50,246,164** |
| Interest-bearing loans and borrowings | 14,647,791 | 105,694,235 | **120,342,026** | 4,011,750 | 99,860,691 | **103,872,441** |
| | **1,350,659,528** | **106,322,792** | **1,456,982,320** | **1,164,800,401** | **107,296,508** | **1,272,096,909** |

**5.4 Capital management strategy:**

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




**Importance of capital management**

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

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

## 6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
i) To comply with the capital requirements set by the Central Bank;
ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
iii) To maintain a strong capital base to support the development of its business.

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 15% is to be maintained for deposit money banks with international subsidiaries. The following table provides an overview of the development of the capital ratios and risk-weighted assets (RWA):

The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises two tiers:
- Tier 1 capital: share capital, share premium, retained earnings and other reserves, and
- Tier 2 capital: unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and foreign currency translation reserves with adjustments for deferred tax assets, intangibles and investments in subsidiaries

| *In thousands of Naira* | Note | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|---|
| **Tier 1 capital** | | | | | |
| Ordinary share capital | 46 | 11,441,460 | 11,441,460 | 11,441,460 | 11,441,460 |
| Share premium | 46 | 161,036,211 | 165,186,795 | 161,036,211 | 165,186,795 |
| Retained earnings | 46 | 22,232,375 | 17,856,630 | 23,095,392 | 18,880,711 |
| Other reserves | 46 | 48,003,894 | 38,700,374 | 49,608,934 | 42,115,245 |
| | | **242,713,940** | **233,185,259** | **245,181,997** | **237,624,211** |
| **Add/(Less):** | | | | | |
| Fair value reserve for available-for-sale securities | 46 | (6,172,678) | (2,037,660) | (6,394,443) | 4,755,960 |
| Foreign currency translational reserves | 46 | 6,268,447 | (1,452,962) | - | - |
| Investments in subsidiaries | 31 | - | - | (38,029,992) | (43,209,688) |
| Deferred tax assets | 35 | (10,687,635) | (8,113,973) | (9,847,853) | (7,007,387) |
| Intangible assets | 34 | (3,659,071) | (3,404,945) | (2,661,553) | (2,339,510) |
| **Total Tier 1** | | **228,463,003** | **218,175,720** | **188,248,156** | **189,823,586** |
| **Tier 2 capital** | | | | | |
| Fair value reserve for available-for-sale securities | 46 | 6,172,678 | 2,037,660 | 6,394,443 | (4,755,960) |
| Foreign Currency Translational reserves | 46 | (6,268,447) | 1,452,962 | - | - |
| Non-Controlling Interests | 46 | 1,768,110 | 8,099,594 | - | - |
| **Total** | | **1,672,341** | **11,590,216** | **6,394,443** | **(4,755,960)** |
| **Total regulatory capital** | | **230,135,344** | **229,765,936** | **194,642,599** | **185,067,626** |
| **Risk-weighted assets** | | **1,209,463,253** | **1,043,455,144** | **1,096,697,585** | **897,606,906** |
| **Capital ratios** | | | | | |
| Total regulatory capital expressed as a percentage of total risk-weighted assets | | 19% | 22% | 18% | 21% |
| Total tier 1 capital expressed as a percentage of risk-weighted assets | | 19% | 21% | 17% | 21% |

**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 Committee, which is the Group's Chief Operating Decision Maker, based on International Financial Reporting Standards.

Basing on the market segment and extent of customer turnover, the group reformed the arrangement of segments from previous years into four operational segments as described below;

- **Corporate and Investment Banking -** The division provides bespoke comprehensive banking products and a full range of services to multinationals, large domestic corporates and other institutional clients. The division focuses on customers in key industry sector with minimum annual turnover of N20Billion. It also provides innovative finance solutions to meet the short, medium and long-term financing needs for the Bank's clients as well as relationship banking services to the Bank's financial institutions customers.

- **Commercial banking** - The commercial banking division has presence in all major cities in the country. It provides commercial banking products and services to the non-institutional clients, medium and small corporate segments of the Nigerian market whose annual turnover is above N1bn. The division also provides financial services to public sector, commercial institutions and oriental corporates.

- **Personal banking** – The personal banking division is the retail arm of the bank which provides financial products and services to individuals (personal and inclusive segments) and private banking segment. The private banking segment focuses on offering bespoke services to High Net worth Individuals (HNI) and Ultra High Net worth Individuals (UHNI) by handling their wealth portfolio needs both locally and abroad. The division provides financial solutions across various channels (ATM, Mobile banking, etc) and platforms.

- **Business Banking** - The Business banking division is a hybrid of Commercial and Personal Banking Divisions. It focuses on small and medium scale enterprises providing them with business solutions to support their growing business needs. The division delivers commercial banking products and services to SME customers with annual turnover of less than 1billion.

The Group reportable segments above were previously described as follows;

- **Institutional banking** - The institutional banking division provides bespoke comprehensive banking products and a full range of services to multinationals, large domestic corporates and other institutional clients.

- **Commercial banking** - The commercial banking division has presence in all major cities in the country. It provides commercial banking products and services to the non-institutional clients, medium and small corporate segments of the Nigerian market.

- **Financial markets** - The financial markets division provides innovative finance solutions to meet the short, medium and long-term financing needs for the Bank's clients as well as relationship banking services to the Bank's financial institutions customers. The group is also responsible for formulation and implementation of financial market products for the Bank's customers.

- **Retail banking -** The retail banking division provides finanicial products and services to individuals. These include private banking services, private customer current accounts, savings accounts deposits, investment savings products, custody, credit and debit cards and customer loans.

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

In both the old and new segment arrangement, an additional column has been presented referred to as Unallocated Segments. This relates to all other transactions than are outside the normal corse of business and can not be directly related to a specific segment financial information. Total revenue in the segments represents; Interest Income, Fees and Commission Income, Net gains on Financial Instruments held for trading, Foreign Exchange income, Other Operating Income and Fair Value Gains on Investment Propoerty.

Unallocated Segments represents all other transactions than are outside the normal corse of business and can not be directly related to a specific segment financial information.

Thus, in essence, unallocated segments reconcile segment balances to group balances. Material items comprising total assets and total liabilities of the unallocated segments have been outlined below;

**Material total assets and liabilities**

| In thousands of Naira | Group December 2013 |
|---|---|
| Other assets | 223,617,889 |
| Investments in equity accounted investee | 3,384,628 |
| Investment in subsidiary | - |
| Investment properties | 23,974,789 |
| Derivative financial instruments | 102,123 |
| Deferred tax (net) | 4,475,878 |
| Restricted deposits with central banks (see note (a) below) | (171,944,536) |
| Total assets | **83,610,771** |
| | |
| Derivative financial instruments | 32,955 |
| Other liabilities | 57,103,484 |
| Interest-bearing loans and borrowings | 64,338,982 |
| Total liabilities | **121,475,421** |

**Material revenue and expenses**

| | Group December 2013 |
|---|---|
| **Revenue derived from external customers** | |
| Fair Value on Investment property | 4,770,116 |
| | |
| **Interest expense** | |
| Interest expense on Eurobond | (4,021,979) |

## 7 Operating segments (Continued)

Information about operating segments

| **31 December 2013** *In thousands of Naira* | **Institutional Banking** | **Commercial Banking** | **Financial Markets** | **Retail Banking** | **Unallocated segments** | **Total continuing operations** | **Discontinued operations** | **Total N'000** |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Derived from external customers | 37,499,052 | 102,675,806 | 19,923,170 | 42,023,074 | 4,770,116 | 206,891,218 | 5,730,405 | 212,621,623 |
| Derived from other business segments | (1,635,281) | 666,324 | 314,719 | 654,238 | - | - | - | - |
| Total Revenue | 35,863,771 | 103,342,130 | 20,237,889 | 42,677,312 | 4,770,116 | 206,891,218 | 5,730,405 | 212,621,623 |
| Interest expenses | (25,695,987) | (31,467,257) | (4,467,945) | (6,606,198) | - | (68,237,387) | (229,392) | (68,466,779) |
| (Loss)/profit on ordinary activities before taxation | 13,452,343 | 29,810,662 | 6,254,498 | (5,269,230) | 748,137 | 44,996,410 | (1,200,059) | 43,796,351 |
| Income tax expense | - | - | - | - | - | (7,498,759) | - | (7,498,759) |
| Pre-tax loss on re-measurement of assets of disposal group | | | | | | | | |
| Profit after tax | | | | | | 37,497,651 | (1,200,059) | 36,297,592 |
| Other segment information: | | | | | | | | |
| Depreciation and amortisation | (4,539,677) | (3,692,161) | (321,449) | (161,257) | - | (8,714,544) | (75,929) | (8,790,473) |
| Assets and liabilities: | | | | | | | | |
| Tangible segment assets | 912,595,788 | 742,222,636 | 64,619,872 | 32,416,930 | 83,610,771 | 1,835,465,997 | 55,750,624 | 1,891,216,621 |
| Unallocated segment assets | - | - | - | - | - | - | - | - |
| Total assets | 912,595,788 | 742,222,636 | 64,619,872 | 32,416,930 | 83,610,771 | 1,835,465,997 | 55,750,624 | 1,891,216,621 |
| Segment liabilities | 236,370,982 | 804,717,317 | 99,961,617 | 328,458,613 | 121,475,421 | 1,590,983,950 | 37,293,229 | 1,628,277,179 |
| Unallocated segment liabilities | - | - | - | - | - | - | - | - |
| Total liabilities | 236,370,982 | 804,717,317 | 99,961,617 | 328,458,613 | 121,475,421 | 1,590,983,950 | 37,293,229 | 1,628,277,179 |
| Net assets | 676,224,806 | (62,494,681) | (35,341,745) | (296,041,683) | (37,864,650) | 244,482,047 | 18,457,395 | 262,939,442 |

**7 Operating segments (Continued)**
Information about operating segments

| **31 December 2013** *In thousands of Naira* | **Corporate & Investment Banking** | **Commercial Banking** | **Business Banking** | **Personal Banking** | **Unallocated segments** | **Total continuing operations** | **Discontinued operations** | **Total N'000** |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Derived from external customers | 57,716,244 | 85,880,717 | 16,793,960 | 41,730,180 | 4,770,116 | 206,891,217 | 6,710,092 | 213,601,309 |
| Derived from other business segments | (1,635,281) | 666,324 | 314,719 | 654,237 | - | - | - | - |
| Total Revenue | 56,080,963 | 86,547,041 | 17,108,679 | 42,384,417 | 4,770,116 | 206,891,217 | 6,710,092 | 213,601,309 |
| Interest expenses | (29,343,182) | (24,742,433) | (4,506,681) | (5,623,112) | (4,021,979) | (68,237,387) | (229,392) | (68,466,778) |
| Profit/(Loss) on ordinary activities before taxation | 19,591,968 | 25,831,334 | (5,027,266) | 3,852,238 | 748,137 | 44,996,411 | (1,152,907) | 43,843,505 |
| Income tax expense | | | | | | (7,498,759) | (47,152) | (7,545,911) |
| Pre-tax loss on re-measurement of assets of disposal group | | | | | | - | (1,200,059) | (1,200,059) |
| Profit after tax | | | | | | 37,497,652 | (2,400,118) | 35,097,535 |
| Other segment information: | | | | | | | | |
| Depreciation and amortisation | (4,791,720) | (3,420,153) | (227,707) | (253,632) | (21,332) | (8,714,543) | (75,929) | (8,790,472) |
| Assets and liabilities: | | | | | | | | |
| Tangible segment assets | 969,785,573 | 720,137,802 | 37,927,258 | 24,004,593 | 83,610,771 | 1,835,465,997 | 55,750,624 | 1,891,216,621 |
| Unallocated segment assets | - | - | - | | | | | - |
| Total assets | 969,785,573 | 720,137,802 | 37,927,258 | 24,004,593 | 83,610,771 | 1,835,465,997 | 55,750,624 | 1,891,216,621 |
| Segment liabilities | 337,567,545 | 693,660,138 | 148,902,642 | 289,378,204 | 121,475,421 | 1,590,983,950 | 37,293,229 | 1,628,277,179 |
| Unallocated segment liabilities | - | - | | | | | | - |
| Total liabilities | 337,567,545 | 693,660,138 | 148,902,642 | 289,378,204 | 121,475,421 | 1,590,983,950 | 37,293,229 | 1,628,277,179 |
| | | | | | | | | - |
| Net assets | 632,218,028 | 26,477,664 | (110,975,384) | (265,373,611) | (37,864,650) | 244,482,047 | 18,457,395 | 262,939,441 |

| **31 December 2012** *In thousands of Naira* | **Institutional Banking** | **Commercial Banking** | **Financial Markets** | **Retail Banking** | **Unallocated segments** | **Total continuing operations** | **Discontinued operations** | **Total N'000** |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Derived from external customers | 49,711,201 | 108,046,990 | 19,720,387 | 25,624,493 | 4,000,836 | 207,103,907 | 2,372,370 | 209,476,277 |
| Derived from other business segments | (315,702) | 1,009,737 | 518,265 | (462,801) | (749,498) | - | - | - |
| Total Revenue | 49,395,499 | 109,056,727 | 20,238,652 | 25,161,692 | 3,251,337 | 207,103,906 | 2,372,370 | 209,476,277 |
| Interest expenses | (23,466,104) | (25,399,240) | (11,236,131) | (4,957,890) | (92) | (65,059,458) | (471,002) | (65,530,460) |
| | 25,929,395 | 83,657,487 | 9,002,521 | 20,203,802 | 3,251,244 | 142,044,448 | 1,901,368 | 143,945,817 |
| (Loss)/profit on ordinary activities before taxation | 11,550,027 | 26,588,576 | 5,298,748 | 2,903,767 | 193,861 | 46,534,980 | (4,803,531) | 41,731,449 |
| Income tax expense | | | | | | (1,695,343) | (126,900) | (1,822,243) |
| Profit after tax | | | | | | - | (306,096) | (306,096) |
| Other segment information: | | | | | | 44,839,637 | (5,236,527) | 39,603,110 |
| Depreciation and amortisation | | | | | | | | |
| | (1,255,019) | (5,404,589) | (620,019) | (3,582,264) | (159,619) | (11,021,511) | (305,442) | (11,326,953) |
| Assets and liabilities: | | | | | | | | |
| Tangible segment assets | 950,609,283 | 504,360,907 | 199,555,624 | 30,889,519 | 60,056,414 | 1,745,471,747 | 30,827,257 | 1,776,299,004 |
| Unallocated segment assets | - | - | - | - | - | - | - | - |
| Total assets | 950,609,283 | 504,360,907 | 199,555,624 | 30,889,519 | 60,056,414 | 1,745,471,747 | 30,827,257 | 1,776,299,004 |
| Segment liabilities | 253,936,327 | 712,275,855 | 250,417,896 | 268,040,419 | 19,516,397 | 1,504,186,894 | 25,793,512 | 1,529,980,406 |
| Unallocated segment liabilities | - | - | - | - | - | - | - | - |
| Total liabilities | 253,936,327 | 712,275,855 | 250,417,896 | 268,040,419 | 19,516,397 | 1,504,186,894 | 25,793,512 | 1,529,980,406 |
| Net assets | 696,672,956 | (207,914,948) | (50,862,272) | (237,150,899) | 40,540,017 | 241,284,853 | 5,033,745 | 246,318,598 |

**7 Geographical segments**

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

| **December 2013** *In thousands of Naira* | **Nigeria** | **Rest of Africa** | **Europe** | **Total continuing operations** | **Discontinued operations** | **Total** |
|---|---|---|---|---|---|---|
| Derived from external customers | 180,230,975 | 20,555,979 | 6,104,264 | 206,891,218 | 6,710,092 | 213,601,310 |
| Derived from other segments | - | - | - | - | - | - |
| Total Revenue | 180,230,975 | 20,555,979 | 6,104,264 | 206,891,218 | 6,710,092 | 213,601,310 |
| Interest expense | (61,171,695) | (4,009,098) | (3,056,594) | (68,237,387) | (229,392) | (68,466,779) |
| Fee and commission expenses | - | (105,638) | | (105,638) | (22,055) | (127,693) |
| Operating Income | 119,059,280 | 16,441,243 | 3,047,670 | 138,548,193 | 6,458,645 | 145,006,838 |
| Profit/(loss) before income tax | 38,927,734 | 5,482,645 | 586,031 | 44,996,410 | (1,200,059) | 43,796,352 |
| Assets and liabilities: | | | | | | |
| Total assets | 1,629,452,830 | 74,749,016 | 130,918,649 | 1,835,120,495 | 55,750,624 | 1,835,120,495 |
| Total liabilities | 1,394,356,479 | 84,997,770 | 111,629,701 | 1,590,983,950 | 37,293,229 | 1,590,983,950 |
| Net assets | 233,881,940 | (10,284,640) | 19,190,999 | 242,788,299 | 1,348,246 | 244,136,545 |

| **December 2012** *In thousands of Naira* | **Nigeria** | **Rest of Africa** | **Europe** | **Total continuing operations** | **Discontinued operations** | **Total** |
|---|---|---|---|---|---|---|
| Derived from external customers | 180,725,850 | 22,360,559 | 4,017,499 | 207,103,908 | 2,181,942 | 209,285,850 |
| Derived from other segments | - | - | - | - | - | - |
| Total Revenue | 180,725,850 | 22,360,559 | 4,017,499 | 207,103,908 | 2,181,942 | 209,285,850 |
| Interest expense | (58,802,160) | (4,409,570) | (1,847,728) | (65,059,458) | (471,002) | (65,530,460) |
| Fee and commission expenses | (562,003) | - | (43,832) | (605,835) | (3,793) | (609,628) |
| Operating Income | 121,361,687 | 17,950,989 | 2,125,939 | 141,438,615 | 1,707,147 | 143,145,762 |
| Profit/(loss) before income tax | 43,251,768 | 3,574,026 | (290,814) | 46,534,980 | (4,803,531) | 41,731,449 |
| Assets and liabilities: | | | | | | |
| Total assets | 1,548,124,621 | 87,870,470 | 109,476,657 | 1,745,471,748 | 30,827,257 | 1,776,299,005 |
| Total liabilities | 1,290,314,323 | 106,238,596 | 107,633,974 | 1,504,186,893 | 25,793,512 | 1,529,980,405 |
| Net assets | 257,810,298 | (18,368,126) | 1,842,683 | 241,284,855 | 5,033,745 | 246,318,600 |

No revenue from transaction with a single external customer or a group of connected economic entities or counterparty amounted to 10% or more of the group's total revenue in year ended 2012 and for the year ended 31 December 2013. Information on revenue from external customers for each product and service had not been disclosed as the information is not readily available to the chief operating decision maker and the cost to develop is considered excessive.

## 8 Interest income

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| **Interest income** | | | | |
| Cash and balances with banks | 1,685,844 | 2,729,307 | 572,631 | 1,626,694 |
| Loans and advances to banks and customers | 97,533,141 | 104,039,920 | 85,243,336 | 93,293,923 |
| Investment securities | | | | |
| - Available for Sale | 3,174,691 | 2,290,861 | 3,069,725 | 1,406,710 |
| - Held for trading | 4,809,728 | 1,406,710 | 819,940 | 49,659,614 |
| - Held to maturity | 38,757,624 | 54,826,930 | 38,005,333 | 2,290,861 |
| | **145,961,028** | **165,293,728** | **127,710,965** | **148,277,802** |
| **Interest expense** | | | | |
| Deposit from financial institutions | 2,020,605 | 12,488,557 | 2,695,673 | 13,233,673 |
| Deposit from customers | 56,979,897 | 46,668,960 | 53,177,930 | 42,078,513 |
| Securities dealing | 417,343 | 1,795,284 | 414,151 | 1,777,588 |
| Interest bearing loans and borrowings | 4,808,966 | 2,317,821 | 4,738,092 | 2,335,104 |
| Other borrowed funds | 4,010,576 | 1,788,836 | - | - |
| | **68,237,387** | **65,059,458** | **61,025,846** | **59,424,878** |
| **Net interest income** | **77,723,641** | **100,234,270** | **66,685,119** | **88,852,924** |

Interest income for the Bank in the year ended 31 December 2013 includes N7.8Bn (31 December 2012: N19Bn) accrued on impaired financial assets

## 9a Writeback/(impairment) charge on financial assets

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Write back/ (additional) collective impairment charges on loans and advances to banks(note 24) | 3,263 | (7,821) | 3,263 | (7,821) |
| Write back/ (additional) collective impairment charges on loans and advances to customers (note 25) | 7,670,932 | (9,268,429) | 6,433,655 | (9,100,199) |
| Writeback/(additional) specific impairment charges on loans and advances to banks (see note 24) | 96,755 | (35,727) | 96,755 | (35,727) |
| (Additional)/writeback specific impairment charges on loans and advances to customers (see note 25) | (2,914,577) | 1,403,250 | (332,628) | 3,128,844 |
| Reversals/ (additional) impairment allowance on other assets (see note 29) | 1,151,265 | (1,937,587) | 1,151,265 | (1,815,575) |
| Reversal/(additional) impairment charge on available for sale equities (see note 27) | 155,906 | (175,664) | 155,906 | (175,664) |
| | **6,163,544** | **(10,021,978)** | **7,508,216** | **(8,006,142)** |

The significant write back noted from 2012 to 2013 arose from improved credit rating of the Bank's loans portfolio and resultant improvement in probabilities of default

## 9b Writeback/(impairment) charge on non financial assets

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| (Additional) impairment allowance on investment in subsidiaries (see note 32) | - | - | (823,182) | (3,609,936) |
| Impairment charge on insurance receivables (see note 28) | - | (768,672) | - | - |
| | **-** | **(768,672)** | **(823,182)** | **(3,609,936)** |

## 10 Fee and commission income

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Credit related fees and commissions | 10,044,049 | 4,041,915 | 8,197,544 | 2,282,520 |
| Commission on turnover and handling commission | 6,251,985 | 6,499,558 | 5,803,756 | 6,499,558 |
| Other fees and commissions | 15,357,136 | 14,336,370 | 12,393,898 | 10,484,419 |
| | **31,653,170** | **24,877,843** | **26,395,198** | **19,266,497** |

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 gains on financial instruments classified as held for trading

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Fixed income securities | 1,806,115 | 256,305 | 1,687,712 | 256,215 |
| Equity Securities | - | (141,150) | - | (197,068) |
| Derivative held for trading | 69,168 | (4,566) | 72,676 | - |
| | **1,875,283** | **110,589** | **1,760,388** | **59,147** |

Net gains on financial instruments classified as held for trading includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

## 12 Foreign exchange income

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Foreign exchange net trading income | 6,709,105 | 6,924,982 | 5,221,837 | 4,882,636 |
| Unrealised foreign exchange gains on revaluation | 828,440 | 509,282 | 513,975 | 514,351 |
| | 7,537,545 | 7,434,264 | 5,735,812 | 5,396,987 |

## 13 Other operating income

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Dividends on available for sale equity securities | 3,161,572 | 1,684,579 | 3,257,612 | 1,643,081 |
| Gain on disposal of property and equipment | 2,134,945 | 59,197 | 2,135,015 | 32,808 |
| Rental income | 313,257 | 1,119,619 | 308,609 | 420,488 |
| Gain on disposal of equity investment | 23,955 | 1,704,186 | 68,846 | 1,640,018 |
| Bad debt recovered | 2,711,471 | 2,919,420 | 2,659,515 | 2,919,420 |
| Other income | 6,668,707 | 1,900,483 | 5,348,730 | 1,069,602 |
| | 15,013,907 | 9,387,484 | 13,778,327 | 7,725,417 |

## 14 Personnel expenses

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Wages and salaries | 29,567,517 | 26,289,517 | 24,596,464 | 21,029,788 |
| Increase in liability for long term incentive plan (see note 41 (a) (i)) | 801,169 | 1,920,678 | 801,169 | 1,920,678 |
| Contributions to defined contribution plans | 600,485 | 574,428 | 427,402 | 366,603 |
| Termination benefits | - | 3,725,937 | - | 3,725,937 |
| Other staff costs (see note (a) below) | - | - | - | 1,369,186 |
| Restricted Share Performance Plan (b) | 112,783 | - | 112,783 | - |
| | 31,081,954 | 32,510,560 | 25,937,818 | 28,412,192 |

**(a)** The amount represents retirement benefits paid for by the Bank that were previously unaccrued for. These were as a result of the large lay-offs following the acqusition of Intercontinental Bank

**(b)** The Bank established a new plan called the Restricted Share Performance Plan (RSPP) during the period. Under the RSPP, shares of the Bank are awarded to employees based on their performance at no cost to them. Under the terms of the plan, the shares vest over a 3 year period from the date of award. The scheme applies to only employees of the Bank that meet the stipulated performance criteria irrespective of where they work within the Group. The RSPP is an equity-settled scheme, where the Bank recognizes an expense and a corresponding increase in equity. Initial estimates of the number of equity settled instruments that are expected to vest are adjusted to current estimates and ultimately to the actual number of equity settled instruments that vest unless differences are due to market conditions.

By the resolution of the Board and Shareholders, the Bank sets aside an amount not exceeding five (5) per cent of the aggregate emoluments of the Bank's employees in each financial year to purchase shares of the Bank from the floor of the Nigerian Stock Exchange for the purpose of the plan. The Bank has also established a Structured Entity (SE) to hold shares of the Bank so purchased. Upon vesting, the SPE transfers the shares to the employee whose interest has vested. The SPE is consolidated in the Group's financial statements.

**(i)** The bank had one share based payment scheme which introduced during the period referred to as Restricted Share Performance Plan (RSPP). The fair value of RSPP shares purchased was obtained from Nigeria Stock Exchange quotation of June 2013 priced at Naira 11.29 per share. A further statutory fee was paid at an average of 21

The scheme is still in progress since vesting period for the shares is expected to mature in 31 December 2015. No modification has been made to the original plan of the scheme hence no shares have been granted to employees as at 31 December 2013

**(ii)** The number and weighted-average exercise prices of shares has been detailed in table below;

| | Description of shares | Number of Shares | Weighted Share Price per Share - Naira |
|---|---|---|---|
| (i) | Outstanding at the beginning of the period; | nil | nil |
| (iii) | Shares purchased during the period | 40,063,365 | 11.5 |
| (ii) | Unallocated shares | 1,866,822 | 11.5 |
| (iv) | Forfeited during the period; | nil | nil |
| (v) | Exercised during the period; | nil | nil |
| (vi) | Shares allocated to staff at end of period; | 38,196,543 | 11.5 |
| | | **Naira** | **Price per Share - Naira** |
| Share based expense recognised during the period | | 112,782,658 | 11.5 |

**ii.** The average number of persons in employment at the Group level during the year comprise:

| | Group 2013 Number | Group 2012 Number | Bank 2013 Number | Bank 2012 Number |
|---|---|---|---|---|
| Managerial | 537 | 409 | 488 | 266 |
| Other staff | 2,873 | 3,792 | 1,973 | 2,630 |
| | 3,410 | 4,201 | 2,461 | 2,896 |

**iii.** Employees, other than directors, earning more than N900,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following ranges:

| | Group 2013 Number | Group 2012 Number | Bank 2013 Number | Bank 2012 Number |
|---|---|---|---|---|
| Below N900,000 | 131 | 32 | - | - |
| N900,001 - N1,990,000 | 152 | 55 | 8 | 7 |
| N1,990,001 - N2,990,000 | 169 | 803 | - | 680 |
| N2,990,001 - N3,910,000 | 950 | 382 | 691 | 45 |
| N3,910,001 - N4,740,000 | 27 | 18 | - | - |
| N4,740,001 - N5,740,000 | 633 | 1,343 | 556 | 1,280 |
| N5,740,001 - N6,760,000 | 501 | 674 | 446 | - |
| N6,760,001 - N7,489,000 | 296 | 317 | 272 | 312 |
| N7,489,001 - N8,760,000 | 8 | 1 | - | - |
| N8,760,001 - N9,190,000 | 2 | 1 | - | - |
| N9,190,001 - N11,360,000 | 295 | 307 | 278 | 306 |
| N11,360,001 - N14,950,000 | 122 | 121 | 105 | 121 |
| N14,950,001 - N17,950,000 | 46 | 68 | 43 | 68 |
| N17,950,001 - N21,940,000 | 5 | 2 | - | - |
| N21,940,001 - N26,250,000 | 28 | 30 | 25 | 30 |
| N26,250,001 - N30,260,000 | 25 | 19 | 21 | 19 |
| N30,261,001 - N45,329,000 | 18 | 19 | 16 | 19 |
| Above N45,329,000 | 2 | 9 | - | 9 |
| | 3,410 | 4,201 | 2,461 | 2,896 |

## 15 Other operating expenses

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Other premises and equipment costs | 6,024,009 | 4,187,644 | 5,675,181 | 4,006,438 |
| Professional fees | 2,961,878 | 1,078,410 | 1,664,072 | 644,125 |
| Insurance | 858,014 | 911,257 | 704,128 | 741,030 |
| Business travel expenses | 2,242,825 | 1,196,985 | 2,198,144 | 930,655 |
| Asset Management Corporation of Nigeria (AMCON) surcharge (see note (a) below) | 11,695,255 | 2,837,900 | 11,695,255 | 2,837,900 |
| Loss on disposal of investments | 1,025,936 | 7,733,771 | 1,025,936 | 7,417,651 |
| Deposit insurance premium | 5,800,622 | 4,591,225 | 5,800,622 | 4,591,225 |
| Auditor's renumeration | 308,208 | 339,528 | 255,607 | 250,000 |
| General administrative expenses | 29,016,235 | 17,052,742 | 27,547,823 | 12,531,012 |
| | 59,932,982 | 39,929,462 | 56,566,768 | 33,950,036 |

**(a)** This represents the Group’s contribution to AMCON’s sinking fund for the year ended 31 December 2013. Effective 1 January 2011, the banks in Nigeria are required to contribute 0.3% of total assets as at the preceding year end to AMCON's sinking fund in line with existing guidelines. This was increased to 0.5% in 2013. Also included in AMCON surcharge is an amount of N4Bn being the surcharge from Intercontinental Bank Plc (ICB) acquired in 2011.

The contribution to AMCON is a levy on all financial institutions in Nigeria. It is non-refundable and does not represent any ownership interest nor does it confer any rights or obligations (save to pay the levy) on the contributor.

## 16 Income tax expense

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| **Current tax expense** | | | | |
| Corporate income tax | 6,508,257 | 7,605,830 | 4,515,932 | 5,813,999 |
| Education tax | - | 242,323 | - | 242,323 |
| Prior year’s under provision | 2,819,776 | 96,985 | 2,809,419 | 96,985 |
| | 9,328,033 | 7,945,138 | 7,325,351 | 6,153,307 |
| **Deferred tax expense** | | | | |
| Origination of temporary differences | (1,829,274) | (6,249,795) | (2,171,799) | (5,709,388) |
| Total income tax expense | 7,498,759 | 1,695,343 | 5,153,552 | 443,919 |

The movement in the current income tax liability is as follows:

| | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance beginning of year | 8,937,964 | 9,747,004 | 7,686,568 | 2,084,890 |
| Tax paid | (10,850,841) | (8,846,557) | (8,936,329) | (551,629) |
| Income tax charge | 6,508,257 | 7,848,153 | 4,515,932 | 6,056,322 |
| On disposal of subsidiary | (369,117) | 92,379 | - | - |
| Underprovision of prior period tax | 2,819,776 | 96,985 | 2,809,419 | 96,985 |
| Translation adjustments | (124,344) | - | - | - |
| Income tax receivable | (22,137) | - | - | - |
| Balance end of year | 6,899,558 | 8,937,964 | 6,075,590 | 7,686,568 |

Income tax liability is to be settled within one year

| *In thousands of Naira* | Group December 2013 | Group December 2013 | Group December 2012 | Group December 2012 |
|---|---|---|---|---|
| Profit before income tax | | 36,627,391 | | 44,880,148 |
| Income tax using the domestic tax rate | 30% | 10,988,217 | 30% | 13,464,044 |
| Effect of tax rates in foreign jurisdictions | 0% | (27,429) | -2% | (1,011,797) |
| Capital allowance utilised for the year | 1% | 439,108 | 0% | - |
| Non-deductible expenses | 8% | 2,867,824 | 12% | 5,255,620 |
| Tax exempt income | -33% | (12,221,668) | -42% | (18,971,065) |
| Tax losses (utilised)/unutilised | -1% | (212,945) | 0% | - |
| Education tax levy | 0% | - | 1% | 242,323 |
| Balancing charge | 0% | 97,357 | 0% | 107,695 |
| Over provided in prior years | 3% | 1,245,310 | -4% | (1,898,922) |
| Impact of dividend as tax base | 12% | 4,322,985 | 10% | 4,507,444 |
| Total income tax expense in comprehensive income | 20% | 7,498,759 | 5% | 1,695,343 |

| *In thousands of Naira* | Bank December 2013 | Bank December 2013 | Bank December 2012 | Bank December 2012 |
|---|---|---|---|---|
| Profit before income tax | | 31,365,395 | | 37,028,147 |
| Income tax using the domestic tax rate | 30% | 9,409,619 | 30% | 11,108,444 |
| Effect of tax rates in foreign jurisdictions | 0% | - | 0% | - |
| Information technology tax | 1% | 299,650 | 0% | - |
| Non-deductible expenses | 7% | 2,314,851 | 15% | 5,348,000 |
| Tax exempt income | -39% | (12,336,609) | -51% | (18,971,065) |
| Education tax levy | 0% | - | 1% | 242,323 |
| Balancing charge | 0% | - | 0% | 107,695 |
| Capital gain tax | 0% | 97,357 | 0 | - |
| Over provided in prior years | 4% | 1,249,759 | -5% | (1,898,922) |
| Impact of dividend as tax base | 13% | 4,118,925 | 12% | 4,507,444 |
| Total income tax expense in comprehensive income | 16% | 5,153,552 | 2% | 443,919 |

## 17a Discontinued operations

In the December 2012 financial statements, the Group accounted for the Bank's subsidiaries; FinBank Burundi, Intercontinental Bank (UK), Intercontinental Homes and Savings Plc and Access Bank Cote d'Ivoire; as discontinued operations as they were classified as held for sale. During the year, Intercontinental Homes and Savings Plc and Intercontinental Bank (UK), Access Bank Cote d'Ivoire and Access Investment and Securities Ltd were sold. Management is still committed to a plan to sell Access Bank Burundi within 12 months from the reporting period. (Analysis of the result of discontinued operations and the result recognised in the re-measurement of assets or disposal groups is as below:

The Central Bank of Nigeria (CBN) directed all banks to divest from non-core banking subsidiaries. In line with this, Shareholders of Access Bank Plc, at a court ordered extra- ordinary general meeting (EGM) endorsed the proposal by its Board of Directors to unbundle the Bank's shares in WAPIC Insurance Plc to the shareholders. WAPIC Insurance Plc thus ceased to be a subsidiary of Access Bank Plc in September 2013 and has been accounted for as a discontinued operation.

In accordance with the scheme, the 4,883,039,474 ordinary shares of 50 kobo each of WAPIC Insurance Plc held by Access Bank Plc were transferred to the eligible shareholders of Access Bank pro rata in the proportion of their shareholding in Access Bank Plc, based on the application of the Allocation Ratio as specified in the Scheme document; that pursuant to the provision of section 106 of the Companies and Allied Matters Act and in consideration for the transfer by Access Bank Plc to its shareholders of its entire shares in WAPIC Insurance Plc, the Bank's equity was reduced by the sum of N4,150,585 in September 2013. This transaction was recognised and measured in accordance with "IFRIC 17 – Distribution of Non-cash Assets to Owners.)

| *In thousands of Naira* | Group December 2013 | Bank December 2013 |
|---|---|---|
| **Distribution of shares of WAPIC to Access Bank Shareholders** | | |
| Fair value of the non-cash asset | 4,150,584 | 4,150,584 |
| Less: | | |
| Share of net assets of the entity's shares being distributed/ carrying amount of the assets distributed | (8,665,168) | (6,613,214) |
| | (4,514,584) | (2,462,630) |

## 17b Discontinued operations

*For the year ended 31 December 2013*

| *In thousands of Naira* **Results of discontinued operations up to date:** | **Omni Finance Bank Cote D' Ivoire December 2013** | **Access Bank Burundi December 2013** | **Intercontinental Homes & Savings Limited January 2013** | **Intercontinental Bank UK March 2013** | **WAPIC September 2013** | **Total** |
|---|---|---|---|---|---|---|
| Interest income | 118,689 | 333,767 | 18,224 | 15,217 | - | 485,897 |
| Interest expense | (115,269) | (97,380) | (11,922) | (4,821) | - | (229,392) |
| Net impairment loss on financial assets | - | (1,192) | (37,955) | - | - | (39,147) |
| Net interest income | 3,420 | 235,195 | (31,653) | 10,396 | - | 217,358 |
| Insurance premium income | - | - | - | - | 3,741,257 | 3,741,257 |
| Insurance premium ceded to Reinsurers | - | - | - | - | (1,487,483) | (1,487,483) |
| | - | - | - | - | 2,253,774 | 2,253,774 |
| Fee and commission income | 117,334 | 85,542 | 1,193 | 6,654 | 133,280 | 344,003 |
| Fee and commission expense | - | (21,642) | (153) | (260) | - | (22,055) |
| Net fee and commission income | 117,334 | 63,900 | 1,040 | 6,394 | 133,280 | 321,948 |
| Net trading and investment income | - | 20,383 | - | 296 | 1,138,568 | 1,159,247 |
| Other operating income | 178,620 | 70,177 | 74,903 | - | 655,988 | 979,688 |
| **Total operating income** | **299,374** | **389,655** | **44,290** | **17,086** | **4,181,610** | **4,932,016** |
| Personnel expenses | (226,621) | (189,336) | (25,477) | (46,722) | (714,057) | (1,202,213) |
| Net claims expense and underiting expenses | - | - | - | - | (2,232,097) | (2,232,097) |
| Depreciation and amortization | - | (70,505) | (4,045) | (1,379) | - | (75,929) |
| Other operating expenses | (508,714) | (183,704) | (13,358) | (33,467) | (1,103,358) | (1,842,601) |
| **Total expenses** | (735,335) | (443,545) | (42,880) | (81,568) | (4,049,511) | (5,352,840) |
| **(Loss)/ gain before tax** | **(435,960)** | **(53,890)** | **1,410** | **(64,482)** | **132,099** | **(420,824)** |
| Income tax expense | - | - | - | - | (47,152) | (47,152) |
| **(Loss)/ gain after tax** | **(435,960)** | **(53,890)** | **1,410** | **(64,482)** | **84,947** | **(467,976)** |
| **(Loss)/ profit after tax attributable to:** | | | | | | |
| Owners of the bank | (226,699) | (28,023) | 733 | (64,482) | 44,172 | (274,299) |
| Non-controlling interests | (209,261) | (25,867) | 677 | - | 40,774 | (193,677) |
| **Loss after tax for the period** | (435,960) | (53,890) | 1,410 | (64,482) | 84,947 | (467,976) |
| Basic (loss)/ earnings per share (kobo) | (7.97) | (0.98) | 0.03 | (2.08) | 1.55 | |
| **Cash flows from/(used in)** | | | | | | |
| Net cash used in operating activities | 549,385 | (166,571) | 135,566 | 1,011,090 | 2,003,551 | 3,533,021 |
| Net cash from investing activities | (1,046) | (5,477) | 231,939 | 1,088,569 | (248,691) | 1,065,294 |
| Net cash from financing activities | - | 76,803 | 11,922 | - | 2,990,815 | 3,079,540 |
| **Effect on cashflows** | **548,339** | **(95,245)** | **379,427** | **2,099,659** | **4,745,675** | **7,677,855** |

17c **Discontinued operations (continued)**
***For the year ended 31 December 2012***

| *In thousands of Naira* | Omni Finance Bank Cote D' Ivoire | Access Bank Burundi | Intercontinental Homes & Savings Limited | Intercontinental Bank UK | WAPIC | Total |
|---|---|---|---|---|---|---|
| **Results of discontinued operations** | | | | | | |
| Interest income | 157,937 | 374,077 | 315,206 | 192,707 | - | 1,039,927 |
| Interest expense | (187,781) | (92,171) | (149,069) | (41,981) | - | (471,002) |
| Net impairment loss on financial assets | (210,295) | (21,507) | (5,932) | (4,805) | (612,853) | (855,392) |
| Net interest income | (240,139) | 260,399 | 160,205 | 145,921 | (612,853) | (286,467) |
| Fee and commission income | 106,419 | 143,346 | 18,530 | 55,131 | - | 323,426 |
| Fee and commission expense | - | - | - | (3,793) | - | (3,793) |
| Net fee and commission income | 106,419 | 143,346 | 18,530 | 51,338 | - | 319,633 |
| Net trading income | 45,712 | 37,937 | 5,397 | - | - | 89,046 |
| Other operating income | 75,278 | 92,694 | 554,744 | 6,828 | 190,429 | 919,973 |
| **Total operating income** | **(12,730)** | **534,376** | **738,876** | **204,087** | **(422,424)** | **1,042,185** |
| Underwriting profit | - | - | - | - | 1,014,536 | 1,014,536 |
| Personnel expenses | (272,447) | (204,292) | (366,345) | (334,669) | (572,027) | (1,749,780) |
| Operating lease expenses | (32,411) | (74,178) | (53,957) | - | - | (160,546) |
| Depreciation and amortization | (195,566) | (51,066) | (58,810) | - | (154,570) | (460,012) |
| Other operating expenses | (2,883,728) | (554,149) | (338,373) | (161,057) | (552,607) | (4,489,914) |
| **Total expenses** | (3,384,152) | (883,685) | (817,485) | (495,726) | (264,668) | (5,845,716) |
| **Loss before tax from discontinued operations** | **(3,396,882)** | **(349,309)** | **(78,609)** | **(291,639)** | **(687,092)** | **(4,803,530)** |
| Income tax expense | - | (5,530) | (28,991) | - | (92,379) | (126,900) |
| Pre-tax loss recognised on the remeasurement of assets of disposal group | - | - | (306,096) | - | - | (306,096) |
| **Loss after tax** | (3,396,882) | (354,839) | (413,696) | (291,639) | (779,471) | **(5,236,526)** |
| **Net loss of control of subsidiaries to the Group** | | | | | | **(274,835)** |
| | | | | | | **(5,511,361)** |
| **Loss after tax attributable to:** | | | | | | |
| Owners of the Bank | (1,766,379) | (184,516) | (215,122) | (291,639) | (405,325) | (2,862,981) |
| Non-controlling interests | (1,630,503) | (170,323) | (198,574) | - | (374,146) | (2,373,546) |
| **Loss after tax for the year** | (3,396,882) | (354,839) | (413,696) | (291,639) | (779,471) | (5,236,527) |
| **Cash flows (used in)/from** | | | | | | |
| Net cash used in operating activities | (5,785,785) | (134,725) | (191,854) | 1,650,435 | 746,007 | (3,715,922) |
| Net cash from investing activities | - | (21,472) | 91,821 | (506) | (573,152) | (503,310) |
| Net cash from financing activities | (21,472) | (82,496) | - | 228,357 | - | 124,389 |
| **Effect on cashflows** | (5,807,257) | (238,693) | (100,033) | 1,878,286 | 172,855 | (4,094,843) |

**17d The aggregate book values of the net assets for four subsidiaries disposed at the respective dates of disposal were as follows:**

| *In thousands of Naira* | **WAPIC** September 2013 | **Intercontinental Homes & Savings Limited** January 2013 | **Intercontinental Bank UK** March 2013 | **Access Investments and Securities** September 2013 | **Omni Finance Bank Cote D' Ivoire** December 2013 | **Total** |
|---|---|---|---|---|---|---|
| Cash and balances with banks | 8,814,192 | 374,534 | 11,027,379 | 69,794 | 4,688,605 | 24,974,504 |
| Loans and advances to banks | - | - | 4,060,575 | - | - | 4,060,575 |
| Loans and advances to customers | - | 1,551,045 | 781,982 | - | 1,404,556 | 3,737,583 |
| Trading properties | | 3,377,221 | - | - | - | 3,377,221 |
| Investment securities | 5,463,103 | 105,502 | 1,585,976 | - | 48,980 | 7,203,561 |
| Reinsurance assets | 882,258 | - | - | - | - | 882,258 |
| Other assets | 2,346,289 | 342,853 | 183,909 | 181,343 | 233,137 | 3,287,531 |
| Investment properties | 3,566,382 | 431,944 | - | - | - | 3,998,326 |
| Property and equipment | 1,067,202 | 693,922 | 48,019 | 31,304 | 1,245,798 | 3,086,245 |
| Intangible assets | 65,612 | 31,617 | 19,484 | - | - | 116,713 |
| Deferred acquisition cost | 270,658 | - | - | - | - | 270,658 |
| Deferred tax assets | 32,731 | 722,718 | - | - | - | 755,449 |
| **Total assets** | **22,508,427** | **7,631,356** | **17,707,324** | **282,441** | **7,621,076** | **55,750,624** |
| Deposits from banks | - | - | (8,009,531) | - | - | (8,009,531) |
| Deposits from customers | - | (1,062,594) | (6,421,984) | - | (10,573,163) | (18,057,741) |
| Derivative financial instruments | - | - | (145,590) | - | - | (145,590) |
| Current tax liabilities | (292,631) | (31,285) | | (84,050) | - | (407,966) |
| Other liabilities | (3,139,702) | (902,368) | (192,200) | - | (342,232) | (4,576,502) |
| Insurance contracts | (4,929,359) | - | - | - | - | (4,929,359) |
| Interest-bearing loans and borrowings | - | (995,884) | - | - | - | (995,884) |
| Deferred tax liability | (170,656) | - | - | - | - | (170,656) |
| **Total liabilities** | **(8,532,348)** | **(2,992,131)** | **(14,769,305)** | **(84,050)** | **(10,915,395)** | **(37,293,229)** |
| **Net assets of disposal group** | **13,976,079** | **4,639,225** | **2,938,019** | **198,391** | **(3,294,319)** | **18,457,395** |
| Proceeds on disposal | - | 2,100,000 | 3,872,960 | 101,023 | 160,666 | 6,234,649 |
| Fair value of the non-cash asset | 4,150,584 | - | - | - | - | 4,150,584 |
| Group's share of other components of net assets exluding translation reserve | (8,665,168) | (2,412,397) | (3,509,765) | (198,391) | 2,688,582 | (12,097,139) |
| **Gain on disposal** | (4,514,584) | (312,397) | 363,195 | (97,368) | 2,849,248 | (1,711,906) |
| **Profit from discontinued operations** | | | | | | |
| Foreign exchange gain/(loss) arising from disposal of translated foreign subsidiaries | - | - | 571,746 | - | 408,078 | 979,824 |
| Post tax loss of discontinued operations | | | | | | (467,976) |
| | | | | | | **(1,200,059)** |
| **Bank** | | | | | | |
| Proceeds on disposal | | 2,100,000 | 3,872,960 | 101,023 | 160,666 | 6,234,649 |
| Cost of investments | | 3,387,938 | 7,301,401 | 819,278 | 5,438,520 | 16,947,137 |
| Allowances for impairment | | (1,001,475) | (3,307,929) | (620,908) | (5,277,854) | (10,208,165) |
| **Loss on disposal** | | **(286,463)** | **(120,512)** | **(97,347)** | **-** | **(504,323)** |

## 18 Non-current assets and non-current liabilities held for sale

Access Bank Burundi is presented as disposal group held for sale following the commitment of the Group's management to a plan to sell the operations of the subsidiary. Efforts to sell the disposal groups have since commenced and and the sale is highly probable of occuring in 2014. As at 31 December 2013, the disposal groups comprised assets and liabilities as follows:

***For the year ended 31 December 2013***

| *In thousands of Naira* | Access Bank Burundi | Total |
|---|---|---|
| Cash and balances with banks | 900,046 | 900,046 |
| Loans and advances to customers | 576,434 | 576,434 |
| Investment securities | 703,723 | 703,723 |
| Property and equipment | 266,853 | 266,853 |
| Other assets | 66,590 | 66,590 |
| Intangible assets | 334,095 | 334,095 |
| **Total assets** | **2,847,741** | **2,847,741** |
| Deposits from banks | 972,741 | 972,741 |
| Deposits from customers | 405,327 | 405,327 |
| Other liabilities | 121,427 | 121,427 |
| **Total liabilities** | **1,499,495** | **1,499,495** |
| **Net assets of disposal group** | **1,348,246** | **1,348,246** |

**Financial risk management disclosures for non-current assets and non-current liabilities held for sale**
In 2013, there is only one non-current asset and liability held for sale and this is Burundi.

In accordance with IFRS 5, the assets and liabilities held for sale were carried at the lower of their fair value less costs to sell and carrying amount. The financial assets within Access Bank Burundi are cash and balance balances, Loans and advances to customers and investment securities.

Loans and advances to banks and customers are past due nor impaired facilities. These facilities are spread across sectors in the following percentages of: 57% in the corporate sector, 27% in the retail sector and 16% in the commercial sector. Collateral held against this exposure includes: properties, cash and other enhancements. Most of the assets and liabilities mature within six months and as such fair value approximated carrying amount. Investment in securities are trading instruments which are highly liquid and actively traded with maturity of 1year. Cash and balances with banks consist of balances held with foreign banks and urestricted balances with central bank.

***For the year ended 31 December 2012***

| *In thousands of Naira* | Access Bank Burundi | Intercontinental Homes & Savings Limited | Intercontinental Bank UK | Omni Finance Bank Cote D'Ivoire | Total |
|---|---|---|---|---|---|
| Cash and balances with banks | 457,124 | 426,452 | 11,296,202 | 942,493 | 13,122,271 |
| Non pledged trading assets | 368,575 | - | - | - | 368,575 |
| Derivative financial instruments | - | - | 21,309 | - | 21,309 |
| Loans and advances to banks | - | - | 2,306,730 | - | 2,306,730 |
| Loans and advances to customers | 1,984,588 | 1,560,303 | 784,131 | 1,293,427 | 5,622,449 |
| Trading properties | - | 2,870,974 | - | - | 2,870,974 |
| Investment securities | - | 135,035 | 1,592,361 | 57,963 | 1,785,359 |
| Other assets | 130,557 | 313,433 | 191,530 | 238,920 | 874,440 |
| Investment properties | - | 403,707 | - | - | 403,707 |
| Property and equipment | 199,328 | 652,315 | 55,049 | 1,326,433 | 2,233,125 |
| Intangible assets | 427,109 | 29,859 | 20,041 | 18,591 | 495,600 |
| Deferred tax assets | - | 722,718 | - | - | 722,718 |
| **Total assets** | **3,567,281** | **7,114,796** | **16,267,353** | **3,877,827** | **30,827,257** |
| Deposits from banks | - | - | 12,698,049 | 3,077,493 | 15,775,542 |
| Deposits from customers | 2,513,741 | 1,257,171 | - | 3,485,893 | 7,256,805 |
| Derivative financial instruments | - | 31,286 | 19,026 | - | 50,312 |
| Current tax liabilities | 185,170 | 914,585 | - | - | 1,099,755 |
| Other liabilities | - | - | 199,648 | 411,976 | 611,624 |
| Interest-bearing loans and borrowings | - | 999,474 | - | - | 999,474 |
| **Total liabilities** | **2,698,911** | **3,202,516** | **12,916,723** | **6,975,362** | **25,793,512** |
| **Net assets of disposal group** | **868,370** | **3,912,280** | **3,350,630** | **(3,097,535)** | **5,033,745** |

## 19 Earnings per share

### (a) Basic from continuing operations

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Profit/(Loss) for the year from continuing operations | 37,497,651 | 44,839,636 | 26,211,844 | 35,815,611 |
| Profit/(Loss) for the year from discontinued operations | (1,200,059) | (5,511,361) | - | - |
| Weighted average number of ordinary shares in issue | 22,882,919 | 22,882,919 | 22,882,919 | 22,882,919 |
| *In naira per share* | | | | |
| Basic earnings per share from continuing operations | 1.64 | 1.96 | 1.15 | 1.57 |
| Basic (loss)/earnings per share from discontinued operations | (0.05) | (0.24) | - | - |

### (b) Diluted from continuing operations

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has debt with a convertible option.

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Profit for the year from continuing operations | 37,497,651 | 44,839,636 | 26,211,844 | 35,815,611 |
| Interest expense on convertible debt (net of tax) | 17,143 | 25,016 | 17,143 | 25,016 |
| Profit used to determine diluted earnings per share | 37,514,794 | 44,864,652 | 26,228,987 | 35,840,627 |
| Profit from discontinued operations | (1,200,059) | (5,511,361) | - | - |
| Weighted average number of ordinary shares in issue | 22,882,919 | 22,882,919 | 22,882,919 | 22,882,919 |
| Adjustment for: | | | | |
| Assumed conversion of convertible debt | 6,510 | 11,117 | 6,510 | 11,117 |
| Weighted average number of ordinary shares for diluted earnings per share | 22,889,429 | 22,894,036 | 22,889,429 | 22,894,036 |
| *In naira per share* | | | | |
| Diluted earnings per share from continuing operations | 1.64 | 1.96 | 1.15 | 1.57 |
| Diluted (loss)/earnings per share from discontinued operations | (0.05) | (0.24) | - | - |

The equity settled share based payment is anti dilutive

| | | | | |
|---|---|---|---|---|
| Earnings per share | 1.59 | 1.72 | 1.15 | 1.57 |
| Earnings per share - continuing operations | 1.64 | 1.96 | 1.15 | 1.57 |

## 20 Cash and balances with banks

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Cash on hand and balances with banks (see note (i), (ii) below) | 114,541,529 | 110,075,694 | 109,655,119 | 90,455,766 |
| Restricted deposits with central banks (see note (iii) below) | 172,406,297 | 109,107,275 | 171,944,537 | 107,833,227 |
| Unrestricted balances with central banks | 31,143,134 | 25,238,351 | 24,775,442 | 19,461,280 |
| Money market placements | 121,368,581 | 160,870,921 | 89,433,649 | 66,311,886 |
| | **439,459,541** | **405,292,241** | **395,808,747** | **284,062,159** |

(i) Included in cash in hand and balances with other banks is an amount of N10,276,951,763 (2012: N24,611,573,000) representing the Naira value of foreign currencies held on behalf of customers to cover letter of credit transactions. The corresponding liability is included in customer's deposit for foreign trade reported under other liabilities (see Note 41). This has been excluded for cash flow purposes.

(ii) Restricted deposits with central banks comprise the cash reserve requirements of the Central Bank of Nigeria, other central banks of jurisdictions that the group operates in as well as the statutory deposits required by the National Insurance Commission (NAICOM). These balances are not available for day to day operations of the group.

## 21 Non pledged trading assets

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Government bonds | 1,402,326 | 1,393,240 | 1,402,326 | 711,495 |
| Treasury bills | 2,370,725 | 26,182,745 | 2,370,725 | 2,884,040 |
| Equity securities | 104,918 | 330,818 | 104,918 | 173,725 |
| | **3,877,969** | **27,906,803** | **3,877,969** | **3,769,260** |

## 22 Pledged assets

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Treasury bills | 4,774,503 | 6,560,147 | 4,712,475 | 6,560,147 |
| Government bonds | 58,635,348 | 54,389,709 | 58,635,348 | 54,389,709 |
| | **63,409,851** | **60,949,856** | **63,347,823** | **60,949,856** |
| The related liability for assets pledged as collateral include: | | | | |
| Bank of Industry (BOI) | 22,660,000 | 34,910,500 | 22,660,000 | 34,910,500 |

(i) The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. Also included in pledged assets are assets pledged as collateral or or security deposits to clearing house and payment agencies of N26.7bn (December 2012: N35.9bn) for which there is no related liability.

As at 31 December 2013, the Bank held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (December 2012: nil).

## 23 Derivative financial instruments

| *In thousands of Naira* | Notional amount | Fair Value Assets/ (Liabilities) | Notional amount | Fair Value Assets/ (Liabilities) |
|---|---|---|---|---|
| | December 2013 | | December 2012 | |
| **Group** | | | | |
| **Foreign exchange derivatives** | | | | |
| **Total derivative assets held for trading** | 11,471,603 | 102,123 | 1,520,553 | 30,949 |
| **Total derivative liabilities held for trading** | 2,000,495 | (32,955) | 1,484,393 | (35,515) |

| | Notional amount | Fair Value Assets/ (Liabilities) | Notional amount | Fair Value Assets/ (Liabilities) |
|---|---|---|---|---|
| **Bank** | December 2013 | | December 2012 | |
| **Foreign exchange derivatives** | | | | |
| **Total derivative assets held for trading** | 9,423,411 | 72,675 | - | - |

Derivative financial instruments consist of short term forward contracts. Forwards are held for day to day cash management rather than for trading purposes and are held at fair value. These foreign exchange contracts have intended settlement dates within twelve months. This is the only category of derivative instruments held by the Bank as at 31 December 2013. All forward contracts are considered to be level two i.e. are priced with reference to observable market data.

## 24 Loans and advances to banks

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Loans and advances to banks | 24,589,212 | 4,674,297 | 13,057,988 | 3,163,874 |
| Less specific allowances for impairment | - | (96,755) | - | (96,755) |
| Less collective allowances for impairment | (9,337) | (12,599) | (9,337) | (12,599) |
| | **24,579,875** | **4,564,943** | **13,048,651** | **3,054,520** |

**Specific allowances for impairment on loans and advances to banks**

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 96,755 | 61,028 | 96,755 | 61,028 |
| Impairment loss for the year: | | | | |
| - Net charge/allowance no longer required | (96,755) | 35,727 | (96,755) | 35,727 |
| Balance, end of year | - | 96,755 | - | 96,755 |

**Collective allowances for impairment on loans and advances to banks**

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance beginning of year | 12,599 | 4,778 | 12,599 | 4,778 |
| Impairment loss for the year: | | | | |
| - Net charge/allowance no longer required | (3,262) | 7,821 | (3,262) | 7,821 |
| - On disposal of subsidiary | - | - | - | - |
| Balance end of year | 9,337 | 12,599 | 9,337 | 12,599 |

## 25 Loans and advances to customers

**a Group**

| **December 2013** *In thousands of Naira* | Gross amount | Specific impairment allowance | Collective impairment allowance | Total impairment allowance | Carrying amount |
|---|---|---|---|---|---|
| Loans to individuals | 15,598,775 | (1,139,512) | (483,798) | (1,623,310) | 13,975,466 |
| Loans to corporate entities and other organizations | 785,065,648 | (6,804,598) | (6,066,811) | (12,871,409) | 772,194,238 |
| | **800,664,423** | **(7,944,110)** | **(6,550,609)** | **(14,494,719)** | **786,169,704** |

| **December 2012** *In thousands of Naira* | Gross amount | Specific impairment allowance | Collective impairment allowance | Total impairment allowance | Carrying amount |
|---|---|---|---|---|---|
| Loans to individuals | 23,035,153 | (4,224,972) | (208,818) | (4,433,790) | 18,601,363 |
| Loans to corporate entities and other organizations | 618,999,970 | (20,008,037) | (13,519,897) | (33,527,934) | 585,472,036 |
| | **642,035,123** | **(24,233,009)** | **(13,728,715)** | **(37,961,724)** | **604,073,399** |

**Impairment on loans and advances to customers**

| *In thousands of Naira* | Specific allowances December 2013 | Specific allowances December 2012 | Collective allowances December 2013 | Collective allowances December 2012 |
|---|---|---|---|---|
| Balance beginning of year | 24,233,009 | 43,581,022 | 13,728,715 | 4,729,774 |
| Impairment loss for the year: | | | | |
| - Charge for the year/(allowance no longer required) | 2,914,576 | (1,403,250) | (7,670,933) | 9,268,429 |
| Effect of foreign currency movements | 872,556 | 807,084 | 992,633 | - |
| Write-offs | (20,076,031) | (18,751,847) | (499,807) | (269,488) |
| Balance end of year | **7,944,110** | **24,233,009** | **6,550,608** | **13,728,715** |

## 25 b Loans and advances to customers
**Bank**

| **December 2013** *In thousands of Naira* | **Gross amount** | **Specific impairment allowance** | **Collective impairment allowance** | **Total impairment allowance** | **Carrying amount** |
|---|---|---|---|---|---|
| Loans to individuals | 12,095,930 | - | (483,733) | (483,733) | 11,612,196 |
| Loans to corporate entities and other organizations | 736,444,903 | (6,812,512) | (5,943,847) | (12,756,359) | 723,688,545 |
| | **748,540,833** | **(6,812,512)** | **(6,427,580)** | **(13,240,092)** | **735,300,741** |

| **December 2012** *In thousands of Naira* | **Gross amount** | **Specific impairment allowance** | **Collective impairment allowance** | **Total impairment allowance** | **Carrying amount** |
|---|---|---|---|---|---|
| Loans to individuals | 21,463,197 | (4,224,371) | (208,060) | (4,432,431) | 17,030,766 |
| Loans to corporate entities and other organizations | 566,333,682 | (15,619,267) | (13,152,982) | (28,772,249) | 537,561,433 |
| | **587,796,879** | **(19,843,638)** | **(13,361,042)** | **(33,204,680)** | **554,592,199** |

**Impairment on loans and advances to customers**

| *In thousands of Naira* | **Specific Impairment** December 2013 | December 2012 | **Collective Impairment** December 2013 | December 2012 |
|---|---|---|---|---|
| Balance beginning of year | 19,843,639 | 17,333,987 | 13,361,042 | 3,995,079 |
| Acquired through business combination | - | 25,421,642 | - | 265,764 |
| Impairment loss for the year: | | | | |
| - Charge for the year/(allowances no longer required) | 332,628 | (3,128,844) | (6,433,655) | 9,100,199 |
| Write-offs | (13,363,755) | (19,783,147) | (499,807) | - |
| | | - | | - |
| Balance end of year | **6,812,512** | **19,843,638** | **6,427,580** | **13,361,042** |

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

| *In thousands of Naira* | **Group December 2013** | **Group December 2012** | **Bank December 2013** | **Bank December 2012** |
|---|---|---|---|---|
| Gross investment in finance lease, receivable | 3,385,413 | 2,569,890 | 3,385,413 | 2,569,890 |
| Unearned finance income on finance leases | (364,259) | (265,343) | (364,259) | (265,343) |
| | | | - | |
| Net investment in finance leases | 3,021,154 | 2,304,547 | 3,021,154 | 2,304,547 |
| Gross investment in finance leases, receivable: | | | | |
| Less than one year | 507,958 | 1,061,185 | 507,958 | 1,061,185 |
| Between one and five years | 2,877,455 | 1,508,705 | 2,877,455 | 1,508,705 |
| Later than five years | - | - | - | - |
| | 3,385,413 | 2,569,890 | 3,385,413 | 2,569,890 |
| Unearned finance income on finance leases | (364,259) | (265,343) | (364,259) | (265,343) |
| Present value of minimum lease payments | | | | |
| | 3,021,154 | 2,304,547 | 3,021,154 | 2,304,547 |

The present value of minimum lease payments may be analysed as follows:

| | | | | |
|---|---|---|---|---|
| Less than one year | 309,776 | 262,100 | 309,776 | 262,100 |
| Between one and five years | 2,711,377 | 2,042,447 | 2,711,377 | 2,042,447 |
| Later than five years | - | - | - | - |

## 26 Trading properties

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

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 2,693,227 | 6,688,000 | - | - |
| Additions and capital improvements | 585,261 | 1,318,679 | - | - |
| On disposal of subsidiary | (3,278,488) | - | - | - |
| Asset classified as held for sale | - | (2,870,974) | - | - |
| Disposal of trading property | - | (2,421,534) | - | - |
| Transfer to investment properties | - | (20,944) | - | - |
| Balance, end of year | **-** | **2,693,227** | **-** | **-** |

## 27 Investment securities

| **Available for sale investment securities**<br>*In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| **Debt securities** | | | | |
| Government bonds | 2,818,336 | 12,023,268 | 2,818,336 | 12,023,268 |
| Treasury bills | 140,780,793 | 3,414,102 | 119,864,079 | 321,670 |
| Eurobonds | 6,690,780 | 8,906,991 | 6,690,780 | 8,906,991 |
| **Equity securities** | | | | |
| Equity securities with readily determinable fair values | 39,231,798 | 32,501,959 | 39,231,798 | 32,501,959 |
| Unquoted equity securities at cost | 3,484,137 | 3,282,468 | 3,145,697 | 3,191,162 |
| | 193,005,844 | 60,128,788 | 171,750,690 | 56,945,050 |
| Specific allowance for impairment on equity securities | (3,145,698) | (3,388,177) | (3,145,697) | (3,371,604) |
| | **189,860,146** | **56,740,611** | **168,604,993** | **53,573,446** |

| **Held to maturity investment securities**<br>*In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| **Debt securities** | | | | |
| Treasury bills | 17,503,150 | 15,971,283 | - | - |
| Federal government bonds | 62,199,278 | 92,007,630 | 59,140,482 | 90,344,698 |
| State government bonds | 9,922,603 | 17,097,219 | 9,922,603 | 17,097,219 |
| AMCON bonds (see note below) | 59,123,792 | 238,833,801 | 59,123,792 | 238,833,801 |
| Corporate bonds | 7,386,140 | 10,702,325 | 4,463,693 | 5,080,987 |
| Eurobonds | 821,441 | 1,317,301 | 821,441 | 804,503 |
| Local contractors bonds | 6,994,798 | 14,611,641 | 6,994,798 | 14,611,641 |
| | **163,951,202** | **390,541,200** | **140,466,809** | **366,772,849** |
| **Investment securities** | **353,811,348** | **447,281,811** | **309,071,802** | **420,346,295** |

**Specific allowance for impairment on available for sale investment securities at cost**

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 3,388,177 | 3,195,441 | 3,371,604 | 118,441 |
| Acquired through business combination | - | - | - | 3,077,499 |
| Allowance no longer required | (155,906) | - | (155,906) | - |
| Charge for the year | - | 175,664 | - | 175,664 |
| Amount written off | (70,000) | - | (70,000) | - |
| Exchange difference | (16,573) | 17,072 | - | - |
| Balance, end of year | **3,145,698** | **3,388,177** | **3,145,698** | **3,371,604** |

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

## 28 Insurance receivables

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Due from agents, brokers and reinsurers | - | 2,795,326 | - | - |
| Allowance for doubtful receivables | - | (2,167,989) | - | - |
| | **-** | **627,337** | - | - |

**Specific allowances for impairment for insurance receivables**

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 2,167,989 | 1,210,000 | - | - |
| Additional allowance | - | 768,672 | - | - |
| Exchange difference | - | 189,317 | - | - |
| On disposal of subsidiary | (2,167,989) | | | |
| Balance, end of year | **-** | **2,167,989** | **-** | **-** |

## 29 Other assets

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Accounts receivable | 43,158,075 | 44,311,488 | 37,235,693 | 35,798,679 |
| Cash collateral receivable on letters of credit transactions | 16,330,068 | 14,184,249 | 15,976,057 | 14,184,249 |
| Receivable from AMCON (see note (a) below) | 5,780,565 | 26,581,778 | 5,780,566 | 26,581,778 |
| Prepayments | 8,381,805 | 8,515,186 | 6,232,228 | 6,276,947 |
| Subscription for investment | 925,030 | 28,911 | 1,657,636 | 3,741,861 |
| | 74,575,543 | 93,621,612 | 66,882,180 | 86,583,514 |
| *Allowance for impairment on other assets* | | | | |
| Accounts receivable | (21,630,790) | (24,746,230) | (21,630,790) | (24,211,826) |
| Subscription for investment | (925,030) | (940,030) | (925,030) | (940,030) |
| | (22,555,820) | (25,686,260) | (22,555,820) | (25,151,856) |
| Total | **52,019,723** | **67,935,352** | **44,326,360** | **61,431,658** |

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

Movement in allowance for impairment on other assets:

| *In thousands of Naira* | Group Accounts Receivable | Group Subscription for investments | Bank Accounts Receivable | Bank Subscription for investments |
|---|---|---|---|---|
| Balance at 1 January 2012 | **25,858,364** | **940,030** | **688,575** | **-** |
| Asset classified as held for sale | (87,710) | - | - | - |
| Acquired through business combination | - | - | 23,715,257 | 940,030 |
| Balance at 1 January 2012 | 25,770,654 | 940,030 | 24,403,832 | 940,030 |
| Impairment loss for the year: | | | | |
| - Allowance during the year | 2,801,248 | - | 2,679,236 | - |
| - Allowance no longer required | (863,661) | - | (863,661) | - |
| Net impairment for the year | 1,937,587 | - | 1,815,575 | - |
| Allowance written off | (2,907,611) | - | (2,007,581) | - |
| Translation difference | (54,400) | - | - | - |
| Balance as at 31 December 2012/1 January 2013 | **24,746,230** | **940,030** | **24,211,826** | **940,030** |
| Impairment loss for the year: | | | | |
| - Allowance during the year | 509,012 | - | 509,012 | - |
| - Allowance no longer required | (1,645,277) | (15,000) | (1,645,277) | (15,000) |
| Net impairment for the year | (1,136,265) | (15,000) | (1,136,265) | (15,000) |
| Allowance written off | (1,979,175) | - | (1,444,771) | - |
| Translation difference | - | - | - | - |
| Balance as at 31 December 2013 | **21,630,790** | **925,030** | **21,630,790** | **925,030** |

## 30 Investment properties

These investment properties have been valued by reputable estate surveyors and valuers using the comparable transactions method of valuation to arrive at the open market value. The portion of the investment property representing land is N23.7bn. The valuers used bythe bank are Azuka Iheabunike & Partners and Diya Fatimilehin & Co. There is no rental income from investment property during the year and no restrcitions on the reaslisability of the property. The property is held for capital appreciation.

The Bank's investment properties, which are all located in Lagos State, include Flats at Salvador and Eric Moore Towers, Abijo Land and Maiyegun waterfront Land. The Bank's intention is to systematically dispose of the Flats at Eric Moore towers, Salvador towers and Abijo Land. In the medium term, because of the size of Maiyegun property, the Bank intends to, in conjuction with developers, carry out some infrastructural developments on it to prepare it for prime conditions appropriate for sale.

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 14,360,567 | 16,097,044 | 14,072,673 | 12,417,043 |
| Acquired through business combination | - | - | - | 1,710,320 |
| Additions during the year | 5,159,830 | 1,321,866 | 5,159,830 | - |
| Transfer from trading properties | - | 20,944 | - | - |
| Asset classified as held for sales | - | (403,707) | - | - |
| Loss of control | - | (377,624) | - | - |
| Fair value gain | 4,850,286 | - | 4,850,286 | - |
| On disposal of subsidiary | (287,894) | - | - | - |
| Disposals during the period | (108,000) | (2,297,956) | (108,000) | (54,690) |
| Balance, end of the year | **23,974,789** | **14,360,567** | **23,974,789** | **14,072,673** |

## 31 Investments in equity accounted investee

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 2,774,647 | 2,812,805 | 1,980,808 | - |
| Acquired through business combination | - | - | - | 1,980,808 |
| Reversal of share of impairment | - | 429,000 | - | - |
| Share of profit for the year | 1,465,814 | 636,903 | - | - |
| Share of OCI for the year | (17,215) | 133,484 | - | - |
| Exchange difference | - | 37,583 | - | - |
| Dividends paid | (96,041) | - | - | - |
| Disposal during the year | (503,879) | (1,275,128) | (458,996) | - |
| Balance, end of year | 3,623,325 | 2,774,647 | 1,521,812 | 1,980,808 |

Set out below are the summarised financial information for associates which are accounted for using the equity method.

| | Associated Discount House Limited | | Magnate Technologies | |
|---|---|---|---|---|
| | December 2013 | December 2012 | December 2013 | December 2012 |
| **Assets** | | | | |
| Cash and balances with banks | 11,117,515 | 10,473,352 | 15,064 | 7,687 |
| Non pledged trading assets | 9,622,924 | 27,340,940 | - | - |
| Loans and advances to customers | 1,736,058 | 3,195,204 | - | - |
| Investment Securities: | | | | |
| Held to maturity | 8,728,382 | 10,237,015 | - | - |
| Available for sale securities | 13,374,599 | 1,133,062 | - | - |
| Loans and receivables | - | 3,459,084 | - | - |
| Assets pledged as collaterals | 21,366,884 | 38,049,747 | - | - |
| Other assets | 459,840 | 1,674,472 | 23,454 | 3,028 |
| Intangible assets | 65,174 | 1,077 | - | - |
| Property, plant and equipment | 124,911 | 132,347 | 367,139 | 69,959 |
| Deferred tax | 4,098,254 | 2,685,900 | - | - |
| Assets held for sale | 48,756 | 37,335 | - | - |
| **Total Assets** | 70,743,297 | 98,419,535 | 405,657 | 80,674 |
| Financed by: | | | | |
| Deposits from banks | 39,331,966 | 41,350,639 | 95,237 | 51,882 |
| Deposits from customers | 21,528,055 | 49,615,998 | 333,677 | - |
| Other liabilities | 68,812 | 53,242 | - | - |
| **Total Liabilities** | 279,402 | 670,876 | - | - |
| | 61,208,235 | 91,690,755 | 428,914 | 51,882 |
| Net Assets | 9,535,062 | 6,728,780 | (23,257) | 28,792 |
| Profit before tax | 1,802,723 | 1,499,310 | (27,077) | (21,841) |
| Income tax | 1,319,512 | (83,970) | - | - |
| Profit for the year | 3,122,235 | 1,415,340 | (27,077) | (21,841) |
| Other comprehensive income | (44,922) | 351,274 | - | - |
| Group's share of profit (adjusted) | 1,465,814 | 636,903 | (10,831) | (8,736) |
| Group's share of OCI | (17,215) | 133,484 | - | - |

Reconciliation of summarised financial information presented to the carrying amount of its interests in associates

| **Summarized financial information** | **Associated Discount House Limited** | | **Magnate Technologies** | |
|---|---|---|---|---|
| | **December 2013** | **December 2012** | **December 2013** | **December 2012** |
| Opening Net Assets (1 January 2013) | 6,728,780 | 4,962,166 | (28,792) | 50,633 |
| Profit/ (loss) for the period | 3,122,235 | 1,415,340 | (27,077) | (21,841) |
| Other comprehensive income | (44,922) | 351,274 | - | - |
| Dividend paid | (271,031) | - | - | - |
| Preference shares | - | - | 32,612 | - |
| **Closing net assets ( 31 December 2013)** | 9,535,062 | 6,728,780 | (23,257) | 28,792 |
| Interest in asscociates (ADH: 38.32%, 45%; MT: 40.00%) | 3,623,324 | 3,027,951 | (9,303) | 11,517 |
| Carrying value | 3,623,325 | 2,774,647 | - | - |
| Difference | - | 253,304 | (9,303) | 11,517 |

Associated Discount House was incorporated in Nigeria while Magnate Technology and Services Limited, is incorporated in Ghana.

The Group holds an equity interest of 1,067,117,591 ordinary shares of N 1.00 each in Associated Discount House (ADH) Limited as at 31 December 2013, representing 38% equity participation in the company (31 December 2012 - 1,388,972,704 ordinary shares, 45%). Dividend income received from ADH during the period totalled N96Mn. The group's effective ownership in ADH reduced from 45.32% in 2012 to 38.32% in 2013 as the bank sold 12% of its shares in the company.

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

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

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

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

There are SME investments of N3.1 bn (December 2012: N3.2 bn) of which the Bank has shareholdings of more than 20% but less than 50%. These investments were classified as available for sale rather than as investment in associates or subsidiaries because the company does not have the power to excercise any influence or control over the entity. The Company's determination that it does not have any influence over these entities through it's shareholding has been based on the following factors in particular:

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

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

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

iv These investments are carried at cost as their fair value cannot be measured reliably. They are investments in small and medium scale enterprises with no available financial information. These amounts have been fully impaired as at 31 December 2013.

## 32 Subsidiaries (with continuing operations)
### (i) Group entities

All holding in investment in subsidiary is direct. There are no indirect holding.

Set out below are the group's subsidiaries as at 31 December 2013. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by the group. The country of incorporation is also their principal place of business.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity .

| | Nature of business | Country of incorporation | Ownership interest December 2013 | December 2012 |
|---|---|---|---|---|
| Access Bank Gambia Limited | Banking | Gambia | 88% | 88% |
| Access Bank Sierra Leone Limited | Banking | Sierra Leone | 98% | 98% |
| Access Bank Rwanda Limited | Banking | Rwanda | 75% | 75% |
| Access Bank Zambia | Banking | Zambia | 87% | 100% |
| The Access Bank UK | Banking | United Kingdom | 100% | 100% |
| Access Bank R.D. Congo | Banking | Congo | 100% | 100% |
| Access Bank Ghana | Banking | Ghana | 92% | 92% |
| Access Finance B.V. (see note (a) below) | | Netherlands | 100% | 100% |

(a) Access Finance B.V. was incorporated in 2011 and commenced operations in 2012. An obligation also exists between the Bank and Access Finance B.V., for which Access Finance B.V. was expected to lend the Bank the sum of USD 2,462,000 as a share premium loan. The loan agreement between both parties however permits that the obligation of Access Finance B.V. to grant the loan, be set off against the obligation of the Bank to repay the loan such that each party's obligation either as a borrower or lender is discharged. In view of this, no loan payable has been recognized in the Bank's financial statements.

### (ii) Subsidiaries held for sale

| | Nature of business | Country of incorporation | Ownership interest December 2013 | December 2012 |
|---|---|---|---|---|
| Intercontinental Homes and Savings Limited | Financial Services | Nigeria | 0% | 52% |
| Omni Finance Bank, Cote d'Ivoire | Banking | Cote d'Ivoire | 0% | 94% |
| Intercontinental Bank (UK) Plc | Banking | United Kingdom | 0% | 100% |
| FinBank Burundi | Banking | Burundi | 87% | 87% |

Intercontinental Bank UK, Intercontinental Homes, Omni Finance Cote 'D Ivoire were sold to third parties during the year. See proceeds of sale as well as discontinued operations during the year in note 17.

### (iii) Subsidiaries undergoing liquidation

| | Nature of business | Country of incorporation | Ownership interest December 2013 | December 2012 |
|---|---|---|---|---|
| Intercontinental Capital Markets Limited | Financial Services | Nigeria | 63% | 63% |
| Intercontinental Finance and Investment Limited | Financial Services | Nigeria | 100% | 100% |
| Intercontinental Registrars Limited | Secretarial services | Nigeria | 100% | 100% |
| Intercontinental Trustees Limited | Trusteeship | Nigeria | 100% | 100% |
| Intercontinental Securities Limited | Asset Management | Nigeria | 51% | 51% |
| Flexmore Technologies Limited | IT Services | Nigeria | 100% | 100% |

These subsidiaries are currently undergoing a winding-down process through the appointment of a court ordered receiver manager to manage their affairs. As a result of this event, the Bank has lost control without a change in absolute or relative ownership level. The loss of control in these subsidiaries, have been accounted for in the financail statements.

### (iv) Structured entities:

| | Nature of business | Country of incorporation | Ownership interest December 2013 | December 2012 |
|---|---|---|---|---|
| Restricted Share Performance Plan (RSPP) | Financial services | Nigeria | 100% | 0% |
| Project Star Investment Limited | Financial services | Nigeria | 0% | 100% |
| **(v) Associates** | | | | |
| Associated Discount House Limited | Financial services | Nigeria | 38% | 45% |
| Magnate Technology and Services Limited | IT Services | Ghana | 40% | 40% |

## 32 Investment in subsidiary

| *In thousands of Naira* | Bank December 2013 | Bank December 2012 |
|---|---|---|
| **Subsidiaries with continuing operations** | | |
| Access Bank, UK | 13,928,819 | 7,458,100 |
| Access Bank, Ghana | 13,704,428 | 13,704,428 |
| Access Bank Rwanda | 1,578,825 | 1,578,825 |
| Access Bank, Congo | 2,779,650 | 2,779,650 |
| Access Bank, Zambia | 1,819,425 | 1,819,425 |
| Access Bank, Gambia | 1,853,756 | 1,853,756 |
| Access Bank, Sierra Leone | 1,019,952 | 1,019,952 |
| Investment in RSPP scheme | 460,580 | - |
| Access Bank Finance B.V. | 4,092 | 4,092 |
| Wapic Insurance Plc | - | 4,768,119 |
| Access Investment and Securities Limited | - | 500,000 |
| Intercontinental Properties Limited | - | 100,000 |
| **Subsidiaries held for sale** | | |
| FinBank, Burundi | 1,141,874 | 1,141,874 |
| Intercontinental Bank (UK) | - | 7,301,401 |
| Omni Finance Bank Cote D' Ivoire | - | 5,438,520 |
| Intercontinental Homes and Savings Loans Plc | - | 3,387,938 |
| **Subsidiaries undergoing liquidation** | | |
| Intercontinental Capital Markets Limited | 672,500 | 672,500 |
| Intercontinental Finance and Investment Limited | 100,000 | 100,000 |
| Intercontinental Registrars Limited | 200,000 | 200,000 |
| Intercontinental Trustees Limited | 100,000 | 100,000 |
| Intercontinental Securities Limited | 391,598 | 391,598 |
| Flexmore Technologies Limited | 100,000 | 100,000 |
| | 39,855,499 | 54,420,178 |
| Specific allowances for impairment on investment in subsidiaries | (1,825,507) | (11,210,490) |
| Balance, end of year | **38,029,992** | **43,209,688** |

### Specific allowances for impairment on investment in subsidiaries

| *In thousands of Naira* | Bank December 2013 | Bank December 2012 |
|---|---|---|
| Balance, beginning of year | 11,210,490 | 620,907 |
| Acquired from business combination | - | 6,979,647 |
| Amount reclassified | (120,908) | - |
| Charge for the year | 1,505,591 | 3,609,936 |
| Allowance no longer required | (682,409) | - |
| Allowance written off | (10,087,257) | - |
| Balance, end of year | 1,825,507 | 11,210,490 |

Based on the contractual arrangements between the Group and the shareholders in each of the entities, the Group has the power to appoint and remove the majority of the board of Directors of each entity.

The relevant activities of each of the listed subsidaries are determined by the Board of Directors of each entity based on simple majority shares. Therefore, the directors of the Group concluded that the Group has control over each of the above listed and each of the entities were consolidated in these group financial statements.

**32 (b) Condensed results of consolidated entities**

**(i) The condensed financial data of the consolidated entities as at 31 December 2013, are as follows:**

| Condensed profit and loss<br>*In thousands of naira* | **The Access Bank UK** | **Access Bank Ghana** | **Access Bank Rwanda** | **Access Bank (R.D. Congo)** | **Access Bank Zambia** | **Access Bank Gambia** | **Access Bank Sierra Leone** | **Access Bank Investment in RSPP** | **Access Bank B.V.** | **Finbank Burundi** |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income | 2,720,093 | 11,417,150 | 1,025,704 | 1,086,486 | 420,068 | 758,862 | 584,969 | - | 76,584 | - |
| Operating expenses | (2,197,059) | (5,028,351) | (560,134) | (1,459,070) | (530,277) | (544,781) | (482,177) | - | (18,210) | - |
| Net impairment on financial assets | - | (1,577,530) | (42,276) | (371,673) | (8,107) | (42,355) | - | - | - | - |
| Profit before tax | 523,034 | 4,811,269 | 423,294 | (744,257) | (118,316) | 171,726 | 102,792 | - | 58,374 | - |
| Taxation | 56,038 | (1,839,187) | - | - | - | - | (30,008) | | - | |
| Profit for the year | 579,072 | 2,972,082 | 423,294 | (744,257) | (118,316) | 171,726 | 72,784 | - | 58,374 | - |
| **Assets** | | | | | | | | | | |
| Cash and balances with banks | 101,614,630 | 18,656,703 | 4,072,329 | 1,511,868 | 1,836,151 | 840,753 | 1,752,203 | - | 73,210 | - |
| Non pledged trading assets | - | 10,119,159 | - | - | 2,114,404 | - | 1,992,773 | - | - | - |
| Pledged assets | - | - | - | - | - | - | - | - | - | - |
| Derivative financial instruments | 29,447 | - | - | - | - | - | - | - | - | - |
| Loans and advances to banks | 22,463,310 | - | - | - | - | - | - | - | 56,500,033 | - |
| Loans and advances to customers | 6,777,681 | 28,467,321 | 3,632,070 | 4,242,434 | 3,426,494 | 2,753,387 | 937,248 | - | - | - |
| Trading properties | - | - | - | | - | - | - | - | - | - |
| Investment securities | 22,356,206 | 2,395,464 | 2,927,472 | 2,834,070 | - | 62,028 | - | - | - | - |
| Insurance receivables | - | - | - | - | - | - | - | - | - | - |
| Other assets | 826,124 | 4,009,346 | 547,309 | 203,652 | 1,470,875 | 228,902 | 270,628 | - | 1,900,027 | - |
| Investment properties | - | - | - | | - | - | - | - | - | - |
| Investment in associates | - | 19,059 | - | - | - | - | - | - | - | - |
| Investment in subsidiaires | - | - | - | - | - | - | - | 460,579 | - | - |
| Property and equipment | 62,265 | 1,948,035 | 13,441 | 709,362 | 504,177 | 535,876 | 205,564 | - | - | - |
| Intangible assets | 40,223 | 149,349 | 74,781 | 52,031 | 19,864 | 25,590 | 16,012 | - | - | - |
| Deferred tax assets | 293,032 | - | - | - | 427,287 | - | 91,554 | - | - | - |
| Assets classified as held for sale | - | - | - | - | - | - | - | - | - | 2,847,741 |
| | 154,462,918 | 65,764,436 | 11,267,402 | 9,553,417 | 9,799,252 | 4,446,536 | 5,265,982 | 460,579 | 58,473,270 | 2,847,741 |
| Financed by: | | | | | | | | | | |
| Deposits from banks | 106,834,234 | 1,000,781 | 5,607 | - | 231,929 | 510,618 | - | - | - | - |
| Deposits from customers | 33,210,249 | 47,872,002 | 8,823,609 | 8,278,860 | 8,556,023 | 2,964,587 | 3,950,819 | - | - | - |
| Derivative Liability | 32,955 | - | - | | - | | - | - | - | - |
| Debt securities issued | - | - | - | - | - | - | - | - | 55,828,249 | - |
| Retirement benefit obligations | - | - | - | - | - | - | 3,326 | - | - | - |
| Current income tax liability | - | 606,473 | - | (2,322) | - | - | - | - | 8,545 | - |
| Other Liabilities | 311,316 | 1,135,156 | 485,560 | 484,433 | 830,526 | 189,111 | 286,432 | - | 2,170,273 | - |
| Claims Payable | - | - | - | - | - | - | - | - | - | - |
| Liabilities on Investment Contracts | - | - | - | - | - | - | - | - | - | - |
| Liabilities on Insurance contracts | - | - | - | - | - | - | - | - | - | - |
| Borrowings | - | 1,017,544 | - | - | - | - | - | - | - | - |
| Deferred tax liability | - | 166,643 | - | - | - | - | - | - | - | - |
| Contingent Settlement Provisions | - | - | - | - | - | - | - | - | - | - |
| Liabilities classified as held for sale | - | - | - | - | - | - | - | - | - | (1,499,495) |
| Equity | 14,074,164 | 13,965,837 | 1,952,626 | 792,446 | 180,774 | 782,220 | 1,025,405 | 460,579 | 466,203 | (1,348,246) |
| | - | - | - | - | - | - | - | | - | - |
| | 154,462,918 | 65,764,436 | 11,267,402 | 9,553,417 | 9,799,252 | 4,446,536 | 5,265,982 | 460,579 | 58,473,270 | (2,847,741) |
| Net cashflow from investing activities | (14,432,257) | 7,468,969 | (1,045,459) | (1,462,237) | 10,957 | (71,651) | (122,952) | - | - | - |
| Net cashflow from financing activities | 4,161,776 | (266,456) | - | | - | (22,466) | - | - | (2,236,147) | - |
| Increase in cash and cash equivalents | 8,066,801 | 6,882,971 | 444,043 | (1,860,153) | 249,758 | 202,664 | 592,076 | - | 72,913 | - |
| Cash and cash equivalent, beginning of year | 93,547,615 | 11,690,372 | 3,759,203 | 3,445,126 | 1,416,211 | 637,505 | 846,418 | - | 220 | - |
| Cash and cash equivalent, end of year | 91,343,935 | 25,775,856 | 3,157,787 | 122,736 | 1,676,926 | 746,052 | 1,315,542 | - | (2,163,014) | - |

**32 (c) Condensed results of consolidated entities**
**(i) The condensed financial data of the consolidated entities as at 31 December 2012, are as follows:**

**31 December 2012**
Condensed profit and loss
*In thousands of naira*

| | Access Bank Plc | Access Bank Gambia | Access Bank Sierra Leone | Access Bank Zambia | The Access Bank UK | Access Bank Rwanda | FinBank Burundi | Omni Finance Bank Cote D'Ivoire | Access Bank (R.D. Congo) | Access Investment and Securities | Access Bank Ghana |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating income | 121,300,972 | 549,335 | 534,337 | 993,067 | 2,631,380 | 1,378,163 | 554,386 | 192,997 | 943,121 | - | 10,946,912 |
| Operating expenses | (72,656,747) | (528,693) | (394,156) | (1,247,953) | (2,404,415) | (1,203,919) | (883,685) | (3,384,152) | (1,116,419) | - | (5,266,675) |
| Net impairment on financial assets | (11,616,078) | 23,282 | (52,288) | 9,842 | - | 23,162 | (21,507) | 21,988 | (38,953) | - | (1,867,616) |
| Profit before tax | 37,028,147 | 43,924 | 87,893 | (245,044) | 226,965 | 197,406 | (350,806) | (3,169,167) | (212,251) | - | 3,812,621 |
| Taxation | (674,504) | (10,544) | 57,718 | 89,392 | - | (83,941) | (5,530) | - | - | - | (1,020,243) |
| Profit for the year | 36,353,643 | 33,380 | 145,611 | (155,652) | 226,965 | 113,465 | (356,336) | (3,169,167) | (212,251) | - | 2,792,378 |
| Attributable to NCI | | | | | | | | | | | |
| Condensed financial position | | | | | | | | | | | |
| **Assets** | | | | | | | | | | | |
| Cash and balances with banks | 284,062,159 | 526,983 | 1,140,930 | 1,499,801 | 90,217,916 | 4,451,114 | 932,360 | 1,143,293 | 3,498,235 | 400,516 | 13,094,513 |
| Non pledged trading assets | 3,769,260 | - | - | - | - | - | 368,575 | - | - | - | 23,980,449 |
| Pledged assets | 60,949,856 | - | - | - | - | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | 30,949 | - | - | - | - | - | - |
| Loans and advances to banks | 3,054,520 | - | - | - | 5,935,396 | - | - | - | - | - | - |
| Loans and advances to customers | 554,592,199 | 2,733,406 | 410,458 | 2,573,996 | 11,860,898 | 2,932,674 | 1,984,588 | 1,525,711 | 3,272,997 | - | 22,772,513 |
| Insurance receivables | - | - | - | 3,054 | - | - | - | - | - | - | - |
| Other assets | 61,431,658 | 530,247 | 137,837 | 2,011,104 | 664,393 | 161,879 | 130,557 | 238,920 | 720,045 | 181,548 | 2,711,890 |
| Investment properties | 14,072,673 | - | - | - | - | - | - | - | - | - | - |
| Investments in equity accounted investee | 1,980,808 | - | - | - | - | - | - | - | - | - | 23,452 |
| Investment in subsidiaires | 43,209,688 | - | - | - | - | - | - | - | - | - | - |
| Property and equipment | 58,938,450 | 654,388 | 211,431 | 599,612 | 71,792 | 91,880 | 199,328 | 1,326,433 | 883,474 | 31,304 | 2,273,192 |
| Intangible assets | 2,339,510 | - | 10,218 | 13,238 | 84,983 | 19,608 | 57,395 | 18,591 | 58,929 | - | 132,511 |
| Investment securities | 420,346,295 | 323,884 | 1,843,303 | 2,321,807 | 6,870,467 | 2,550,574 | - | 57,963 | 8,178,988 | - | - |
| Deferred tax assets/(liabilities) | 7,007,387 | - | 85,652 | 632,531 | 225,523 | - | - | - | - | - | 313,976 |
| | 1,515,754,462 | 4,768,908 | 3,839,829 | 9,655,143 | 115,962,317 | 10,207,729 | 3,672,803 | 4,310,911 | 16,612,668 | 613,368 | 65,302,496 |
| Financed by: | | | | | | | | | | | |
| Deposits from financial institutions | 16,312,516 | 91,055 | 144,122 | 151,964 | 82,081,068 | 19,290 | - | 3,077,492 | - | - | 2,948,623 |
| Deposits from customers | 1,093,979,220 | 3,518,426 | 2,605,686 | 8,086,377 | 24,730,436 | 8,205,697 | 2,513,741 | 3,485,893 | 14,438,029 | - | 44,718,471 |
| Derivative financial instruments | - | - | - | - | 35,515 | - | - | - | - | - | - |
| Current tax liabilities | 7,686,568 | - | (61,023) | - | - | 165 | - | - | - | 205 | 650,995 |
| Other liabilities | 50,246,164 | 147,054 | 203,471 | 238,120 | 385,089 | 188,263 | 187,337 | 419,136 | 368,833 | 84,050 | 2,970,681 |
| Retirement Benefit obligations | 2,485,093 | - | 2,496 | - | - | - | - | - | - | - | - |
| Interest-bearing loans and borrowings | 103,872,441 | - | - | - | 2,349,348 | - | - | - | - | - | - |
| Contingent settlement provisions | 3,548,250 | - | - | - | - | - | - | - | - | - | - |
| Equity and reserves | 237,624,211 | 1,012,373 | 945,077 | 1,178,682 | 6,380,861 | 1,794,314 | 971,725 | (2,671,610) | 1,805,806 | 529,113 | 14,013,726 |
| | 1,515,754,463 | 4,768,908 | 3,839,829 | 9,655,143 | 115,962,317 | 10,207,729 | 3,672,803 | 4,310,911 | 16,612,668 | 613,368 | 65,302,496 |
| Net cashflow from operating activities | (176,504,617) | (66,768) | 213,739 | (1,332,623) | 29,711,772 | (3,591,902) | (370,030) | (2,374,902) | 8,965,705 | - | (5,879,776) |
| Net cashflow from investing activities | 185,959,566 | (69,192) | (538,404) | 1,664,188 | 2,023,301 | 47,831 | (147,389) | 213,988 | (6,843,808) | - | (727,422) |
| Net cashflow from financing activities | 43,906,446 | 60,430 | 7,047 | (1,332,623) | (16,967) | - | - | - | - | - | 640,826 |
| Increase in cash and cash equivalents | 53,361,395 | (75,530) | (317,618) | (1,001,058) | 31,718,106 | (3,544,071) | (517,419) | (2,160,914) | 2,121,897 | - | (5,966,372) |
| Cash and cash equivalent, beginning of year | 98,255,964 | 836,037 | 1,428,582 | - | 57,017,076 | 7,849,934 | 1,429,430 | 3,290,838 | 1,162,403 | - | 19,968,210 |
| Cash and cash equivalent, end of year | 151,617,359 | 760,507 | 1,110,964 | (1,001,058) | 88,735,182 | 4,305,863 | 912,011 | 1,129,924 | 3,284,300 | - | 14,001,838 |

**32 (d) Condensed results of consolidated entities**

**(i) The condensed financial data of the consolidated entities as at 31 December 2012, are as follows:**

Condensed profit and loss
*In thousands of naira*

| | Access Finance BV | Inter continental Registrars | Inter continental Finance and Investment Limited | Inter continental Homes and Savings | Inter continental Bank UK | Inter continental Properties | Inter continental Securities | Inter continental Trustees | Inter continental Capital Market Limited | Flexmore Technologies | Inter continental WAPIC Insurance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating income | 34,001 | - | - | 744,807 | 208,892 | 536,748 | - | - | - | - | 2,342,833 |
| Operating expenses | (14,821) | (539,203) | 3,079,880 | (817,485) | (1,189,332) | (288,307) | (1,542,069) | (850,148) | (60,402) | (44,464) | (1,402,536) |
| Net impairment on financial assets | - | - | - | (5,932) | (4,805) | (19,608) | - | - | - | - | (612,853) |
| Profit before tax | 19,180 | (539,203) | 3,079,880 | (78,610) | (985,245) | 228,833 | (1,542,069) | (850,148) | (60,402) | (44,464) | 327,444 |
| Taxation | - | - | - | (28,991) | - | (119,958) | - | - | - | - | (92,379) |
| Extraordinary income | - | - | - | - | - | - | - | - | - | - | - |
| Profit for the year | 19,180 | (539,203) | 3,079,880 | (107,601) | (985,245) | 108,875 | (1,542,069) | (850,148) | (60,402) | (44,464) | 235,065 |
| | | | | | | | | | | | |
| Attributable to NCI | | | | | | | | | | | |
| | | | | | | | | | | | |
| Condensed financial position | | | | | | | | | | | |
| **Assets** | | | | - | | | | | | | |
| Cash and balances with banks | 207 | 43,273 | 78,521 | 426,452 | 11,296,202 | 3,174,348 | 59,398 | 33,887 | 321,547 | 49 | 4,055,334 |
| Non pledged trading assets | - | - | - | - | - | - | - | - | - | - | 157,094 |
| Derivative financial instruments | - | - | - | - | 21,309 | - | - | - | - | - | - |
| Loans and advances to banks | 55,070,670 | - | - | - | 2,306,730 | - | - | - | - | - | - |
| Loans and advances to customers | - | - | 51,965 | 1,560,303 | 784,131 | 30,625 | - | - | 46,555 | - | - |
| Trading properties | - | - | - | 3,290,410 | - | 2,265,690 | - | - | - | - | - |
| Investment securities | - | 18,811 | - | 135,035 | 1,592,361 | - | - | - | 13,011 | - | 4,846,493 |
| Insurance receivables | - | - | - | - | - | - | - | - | - | - | 873,759 |
| Other assets | 2,219,036 | - | - | 313,433 | 191,530 | 57,539 | - | 3,000 | - | 361,684 | 1,937,226 |
| Investment properties | - | - | 314,624 | 403,707 | - | - | - | - | 63,000 | - | 287,894 |
| Property and equipment | - | - | 12,854 | 652,315 | 55,049 | 211,202 | 436 | - | 6,000 | 1,387 | 599,163 |
| Intangible assets | - | - | - | 29,859 | 20,041 | - | - | - | - | - | 64,941 |
| Deferred tax assets/(liabilities) | - | - | - | 722,718 | - | - | - | - | - | - | 12,751 |
| | 57,289,913 | 62,084 | 457,964 | 7,534,232 | 16,267,353 | 5,739,404 | 59,834 | 36,887 | 450,113 | 363,120 | 12,834,655 |
| | | | | | | | | | | | |
| Financed by: | | | | | | | | | | | |
| Deposits from banks | - | - | - | - | 12,698,049 | - | - | - | - | - | - |
| Deposits from customers | - | - | - | 1,257,171 | - | 1,199,653 | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | 19,026 | - | - | - | - | - | - |
| Debt securities issued | 54,685,891 | - | - | - | - | - | - | - | - | - | - |
| Claims payable | - | - | - | - | - | - | - | - | - | - | 118,226 |
| Current tax liabilities | - | - | 5,828 | 31,286 | - | 284,873 | - | 42,160 | - | 46,698 | 376,182 |
| Other liabilities | 2,197,763 | 1,803,991 | 1,270,536 | 914,585 | 199,648 | 463,784 | 1,518,501 | 586,275 | 1,448,594 | 677,539 | 1,054,066 |
| Liabilities on investment contracts | - | - | - | - | - | - | - | - | - | - | 65,591 |
| Liabilities on insurance contracts | - | - | - | - | - | - | - | - | - | - | 3,351,234 |
| Interest-bearing loans and borrowings | - | - | 365,468 | 999,475 | - | - | - | 1,771,852 | - | 950,027 | - |
| Equity and reserves | 406,259 | (1,741,907) | (1,183,868) | 4,331,715 | 3,350,630 | 3,791,094 | (1,458,667) | (2,363,400) | (998,481) | (1,311,144) | 7,869,356 |
| | 57,289,913 | 62,084 | 457,964 | 7,534,232 | 16,267,353 | 5,739,404 | 59,834 | 36,887 | 450,113 | 363,120 | 12,834,655 |
| | | | | | | | | | | | |
| *Net cashflow from operating activities* | (54,271,275) | - | - | - | - | - | - | - | - | - | 746,007 |
| Net cashflow from investing activities | - | - | - | - | - | - | - | - | - | - | (573,153) |
| Net cashflow from financing activities | 54,296,716 | - | - | - | - | - | - | - | - | - | - |
| Increase in cash and cash equivalents | 25,441 | - | - | - | - | - | - | - | - | - | 172,854 |
| | | | | | | | | | | | |
| Cash and cash equivalent, beginning of year | 3,664 | - | - | - | - | - | - | - | - | - | 3,895,663 |
| | | | | | | | | | | | |
| Cash and cash equivalent, end of year | 29,105 | - | - | - | - | - | - | - | - | - | 4,068,517 |

## 33 Property and equipment

**Group**

*In thousands of Naira*

| | Leasehold improvement and buildings | Computer hardware | Furniture & fittings | Motor vehicles | Capital Work-in - progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January 2013 | 50,399,801 | 25,517,339 | 29,770,062 | 12,964,846 | 10,758,289 | 129,410,337 |
| Acquisitions | 6,931,558 | 1,402,808 | 4,299,440 | 1,603,968 | 531,082 | 14,768,856 |
| Disposals | (786,222) | (18,995) | (729,628) | (842,795) | (1,309,945) | (3,687,585) |
| Transfers | 1,886,263 | 9,827 | 1,920,451 | 63,321 | (3,879,862) | - |
| Write offs | (1,498,501) | (5,066,959) | (3,594,610) | (2,123,712) | - | (12,283,782) |
| On disposal of subsidiary | (2,782,931) | (9,007,928) | (6,977,773) | (3,775,488) | - | (22,544,118) |
| Translation difference | (367,942) | (127,944) | (248,009) | (144,262) | 8,888 | (879,269) |
| **Balance at 31 December 2013** | **53,782,026** | **12,708,148** | **24,439,933** | **7,745,877** | **6,108,452** | **104,784,437** |
| Balance at 1 January 2012 | 50,945,208 | 23,373,422 | 29,172,987 | 12,054,881 | 8,590,283 | 124,136,781 |
| Acquisitions | 2,559,322 | 2,682,760 | 2,524,643 | 2,412,995 | 2,339,284 | 12,519,004 |
| Disposals | (477,210) | (130,769) | (565,297) | (1,214,600) | (70,000) | (2,457,876) |
| Reversals | 166,443 | 1,704 | (175,918) | 99 | (260,733) | (268,405) |
| Write off | - | - | - | - | (2,225) | (2,225) |
| Transfers to assets held for sale | (2,684,437) | (601,954) | (356,680) | (263,974) | - | (3,907,045) |
| Transfers | 568,130 | 5,702 | (396,883) | 1,126 | (178,075) | - |
| Transfer (to)/from other assets | (70,323) | - | - | - | - | (70,323) |
| Translation difference | (607,333) | 186,475 | (432,791) | (25,681) | 339,755 | (539,575) |
| Balance at 31 December 2012 | 50,399,801 | 25,517,339 | 29,770,061 | 12,964,846 | 10,758,289 | 129,410,336 |

| **Depreciation and impairment losses** | Leasehold improvement and buildings | Computer hardware | Furniture & fittings | Motor vehicles | Capital Work-in - progress | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | 9,176,583 | 20,884,685 | 23,764,029 | 10,950,602 | - | 64,775,899 |
| Charge for the year | 1,213,580 | 1,633,226 | 3,064,388 | 1,575,406 | - | 7,486,600 |
| Disposal | (132,953) | (108,179) | (110,558) | (724,212) | - | (1,075,902) |
| Write-Offs | (1,258,663) | (4,200,550) | (3,228,455) | (3,135,238) | - | (11,822,906) |
| On disposal of subsidiary | (2,674,660) | (8,528,388) | (6,719,305) | (3,523,260) | - | (21,445,613) |
| Translation difference | (82,437) | (77,076) | (152,156) | (65,277) | - | (376,946) |
| **Balance at 31 December 2013** | **6,241,450** | **9,603,718** | **16,617,943** | **5,078,020** | **-** | **37,541,132** |
| Balance at 1 January 2012 | 7,818,486 | 18,215,334 | 21,032,716 | 10,414,880 | - | 57,481,416 |
| Charge for the year | 2,065,495 | 3,179,497 | 3,296,526 | 1,651,156 | - | 10,192,674 |
| Disposal | (158,502) | (113,752) | (471,439) | (1,067,023) | - | (1,810,716) |
| Transfers to assets held for sale | (721,399) | (530,096) | (247,485) | (174,940) | - | (1,673,920) |
| Reversal | 27,454 | 24,147 | (24,788) | (5,995) | - | 20,818 |
| Translation difference | 145,049 | 109,555 | 178,499 | 132,523 | - | 565,626 |
| Balance at 31 December 2012 | 9,176,583 | 20,884,685 | 23,764,029 | 10,950,601 | - | 64,775,899 |
| Carrying amounts: | | | | | | |
| **Balance at 31 December 2013** | **47,540,576** | **3,104,430** | **7,821,990** | **2,667,856** | **6,108,452** | **67,243,305** |
| Balance at 31 December 2012 | 41,223,218 | 4,632,654 | 6,006,032 | 2,014,244 | 10,758,289 | 64,634,438 |

**33 Property and equipment**
**Bank**

| *In thousands of Naira* | Leasehold improvement and buildings | Computer hardware | Furniture & fittings | Motor vehicles | Capital Work-in - progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January 2013 | 42,626,272 | 10,263,732 | 19,290,330 | 6,058,836 | 8,653,438 | 86,892,608 |
| Acquisitions | 6,649,453 | 1,274,589 | 3,846,279 | 1,370,738 | 455,647 | 13,596,706 |
| Disposals | (785,249) | (10,492) | (729,628) | (734,004) | (1,158,065) | (3,417,439) |
| Transfers | 1,885,257 | 4,009 | 35,400 | 12,810 | (1,937,476) | - |
| **Balance at 31 December 2013** | **50,375,733** | **11,531,838** | **22,442,381** | **6,708,380** | **6,013,544** | **97,071,876** |
| | | | | | | |
| Balance at 1 January 2012 | 11,889,374 | 5,763,677 | 13,088,887 | 4,404,278 | 2,443,503 | 37,589,719 |
| Acquired from business combination | 28,105,907 | 2,670,616 | 4,365,000 | 487,000 | 4,926,272 | 40,554,795 |
| Acquisitions | 2,482,183 | 1,934,721 | 2,249,312 | 2,053,484 | 1,763,123 | 10,482,823 |
| Disposals | (5,822) | (110,984) | (425,329) | (885,926) | (70,000) | (1,498,061) |
| Reversals | - | - | - | - | (234,443) | (234,443) |
| Write off | - | - | - | - | (2,225) | (2,225) |
| Transfers | 154,630 | 5,702 | 12,460 | - | (172,792) | - |
| Balance at 31 December 2012 | 42,626,272 | 10,263,732 | 19,290,330 | 6,058,836 | 8,653,438 | 86,892,608 |

| **Depreciation and impairment losses** | Leasehold improvement and buildings | Computer hardware | Furniture & fittings | Motor vehicles | Capital Work-in - progress | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | 4,577,906 | 7,284,568 | 12,463,095 | 3,628,589 | - | 27,954,158 |
| Charge for the year | 1,020,880 | 1,441,493 | 2,946,042 | 1,294,068 | - | 6,702,483 |
| Disposal | (121,623) | (9,394) | (78,895) | (578,098) | - | (788,010) |
| **Balance at 31 December 2013** | **5,477,163** | **8,716,667** | **15,330,242** | **4,344,558** | **-** | **33,868,631** |
| | | | | | | |
| Balance at 1 January 2012 | 2,912,924 | 4,455,786 | 10,001,282 | 3,177,459 | - | 20,547,451 |
| Charge for the year | 1,668,994 | 2,922,855 | 2,828,489 | 1,270,242 | - | 8,690,580 |
| Disposal | (4,012) | (94,073) | (366,676) | (819,112) | - | (1,283,873) |
| Balance at 31 December 2012 | 4,577,906 | 7,284,568 | 12,463,095 | 3,628,589 | - | 27,954,158 |
| | | | | | | |
| Carrying amounts: | | | | | | |
| **Balance at 31 December 2013** | **44,898,568** | **2,815,171** | **7,112,139** | **2,363,822** | **6,013,544** | **63,203,245** |
| Balance at 31 December 2012 | 38,048,366 | 2,979,164 | 6,827,235 | 2,430,247 | 8,653,438 | 58,938,450 |

(a) Included in property and equipment is land under Nigerian law, all land vests with government and subject to a 99year lease. As such land has been accounted for as a finance lease in line with the amendment to IAS 17 *Leases* which deletes previous guidance stating that “a lease of land with an indefinite economic life is classified as an operating lease”.

(b) The amount of contractual commitments for the acquisition of property and equipment as at 31 December 2013 is N1,541,766,732 (31 December 2012:N3,007,622,023)

(c) Estimates of useful life and residual value, and the method of depreciation, are reviewed at a minimum at each reporting period. Any changes are accounted for prospectively as a change in estimate.

**34 Intangible assets**
**(a) Group**

| *In thousands of Naira* | **Goodwill** | **Purchased Software** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| **December 2013** | | | |
| Balance at 1 January 2013 | 681,007 | 9,682,951 | 10,363,958 |
| Acquisitions | - | 1,555,181 | 1,555,181 |
| Transfer from other assets | - | 8,614 | 8,614 |
| Amount written off | - | (105,613) | (105,613) |
| Translation difference | - | 231,943 | 231,943 |
| On disposal of subsidiary | - | (4,075,281) | (4,075,281) |
| Balance at 31 December 2013 | 681,007 | 7,297,795 | 7,978,802 |
| **December 2012** | | | |
| Balance at 1 January 2012 | 1,738,148 | 8,317,323 | 10,055,471 |
| Acquisitions | - | 1,971,260 | 1,971,260 |
| Transfer (to) other assets | - | (8,916) | (8,916) |
| Disposals | - | (23,761) | (23,761) |
| Transfers to assets held for sale | (1,057,141) | (519,540) | (1,576,681) |
| Translation difference | - | (53,415) | (53,415) |
| Balance at 31 December 2012 | 681,007 | 9,682,951 | 10,363,958 |
| **Amortization and impairment losses** | | | |
| Balance at 1 January 2013 | - | 6,959,014 | 6,959,014 |
| Amortization for the period | - | 1,227,944 | 1,227,944 |
| Amount written off | - | (105,613) | (105,613) |
| Reclassification | - | (6,405) | (6,405) |
| Translation difference | - | 254,461 | 254,461 |
| On disposal of subsidiary | - | (4,009,670) | (4,009,670) |
| Balance at 31 December 2013 | - | 4,319,731 | 4,319,731 |
| Balance at 1 January 2012 | 687,427 | 6,090,436 | 6,777,863 |
| Amortization for the period | - | 1,335,149 | 1,335,149 |
| Disposals | - | (33,019) | (33,019) |
| Reclassification | - | (9,412) | (9,412) |
| Transfers to assets held for sale | (687,427) | (391,567) | (1,078,994) |
| Translation difference | - | (32,573) | (32,573) |
| Balance at 31 December 2012 | - | 6,959,014 | 6,959,014 |
| Carrying amounts | | | |
| **Balance at 31 December 2013** | **681,007** | **2,978,064** | **3,659,071** |
| Balance at 31 December 2012 | 681,007 | 2,723,938 | 3,404,945 |

There were no capitalised borrowing costs related to the internal development of software during the year ended 31 December 2013 (2012: nil)

(d) Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. No impairment losses on goodwill were recognized during the year ended 31 December 2013 (2012: Nil)

The recoverable amount of Goodwill as at 31 December 2013 is greater than its carrying amount and is thus not impaired.

Goodwill is monitored by the Group on an entity by entity basis
The key assumption used in computing the value-in-use for goodwil in 2013 are as follows:

| | Access Bank Rwanda |
|---|---|
| Compound annual volume growth (i) | 7.22% |
| Discount rate (ii) | 14.51% |

(i) Compound annual volume growth rate in the initial five-year period.
(ii) Pre-tax discount rate applied to the cash flow projections.

There are no changes to Goodwill in 2013

| **December 2012** | **Access Bank Rwanda** | **Access Bank Burundi** |
|---|---|---|
| Opening balance | 681,007 | 369,714 |
| Transfer to held for sale | - | (369,714) |
| Closing balance | 681,007 | - |

**Cash Flow Forecast**
Cash flows were projected based on past experience, actual operating results and the 5-year business plan.

**Growth Rates**
Pre-tax discount rate of 14.51% was applied in determining the recoverable amounts for the only entity with goodwil (Access Bank Rwanda). This discount rate was estimated based on past experience, inflation rate, risk-free rate and the weighted average cost of capital allocated by the Group to these units.

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of the subsidiaries (from which the goodwill arose) to decline below their carrying amount.

## 34 Intangible assets
### (b) Bank

| *In thousands of Naira* | Purchased Software | Total |
|---|---|---|
| **Cost** | | |
| **December 2013** | | |
| Balance at 1 January 2013 | 4,708,185 | 4,708,185 |
| Acquisitions | 1,399,768 | 1,399,768 |
| Amount written off | (105,613) | (105,613) |
| Balance at 31 December 2013 | 6,002,340 | 6,002,340 |
| | | |
| **December 2012** | | |
| Balance at 1 January 2012 | 2,527,369 | 2,527,369 |
| Acquired through business combination | 758,000 | 758,000 |
| Acquisitions | 1,422,816 | 1,422,816 |
| Transfer (to) other assets | - | - |
| Balance at 31 December 2012 | 4,708,185 | 4,708,185 |
| | | |
| **Amortization and impairment losses** | | |
| Balance at 1 January 2013 | 2,368,675 | 2,368,675 |
| Amortization for the period | 1,077,725 | 1,077,725 |
| Amount written off | (105,613) | (105,613) |
| Balance at 31 December 2013 | 3,340,787 | 3,340,787 |
| | | |
| Balance at 1 January 2012 | 1,380,957 | 1,380,957 |
| Amortization for the period | 987,718 | 987,718 |
| Balance at 31 December 2012 | 2,368,675 | 2,368,675 |
| | | |
| Carrying amounts | | |
| **Balance at 31 December 2013** | **2,661,553** | **2,661,553** |
| Balance at 31 December 2012 | 2,339,510 | 2,339,510 |

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

| *In thousands of Naira* | December 2013 | December 2012 |
|---|---|---|
| Access Bank Rwanda | 681,007 | 681,007 |
| FinBank Burundi | 369,714 | 369,714 |
| Omni Finance Bank Cote D' Ivoire | - | 687,427 |
| | 1,050,721 | 1,738,148 |
| | | |
| Impairment charge | - | (687,427) |
| Transfer to asset held for sale | (369,714) | (369,714) |
| | | |
| | 681,007 | 681,007 |

There were no capitalised borrowing costs related to the internal development of software during the year ended 31 December 2013 (2012: nil)

(d) Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. No impairment losses on goodwill were recognized during the year ended 31 December 2013 (2012: Nil)

The recoverable amount of Goodwill as at 31 December 2013 is greater than its carrying amount and is thus not impaired.

## 35 Deferred tax assets and liabilities

### a Group

Deferred tax assets and liabilities are attributable to the following:

| *In thousands of Naira* | December 2013 | | | December 2012 | | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | **Assets** | **Liabilities** | **Net** |
| Property and equipment, and software | 2,462,099 | - | 2,462,099 | 4,199,548 | - | 4,199,548 |
| Allowances/(Reversal) for loan losses | 1,951,192 | - | 1,951,192 | 2,752,691 | - | 2,752,691 |
| Tax loss carry forward | 5,937,642 | - | 5,937,642 | 946,258 | - | 946,258 |
| Employee benefits | - | - | - | - | - | - |
| Exchange gain/(loss) unrealised | - | (180,476) | (180,476) | - | (130,142) | (130,142) |
| Fair value gain on investment property | - | (485,029) | (485,029) | - | - | - |
| Others | - | (49,938) | (49,938) | - | - | - |
| | - | - | - | - | - | - |
| Actuarial gain/(loss) on retirement benefit obligation | 1,014,284 | - | 1,014,284 | 345,618 | - | 345,618 |
| Net defered tax assets/(liabilities) | 11,365,217 | (715,443) | 10,649,774 | 8,244,115 | (130,142) | 8,113,973 |

### b Bank

Deferred tax assets and liabilities are attributable to the following:

| *In thousands of Naira* | December 2013 | | | December 2012 | | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | **Assets** | **Liabilities** | **Net** |
| Property and equipment, and software | 2,384,904 | - | 2,384,904 | 3,929,363 | - | 3,929,363 |
| Allowances/(Reversal) for loan losses | 1,928,274 | - | 1,928,274 | 2,732,406 | - | 2,732,406 |
| Tax loss carry forward | 5,159,612 | - | 5,159,612 | - | - | - |
| | 1,014,284 | - | 1,014,284 | 345,618 | - | 345,618 |
| Actuarial gain on retirement benefit obligation | - | - | - | - | - | - |
| Exchange gain/(loss) unrealised | - | (154,192) | (154,192) | - | - | - |
| Fair value gain on investment property | - | (485,029) | (485,029) | - | - | - |
| Net defered tax assets/(liabilities) | 10,487,074 | (639,221) | 9,847,853 | 7,007,387 | - | 7,007,387 |

There were no unrecognized deferred tax assets or liabilities as at 31 December 2013 (31 December 2012: nil)

| | **Group December 2013** | **Group December 2012** | **Bank December 2013** | **Bank December 2012** |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | |
| – Deferred income tax asset to be recovered after more than 12 months | 7,888,834 | 2,752,691 | 7,087,886 | 3,078,024 |
| – Deferred income tax asset to be recovered within 12 months | 3,476,383 | 5,491,424 | 3,399,189 | 3,929,363 |
| | 11,365,217 | 8,244,115 | 10,487,075 | 7,007,387 |
| **Deferred income tax liabilities** | | | | |
| – Deferred income tax liability to be recovered after more than 12 months | (534,967) | - | (485,029) | - |
| – Deferred income tax liability to be recovered within 12 months | (180,476) | (130,142) | (154,192) | - |
| | (715,443) | (130,142) | (639,221) | - |

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

| *In thousands of Naira* | **Group December 2013** | **Group December 2012** | **Bank December 2013** | **Bank December 2012** |
|---|---|---|---|---|
| Balance, beginning of year | 8,113,973 | 2,930,928 | 7,007,387 | (2,841,403) |
| Acquired from business combination | | - | | 4,369,987 |
| Tax Credit/(charge) | 1,867,135 | 6,249,795 | 2,171,800 | 5,709,388 |
| Assets classified as held for sale | - | (722,718) | - | - |
| Translation adjustments | - | (113,447) | - | - |
| Items included in OCI | 668,665 | (230,585) | 668,665 | (230,585) |
| Net deferred tax assets/(liabilities) | 10,649,773 | 8,113,973 | 9,847,852 | 7,007,387 |
| *Out of which* | | | | |
| Deferred tax assets | 11,365,217 | 8,244,115 | 10,487,074 | 7,007,387 |
| Deferred tax liabilities | (715,443) | (130,142) | (639,221) | - |

Temporary difference relating to the Group's Investment in subsidiaries is N3.1billion (2012: N2.2 billion). As the Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The group has determined that the subsidiaries' profits and reserves will not be distributed in the foreseeable future and that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

Items included in Other Comprehensive Income

| *In thousands of Naira* | **Group December 2013** | **Group December 2012** | **Bank December 2013** | **Bank December 2012** |
|---|---|---|---|---|
| **Actuarial gain/loss on retirement benefit obligation** | | | | |
| Gross gain/loss on retirement benefit obligation | 2,228,883 | (768,617) | 2,228,883 | (768,617) |
| Deferred tax @ 30% | (668,665) | 230,585 | (668,665) | 230,585 |
| Net balance (gain/loss) after tax | 1,560,218 | (538,032) | 1,560,218 | (538,032) |

## 36 Deposits from financial institutions

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Money market deposits | 17,953,459 | 61,975,171 | 8,191,490 | 8,267,867 |
| Other deposits from banks | 54,194,496 | 34,917,844 | 53,103,862 | 8,044,649 |
| | **72,147,955** | **96,893,015** | **61,295,352** | **16,312,516** |

## 37 Deposits from customers

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Term deposits | 501,645,662 | 455,189,956 | 455,231,840 | 422,272,257 |
| Demand deposits | 711,561,291 | 596,874,756 | 655,747,608 | 530,142,705 |
| Saving deposits | 118,211,706 | 149,417,284 | 106,197,345 | 141,564,258 |
| | **1,331,418,659** | **1,201,481,996** | **1,217,176,793** | **1,093,979,220** |

## 38 Claims payable

| In thousands of Naira | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Balance, beginning of year | 118,226 | 450,000 | - | - |
| Additions during the year | - | 954,771 | - | - |
| Payment during the year | - | (1,286,545) | - | - |
| On disposal of subsidiary | (118,226) | - | - | - |
| Balance, end of year | **-** | **118,226** | **-** | **-** |

## 39 Other liabilities

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Creditors and accruals | 3,857,265 | 5,499,135 | 786,401 | 238,239 |
| Certified cheques | 3,250,467 | 3,682,992 | 3,180,643 | 3,541,404 |
| Deferred income | - | 1,258,227 | - | - |
| Customers' deposit for foreign trade | 20,968,920 | 24,611,573 | 20,705,859 | 24,611,573 |
| Collection account balances | 17,698,448 | 7,060,531 | 17,635,882 | 6,981,570 |
| Unclaimed dividend | - | 687,665 | - | - |
| Litigation claims provision (i) | 477,087 | - | 477,087 | - |
| Other current liabilities | 10,595,029 | 15,618,137 | 9,306,687 | 14,873,378 |
| | **56,847,216** | **58,418,260** | **52,092,559** | **50,246,164** |

| **(i) Movement in Litigation claims provision** | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Opening balance | - | - | - | - |
| Additions | 477,087 | - | 477,087 | - |
| Provision no longer required | - | - | - | - |
| Closing balance | 477,087 | - | 477,087 | - |

## 40 Liabilities on investment contracts

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Deposit administration funds | - | 65,591 | - | - |
| | **-** | **65,591** | **-** | **-** |

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

## 41 Liabilities on insurance contracts

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Life assurance contracts | - | 1,706,069 | - | - |
| Non-life insurance contracts | - | 1,645,165 | - | - |
| | **-** | **3,351,234** | **-** | **-** |

## 42 Debt securities issued

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Debt securities at amortized cost: | | | | |
| Eurobond debt security (see Note (a) below) | 55,828,248 | 54,685,891 | - | - |
| | **55,828,248** | **54,685,891** | **-** | **-** |

(a) The amount of N55,828,248,000 (USD350,000,000) represents the net of balances held by the Group in respect to USD/dollar guaranteed notes issued by Access Finance B.V., Netherlands, which is due on 25 July 2017. The principal amount is repayable at the end of the tenor while interest on the notes is payable semi-annually at 7.25% per annum issued on 25 July 2012.

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

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

## 43 Interest bearing loans and borrowings

| In thousands of Naira | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| African Development Bank (see note (a)) | 2,405,673 | 3,123,200 | 2,405,673 | 3,123,200 |
| Netherlands Development Finance Company (see note (b)) | 1,550,047 | - | 1,550,047 | - |
| French Development Finance Company (see note (c)) | 4,798,841 | - | 4,798,841 | - |
| Finnish Fund for Industrial Cooperation (FINFUND)(see note (d)) | 400,906 | 650,667 | 400,906 | 650,667 |
| Belgian Investment Company for Developing Countries (BIO)(see note (e)) | 160,585 | 312,320 | 160,585 | 312,320 |
| European Investment Bank (see note (f)) | 7,518,413 | - | 7,518,413 | - |
| International Finance Corporation (see note (g)) | 8,239,763 | 878,400 | 8,239,763 | 878,400 |
| Central Bank of Nigeria under the Commercial | 8,750,000 | 9,438,095 | 8,750,000 | 9,438,095 |
| Agriculture Credit Scheme (see note (h)) | - | - | - | - |
| Bank of Industry-Intervention Fund for SMEs (see note (i)) | 12,797,671 | 20,499,372 | 12,797,671 | 20,499,373 |
| Bank of Industry-Power & Airline Intervention Fund (see note (j)) | 16,699,539 | 13,467,693 | 16,699,539 | 13,467,693 |
| Access Finance B.V. (see note (k)) | - | - | 57,020,588 | 55,502,693 |
| Other loans and borrowings | 1,017,544 | 102 | - | - |
| | **64,338,982** | **48,369,849** | **120,342,026** | **103,872,441** |

There have been no defaults in any of the borrowings covenants during the year.

**(a)** The amount of N2,405,673,000 (USD 15,000,000) represents the outstanding balance in the on-lending facility granted to the Bank by ADB (Africa Development Bank) in August 2007 for a period of 9 years. The principal amount is repayable semi-annually from February 2010 while interest is paid semi annually at 3% above 6 months LIBOR. The annual effective interest rate is 4.28%.

**(b)** The amount of N3,953,395,000 (USD 25,000,000) represents the outstanding balance in the on-lending facility granted to the Bank by the Netherlands Develoment Finance Company effective from 15 December 2012 and disbursed in two trenches; February 2013 (USD 10m) and October 2013 (USD 15m) for a period of 6.5 years. The principal amount is repayable semi-annually from December 2014 while interest is paid semi annually at 3.75% above 6 months LIBOR. The annual effective interest rate is 5.28% for the first trench and 4.15% for the second trench.

**(c)** The amount of N2,395,493,000 (USD 15,000,000) represents the outstanding balance in the on-lending facility granted to the Bank by the French Development Finance Company effective from 15 December 2012 and disbursed in two trenches; February 2013 (USD 6m) and October 2013 (USD 9m) for a period of 6.5 years. The principal amount is repayable semi-annually from December 2014 while interest is paid semi annually at 3.75% above 6 months LIBOR. The annual effective interest rate is 4.43% for the first trench and 4.15% for the second trench.

**(d)** The amount of N400,906,000 (USD 2,500,000) represents the outstanding balance in the on-lending facility granted to the Bank by the Finnish Fund for Industrial Cooperation in July 2007 for a period of 8 years. The principal amount is repayable semi-annually from September 2012 while interest is paid semi annually at 3% above 6 months LIBOR. The annual effective interest rate is 4.46%.

**(e)** The amount of N160,585,000 (USD 1,000,000) represents the outstanding balance in the on-lending facility granted to the Bank by the Belgian Investment Company for developing countries in March 2007 for a period of 7 years. The principal amount is repayable semi-annually from March 2012 while interest is paid semi annually at 3% above 6 months LIBOR. The annual effective interest rate is 4.74%.

**(f)** The amount of N7,518,413,000 (USD 47,045,455) represents the outstanding balance in two on-lending facilities granted to the Bank by the European Investment Bank (EIB) in May 2013(USD 25m) and September 2013 (USD 26.75m) and for a period of 6 years each. The average annual effective interest rates are 3.6% for the former and 3.05% for the latter.

**(g)** The amount of N8,239,763,000 (USD 51,875,000) represents the outstanding balance in the two on-lending facilities granted to the Bank by the International Finance Corporation (IFC) in September 2006 (USD 15m) for a period of 8 years and in November 2013 (USD 50m) for a period of 5 years. The principal and interest repayments are made semi-annually from September 2011 (the former) and from November 2013 (the latter). Effective interest rests are 5.95% and 4.88% for the former and latter disbursement respectively.

**(h)** The amount of N8,750,000,000 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.

**(i)** The amount of N12,797,671,000 represents an outstanding balance on the intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total has a 15 year tenor. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

**(j)** The amount of N16,699,539,000 represents the outstanding balance on intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria, to be applied to eligible power and airline projects. The total facility has a maximum tenor of 15 years. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers within the power and aviation sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

**(k)** The amount of N55,828,248,000 (USD350,000,000) represents the borrowings of Access Bank Plc from Access Finance BV in respect of the dollar guaranteed notes issued by Access Finance B.V., Netherlands which is due on 25 July 2017. The notes were issued on 25 July 2012 for a period of 5 years with the principal amount repayable at the end of the tenor while interest on the Notes is payable semi-annually at 7.34%, in arrears on 25 January and 25 July in each year. The annual effective interest rate is 7.65%.

## 44 Retirement benefit obligations

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Recognised liability for defined benefit obligations (see note (a) below) | 1,929,695 | 2,220,841 | 1,929,695 | 2,220,841 |
| Liability for defined contribution obligations | 3,326 | 266,748 | - | 264,252 |
| | **1,933,021** | **2,487,589** | **1,929,695** | **2,485,093** |

### (a) Defined benefit obligations

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

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Long term incentive plan (see note (i) below) | 1,929,695 | 2,220,841 | 1,929,695 | 2,220,841 |
| Recognised liability | **1,929,695** | **2,220,841** | **1,929,695** | **2,220,841** |

**The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:**

| *In thousands of Naira* | | Impact on defined benefit obligation | | |
|---|---|---|---|---|
| | **Increase in assumption by 1%** | **Liability changes to** | **Decrease in assumption by 1%** | **Liability changes to** |
| Discount rate | Decrease in liability by 5.39% | 1,825,615 | Increase in the liability by 5.96% | 2,044,695 |
| Salary growth | Increase in liability by 4.79% | 2,022,070 | | |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

### (i) Long term incentive plan

The Bank operates a non-contributory, unfunded lump sum defined benefit long term incentive plan for top executive management of the Bank from General Manager and above based on the number of years spent in these positions. The scheme is also aimed at rewarding executive directors and other senior executives for the contributions to achieving the Bank's long-term growth objectives.
There is no funding arrangement with a trustee for the long term incentive plan as the Bank pays for all obligations from its current year profit as such obligations fall due. Depending on their grade, executive staff of the Bank upon retirement are entitled to certain benefits based on their length of stay on that grade.

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

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Deficit on defined benefit obligations at 1 January | 2,220,841 | 1,068,780 | 2,220,841 | 1,068,780 |
| Charge for the period: | | | | |
| -Interest costs | 145,865 | 367,126 | 145,865 | 367,126 |
| -Current service cost | 264,726 | 284,807 | 264,726 | 284,807 |
| -Past service cost | 390,578 | 1,268,745 | 390,578 | 1,268,745 |
| -Benefits paid | (3,321,200) | - | (3,321,200) | - |
| Net actuarial gain for the year remeasured in OCI | 2,228,886 | (768,617) | 2,228,886 | (768,617) |
| Balance, end of year | 1,929,696 | 2,220,841 | 1,929,696 | 2,220,841 |

This represents the Bank's obligations to its top executive management under the long-tem incentive plan (LTIP) to reward directors and other senior executives for the part they play in achieving the Bank's long-term growth objectives.

Expense recognised in income statement:

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Current service cost | 264,726 | 284,807 | 264,726 | 284,807 |
| Interest on obligation | 145,865 | 367,126 | 145,865 | 367,126 |
| Past service cost | 390,578 | 1,268,745 | 390,578 | 1,268,745 |
| Total expense recognised in profit and loss (see Note 14) | **801,169** | **1,920,678** | **801,169** | **1,920,678** |

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

| | | |
|---|---|---|
| Future salary increases | | |
| Retirement age for both male and female | 60 years | 60 years |
| Retirement rate: 50 – 59 (average rate) | | |
| Withdrawal rate: 16 – 29 | | |
| Withdrawal rate: 30 – 44 | | |
| Withdrawal rate: 45 – 50 | | |
| Withdrawal rate: 51 – 55 (average rate) | | |

Assumptions regarding future mortality before retirement are based on A49/52 ultimate table published by the Institute of Actuaries of United Kingdom. The rate used to discount post employment benefit obligations has been determined by reference to the yield on Nigerian Government bonds of medium duration. This converts into an effective yield of 12% as at 31 December 2013. The inflation component has been worked out at 10% per annum. For members in active service as at the valuation date, the projected unit credit method of valuation as required under the IFRS has been adopted.

## 45 Contingent settlement provisions

The value of ₦3,548,250,000 represents contingent settlement provisions in respect of a liability to AMCON of an amount equivalent to 75% of deferred tax assets in the event of Access Group's realisation of the deferred tax asset from future taxable profits. This contingent provision as at year was assessed by management experts to be non-realisable.

Based on the conclusion of non-realisability of the deferred tax on requisition of Intercontinental Bank, the fair value of the contingent consideration is assessed as zero and the change in fair value recognised in income.

## 46 Capital and reserves

### A Share capital

| | *In thousands of Naira* | Bank December 2013 | Bank December 2012 |
|---|---|---|---|
| (a) | Authorised: | | |
| | Ordinary shares: | | |
| | 24,000,000,000 Ordinary shares of 50k each | 12,000,000 | 12,000,000 |
| | Preference shares: | | |
| | 2,000,000,000 Preference shares of 50k each | 1,000,000 | 1,000,000 |
| | | 13,000,000 | 13,000,000 |

| | *In thousands of Naira* | Bank December 2013 | Bank December 2012 |
|---|---|---|---|
| (b) | Issued and fully paid-up : | | |
| | 22,882,918,908 Ordinary shares of 50k each | 11,441,460 | 11,441,460 |

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

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

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

| *In thousands of Naira* | Bank December 2013 | Bank December 2012 |
|---|---|---|
| Balance, beginning of year | 11,441,460 | 8,944,126 |
| Issue of scheme shares to shareholders | - | 2,497,334 |
| Transfer from bonus issue reserve | - | - |
| Balance, end of year | 11,441,460 | 11,441,460 |

(i) Pursuant to the business combination between Access Bank Plc and Intercontinental Bank and based on the scheme of merger document dated 01 December 2011and court sanctioned effective 23 January 2012:

(a) The Bank issued, alloted and credited as fully paid to the Intercontinental Bank Shareholders, 1 Scheme Share for every 4 ordinary shares of 50 kobo each in Intercontinental Bank previously held.

(b) The proportion of the Scheme Shares allotted to Project Star Investments Limited in its capacity as a shareholder of Intercontinental Bank was distributed and allocated to the Access Bank Shareholders pro rata in the proportion of their shareholding in Access Bank.

(c) The Scheme Shares allotted pursuant to the foregoing sub-clause (a), for the purpose of all dividends and other distributions declared after the effective date and in all respects, rank pari passu and form a single class with the ordinary shares of 50 kobo each in the present issued share capital of Access Bank.

The nominal value of the shares as well as the premium on the shares issued have been accounted for in share capital and share premium respectively as follows:

| | No. of ordinary shares issued | Value of shares issued | Consideration received/net assets acquired | Transfer to Share capital | Transfer to Share premium |
|---|---|---|---|---|---|
| | '000 | N'000 | N'000 | N'000 | N'000 |
| Number of shares issued and alloted to Intercontinantal Bank shareholders in the ratio of 1 scheme share for every 4 ordinary shares of 50 kobo each in Intercontinental Bank previously held | 1,244,668 | 622,334 | 21,523,292 | 622,334 | 20,900,958 |
| Scheme Shares allotted to Project Star Investments Limited in its capacity as a shareholder of Intercontinental Bank and distributed to the Access Bank Shareholders pro rata in the proportion of their shareholding in Access Bank | 3,750,000 | 1,875,000 | - | 1,875,000 | (1,875,000) |
| **Total number and value of shares issued and alloted** | **4,994,668** | **2,497,334** | **21,523,292** | **2,497,334** | **19,025,958** |

**(c)** The movement on the number of shares in issue during the year was as follows:

| *In thousands of units* | **Group December 2013** | **Group December 2012** |
|---|---|---|
| Balance, beginning of year | 22,882,919 | 17,888,251 |
| Issue of scheme shares | - | 4,994,668 |
| Balance, end of year | 22,882,919 | 22,882,919 |

**B Share premium**

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

| In thousands of units | **Group December 2013** | **Group December 2012** |
|---|---|---|
| Share premium | 161,036,211 | 165,186,795 |

**C Reserves**

**(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.

**(ii) Small and Medium Scale Industries Reserve (SMEEIS)**

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

**(iii) Treasury shares**

This represents the shares held by the new RSPP scheme which have not yet been allocated to staff based on the pre-determined vesting conditions.

**(iv) Capital reserve**

This balance represents the surplus nominal value of the reconstructed shares of the Bank which was transferred from the share capital account to the capital reserve account after the share capital reconstruction in October 2006. The Shareholders approved the reconstruction of 13,956,321,723 ordinary shares of 50 kobo each of the Bank in issue to 6,978,160,860 ordinary shares of 50 kobo each by the creation of 1 ordinary shares previously held.

**(v) Fair value reserve**

The fair value reserve comprises the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

**(vi) Translation reserve**

This balance appears only in the Group accounts and represents the foreign currency exchange difference arising from translating the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency.

| *In thousands of Naira* | **Group December 2013** | **Group December 2012** |
|---|---|---|
| Opening Fair Value Reserve | 1,452,962 | 65,386 |
| Additional fair value translation gain/(loss) recognised in reserves | (6,268,447) | 1,387,576 |
| Fair value gains recognised into profit/loss arising from disposal of subsidiary | 979,824 | - |
| | **(3,835,661)** | **1,452,962** |

**(vii) Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the allowance for impairment losses on balance on loans and advances based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

**(viii) Retained earnings**

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders. The merger reserve balance, which represents the difference between the consideration paid by Access Bank as the acquirer and Access Bank's share of the net assets of Intercontinental Bank Limited (acquiree). Pursuant to the acquisition of Intercontinental Bank, Access Bank Group was restructured based on a scheme of merger dated 01 December 2011. As part of the merger process, Intercontinental Bank was dissolved as a legal entity on 23 January 2012 and its operations integrated into Access Bank Plc.

**D Non-controlling interest**

This represents the Non-controlling interest's (NCI) portion of the net assets of the Group

| In thousands of Naira | Group December 2013 | Group December 2012 |
|---|---|---|
| Access Bank, Gambia | 104,022 | (88,493) |
| Access Bank, Sierra Leone | 20,508 | 16,607 |
| Access Bank Zambia | 329,770 | - |
| Access Bank, Rwanda | 488,156 | 448,578 |
| Access Bank, Burundi | 127,361 | 126,324 |
| Omni Finance Bank, Cote D'Ivoire | - | (162,001) |
| Access Bank, Ghana | 698,292 | 1,144,922 |
| Wapic Insurance Plc | - | 3,301,982 |
| Intercontinental Homes and Savings Plc | - | 2,052,913 |
| Intercontinental Properties Limited | - | 1,258,762 |
| | **1,768,109** | **8,099,594** |

This represents the NCI share of profit for the year for the Group

| *In thousands of Naira* | Group December 2013 | Group December 2012 |
|---|---|---|
| Access Bank, Gambia | 38,345 | 5,051 |
| Access Bank, Sierra Leone | 1,456 | 2,912 |
| Access Bank Zambia | 1,735 | - |
| Access Bank, Rwanda | 12,628 | (18,761) |
| Access Bank, Burundi | (7,006) | (46,129) |
| Omni Finance Bank, Cote D'Ivoire | - | (203,813) |
| Access Bank, Ghana | 148,604 | 237,534 |
| Wapic Insurance Plc | - | (6,053) |
| Intercontinental Homes and Savings Plc | - | (198,574) |
| Intercontinental Properties Limited | - | 35,929 |
| | **195,762** | **(191,904)** |

This represents the NCI share of other comprehensive income of the Group

| *In thousands of Naira* | Group December 2013 | Group December 2012 |
|---|---|---|
| Access Bank, Gambia | (16,480) | (20,207) |
| Access Bank, Sierra Leone | - | 16,424 |
| Access Bank Zambia | - | - |
| Access Bank, Rwanda | 30,968 | (23,742) |
| Access Bank, Burundi | - | 13,853 |
| Omni Finance Bank, Cote D'Ivoire | - | 16,538 |
| Access Bank, Ghana | - | (49,904) |
| Wapic Insurance Plc | - | (31,972) |
| Intercontinental Homes and Savings Plc | - | 31,430 |
| Intercontinental Properties Limited | - | - |
| | **14,488** | **(47,580)** |

| *In thousands of Naira* | | |
|---|---|---|
| Components total share of total comprehensive income of the Group | **210,250** | **(239,485)** |

| | December 2013 | December 2012 |
|---|---|---|
| **Proportional Interest of NCI in subsidiaries** | % | % |
| Access Bank, Gambia | 88 | 100 |
| Access Bank, Sierra Leone | 98 | 98 |
| Access Bank Zambia | 87 | 100 |
| Access Bank, Rwanda | 75 | 75 |
| Access Bank, Burundi | 87 | 87 |
| Access Bank, Ghana | 95 | 95 |

**E Dividends**

| In thousands of Naira | Bank December 2013 | Bank December 2012 |
|---|---|---|
| Interim dividend paid (2013: 25k, 2012: 25k) | 5,720,730 | 5,722,063 |
| Interim non- cash dividend (2013: 18k, 2012: nil) | 4,150,584 | - |
| Final dividend paid (2013: nil, 2012: 60) | - | 13,729,751 |
| | 9,871,314 | 19,451,814 |
| Number of shares | 22,882,919 | 22,882,919 |
| Dividend paid per share in kobo | 43 | 85 |

The Directors have proposed a final dividend of 35kobo for the year ended 31 December 2013.

**47 Leasing**
**As lessor**

**Operating lease receivables**
The Group acts as a lessor, whereby items of equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased under these lease agreements 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. Non-cancellable operating lease rentals are payable as follows:

| In thousands of Naira | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Less than one year | 307,706 | 409,015 | 121,470 | 143,917 |
| Later than one year and no later than five years | 2,410,968 | 3,506,223 | 2,024,292 | 3,049,088 |
| Later than five years | 1,043,934 | - | 1,043,934 | - |
| **Total** | **3,762,608** | **3,915,238** | **3,189,696** | **3,193,005** |

**48 Contingencies**
**Claims and litigation**
The Group is a party to numerous legal actions arising out of its normal business operations. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. A provision of N477Mn has been made for the year ended 31 December 2013.

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 N451,837,327,000 (31 December 2012: N381,893,653,000 and N361,401,929,317 (31 December 2012: N310,847,061,000) was for the Bank.

*Contingent liability and commitments*
In common with other banks, Group conducts business involving acceptances, performance bonds and indeminities. 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 undertaken 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 custom and performance bonds and are generally short term commitments to third parties which are not directly dependent on the customer's credit worthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain condictions. 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 table below summarises the fair value amount of contingent liabilities and commitments off-financial position risk:

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

a. These comprise:

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| **Contingent liabilities:** | | | | |
| Transaction related bonds and guarantees | 158,715,258 | 147,374,901 | 142,850,060 | 147,222,001 |
| Financial guarantees | 54,741,356 | 32,151,985 | 46,956,539 | 25,763,514 |
| | **213,456,614** | **179,526,886** | **189,806,599** | **172,985,515** |
| **Commitments:** | | | | |
| Clean line facilities for letters of credit and other commitments | 228,957,302 | 198,789,950 | 162,171,919 | 134,284,730 |
| | **228,957,302** | **198,789,950** | **162,171,919** | **134,284,730** |

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

## 49 Cash and cash equivalent

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

| *In thousands of Naira* | Group December 2013 | Group December 2012 | Bank December 2013 | Bank December 2012 |
|---|---|---|---|---|
| Cash on hand and balances with banks | 104,264,577 | 85,464,121 | 99,378,167 | 65,844,193 |
| Unrestricted balances with central banks | 31,143,134 | 25,238,351 | 24,775,442 | 19,461,280 |
| Money market placements and other cash equivalents | 121,368,581 | 160,870,921 | 89,433,649 | 66,311,886 |
| Treasury bills with original maturity of 90days | 9,980,449 | - | 9,980,449 | - |
| | **266,756,741** | **271,573,393** | **223,567,707** | **151,617,359** |

## 50 (a) Restatement of prior period financial information

The financial information for 2012 was restated to correctly state certain balances in 2013 and to reclassify items relating to a disposal group in the income statement of 2012.

Certain prior period balances have been reclassifed in line with current period presentation, the reclassification was done so as to ensure that the items were classed according to their type and that like items were disclosed together.

The presentation of the statement of comprehensive income was changed to present items that should have more prominence in the income statement and the presentation of statement of financial position was reviewed to present the line items in the order of liquidity.

**Summary of reclassification to prior year restated figures - Income statement**

| | | GROUP | | | |
|---|---|---|---|---|---|
| | Explanation Notes | Reported 2012 | Reclassified to discontinued operations (i) | Other reclassifications and adjustments (ii) | Restated 2012 |
| | | N ' 000 | N ' 000 | N ' 000 | N ' 000 |
| **Continuing operations** | | | | | |
| Interest income | | 161,437,286 | - | - | 161,437,286 |
| Interest expense | | (65,059,458) | - | - | (65,059,458) |
| **Net interest income** | | **96,377,828** | **-** | **-** | **96,377,828** |
| Fee and commission income | | 28,734,285 | - | - | 28,734,285 |
| Fee and commission expense | | (605,835) | - | - | (605,835) |
| **Net fee and commission income** | | **28,128,450** | **-** | **-** | **28,128,450** |
| Net gains/(losses) on financial instruments classified as held for trading | (ii) a | 115,155 | | (4,566) | 110,589 |
| Underwriting profit | | 1,014,536 | (1,014,536) | - | - |
| Foreign exchange income | (ii) a | 7,429,698 | - | 4,566 | 7,434,264 |
| Other operating income | | 9,577,913 | (190,429) | - | 9,387,484 |
| | | 18,137,302 | (1,204,965) | - | 16,932,337 |
| Operating income before impairment gain | | **142,643,580** | **(1,204,965)** | **-** | **141,438,615** |
| Net impairment loss on financial assets | | (10,790,651) | - | - | (10,790,651) |
| **Operating income** | | **131,852,929** | **(1,204,965)** | **-** | **130,647,964** |
| Personnel expenses | (ii) b, c | (33,683,156) | 572,027 | 600,569 | (32,510,560) |
| Operating lease expenses | | (2,055,779) | 612,853 | - | (1,442,926) |
| Depreciation and amortization | | (11,021,511) | 154,570 | - | (10,866,941) |
| Other operating expenses | (ii) d | (40,756,904) | 552,607 | 274,835 | (39,929,462) |
| **Total expenses** | | **(87,517,350)** | **1,892,057** | **875,404** | **(84,749,889)** |
| **Operating profit** | | **44,335,579** | **687,092** | **875,404** | **45,898,075** |
| Share of profit of equity accounted investee | (ii) e | 544,569 | - | 92,334 | 636,903 |
| **Profit before income tax** | | **44,880,148** | **687,092** | **967,738** | **46,534,978** |
| Income tax expense | (ii) b | (2,018,307) | 92,379 | 230,585 | (1,695,343) |
| **Profit for the year from continuing operations** | | **42,861,841** | **779,471** | **1,198,323** | **44,839,635** |
| **Discontinued operations** | | | | | |
| Loss from discontinued operations | (ii) d | (4,457,057) | (779,471) | (274,835) | (5,511,363) |
| **Profit for the year** | | **38,404,784** | **-** | **923,488** | **39,328,272** |
| **Consolidated statement of comprehensive income** | | | | | |
| ***For the year ended 31 December 2013 (continued)*** | | | | | |
| *In thousands of Naira* | | | | | |
| **Other comprehensive income (OCI) for the year:** | | | | | |
| **Items that will not be reclassified to the income statement:** | | | | | |
| Remeasurements of post employment benefit obligations | (ii) b | - | - | 538,032 | 538,032 |
| **Items that may be subsequently** | | | | | |
| Foreign currency translation differences for foreign subsidiaries | | 1,387,577 | - | - | 1,387,577 |
| Fair value (loss)/gains and losses | | | | | |
| - Unrealised net gains/(losses) arising during the year | (ii) f | (4,659,189) | - | 6,563,365 | 1,904,176 |
| - Fair value gain on Property and equipment | (ii) g | (68,549) | - | 68,549 | - |
| - Share of OCI of equity accounted investee | (ii) e | - | | 133,484 | 133,484 |
| **Other comprehensive (loss)/gain for** | | **(3,340,161)** | **-** | **7,303,430** | **3,963,269** |
| **Total comprehensive income for the year** | | **35,064,623** | **-** | **8,226,918** | **43,291,541** |

| | | | | |
|---|---|---|---|---|
| **Profit attributable to:** | | | | |
| Owners of the Bank | 38,596,688 | - | 923,488 | 39,520,176 |
| Non-controlling interest | (191,904) | - | - | (191,904) |
| **Profit for the year** | **38,404,784** | **-** | **923,488** | **39,328,272** |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Bank | 35,304,108 | - | 8,226,918 | 43,531,026 |
| Non-controlling interest | (239,485) | - | - | (239,485) |
| **Total comprehensive income for the year** | **35,064,623** | **-** | **8,226,918** | **43,291,541** |
| **Total comprehensive income for the year:** | | | | |
| Continuing operations | 39,521,680 | - | 9,281,224 | 48,802,904 |
| Discontinued operations | (4,457,057) | - | (1,054,306) | (5,511,363) |
| | **35,064,623** | **-** | **8,226,918** | **43,291,541** |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Bank | 35,256,527 | - | 8,226,918 | 43,483,445 |
| Non-controlling interest | (191,904) | - | - | (191,904) |
| **Total comprehensive income for the year** | **35,064,623** | **-** | **8,226,918** | **43,291,541** |
| **Earnings per share** | | | | |
| Basic earnings per share(kobo) | 169 | - | 3 | 172 |
| Diluted (kobo) | 169 | - | 3 | 172 |
| **Earnings per share - continuing operations** | | | | |
| Basic earnings per share(kobo) | 187 | - | 9 | 196 |
| Diluted (kobo) | 187 | - | 9 | 196 |

**Notes to the reclassifications made to the Group Statement of Comprehensive Income for the year 2012**

(i) **Reclassification to discontinued operations**
During the year, the Bank in line with the Central Bank of Nigeria's directive for all banks to divest from non-core banking subsidiaries the group gave out its interest in WAPIC Insurance Plc in form of non-cash dividend to shareholders. This cede of interest is recognised as a distribution of non-cash dividend and accounted for in accordance to IFRIC 17, *Distribution of non-cash assets to owners*. WAPIC is classified as a discontinued operation in the current financial year, and in line with IFRS 5 - *Non-cash assets held for sale and discontinued operations,* the Group has restated 2012 figures by excluding WAPIC. See note 17d

(ii) **Other reclassifications and adjustment**

(a) **Trading loss on derivatives held for trading**
Derivatives held for trading by the Group generated a loss amounting to N4.566mn which was captured under foreign exchange income. This loss on derivatives held for trading should however have been recognised under Net gains/(losses) on financial instruments classified as held for trading. A reclassification to ensure a consistent presentation has been made.

(b) **Net actuarial gains and fair value changes and deferred tax**
IAS 19 Employee benefits previously allowed the actuarial gain/loss on remeasurement to be recognised in the Income statement. IAS 19 (2011 revised) which became effective for the 2013 financial year end, however requires that these gains/losses be recognised in other comprehensive income. The standard requires a restrospective application. Net actuarial gains amounting to N769mn and the deferred tax of N231mn which were previously recognised in the income statement have been reclassified to other comprehensive income.

(c ) **Treasury shares**
IAS 32 (Financial instruments presentation) requires gains/losses reaslised in the disposal of treasury shares to be recorded in equity. The Bank, however recorded this loss in the income statement. A N1.368bn adjustment was thus raised to reclassify the loss on disposal of treasury shares to other comprehensive income from income statement.

(d) **Loss on control of subsidiaries**
In 2012, the bank commenced a winding down process for some of its subsidiaries and recorded a loss of N275mn. This loss was recorded in the income statement as part of operating expenses. This loss which was captured under operating expenses has been reclassified to loss on discontinued operations.

(e ) **Share of profit of equity accounted investee**
In recognizing its effective holding in Associated Discount House, the Bank used 38.32% instead of 45.32%. An adjustment of N92.3mn and N133.5mn were raised to recognize the correct share of profit and other comprehensive income respectively.

(f) **Fair value reserves**
Fair value changes of N6.8bn which should have been presented through other comprehensive income in 2012 were presented in the statement of changes in equity. This was corrected in the 2012 retrospectively.

(g) **Fair value loss on property and equipment**
The Group policy of carrying property, plant andequipment at cost less accumulated depreciation and impairment losses was not adopted by some of the acquired subsidiaries. The assets of these entities were carried at fair value and the resulting net gain taken to equity. An adjustment of N68.5mn was raised to correct this.

### 50 (b) Summary of reclassification to 2012 figures - Statement of Financial Position

**GROUP**

| | Explanation Notes | Reported 2012 | Reclassifications and adjustments | Restated 2012 | Reported 2011 | Reclassifications and adjustments | Restated 2011 |
|---|---|---|---|---|---|---|---|
| | | N '000 | N '000 | N '000 | N '000 | N '000 | N '000 |
| Cash and balances with banks | (a) | 296,184,966 | 109,107,275 | 405,292,241 | 191,518,474 | 76,398,814 | 267,917,288 |
| Non pledged trading assets | | 27,906,803 | - | 27,906,803 | 10,812,122 | - | 10,812,122 |
| Pledged assets | | 60,949,856 | - | 60,949,856 | 66,191,144 | - | 66,191,144 |
| Derivative financial instruments | | 30,949 | - | 30,949 | 9,909 | - | 9,909 |
| Loans and advances to banks | | 4,564,943 | - | 4,564,943 | 775,765 | - | 775,765 |
| Loans and advances to customers | | 604,073,399 | - | 604,073,399 | 576,228,507 | - | 576,228,507 |
| Trading properties | | 2,693,227 | - | 2,693,227 | 6,688,000 | - | 6,688,000 |
| Investment securities | | 447,281,811 | - | 447,281,811 | 561,733,704 | - | 561,733,704 |
| Insurance receivables | | 627,337 | - | 627,337 | 1,405,000 | - | 1,405,000 |
| Other assets | (a) | 177,042,627 | (109,107,275) | 67,935,352 | 120,874,368 | (76,398,814) | 44,475,554 |
| Investment properties | | 14,360,567 | - | 14,360,567 | 16,097,044 | - | 16,097,044 |
| Investments in equity accounted investee | (b) | 2,548,828 | 225,819 | 2,774,647 | 2,812,805 | - | 2,812,805 |
| Investment in subsidiary | | - | - | - | - | - | - |
| Property and equipment | (c ) | 64,565,889 | 68,549 | 64,634,438 | 67,647,817 | - | 67,647,817 |
| Intangible assets | | 3,404,945 | - | 3,404,945 | 3,277,608 | - | 3,277,608 |
| Deferred tax (net) | | 8,113,973 | - | 8,113,973 | 2,930,928 | - | 2,930,928 |
| | | 1,714,350,120 | 294,368 | 1,714,644,488 | 1,629,003,195 | - | 1,629,003,195 |
| Assets classified as held for sale | | 30,827,257 | - | 30,827,257 | - | - | - |
| **Total assets** | | **1,745,177,377** | **294,368** | **1,745,471,745** | **1,629,003,195** | **-** | **1,629,003,195** |
| **Liabilities** | | | | | | | |
| Deposits from financial institutions | (d) | 105,170,552 | (8,277,537) | 96,893,015 | 146,808,286 | (11,579,527) | 135,228,759 |
| Deposits from customers | | 1,201,481,996 | - | 1,201,481,996 | 1,101,703,921 | - | 1,101,703,921 |
| Derivative financial instruments | | 35,515 | - | 35,515 | 9,413 | - | 9,413 |
| Debt securities issued | | 54,685,891 | - | 54,685,891 | - | - | - |
| Claims payable | | 118,226 | - | 118,226 | 450,000 | - | 450,000 |
| Current tax liabilities | | 8,937,964 | | 8,937,964 | 9,747,004 | - | 9,747,004 |
| Other liabilities | | 58,418,260 | - | 58,418,260 | 140,772,972 | - | 140,772,972 |
| Retirement benefit obligations | | 2,487,589 | - | 2,487,589 | 1,876,578 | - | 1,876,578 |
| Liabilities on investment contracts | | 65,591 | - | 65,591 | 61,000 | - | 61,000 |
| Liabilities on insurance contracts | | 3,351,234 | - | 3,351,234 | 2,703,000 | - | 2,703,000 |
| Interest-bearing loans and borrowings | (d) | 40,092,312 | 8,277,537 | 48,369,849 | 29,258,273 | 11,579,527 | 40,837,800 |
| Contingent settlement provisions | | 3,548,250 | - | 3,548,250 | 3,548,000 | - | 3,548,000 |
| | | 1,478,393,380 | - | 1,478,393,380 | 1,436,938,447 | - | 1,436,938,447 |
| Liabilities classified as held for sale | | 25,793,512 | - | 25,793,512 | - | - | - |
| **Total liabilities** | | **1,504,186,892** | **-** | **1,504,186,892** | **1,436,938,447** | **-** | **1,436,938,447** |
| **Equity** | | | | | | | |
| Share capital and share premium | | 176,628,255 | - | 176,628,255 | 155,104,963 | - | 155,104,963 |
| Retained earnings | (b) | 17,764,295 | 92,335 | 17,856,630 | (6,744,577) | - | (6,744,577) |
| Other components of equity | (b, c) | 38,498,341 | 202,033 | 38,700,374 | 20,649,521 | - | 20,649,521 |
| Total equity | | **232,890,891** | **294,368** | **233,185,259** | **169,009,907** | **-** | **169,009,907** |
| Non-controlling interest | | 8,099,594 | - | 8,099,594 | 23,054,841 | - | 23,054,841 |
| | | **240,990,485** | **294,368** | **241,284,853** | **192,064,748** | **-** | **192,064,748** |
| **Total equity and liabilities** | | **1,745,177,377** | **294,368** | **1,745,471,745** | **1,629,003,195** | **-** | **1,629,003,195** |

**Notes to the reclassifications made to the consolidated statement of financial position**

(a) **Cash and balances with banks**
Restricted cash deposit of N109bn held with the Central Bank of Nigeria was reclassifed in 2013 to Cash and balances with banks from other assets. To ensure consistency of presentation in these consolidated financial statements, we have restated prior years by effecting this reclassfication.

(b) **Investment in equity accounted investee**
The net of N225.8Mn is as a result of recognising the share of OCI in ADH of N133.5Mn and the difference of N92.3Mn arising from applying the effective shareholding of the group on the share of profit for 2012.

(c ) **Property and equipment**
The group policy of carrying property, plant andequipment at cost less accumulated depreciation and impairment losses was not adopted by some of the banks subsidiaries. The assets of these entities were carried at fair value and the resulting net gain taken to equity. An adjustment of N68.5Mn was raised to correct this.

(d) **Deposit from financial institutions and borrowings**
Borrowings from financial institutions amounting to N8.28bn was included deposits from financial institutions. For consistency in presentation, it was reclassified to to Interest bearing loans and borrowings.

## 51 Contraventions of the Banks and Other Financial Institutions Act of Nigeria and CBN circulars

| S/N | Regulatory Body | Infraction | Penalty |
|---|---|---|---|
| i) | Central Bank of Nigeria (CBN) | Retaining a Director on the Board after his expected tenure had expired | N2 Million |
| ii) | Central Bank of Nigeria (CBN) | Granting credit facilities to four of its directors in excess of 10% of its paid up capital against the provisions of CBN Circular No BSD/9/2004 | N2 Million |
| iii) | Central Bank of Nigeria (CBN) | Executing three (3) loan agreements for on-lending facilities without the CBN's approval. | N6 Million |
| iv) | Central Bank of Nigeria (CBN) | Not appointing at least two independent directors to its board | N2 Million |
| v) | Central Bank of Nigeria (CBN) | Commencing divestment process from WAPIC without prior approval of the CBN | N2 Million |
| vi) | Central Bank of Nigeria (CBN) | Publishing approved financial statements and including changes not validated by the CBN | N2 Million |
| vii) | Central Bank of Nigeria (CBN) | Incomplete reporting of public sector deposits | N2 Million |
| viii) | Central Bank of Nigeria (CBN) | Non-compliance with the CBN Cash-less initiative | N1.3 Million |

## 52 Events after reporting date

Subsequent to the end of the reporting period, the Board of Directors proposed a final dividend of 65k each on the issued share capital of 22,882,918,908 ordinary shares of 50 kobo each as at 31 December 2013. There are no other post balance sheet event that require disclosue in these consolidated financial statements.

## 53 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.

**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.

**Parent**

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

### (a) Loans and advances to related parties

The bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Group.
The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

| | Directors and other key management personnel (and close family members) | Subsidiaries | Associates | Total |
|---|---|---|---|---|
| *In thousands of Naira* | | | | |
| Balance, beginning of year | 82,577,604 | 2,342,400 | - | **84,920,004** |
| Net movement during the year | 1,218,885 | 10,136,820 | - | **11,355,705** |
| Balance, end of year | 83,796,489 | 12,479,220 | - | 96,275,709 |
| Interest income earned | 4,844,015 | 1,050 | - | 4,845,065 |
| Bad or doubtful debts due from related parties expense | - | - | - | - |

The loans issued to directors and other key management personnel (and close family members) as at 31 December 2013 of N83.8bn are repayable in various cycles ranging from monthly to annually over the tenor, and have average interest rates of 13.5%. The loans advanced to the directors during the year are collateralised by a combination of lien on shares of quoted companies, fixed and floating debentures, corporate guarantee, negative pledge, domiciliation of proceeds of company's receivables, legal mortgages and cash.

The loan to subsidiaries relates to a foreign currency term loan facility of USD78M granted during the period. It is a non-collateralised loan advanced at an interest rate of 5%. This loan has been eliminated on consolidation and does not form part of the reported Group loans and advances balance.

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. No impairment losses have been recorded against balances outstanding during the year/period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

**(b) Deposits from related parties**

| | Directors (and close family members and related entities) | Subsidiaries | Associates | Total |
|---|---|---|---|---|
| **Year Ended 31 December 2013** | | | | |
| *In thousands of Naira* | | | | |
| Balance, beginning of year | 11,864,907 | 3,006,163 | - | **14,871,070** |
| Net movement during the year | 47,112,745 | (2,364,108) | - | **44,748,637** |
| Balance, end of year | 58,977,652 | 642,055 | - | 59,619,707 |
| Interest expenses on deposits | 412,683 | 1,031 | - | 413,714 |

There are no special considerations for the related party deposits. Deposits from related parties are taken at arms length. The average rate on deposit from directors and other key management personnel which are majorly term deposit was approximately 9.7% while average rate on deposit from subsidiaries majorly demand deposits was approximately 1.75%.

**(c ) Borrowings from related parties**

| | Subsidiaries | Associates | Total |
|---|---|---|---|
| *In thousands of Naira* | | | |
| Borrowings at 1 January 2013 | 55,502,694 | - | 55,502,694 |
| Net movement during the year | 1,517,894 | - | 1,517,894 |
| Borrowings at 31 December 2013 | 57,020,588 | - | 57,020,588 |
| Interest expenses on borrowings | 115,669 | - | 115,669 |

The borrowings from subsidiaries represent the borrowings of Access Bank Plc from Access Finance BV in respect of the dollar guaranteed notes issued by Access Finance B.V., Netherlands which is due on 25 July 2017. The notes were issued on 25 July 2012 for a period of 5 years with the principal amount repayable at the end of the tenor while interest on the Notes is payable semi-annually at 7.34%, in arrears on 25 January and 25 July in each year. The annual effective interest rate is 7.65%.

**(d) Other balances and transactions with related parties**

| | Directors (and close family members and related entities) | Subsidiaries | Associates | Total |
|---|---|---|---|---|
| *In thousands of Naira* | | | | |
| Cash and cash equivalent | - | 74,810,536 | 5,000,000 | 79,810,536 |
| Derivative financial instrument | 72,676 | - | - | 72,676 |
| Deposit for Investments | - | 1,323,923 | - | 1,323,923 |
| Receivables | 1,902,832 | 194,508 | - | 2,097,340 |
| Payables | - | 457,234 | - | 457,234 |
| Other Liabilities | 5,295,320 | - | - | 5,295,320 |
| Fee and commission income | - | 736,734 | - | 736,734 |
| Off balance sheet exposuress | 19,929,744 | - | - | 19,929,744 |

**( e) Key management personnel compensation for the period comprises:**

Directors' remuneration

| *In thousands of Naira* | December 2013 | December 2012 |
|---|---|---|
| Non-executive Directors | | |
| Fees | 46,500 | 39,000 |
| Other emoluments: | | |
| Allowances | 216,093 | 182,491 |
| | 262,593 | 221,491 |
| Executive directors | | |
| Short term employee's benefit | 711,264 | 145,100 |
| Defined contribution plan | 17,859 | 18,403 |
| Share based payment | 112,783 | - |
| Long term incentive plan | 3,321,200 | - |
| | **4,163,106** | **163,503** |
| Total compensation to key management personnel | **4,425,699** | **384,994** |

### 53 (f) Insider related credit exposures

Access Bank has some exposures that are related to its Directors. The Bank however follows a strict process before granting such credits to its Directors. The requirements for creating and managing this category of risk assets include the following amongst others:

a. Complete adherence to the requirements for granting insider-related exposure as stated in the Bank's Credit Policy Guidelines, the Insider-related Policy as well as the Bank's duly approved Standard Operating Procedure for managing insider-related exposures.

b. Full compliance with the relevant CBN policies on insider-related lending.
c. All affected Directors are precluded from taking part in the approval process of credit request wherein they have interest.
d. The related Director is required to execute a document authorizing the Bank to use their accruable dividends to defray any related-obligor's delinquent exposures.
e. The Directors are required to execute documents for the transfer of their shares to the Bank's nominated broker to ensure effective control as required by the CBN policy to enhance the bank's Corporate Governance structure.

f. Section 89 of the Bank's Article of Association also reiterated that "a related Director shall vacate office or cease to be a Director, if the Director directly or indirectly enjoys a facility from the Bank that remains non-performing for a period of more than 12months."

The Bank's gross exposure to all its Directors as at December 31, 2013 was N53,341,230,000. However, the relevant obligors under this category also have credit balances and deposits maintained in their bank accounts which mitigate the risks to the bank. These deposits as at December 31, 2013 sum up to N34,974,080,000. Overall, net Director-related exposure (excluding contingent obligations) was only N18,367,150,000
Below is a schedule showing the details of the Bank's director-related lending:

***Analysis of loans and advances***
*In thousands of naira*

| S/N | Name of borrower | Relationship to reporting institution | Name of related Directors | Facility type | Outstanding Principal | Status | Nature of security |
|---|---|---|---|---|---|---|---|
| 1 | Combined Industrial Agro | Chairman | Mr. Gbenga Oyebode | Overdraft | 152,757 | Performing | Corporate Guarantee of Assets Management Group Limited |
| 2 | Neconde Energy Limited | Director | Mr. Tunde Folawiyo | Syndicated Reserve Based Lending | 6,927,227 | Peforming | (1) Asset Debenture of Neconde Energy Limited.<br>(2) Assignment of the Borrower's right under all commercial contract.<br>(3) Domiciliation of Crude oil sales proceeds to Access bank and Standard Bank. |
| 3 | Aries Exploration And Production Company Limited | Director | Mr. Tunde Folawiyo | Term Loan | 5,099,681 | Performing | (1) All Asset Debenture Of Aries E & P.<br>(2) Subordinated charge on the shares of Aries E & P Co Ltd in Neconde.<br>(3) Tripatite lien on 4,010,528 Million Units Of MTN Shares belonging to Universal Communication. |
| 4 | Asset Management Group Limited | Chairman | Mr. Gbenga Oyebode | Term Loans<br>On-Lending Loans<br>Overdraft | 1,130,888<br>453,013<br>586 | Performing<br>Performing<br>Performing | Pledged property and office building for all obligations |
| 5 | Timbuktu Media Limited | Chairman & Director | Mr. Gbenga Oyebode<br>& Mr. Tunde Folawiyo | CBN-BOI Intervention Fund | 105,000 | Performing | 1. Debenture on the company's assets.<br>2. Domiciliation of receivables of Timbuktu Media Limited. |
| 6 | Enyo Trading Company Limited | Director | Mr Tunde Folawiyo | Overdraft | 5,623,287 | Performing | 1. Lien On Proceeds Of Foreign Currency Cash Paid To Glencore Energy UK(i.e minimum Of 100% Cash Backing.<br>2. Domiciliation of sales proceed. |
| 7 | DTD Services Limited | Director | Mr Tunde Folawiyo | Term Loan | 265,050 | Performing | 1. Legal Mortgage on Aircraft financed .<br>2. Lien on cash in sister Company - Norwoord Worldwide. |
| 8 | Folawiyo Energy Limited | Director | Mr Tunde Folawiyo | Overdraft | 2,518 | Performing | |
| 9 | Marina Securities Limited | Brother of Ex-Director of the Bank | Mr Aigbovbioise Aig-Imoukhuede | Overdraft | 1,650,474 | Performing | 1. Legal Mortgage on property.<br>2. Lien on shares and other investments. |
| | | | | Term Loan | 800,000 | Performing | |
| 10 | Sic Property And Investment Company Ltd | Director | Mr Dere Otubu | Term Loans | 1,975,000 | Performing | 1. Pledged valued property.<br>2. Lien on other property under construction. |
| | | | | Overdraft | 1,029,539 | Performing | |
| 11 | Blatech Limited | Director | Mr Dere Otubu | Overdraft | 9,299 | Performing | Domiciliation of proceeds of the Company's receivables. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 12 | C.G Biostadt Limited | Ex-Director | Dr Cosmas Maduka | Overdraft | 412,867 | Performing | Corporate guarantee of Coscharis Motors. |
| | C.G Biostadt Limited | Ex-Director | Dr Cosmas Maduka | Term Loan | 509,250 | Performing | |
| | C.G Biostadt Limited | Ex-Director | Dr Cosmas Maduka | Usance Letters Of Credit | 30,718 | Performing | |
| 13 | Swiss Biostadt Limited | Ex-Director | Dr Cosmas Maduka | Usance Letters Of Credit | 157,286 | Performing | Corporate guarantee of Coscharis Motors. |
| 14 | Coscharis Motors Limited | Ex-Director | Dr Cosmas Maduka | Overdraft | 25,446,922 | Performing | Trip. Legal Mortgge. |
| | | | | Usance Letters Of Credit | 883,823 | Performing | 2. Lien of Vessel & Barges. |
| | | | | | | | 3. Related ex-Director's shareholding in the Bank. |
| | | | | Term Loans | 675,000 | Performing | 4. All Asset debenture on the company fixed and floating Asset |
| 15 | Coscharis Technologies Limited | Ex-Director | Dr Cosmas Maduka | Overdraft | 1,045 | Performing | Corporate guarantee of Coscharis Motors. |
| **Total** | | | | | **53,341,230** | | |

***Analysis of off balance sheeet exposures***

*In thousands of naira*

| Name of company/individual | Relationship to reporting institution | Name of the Director | Facility type | Outstanding credit | Status | Nature of security |
|---|---|---|---|---|---|---|
| Coscharis Motors Limited | Ex-Director | Mr. Cosmas Maduka | Letter of credit | 8,786,937 | Performing | Corporate Guarantee |
| Coscharis Technologies | Ex-Director | Mr. Cosmas Maduka | Letter of credit | 550,516 | Performing | Corporate Guarantee |
| DTD Services | Director | Mr. Tunde Folawiyo | Other bonds | 100,649 | Performing | Corporate Guarantee |
| Folawiyo Energy Trading Limited | | | Letter of credit | 9,424,979 | Performing | 1. Legal Mortgage on Aircraft financed.<br>2. Lien on investment in sister Company - Norwoord Worldwide |
| Marina Securities Limited | Brother of Ex-Director of the Bank | Mr Aigbovbioise Aig-Imoukhuede | Other guarantees | 10,467 | Performing | 1.Legal Mortgage on property.<br>2.Lien on shares<br>3.Lien on investment. |
| Swiss Biostadt Limited | Ex-Director | Mr. Cosmas Maduka | Letter of credit | 145,451 | Performing | Corporate Guarantee |
| Yinka Folawiyo & Co. | Director | Mr. Tunde Folawiyo | Custom bond | 350 | Performing | Corporate Guarantee |
| **Total** | | | | **19,019,349** | | |

**Value Added Statement**

*In thousands of Naira*

| | Group December 2013 | % | Group December 2012 | % |
|---|---|---|---|---|
| Gross earnings | 207,053,212 | | 208,308,873 | |
| Interest expense | | | | |
| Foreign | (6,483,452) | | (2,049,595) | |
| Local | (61,753,935) | | (63,009,863) | |
| | 138,815,825 | | 143,249,415 | |
| Net impairment (loss) on financial assets | 5,012,279 | | (8,084,391) | |
| Net impairment loss on other financial assets | 1,151,265 | | (2,706,259) | |
| Bought-in-materials and services | | | | |
| Foreign | (336,832) | | (75,798) | |
| Local | (52,852,324) | | (34,958,556) | |
| **Value added** | **91,790,213** | | **97,424,410** | |
| **Distribution of Value Added** | | | | |
| ***To Employees:*** | | | | |
| Employees costs | 31,081,954 | 34% | 32,510,560 | 33% |
| ***To government*** | | | | |
| Government as taxes | 7,498,759 | 8% | 1,695,343 | 2% |
| ***To providers of finance*** | | | | |
| Interest on borrowings | 8,819,542 | 10% | 4,106,657 | 4% |
| Dividend to shareholders | 19,450,480 | 21% | 12,588,539 | 13% |
| ***Retained in business:*** | | | | |
| For replacement of property and equipment and intangible assets | 8,714,544 | 9% | 10,866,941 | 11% |
| For replacement of equipment on lease | 1,451,667 | 2% | 1,442,926 | 1% |
| Retained profit (including Statutory and regulatory risk reserves | 14,773,266 | 16% | 34,213,444 | 35% |
| | **91,790,213** | **100%** | **97,424,410** | **100%** |

| | Bank December 2013 | % | Bank December 2012 | % |
|---|---|---|---|---|
| Gross earnings | 181,737,641 | | 174,535,283 | |
| Interest expense | | | | |
| Foreign | (6,483,452) | | (2,049,595) | |
| Local | (54,542,394) | | (57,375,283) | |
| | 120,711,795 | | 115,110,405 | |
| Net impairment (loss) on financial assets | 6,356,951 | | (6,190,567) | |
| Net impairment loss on other financial assets | 328,083 | | (5,425,511) | |
| Bought-in-materials and services | | | | |
| Foreign | (47,393,675) | | (23,108,745) | |
| Local | - | | - | |
| **Value added** | **80,003,154** | | **80,385,582** | |
| **Distribution of Value Added** | | | | |
| ***To Employees:*** | | | | |
| Employees costs | 25,937,818 | 32% | 28,412,192 | 35% |
| ***To government*** | | | | |
| Government as taxes | 5,153,552 | 6% | 443,919 | 1% |
| ***To providers of finance*** | | | | |
| Interest on borrowings | 5,152,243 | 6% | 4,112,692 | 5% |
| Dividend to shareholders | 19,450,480 | 24% | 12,588,539 | 16% |
| ***Retained in business:*** | | | | |
| For replacement of property and equipment | 7,780,207 | 10% | 9,678,299 | 12% |
| For replacement of equipment on lease | 1,273,023 | 2% | 1,384,837 | 2% |
| Retained profit (including Statutory and regulatory risk reserves | 15,255,831 | 19% | 23,765,104 | 30% |
| | **80,003,154** | **100%** | **80,385,582** | **100%** |

**Notes to the Financial Statements**
**For the year ended 31 December 2013**
***Other financial Information***
**Five-year Financial Summary**

| | IFRS | | | NGAAP | |
|---|---|---|---|---|---|
| **Group** | **December 2013 12 months** | **Restated December 2012 12 months** | **Restated December 2011 12 months** | **December 2010 12 months** | **December 2009 9 months** |
| *In thousands of Naira* | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| **Assets** | | | | | |
| Cash and balances with banks | 439,459,541 | 405,292,241 | 267,917,288 | 123,957,778 | 155,076,424 |
| Non pledged trading assets | 3,877,969 | 27,906,803 | 10,812,122 | 30,969,755 | 11,563,193 |
| Pledged assets | 63,409,851 | 60,949,856 | 66,191,144 | 59,930,096 | 7,591,114 |
| Derivative financial instruments | 102,123 | 30,949 | 9,909 | 1,110,803 | 3,002,720 |
| Loans and advances to banks | 24,579,875 | 4,564,943 | 775,765 | 610,108 | 70,526 |
| Loans and advances to customers | 786,169,704 | 604,073,399 | 576,228,507 | 447,810,358 | 385,313,186 |
| Trading properties | - | 2,693,227 | 6,688,000 | - | - |
| Investment securities | 353,811,348 | 447,281,811 | 561,733,704 | 69,892,874 | 73,745,086 |
| Insurance receivables | - | 627,337 | 1,405,000 | - | - |
| Other assets | 52,019,723 | 67,935,352 | 44,475,554 | 20,006,440 | 16,927,332 |
| Investment properties | 23,974,789 | 14,360,567 | 16,097,044 | 12,943,078 | 1,404,000 |
| Investments in equity accounted investee | 3,623,325 | 2,774,647 | 2,812,805 | - | 300,156 |
| Property and equipment | 67,243,305 | 64,634,438 | 67,647,817 | 23,807,982 | 27,680,220 |
| Intangible assets | 3,659,071 | 3,404,945 | 3,277,608 | 2,718,899 | 2,880,706 |
| Deferred tax assets | 10,687,635 | 8,113,973 | 2,930,928 | 2,458,597 | 3,779,129 |
| Assets classified as held for sale | 2,847,741 | 30,827,257 | - | - | - |
| Total assets | 1,835,466,000 | 1,745,471,746 | 1,629,003,195 | 796,216,768 | 689,333,792 |
| **Liabilities** | | | | | |
| Deposits from financial institutions | 72,147,955 | 96,893,015 | 135,228,759 | 69,889,795 | 43,216,841 |
| Deposits from customers | 1,331,418,659 | 1,201,481,996 | 1,101,703,921 | 484,723,475 | 442,334,863 |
| Derivative financial instruments | 32,955 | 35,515 | 9,413 | 725,007 | 1,833,327 |
| Claims payable | - | 118,226 | 450,000 | - | - |
| Current tax liabilities | 6,899,558 | 8,937,964 | 9,747,004 | 3,492,485 | 6,982,030 |
| Other liabilities | 56,847,216 | 58,418,260 | 140,772,972 | 49,977,525 | 28,723,169 |
| Deferred tax liabilities | 37,861 | - | - | - | - |
| Liabilities on investment contracts | - | 65,591 | 61,000 | - | - |
| Liabilities on insurance contracts | - | 3,351,234 | 2,703,000 | - | - |
| Debt securities issued | 55,828,248 | 54,685,891 | - | - | 2,604,276 |
| Interest-bearing loans and borrowings | 64,338,982 | 48,369,849 | 40,837,800 | 22,760,350 | 3,376,945 |
| Retirement benefit obligations | 1,933,021 | 2,487,589 | 1,876,578 | - | - |
| Contingent settlement provisions | - | 3,548,250 | 3,548,000 | - | - |
| Liabilities classified as held for sale | 1,499,495 | 25,793,512 | - | - | - |
| Total liabilities | 1,590,983,950 | 1,504,186,892 | 1,436,938,447 | 631,568,637 | 529,071,451 |
| **Equity** | | | | | |
| Share capital and share premium | 172,477,671 | 176,628,255 | 155,104,963 | 155,104,963 | 154,291,861 |
| Retained earnings | 22,232,375 | 17,856,630 | (6,744,577) | (10,785,618) | (9,980,792) |
| Other components of equity | 48,003,894 | 38,700,374 | 20,649,521 | 19,629,454 | 15,092,981 |
| Non controlling interest | 1,768,110 | 8,099,594 | - | 699,332 | 858,291 |
| Total equity | 244,482,050 | 241,284,853 | 192,064,748 | 164,648,131 | 160,262,341 |
| Net Assets | 1,835,466,000 | 1,745,471,745 | 1,629,003,195 | 796,216,768 | 689,333,792 |
| **Gross earnings** | 208,204,477 | 197,081,930 | 135,635,180 | 90,644,073 | 87,531,150 |
| **Profit/(Loss) before income tax** | 44,996,410 | 46,534,979 | 27,107,026 | 12,584,231 | (3,955,124) |
| **Profit/(Loss) from continuing operations** | 37,497,651 | 44,839,636 | 17,077,918 | 7,727,399 | (2,088,034) |
| **Discontinued operations** | (1,200,059) | (5,511,361) | (1,699,596) | - | - |
| **Profit for the year** | 36,297,592 | 39,328,275 | 15,378,322 | 7,727,399 | (2,088,034) |
| **Non controlling interest** | 195,762 | (191,904) | 879,093 | 176,442 | 207,584 |
| **Profit attributable to equity holders** | 36,101,830 | 39,520,179 | 14,499,229 | 7,903,841 | (1,880,450) |
| **Dividend paid** | 23,601,065 | 12,588,538 | 8,944,125 | 3,577,650 | 11,349,982 |
| **Earning or (loss) per share -Basic** | 159k | 172k | 169k | 44k | -12k |
| **- Adjusted** | 159k | 172k | 169k | 44k | -12k |
| **Number of ordinary shares of 50k** | 22,882,918,908 | 22,882,918,908 | 17,888,251,478 | 16,262,046,799 | 16,262,046,799 |

***Other financial Information***
**Five-year Financial Summary**

| | IFRS | | | NGAAP | |
|---|---|---|---|---|---|
| **Bank** | **December 2013** | **Restated December 2012** | **Restated December 2011** | **December 2010** | **December 2009** |
| | **12 months** | **12 months** | **12 months** | **12 months** | **9 months** |
| *In thousands of Naira* | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| **Assets** | | | | | |
| Cash and balances with banks | 395,808,747 | 284,062,159 | 131,647,158 | 89,825,872 | 134,434,629 |
| Non pledged trading assets | 3,877,969 | 3,769,260 | 5,787,534 | - | - |
| Pledged assets | 63,347,823 | 60,949,856 | 66,191,144 | - | - |
| Derivative financial instrument | 72,675 | - | - | | |
| Loans and advances to banks | 13,048,651 | 3,054,520 | 775,765 | - | - |
| Loans and advances to customers | 735,300,741 | 554,592,199 | 490,877,501 | 428,605,827 | 367,293,632 |
| Trading properties | - | - | - | - | - |
| Investment securities | 309,071,802 | 420,346,295 | 127,420,035 | 128,429,620 | 83,658,775 |
| Other assets | 44,326,360 | 61,431,658 | 15,676,950 | 22,172,504 | 13,677,803 |
| Investment properties | 23,974,789 | 14,072,673 | 12,417,043 | 12,943,078 | 1,404,000 |
| Investments in equity accounted investee | 1,521,812 | 1,980,808 | - | - | 145,000 |
| Investment in subsidiary | 38,029,992 | 43,209,688 | 80,400,287 | 24,261,123 | 23,299,346 |
| Property and equipment | 63,203,245 | 58,938,450 | 17,042,268 | 20,722,556 | 22,323,266 |
| Intangible assets | 2,661,553 | 2,339,510 | 1,146,412 | - | - |
| Deferred tax assets | 9,847,853 | 7,007,387 | - | - | 1,338,268 |
| Total assets | 1,704,094,012 | 1,515,754,462 | 949,382,097 | 726,960,580 | 647,574,719 |
| | | | | | |
| **Liabilities** | | | | | |
| Deposits from banks | 61,295,352 | 16,312,516 | 131,494,136 | 34,742,938 | 39,025,683 |
| Deposits from customers | 1,217,176,793 | 1,093,979,220 | 522,922,292 | 440,542,115 | 405,836,092 |
| Debt securities issued | - | - | - | - | 2,604,276 |
| Current tax liabilities | 6,075,590 | 7,686,568 | 2,084,899 | 2,959,976 | 6,736,626 |
| Other liabilities | 52,092,559 | 50,246,164 | 61,029,366 | 43,169,762 | 17,089,054 |
| Retirement benefit obligations | 1,929,695 | 2,485,093 | 1,149,578 | - | - |
| Interest-bearing loans and borrowings | 120,342,026 | 103,872,441 | 40,823,345 | 22,685,778 | 3,131,964 |
| Contingent settlement provisions | - | 3,548,250 | - | - | - |
| Deferred tax liabilities | - | - | 2,841,403 | 355,197 | - |
| Total liabilities | 1,458,912,015 | 1,278,130,252 | 762,345,019 | 544,455,766 | 474,423,695 |
| | | | | | |
| **Equity** | | | | | |
| Share capital and share premium | 172,477,671 | 176,628,255 | 155,104,963 | 155,104,963 | 154,291,861 |
| Retained earnings | 23,095,392 | 18,880,711 | 3,376,997 | 6,777,393 | (610,507) |
| Other components of equity | 49,608,934 | 42,115,245 | 28,555,118 | 20,622,458 | 19,469,670 |
| Total equity | 245,181,997 | 237,624,211 | 187,037,078 | 182,504,814 | 173,151,024 |
| | | | | | |
| Net Assets | 1,704,094,012 | 1,515,754,463 | 949,382,097 | 726,960,580 | 647,574,719 |
| | | | | | |
| **Gross earnings** | 182,888,906 | 172,719,708 | 98,518,061 | 79,065,123 | 75,847,752 |
| | | | | | |
| **Profit/(Loss) before income tax** | 31,365,396 | 36,259,530 | 12,141,462 | 17,668,584 | 41,723 |
| | | | | | |
| **Profit/(Loss) from continuing operations** | 26,211,844 | 35,815,611 | 5,248,866 | 7,727,399 | (2,088,034) |
| **Profit for the year** | 26,211,844 | 35,815,611 | 5,248,866 | 7,727,399 | (2,088,034) |
| | | | | | |
| **Dividend paid** | 23,601,065 | 12,588,538 | 8,944,125 | 3,577,650 | 11,349,982 |
| **Earning or (loss) per share -Basic** | 115k | 157k | 102k | 44k | -12k |
| **- Adjusted** | 115k | 157k | 102k | 44k | -12k |
| **Number of ordinary shares of 50k** | 22,882,918,908 | 22,882,918,908 | 17,888,251,478 | 17,888,251,478 | 16,262,046,799 |