

**Access Bank Plc**

**Consolidated and separate financial statements for the period  
ended  
30 June 2017**

**ACCESS BANK PLC**  
**Index to the consolidated financial statements**  
**For the period ended 30 June 2017**

<b>Note</b>	<b>Page</b>	<b>Note</b>	<b>Page</b>
i Corporate information	3	13 Other operating income	158
ii Directors' report	4	14 Personnel expenses	158
iii Corporate Governance report	8	15 Other operating expenses	160
iv Statement of Directors' responsibilities	24	16 Income tax expense recognized in the profit or loss	161
v Report of the Statutory Audit Committee	25	17 Basic earnings per share	162
vi Risk management framework	26	18 Cash and balances with banks	162
vii Independent auditors report	41	19 Investment under management	163
viii Consolidated statement of comprehensive income	49	20 Non pledged trading assets	163
ix Consolidated statement of financial position	50	21 Derivative financial instruments	164
x Consolidated statement of changes in equity	51	22 Loans and advances to banks	164
xi Consolidated statement of cashflows	53	23 Loans and advances to customers	165
xii Notes to the financial statements	54	24 Pledged assets	167
1 General information	54	25 Investment securities	167
Statement of compliance with international financial reporting standards.	54	26 Other assets	168
3 Summary of significant accounting policies	54	27 Investment in subsidiary	170
3.1 Basis of preparation	54	28 Property and equipment	174
3.2 Changes in accounting policy and disclosures	55	29 Intangible assets	176
3.3 Basis of consolidation	57	30 Deferred tax assets and liabilities	178
3.4 Segment reporting	58	31 Assets classified as held for sale	179
3.5 Foreign currency translation	58	32 Deposits from financial institutions	179
3.6 Operating income	59	33 Deposits from customers	179
3.7 Lease payments	60	34 Other liabilities	179
3.8 Income tax expense	60	35 Debt securities issued	180
3.9 Financial assets and liabilities	61	36 Interest bearing borrowings	181
3.10 Investment properties	67	37 Retirement benefit obligations	183
3.11 Property and equipment	68	38 Capital and reserves	185
3.12 Intangible assets	69	39 Contingencies	188
3.13 Leases	69	40 Cash and cash equivalents for cashflow purposes	188
3.14 Impairment of non-financial assets	70	41 Contraventions of the Banks and Other Financial Institutions Act of Nigeria and CBN circulars	189
3.15 Discontinued operation	70	42 Events after the reporting date	189
3.16 Non-current asset (or disposal groups) held for sale	70	43 Related parties	189
3.17 Provisions	71	44 Director-related exposures	192
3.18 Financial guarantee	71	45 Non-audit services	193
3.19 Employee benefit	71	46 Restatement of prior period financial information	194
3.20 Share capital and reserves	72	Other national disclosures:	
3.21 Levies	73	Value added statement	195
4 Use of estimates and judgements	74	Five-year financial summary	197
5 Financial risk management	87		
6 Capital management	152		
7 Operating segment	153		
8 Net interest income	157		
9 Charge on financial and non-financial assets	157		
10 Fee and commission income	157		
11 Net gains on financial instruments classified as held for trading	158		
12 Net foreign exchange income or loss	158		

**Directors, officers and professional advisors**

This is the list of Directors who served in the entity during the period and up to the date of this report

**Directors**

Mosun Belo-Olusoga	Chairman/Non-Executive Director
Herbert Onyewumbu Wigwe	GMD/Executive Director
Obinna David Nwosu*	GDMD/Executive Director
Roosevelt Michael Ogbonna**	GDMD/Executive Director
Ernest Chukwuka Ndukwue	Independent Non-Executive Director
Anthonia Olufeyikemi Ogunmefun	Non-Executive Director
Paul Usoro, SAN	Non-Executive Director
Emmanuel Chiejina*****	Non-Executive Director
Abba Maman Tor Habib	Non-Executive Director
Ajoritsedere Josephine Awosika	Independent Non-Executive Director
Mr. Adeniyi Adekoya****	Independent Non-Executive Director
Iboroma Akpana*****	Independent Non-Executive Director
Victor Okenyenbunor Etuokwu	Executive Director
Ojinika Nkechinyelu Olaghere	Executive Director
Titi Osuntoki	Executive Director
Gregory Jobome***	Executive Director

\* Resigned effective April 30, 2017

\*\* Appointed GDMD effective April 18, 2017

\*\*\* Appointed effective January 17, 2017

\*\*\*\* Appointed effective March 7, 2017

\*\*\*\*\* Appointed effective March 8, 2017

\*\*\*\*\* Retired effective June 23, 2017

**Company Secretary**

Mr Sunday Ekwochi

**Corporate Head Office**

Access Bank Plc  
Plot 999c, Danmole Street,  
Victoria Island, Lagos.  
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Email: info@accessbankplc.com  
Website: www.accessbankplc.com  
Company Registration Number: RC125 384  
FRC Number: FRC/2012/oooooooooooo271

**Independent Auditors**

PricewaterhouseCoopers  
Landmark Towers, 5b Water Corporation way, Oniru  
Victoria Island, Lagos  
Telephone: (01) 271 1700  
Website: www.pwc.com

**Actuaries**

Alexander Forbes Consulting Actuaries Nig. Ltd  
Rio Plaza, 2nd Floor , Plot 235, Muri Okunola Street  
Victoria Island, Lagos  
Telephone: (01) 271 1081  
FRC Number: FRC/2012/oooooooooooo504

**Registrars**

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

**Directors' Report**

For the period ended 30 June, 2017

The Directors have pleasure in presenting their report on the affairs of Access Bank Plc (the "Bank") together with its subsidiaries (the "Group"), the Group and the Bank Audited Financial Statements with Auditor's Report for the Period ended 30 June 2017.

**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 include the provision of money market products 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) Plc, Access Bank Rwanda, Access Bank (D.R. Congo). 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 Due 2017 guaranteed by the Bank (There are only USD237,003,000 outstanding as at period end due to an exchange of USD 112,997,000 in Oct. 2016: see note 35). The Bank also operates a Representative office in China, UAE and Lebanon.

In 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 Ancillary Matters, on the permitted activities for Commercial Banks with International Authorisation, the Bank is currently at the final stage of winding-up of Intercontinental Bureau de Change Limited, a subsidiary inherited from the defunct Intercontinental Bank Plc.

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 period are as follows:

	Group Jun-17	Group Jun-16	Bank Jun-17	Bank Jun-16
<i>In thousands of Naira</i>				
Gross earnings	<b>246,575,403</b>	<b>174,011,869</b>	<b>218,527,168</b>	<b>153,509,208</b>
Profit before income tax	52,048,768	43,993,069	45,266,456	38,606,350
Income tax expense	(12,588,824)	(10,355,321)	(10,413,301)	(9,199,580)
Profit for the period	39,459,944	33,637,748	34,853,155	29,406,770
Other comprehensive (loss)/gain	6,017,671	30,680,391	4,563,014	13,514,011
Total comprehensive income for the period	45,477,615	64,318,139	39,416,168	42,920,781
Non-controlling interest	221,274	1,797,832	-	-
Profit attributable to equity holders of the Bank	<b>45,256,341</b>	<b>62,520,307</b>	<b>39,416,168</b>	<b>42,920,781</b>

	Group Jun-17	Group Jun-16	Bank Jun-17	Bank Jun-16
<i>In thousands of Naira</i>				
Earnings per share - Basic (k)	138	117	120	102
Dividend (paid):				
Final dividend for 2015 paid in 2016 and for 2016 paid 2017 respectively	11,571,189	8,678,391	11,571,189	8,678,391

	Group Jun-17	Group Dec-16	Bank Jun-17	Bank Dec-16
<i>In thousands of Naira</i>				
Total equity	<b>480,480,539</b>	<b>454,494,580</b>	<b>449,757,721</b>	<b>421,678,620</b>
<b>Total impaired loans and advances</b>	<b>45,496,422</b>	<b>36,613,540</b>	<b>32,537,011</b>	<b>28,260,557</b>
<b>Total impaired loans and advances to gross risk assets (%)</b>	<b>2.48%</b>	<b>1.97%</b>	<b>2.00%</b>	<b>1.66%</b>

**Proposed Interim dividend**

The Board of Directors proposed an Interim Dividend of 25 Kobo per ordinary share (HY2016: 25K) each payable to shareholders on the register of shareholding at the closure date. Withholding Tax will be deducted at the time of payment.

**Directors and their interests**

The Directors who served during the period, 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:

	<b>Number of Ordinary Shares of 50k each held as at</b>			
	<b>30-Jun-17</b>	<b>31-Dec-16</b>	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>
M. Belo-Olusoga- Chairman	3,604,838	-	3,604,838	-
H. O. Wigwe - GMD/CEO	206,231,713	2,480,582,395	206,231,713	2,480,582,395
O. D Nwosu - GDMD*	30,004,585	-	30,004,585	-
R. C. Ogbonna - GDMD**	28,000,558	-	28,000,558	-
E. Chiejinai*****	9,441,005	-	9,441,005	-
K. Ogunmefun	-	1,457,263	-	1,309,763
V.O. Etuokwu	13,579,889	-	13,579,889	-
O.N. Olaghere - ED	19,451,332	-	19,451,332	-
T. Osuntoki - ED	28,728,854	-	28,728,854	-
P. Usoro	1,209,634	-	1,209,634	-
A. Awosika	-	-	-	-
E. Ndukwe	700,000	-	700,000	-
A. Mamman Tor Habib	-	-	-	-
G. Jobome - ED***	5,264,346	-	-	-
I. T Akpana****	314,996	-	-	-
A. A. Adekoya*****	-	-	-	-

\* Resigned effective April 30, 2017

\*\* Appointed GDMD effective April 18, 2017

\*\*\* Appointed effective January 17, 2017

\*\*\*\* Appointed effective March 8, 2017

\*\*\*\*\* Appointed effective March 7, 2017

\*\*\*\*\* Retired effective June 23, 2017

**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.

<b>Related director</b>	<b>Interest in entity</b>	<b>Name of company</b>	<b>Services to the Bank</b>
Mrs. Mosun Belo- Olusoga	Director/Shareholder	The KRC Ltd.	Training services
Mr. Paul Usoro	Director	Marina Securities Ltd	Financial Services
Mr. Paul Usoro	Director	Airtel Nigeria Ltd	Mobile telephone
Mr. Paul Usoro	Shareholder	Paul Usoro & Co	Legal Advisory Service
Mr. Herbert Wigwe	Shareholder	Coronation Securities Ltd.	Brokerage services
Mr. Herbert Wigwe	Shareholder	Wapic Insurance Plc	Insurance Services
Mrs. Ojiinika Olaghere	Shareholder	Wapic Insurance Plc	Insurance Services

**Analysis of shareholding:**

The shareholding pattern of the Bank as at 30 June 2017 was as stated below:

Range	<b>30 June 2017</b>			
	Number of Shareholders	% of Shareholders	Number of shares held	% of Shareholders
<b>Domestic Shareholders</b>				
1-5,000	658,826	80.87	616,488,085	2.13
5,001-10,000	65,254	8.01	447,153,624	1.55
10,001-50,000	69,660	8.55	1,402,609,848	4.85
50,001- 100,000	10,365	1.27	751,663,205	2.60
100,001-1,000,000	8,530	1.05	2,153,869,533	7.45
1,000,001-10,000,000	868	0.11	1,876,262,780	6.49
10,000,001 and above	178	0.02	20,456,788,296	70.72
	<b>813,681</b>	<b>99.88%</b>	<b>27,704,835,371</b>	<b>95.77%</b>
<b>Foreign Shareholders</b>				
1-1,000,000	940	0.12	18,852,712	0.07
1,000,001-10,000,000	6	0.00	390,190,596	1.35
10,000,001 and above	2	0.00	814,092,952	2.81
	<b>948</b>	<b>0.12</b>	<b>1,223,136,260</b>	<b>4.23</b>
<b>Total</b>	<b>814,629</b>	<b>100.00</b>	<b>28,927,971,631</b>	<b>100.00</b>

The shareholding pattern of the Bank as at 31 December 2016 is as stated below:

Range	<b>31 December 2016</b>			
	Number of Shareholders	% of Shareholders	Number of shares held	% of Shareholders
<b>Domestic Shareholders</b>				
1-5,000	660,001	80.65%	617,782,180	2.14%
5,001-10,000	65,876	8.05%	450,728,829	1.56%
10,001-50,000	70,694	8.64%	1,419,116,782	4.91%
50,001- 100,000	10,665	1.30%	770,033,755	2.66%
100,001-1,000,000	8,976	1.10%	2,299,389,401	7.95%
1,000,001-10,000,000	935	0.11%	2,391,401,418	8.27%
10,000,001 and above	176	0.02%	17,539,853,849	60.63%
	<b>817,323</b>	<b>99.88%</b>	<b>25,488,306,214</b>	<b>88.11%</b>

**Foreign Shareholders**

1-1,000,000	978	0.12%	21,437,386	0.07%
1,000,001-10,000,000	4	0.00%	9,647,715	0.03%
10,000,001 and above	13	0.00%	3,408,580,316	11.78%
	<b>995</b>	<b>0.12%</b>	<b>3,439,665,417</b>	<b>11.89%</b>
<b>Total</b>	<b>818,318</b>	<b>100%</b>	<b>28,927,971,631</b>	<b>100%</b>

**Substantial interest in shares**

According to the register of members at 30 June 2017, the following shareholders held more than 5% of the issued share capital of the Bank as follows:

	30 June 2017		31 December 2016	
	Number of shares held	% of shareholding	Number of shares held	% of shareholding
Stanbic Nominees Nigeria Limited*	5,226,244,317	18.07%	4,622,161,946	16.00%

\*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 N431,137,158 (December 2016: N285,339,153) during the period, as listed below:

S/N	Beneficiary	Purpose	Amount
1	The Africa Center	Donation to Africa Centre	150,000,000
2	Access Conference and Youth Initiative	Access Conference and Youth Initiative	125,000,000
3	National Youth Service Corps	Donation to National Youth Service Corps	77,798,792
4	Green Impact	Donation in favour Of Green Impact Initiative	27,063,366
5	Brains Initiative	Donation for 2017 Brains Initiative	14,525,000
6	United Nations Global Compact	Sponsorship of 15th anniversary of United Nations Global Compact	12,250,000
7	Nigerian Football Federation	Donation to Nigerian Football Federation	10,000,000
8	Hacey Health Initiative	Contribution towards World Health day 2017	5,000,000
9	Nirvana Initiative	Contribution towards World Tuberculosis Day	4,000,000
10	CSR-in-Action	Sponsorship Of 6th Sitei Conference	2,000,000
11	Dreamland Foundation	Donation to Dreamland Foundation for Economic Empowerment	1,000,000
12	Center for Sustainable Development	Donation to Centre of Ethics Colloquim	1,000,000
13	Africa Clean Up Initiative	Donation to Africa Clean Up Initiative	1,000,000
14	CVL Widow Support Scheme	Donation to CVL Widow Support Centre	500,000
			<b>431,137,158</b>

**Property and equipment**

Information relating to changes in property and equipment is given in Note 28 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 Bank 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, irrespective of an applicant's state of origin, ethnicity, religion, gender or physical condition.

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

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

Total number of female employees	1,325
Total number of male employees	1,688

**(b) Board Composition By Gender**

Total number of female on the Board	5
Total number of men on the Board	9

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

Total number of female in Executive Management position	2
Total number of persons in Executive Management position	6

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

Total number of female in Top Management position	16
Total number of men in Top Management position	52

**(ii) Employment of disabled persons**

In the event of any employee becoming disabled in the course of employment, the Bank 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.

**(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 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 as Amended 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 Bank and its employees' 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 Bank 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.

**(vi) Customer complaints and feedback**

Access Bank is fully committed to its core value of 'passion for customers. The Bank prides itself on providing exceptional services to customers 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.

Access Bank Plc customer's complaints for the period ended June 30, 2017			
In million of Naira	Number	Amount Claimed	Amount Refunded
Description			
Pending complaints brought forward	8,742	1,752	-
Received complaints	119,818	33,535	-
Resolved complaints	121,200	34,484	128,413
Unresolved Complaints escalated to CBN for intervention	-	-	-
<b>Unresolved complaints carried forward</b>	<b>7,360</b>	<b>803</b>	<b>-</b>

**Credit Ratings**

The revised prudential guidelines, as released by the CBN, requires that banks should have themselves credit rated by a credit rating agency on a regular basis. It is also required that the credit rating be updated on a continuous basis from year to year.

Below are the credit ratings that Access Bank has been assigned by the various credit rating agencies that have rated the Bank, in no particular order:

**Long Term Local Credit Ratings**

	Long Term	Date
Standard & Poor's	BBB	Jun-17
FitchRatings	A	Jul-17
Agusto & Co	AA-	Jun-17
Moody's	Aa2	May-17

**Long Term Counterparty Credit Ratings**

	Long Term	Date
Standard & Poor's	B	Jun-17
FitchRatings	B	Jul-17
Moody's	B1	May-17

More information on the rating reports can be obtained at <https://www.accessbankplc.com/credit-rating>

**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. Henry G Omatsola Aragbo	-	Shareholder	Chairman
2	Mr Emmanuel Olutoyin Eleoramo	-	Shareholder	Member
3	Mr Idaere Gogo Ogan	-	Shareholder	Member
4	Mr. Abba Mamman Tor Habib	-	Director	Member
5	Dr. Ernest Ndukwu	-	Director	Member
6	Dr. (Mrs.) Ajoritsedere Awosika	-	Director	Member

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

The auditors, PricewaterhouseCoopers have indicated their interest to continue in office and will do so pursuant to section 357(2) of the Companies and Allied Matters Act

BY ORDER OF THE BOARD



Sunday Ekwuchi  
Company Secretary  
FRC/2013/NBA/00000005528

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

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**CORPORATE GOVERNANCE REPORT FOR HALF-YEAR ENDED JUNE 30, 2017**

Access Bank has an excellent track record when it comes to corporate governance. We have always been committed to best practice in this, as in all areas. From strict performance monitoring to the careful appointment and supervision of experienced, capable Directors, not to mention the complementary role of overseeing committees, Access Bank will always be in the leading rank.

We are also transparent in all that we do, maintaining high ethical standards. We also have a formal whistle-blowing procedure to ensure we stay on the right course.

In all of this we adhere to and strive to exceed the regulatory requirements. That way you can be sure that a better tomorrow awaits, not just because of our vision, resources and capabilities, but because of the way we believe in getting there.

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.

This report documents the Group's corporate governance practices that were in place during the Half Year Ended June 30, 2017.

The Board is responsible for embedding high standards of corporate governance across the Group, which is essential for the sustainability of the brand. Our governance framework is designed to ensure on-going compliance with the Central Bank of Nigeria's Code of Corporate Governance for Banks and Discount Houses in Nigeria ('the CBN Code') and the Securities and Exchange Commission's Code of Corporate Governance for Public Companies ('the SEC Code') as well as 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 behaviour.

**Performance Monitoring and Evaluation**

The Board in the discharge of its oversight function continuously engage 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 with the opportunity to evaluate and constructively challenge management in the execution of strategy.

The Bank's performance on Corporate Governance is continuously being monitored and reported. We carry out quarterly and annual reviews of our compliance with the CBN and the SEC Codes 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 this regard, Accenture Limited was engaged to conduct the Board performance evaluation for the Financial Year Ended December 31, 2016. The independent consultant does not have any connection with the Group or any of its directors. The Board believes that the use of an independent consultant not only encourages Directors to be more candid in their evaluation of the Board performance, but also enhances the objectivity and transparency of the evaluation process.

The result of the Board performance evaluation was presented by the independent consultant during the Board Meeting held on January 26, 2017. The evaluation was a 360 degree on-line survey covering Directors' self-assessment, peer assessment and evaluation of the Board and the Committees. The

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

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.

In compliance with the CBN Code, the Annual Board Performance Evaluation Report for the year 2016 was presented to shareholders at the 28<sup>th</sup> Annual General Meeting of the Bank held on March 29, 2017 by the Managing Director of Accenture Limited, Mrs Toluleke Adenmosun.

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

The Board has put in place a formal process for the selection of new Directors to ensure the transparency of the nomination process. The process is documented in the Fit and Proper Person Policy and is led by the Board Governance and Nomination Committee. The Committee identifies candidates for appointment as Director in consultation with the Chairman, the Group Managing Director and/or any other Director, or through the use of search firms or such other methods as the Committee deems necessary to identify candidates. Once candidates have been identified, the Committee shall confirm that the candidates meet the qualifications for director nominees set forth in the policy, and relevant statutes and regulations. The Committee may gather information about the candidates through interviews, questionnaires, enhanced due diligence checks, or any other means that the Committee deems helpful in the evaluation process. The Committee meets to discuss and evaluate the qualities and skills of each candidate, taking into account the overall composition and needs of the Board. Based on the results of the evaluation process, the Committee recommends candidates to the Board for appointment as Director subject to the approval of shareholders and the Central Bank Nigeria.

In accordance with the Bank's Articles of Association, Mrs. Mosun Belo-Olusoga FCA and Mr. Paul Usoro SAN retired at the Bank's 28<sup>th</sup> Annual General Meeting held on March 29, 2017 and being eligible for re-election were duly re-elected by shareholders.

The shareholders also elected Mr. Adeniyi Adedokun Adekoya and Mr. Iboroma Tamunoemii Akpana as Independent Non-Executive Directors as well as Dr. Gregory Ovie Jobome as an Executive Director; all of whom were earlier appointed by the Board since the last Annual General Meeting.

In the course of the year, Mr. Obinna David Nwosu resigned his position as Director with effect from April 30, 2017, to pursue other personal endeavours. Until his resignation, he was the Group Deputy Managing Director. Mr. Emmanuel Chiejina also retired from the Board effective June 23, 2017, following his successful completion of the maximum 12 years term limit prescribed by the CBN Code for Non-Executive Directors of banks. Until his retirement, he was the Chairman of the Board Governance and Nominations Committee and the Board Risk Management Committee as well as a member of two other Board Committees. The Board commends Messrs Nwosu and Chiejina for their outstanding contribution to the progress of the Bank and wishes them success in their future endeavours.

Following the resignation of Mr Obinna Nwosu, the Board upon the recommendation of the Governance and Nomination Committee appointed Mr. Roosevelt Michael Ogbonna as Group Deputy Managing Director. His appointment has been approved by the Central Bank of Nigeria.

**Shareholders Engagement**

The Board recognizes the importance of ensuring the flow of complete, adequate and timely information to shareholders to enable them make informed decisions. The Group is committed to maintaining high standards of corporate disclosure. Our comprehensive investor engagement strategy helps us to understand shareholders views about us, which are communicated regularly to the Board.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

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. The Annual General Meeting is 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, the 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 Group has a dedicated Investors Relations Unit which focuses on facilitating communication with shareholders and analysts on a regular basis and addressing their queries and concerns. Investors and stakeholders are frequently provided with information about the Bank through various channels, including Quarterly Investors Conference Calls, the General Meeting, the Bank's website, the Annual Report and Accounts, Non-Deal Road Shows and Investors 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. The Bank's website [www.accessbankplc.com](http://www.accessbankplc.com) is regularly updated with both financial and non-financial information. The details of the Investors' Communication and Disclosure Policy are available in 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 by exercising their rights as protected by law.

### **Access to Information and Resources**

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them make informed decisions in discharge of their responsibilities. There is ongoing engagement between Executive Management and the Board, and the Heads of Strategic Business Units attend Board meetings to make presentations. The Bank's External Auditors attend the Group Board Audit Committee and the Group Shareholders Audit Committee Meetings to make presentation on the audit of the Group's Financial Statements. Directors have unrestricted access to Group management and company information in addition to the necessary resources to carry out their 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 function of the Board is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. It has the overall responsibility for reviewing the strategic plans and performance objective, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance review and corporate governance practices. 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.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

**Composition and Role**

Up till April 30, 2017 the Board consisted of 16 members, made up of 9 Non-Executive Directors and 7 Executive Directors as set out below. Four of the Non-Executive Directors are Independents and meet the criteria set by the CBN's Guideline on Independent Directors of Banks in Nigeria.

<b>S/n</b>	<b>Name</b>	<b>GENDER</b>	<b>Designation</b>
1	Mrs Mosun Belo-Olusoga	Female	Non-Executive Director
2	Mr Emmanuel Chiejina*	Male	Non-Executive Director
3	Mrs Anthonia Kemi Ogunmefun	Female	Non-Executive Director
4	Mr Paul Usoro, SAN	Male	Non-Executive Director
5	Dr Ernest Ndukwe	Male	Independent Non-Executive Director
6	Dr (Mrs) Ajoritsedere Awosika	Female	Independent Non-Executive Director
7	Mr. Abba Mamman Tor Habib	Male	Non-Executive Director
8	Mr Adeniyi Adekoya **	Male	Independent Non-Executive Director
9	Mr. Iboroma Akpana ***	Male	Independent Non-Executive Director
10	Mr Herbert Wigwe	Male	Group Managing Director/Chief Executive Officer
11	Mr Obinna Nwosu****	Male	Group Deputy Managing Director
12	Mr Roosevelt Ogbonna*****	Male	Group Deputy Managing Director
13	Mr Victor Etuokwu	Male	Executive Director
14	Mrs Ojini Olaghene	Female	Executive Director
15	Mrs Titi Osuntoki	Female	Executive Director
16	Dr Gregory Jobome*****	Male	Executive Director

\* Mr. Emmanuel Chiejina retired from the Board with effect from June 23, 2017

\*\* Mr. Adeniyi Adekoya was approved by CBN on March 7, 2017

\*\*\* Mr. Iboroma Akpana was approved by CBN on March 8, 2017

\*\*\*\* Mr. Obinna Nwosu resigned from the Board with effect from April 30, 2017

\*\*\*\*\* Mr. Roosevelt Ogbonna was approved by CBN as the Group Deputy Managing Director on April 18, 2017

\*\*\*\*\*Dr. Gregory Jobome was approved by CBN on January 17, 2017

In line with best practice, the Chairman and Chief Executive Officer's roles are assumed by different individuals; this ensures the balance of power and authority. 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 in banking, financial and broader entrepreneurial experiences.

Sequel to the retirement of Mr Emmanuel Chiejina and Mr. Obinna Nwosu the Bank now has 14 directors comprising 8 Non-Executive Directors 6 Executive Directors.

In carrying out its oversight functions, matters reserved for the Board include but are not limited to:

- Defining the Bank's business strategy and objectives.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

- 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 the Company Secretary.
- Approval of major acquisitions, divestments of operating companies, disposal of capital assets or capital expenditure.
- Approval of charter and membership of Board Committees.
- Setting of annual Board objectives and goals.
- Approval of allotment of shares.
- Appointment and removal of Chief Audit Executive.
- Approval of the framework for determining the policy and specific remuneration of Executive Directors.
- Monitoring delivery of the strategy and performance against plan.
- Reviewing and monitoring 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 Board appointments, the Board takes cognisance 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 enquiries as required by regulations.

The Governance and Nomination Committee is responsible for both Executive and Non-Executive Directors succession planning and recommends new appointments to the Board. The Committee takes cognisance 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 optimise 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 personalised induction programme which includes one-on-one meetings 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 an overview of the strategic business units as well as Board processes and policies. A new Director receives an induction pack which includes charters of the various Board Committees, significant reports, important legislation and policies, minutes of previous Board Meetings and a 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 development programmes to update their knowledge. During the period under review the Directors attended the training courses shown below.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

**TRAININGS FOR NON-EXECUTIVE DIRECTORS FOR HALF YEAR (JANUARY-JUNE, 2017)**

<b>S/N</b>	<b>Name</b>	<b>Training</b>	<b>Venue</b>	<b>Organizer</b>	<b>Date</b>	<b>Duration</b>	<b>Number in Attendance</b>
1.	Mr. Emmanuel Chiejina	International Programme for Directors of Banks and other Financial Institutions	UAE	FITC	May 8-12, 2017	4 days	1
2.	Mr. Paul Usoro	Finance for Executives	France	INSEAD	April 25 – May 5, 2017	10 days	1
3.	Ojini Olaghene	Competing on Business Analytics and Big Data	USA	Harvard Business School	18th - 23rd June, 2017	6	1

**Delegation of Authority**

The ultimate responsibility for the Bank's operations rests with the Board. The Board retains effective control through a well-developed Committee structure that provides in-depth focus on the Board's responsibilities. Each Board Committee has a written terms of reference and presents regular reports to the Board on its activities. 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.

**Board Meetings**

The Board meets quarterly and emergency meetings are convened as may be required. The Annual Calendar of Board and Committee meetings is approved in advance during the last quarter of the preceding year. Material decisions may be taken between meetings through written resolutions in accordance with the Bank's Articles of Association. The Annual Calendar of Board Activities includes a Board Retreat at an offsite location to consider strategic matters and review the opportunities and challenges facing the institution.

All Directors are provided with notices, agenda and meeting papers in advance of each meeting to enable Directors adequately prepare for the meeting. Where a Director is unable to attend a meeting he/she is still provided with the relevant papers for the meeting. Such a Director also 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.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

The Board met 3 times during the period under review. The Board also held its 9<sup>th</sup> Annual Board Retreat on March 3-4 in Cape Town, South Africa to discuss strategic issues affecting the Bank and agree on the Board annual objective for 2017 financial year. The Board operates a secure electronic portal- Diligent Boardbook for the circulation of board papers to members. This underscores the Board's commitment to embrace environmental sustainability by reducing paper usage.

### **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 committee. The Board has five standing committees, namely: the Risk Management Committee, the Audit Committee, the Governance and Nomination Committee, the Remuneration Committee and the Credit and Finance Committee. The Board accepts that while the various Board committees have the authority to examine a particular issue and report back to the Board with their decisions and/or recommendations, the ultimate responsibilities on all matters lies with the Board. The composition (as at 30<sup>th</sup> June 2017) and responsibilities of the committees are set out below:

Name	BAC	BRMC	BCFC	BGNC	BRG
Mosun Belo-Olusoga <sup>1</sup>	-	-	-	-	-
Anthonia Kemi Ogunmefun <sup>1</sup>	-	C	M	M	M
Paul Usoro <sup>1</sup>	M	M	M	C	C
Ernest Ndukwe <sup>3</sup>	C	M	M	M	M
Ajoritsedere Awosika <sup>3</sup>	M		C	M	M
Abba Mamman Tor Habib <sup>1</sup>	M	M	M	-	-
Mr Iboroma Akpana <sup>3</sup>	-	M	M	M	M
Mr. Adeniyi Adekoya <sup>3</sup>	M	M	M	M	-
Herbert Wigwe <sup>2</sup>	-	M	M	M	-
Roosevelt Ogbonna <sup>2</sup>	-	M	M	-	-
Victor Etuokwu <sup>2</sup>	-	-	M	-	-
Ojinika OlaghHERE <sup>2</sup>	-	M	-	-	-
Titi Osuntoki <sup>2</sup>	-	-	M	-	-
Dr Gregory Jobome <sup>2</sup>	-	M	M	-	-

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

C	Chairman of Committee	BAC – Board Audit Committee
M	Member	BRMC – Board Risk Management Committee
-	Not a member	BCFC – Board Credit and Finance Committee
1	Non-Executive	BGNC –Board Governance and Nomination
2	Executive	
3	Independent	BRM – Board Remuneration Committee

### **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 change and oversees the administration and effectiveness of the Bank's credit policies. The Committee met 7 times during the review period.

The Committee's key activities during the period included review and approval of credit facilities, review of the Credit Portfolio and the collateral and monitoring the implementation of credit risk management policies

Dr. Mrs Ajoritsedere Awosika is the Chairman of the Committee. She holds a Bachelor's Degree in Pharmacy from Ahmadu Bello University Zaria, Masters in Clinical Pharmacy from and a Doctorate Degree in Pharmacy Technology University of Bradford, England. She has over three decades experience in public sector governance. She was at various times the Permanent Secretary in the Federal Ministry of Internal Affairs, Federal Ministry of Science & Technology and Federal Ministry of Power. She is a fellow of the Pharmaceutical Society of Nigeria and the West African Postgraduate College of Pharmacy.

### **Governance and Nomination Committee**

The Committee advises the Board on its oversight responsibilities in relation to all matters on corporate governance, sustainability and nominations affecting the Bank, the Directors and employees. It is responsible for determining and executing the processes for Board appointments, nominations and removal of non-performing Directors.

The key decisions of the Committee in the reporting period included recommendation of senior management appointment to the Board for approval and consideration of the Group Human Resources Report and Sustainability Report. The Committee met 2 times during the period.

Mr. Paul Usoro, SAN succeeded Mr. Emmanuel Chiejina as the Chairman of the Committee following the latter's completion of term limit on June 23, 2017.

Mr. Paul Usoro, SAN holds a Bachelor of Law Degree from the University of Ife. He has over 30 years' experience and is a highly experienced litigator and communications law expert. He is a Senior Advocate of Nigeria, a Fellow of the Chartered Institute of Arbitrators, and the Founder and Senior Partner of the law firm of Paul Usoro and Co. He is also a highly experienced company director who has close to two decade's experience serving on the boards of many of Nigeria's leading companies.

### **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

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

function. It evaluates the Bank's risk policies on a periodic basis to accommodate major changes in internal or external environment.

During the period under review the Committee considered and recommended some policies to the Board for approval and received risk report from all the risk areas except credit. The Committee met 2 times during the reporting period.

Mrs. Kemi Ogunmefun succeeded Mr. Emmanuel Chiejina as the Chairman of the Committee following the latter's completion of term limit on June 23, 2017.

Mrs. Kemi Ogunmefun holds a Bachelor of Laws Degree from University of Lagos. She was called to the Nigerian Bar in 1975 and Law Society of Upper Canada in 2004. She is a seasoned Banker and Managing Partner of the law firm of Kemi Ogunmefun with dual jurisdiction practice licenses having been admitted to the Nigerian and the Canadian Bar in 1975 and 2004 respectively.

**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 the mechanism for receiving complaints regarding the Bank's accounting and operating procedures. The Bank's Chief Audit Executive 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 included the review and recommendation of 2016 Full Year Audited Financial Statements, reports of the Group Internal Auditor and Internal Audit Consultants. The Committee also reviewed the whistle-blowing reports. The Committee met 3 times during the reporting period.

The Committee is chaired by Dr Ernest Ndukwe, an Independent Director. He graduated from the University of Ife in 1975 and is an alumnus of Lagos Business School. He is a fellow of the Nigerian Society of Engineers, the Nigerian Institute of Management and the Nigerian Academy of Engineering. Other members of the Committee have relevant financial management and accounting backgrounds, as required by the CBN's Code.

**Remuneration Committee**

The Committee advises the Board on its oversight responsibilities in relation to remuneration of the Bank's Directors and employees. It is responsible for determining and executing the processes for recommending appropriate remuneration for Directors and employees. In carrying out its function, the Committee will benchmark the salary and benefit structure to similar-sized banks. It also advises the Board on employee benefit plans such as pension, share ownership and other retirement plans, and material amendments thereto.

The key issues considered by the Committee during the period included consideration of Remuneration Survey reports for the Group Office and the subsidiary entities. The Committee met 2 times during the review period.

The Committee is currently chaired by Mr. Paul Usoro, SAN.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

**Attendance at Board and Board Committees meetings**

The table below shows the attendance of Directors at meetings during the reporting period.

	<b>NAMES OF DIRECTORS</b>		<b>Meeting</b>					
			<b>GM</b>	<b>BoD</b>	<b>BRMC</b>	<b>BCFC</b>	<b>BGNC</b>	<b>BRG</b>
	<b>Number of Meetings Held</b>		<b>1</b>	<b>3</b>	<b>2</b>	7	<b>2</b>	<b>2</b>
	<b>Attendance:</b>							
1	Mosun Belo-Olusoga	1	3	N/A	N/A	N/A	N/A	N/A
2	Emmanuel Chiejina	1	2	2	6	2	2	N/A
3	Anthonia Kemi Ogunmefun	1	3	2	7	2	2	N/A
4	Paul Usoro	1	3	2	7	2	2	3
5	Ernest Ndukwe	1	3	2	7	2	2	3
6	Ajoritsedere Awosika	1	3	N/A	7	2	2	3
7	Abba M.T Habib	1	2	2	4	N/A	N/A	3
8	Mr Iboroma Akpana*	1	2	N/A	3	N/A	N/A	N/A
9	Mr. Adeniyi Adekoya*	1	2	N/A	3	N/A	N/A	N/A
10	Herbert Wigwe	1	3	2	7	2	N/A	N/A
11	Obinna Nwosu	1	2	N/A	2	N/A	N/A	N/A
12	Roosevelt Ogbonna**	1	3	N/A	6	N/A	N/A	N/A
13	Victor Etuokwu	1	3	N/A	6	N/A	N/A	N/A
14	Ojini Olaghore	1	3	2	N/A	N/A	N/A	N/A
15	Titi Osuntoki	1	3	N/A	5	N/A	N/A	N/A

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

16	Dr Gregory Jobome	1	3	1	5	N/A	N/A	N/A
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**GM** – General Meetings: AGM held on March 29, 2017

**BoD** – Board of Directors

**BRMC** – Board Risk Management Committee

**BCFC** – Board Credit and Finance Committee

**BGNC** – Board Governance and Nomination Committee

**BAC** – Board Audit Committee

**BRRC** – Board Remuneration Committee

\* Mr Adeniyi Adekoya and Mr. Iboroma Akpana were appointed to the Board on December 16, 2016 and were appointed to Committees at the Board meeting of April 26, 2017

\*\* Mr. Roosevelt Ogbonna's appointment as Deputy Group Managing Director was approved by the CBN on April 18, 2017 and was appointed to the Risk Management Committees at the Board meeting of April 26, 2017.

### **Executive Committee**

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

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

### **Statutory Audit Committee**

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

S/N	Name	Status
1.	Mr Henry Omatsola Aragbo (Shareholder)	Chairman
2.	Mr Idaere Gogo Ogan (Shareholder)	Member

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

3.	Mr Emmanuel Olutoyin Eleoramo (Shareholder)	Member
4.	Dr Ernest Ndukwe (Independent Director)	Member
5.	Dr. (Mrs.) Ajoritsedere Awosika (Independent Director)	Member
6.	Mr. Abba Mamman Tor Habib (Director)	Member

The Committee is constituted to ensure its independence, which is fundamental to upholding stakeholders' confidence in the reliability of the Committee's report and the Group's Financial Statements. There is no Executive Director sitting on the Committee. The Chairman of the Committee is an ordinary shareholder, while the shareholders representatives are independent and answerable to the shareholders. There are two Independent Directors on the Committee and the last Director is independent of the management of the Bank..

The duties of the Committee are as enshrined in Section 359(3) and (4) of CAMA. The Committee is responsible for ensuring that the company's financials comply with applicable financial reporting standards.

The profiles of the shareholders' representatives in the Committee are as follows:

1. Mr Henry Omatsola Aragho received his Higher National Diploma (Accounting) from Federal Polytechnic Auchi in 1981. He also has a Master's Degree in Business Administration (MBA) from Ogun State University (1999) and qualified as a Chartered Accountant with the Institute of Chartered Accountants of Nigeria (ICAN) in 1985. He was admitted as an Associate Member of Institute of Chartered Accountants of Nigeria in March 1986 and subsequently qualified as fellow of the Institute.

He joined the Nigerian Ports Authority in 1982 and retired as General Manager Audit in 2005. He is presently the Managing Consultant of Henrose Consulting Limited and Managing Director Henrose Global Resources Limited.

He was appointed the Chairman of the Committee on July 27, 2016.

2. Mr Emmanuel O. Eleoramo holds a First Class Degree in Insurance and a Master's Degree in Business Administration (MBA), both from the University of Lagos. He is also an Associate of the Chartered Insurance Institute of London and a Fellow of the Chartered Insurance Institute of Nigeria. He has had over 36 years of varied experience in General Insurance Marketing, Underwriting and Employee Benefits Consultancy.

He is a key player in the Nigerian Insurance industry and a past President of the Chartered Insurance Institute of Nigeria. He was the Managing Director/Chief Executive Officer of Nigerian French Insurance Company Ltd and later Whispering Hope Insurance Company Ltd (now Sterling Assurance Nigeria Ltd) before his appointment as the Managing Director/Chief Executive Officer of Nigerian Life and Pensions Consultants Limited (now Nigerian Life and Provident Company Limited).

3. Mr Idaere Gogo Ogan is a 1987 graduate of Economic from the University of Port Harcourt and holds a Master's Degree in International Finance from Middlesex University, London. He joined the Corporate Bank Department of Guaranty Trust Bank in 1996. He left Guaranty Trust Bank to found D' Group, incorporating Becca Petroleum Limited and Valuestream and Cordero Engineering Ltd. He sits on the Audit Committee of Standard Insurance Company Plc.

**Record of Attendance at Statutory Audit Committee Meeting**

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

<b>Name</b>	<b>January 25, 2017</b>
Henry Omatsola Aragho	✓
Idaere Gogo Ogan	✓
Emmanuel O. Eleoramo	✓
Ernest Ndukwe	✓
Mr. Abba Mamman Tor Habib	✓
Ajoritsedere Awosika	✓

### **Going Concern**

The Directors confirm that after making appropriate enquiries, they have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt going concern basis in preparing the financial statements.

### **Succession planning**

The Board has a robust policy which is aligned to the Bank's performance management process. The policy identifies key positions, including Country Managing Director positions for all the Group's operating entities in respect of which there will be formal succession planning. The policy 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 behaviours 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. New employees are required to read and sign an attestation that they understood the content. In addition, there is an annual re-affirmation exercise for all employees. There is a Compliance Manual that provides guidelines for addressing violations/breaches and ensuring enforcement of discipline amongst staff. The Bank also has a Disciplinary Guide which provides sample offences/violations and prescribes disciplinary measures to be adopted in various cases. The Head Group Human Resources is responsible for the design and implementation of the "Code of Conduct", while the Chief Conduct and Compliance Officer is responsible for monitoring compliance.

The Chief Conduct and 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 enjoins 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**

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

The Bank implements a Securities Trading 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 to the Bank's securities. In line with the policy, affected persons are prohibited from trading on the company's security during a 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 Policy**

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 structures, 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 staff is based on the conditions in the local economic environment as well as the requirements of local labour laws. The Group Office usually commissions independent annual compensation surveys in the subsidiaries to obtain independent statistics the local pay markets to arrive at specific compensation structures for each country. 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 performance-based and discretionary.

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

The Bank complies with the Pension Reform Act on the provision of retirement benefit to employees at all levels. The Bank also operates an Employee Performance Share Plan for the award of 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 top management staff for their loyal and productive service to the Bank. This is to ensure that they share in the Bank's success and focus on its long term sustainability. The justification for a long term incentive plan for top management employees is very compelling. The stability, loyalty and commitment of top management employees need to be strengthened by a long term incentive programme.

### **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. Our 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

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

implementation of the policy. The policy provides that suspected wrongdoing by an employee, vendor, supplier or consultant may be reported through the Bank's or KPMG's Ethics lines or emails, details of which are provided below.

**Telephone**

Internal: +234-1-2712065

External: The whistle-blower is not billed for calls made within the same network. The KPMG Toll Free Lines include:

**MTN:**  
0703-000-0026 &  
0703-000-0027

**AIRTEL:**  
0708-060-1222&  
0808-822-8888

**9MOBILE:**  
0809-993-6366

**GLO:**  
0705-889-0140

**E-Mail**

Internal: [whistleblower@accessbankplc.com](mailto:whistleblower@accessbankplc.com)

External: [kpmgethicsline@ng.kpmg.com](mailto:kpmgethicsline@ng.kpmg.com)

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

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

In addition to the foregoing, stakeholders may also report unethical practices to the Central Bank of Nigeria via [anticorruptionunit@cbn.gov.ng](mailto:anticorruptionunit@cbn.gov.ng).

**The Company Secretary**

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that the Company's Memorandum and Articles of Association, plus relevant rules and regulations are complied with. He also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

**Access Bank Plc**  
**Consolidated financial statements**  
**For the period ended 30 June 2017**

The Company Secretary assists the Chairman in ensuring good information flow within the Board and its committees and between management and Non-Executive Directors. The Company Secretary also facilitates the orientation of new Directors and coordinates the professional development of Directors.

As primary compliance officer for Group's compliance with the listing rules of the Nigerian Stock Exchange, the Company Secretary is responsible for designing and implementing a framework for the Bank's compliance with the listing rules, including advising management on prompt disclosure of material information.

The Company Secretary attends and prepares the minutes for all Board meetings. As secretary for all board committees, he assists in ensuring coordination and liaison between the Board, the Board Committees and management. The Company Secretary also assists in the development of the agendas for the various Board and Board Committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

**Customer Complaints and Resolution**

The Bank complied with the provision of CBN Circular FPR/DIR/C IR/GEN/01/020 dated 16 August 2011 on handling consumer complaints. The Bank in line with the rules of the Securities and Exchange Commissions has implemented Investors Enquiries and Complaints Management Policy. The Policy is available in the Investor portal on the Bank's website.

**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.

**Consolidated financial statements  
For the period ended 30 June 2017**

**Statement of Directors' Responsibilities in relation to the Consolidated Financial Statements for the period ended 30 June 2017**

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 period 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.

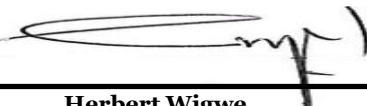
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with,

- 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 Financial Reporting Council of Nigeria 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.

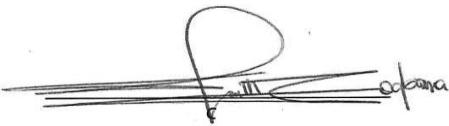
Nothing has come to the directors to indicate that the Company and Group will not remain a going concern for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



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**Herbert Wigwe**  
**Group Managing Director**  
**FRC/2013/ICAN/oooooooo1998**



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**Roosevelt Ogbonna**  
**Group Deputy Managing Director**  
**FRC/2017/ICAN/oooooooo16638**

**Access Bank Plc**

**Consolidated financial statements  
For the period ended 30 June 2017**

**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 financial statements for the period ended 30 June 2017 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 30 June 2017 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 N1,657,210,112 (December 2016: N2,693,131,022) was outstanding as at 30 June 2017 which was performing as at 30 June 2017 (see note 44)

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 audit and we are satisfied with management's responses thereon and with the effectiveness of the Bank's system of accounting and internal control.



**FRC/2017/ICAN/oooooooo16270**

Mr. Henry Omatsola Aragho  
Chairman, Audit Committee  
26 July 2017

Members of the Audit Committee are:

1	Mr. Henry Omatsola Aragho	Shareholder	Chairman
2	Mr Emmanuel Olutoyin Eleoramo	Shareholder	Member
3	Mr Idaere Gogo Ogan	Shareholder	Member
4	Mr. Abba Mamman Tor Habib	Director	Member
5	Dr. Ernest Ndukwe	Director	Member
6	Dr. (Mrs.) Ajoritsedere Awosika	Director	Member

] In attendance:

Sunday Ekwuchi – Company Secretary

## RISK MANAGEMENT FRAMEWORK

### OTHER RISKS MANAGEMENT

The macroeconomic headwinds continued to create multiplicity of known and unknown risks, causing the average Nigerian risk manager to delicately navigate the risk minefields like a bomb detonating expert. The carryover of the sharp downward spiral in oil prices (on the back of a global glut spurred by weakened demand and expanded supply) continued to impact the national economy in an unprecedented ways. This negatively impacted foreign reserves and prompted the devaluation of the naira – with a threat of potential further devaluation. These developments have opened up a challenge for the current administration: how to conserve foreign reserves, curb rising inflation and unemployment and shore up productive capacity as the import-content of manufacturing and general commerce instigates drop in production and rising cost of production. For many firms, survival depended on their capacity to access dollars and transfer the costs to the ultimate consumers – who already faced a diminished purchasing power. In addition, many states had to be bailed out as they could no longer pay staff salaries.

In summary, the country's political risk was once again significantly elevated, as various foreign investors and foreign bank became more circumspect and wary in transacting with Nigeria. Various policy responses were adopted to curb dollar demand and slow down the rate of Naira depreciation especially in the parallel market. Given the current difference between the official and parallel foreign exchange markets, it is difficult to infer that these measures the monetary authorities have employed in stabilizing the Naira have worked.

It has been a year in which the expected credit risk (asset quality concerns) was compounded by heightened market risks, currency risk and liquidity risk. A period in which compliance risk also took front seat as regulators stepped up enforcement actions and political exposure received closer attention.

For Access Bank, our analytical and reporting processes had anticipated many of these issues to varying degrees, and had taken proactive steps to mitigate them. Beyond taking pre-emptive mitigating steps, the outlook was viewed as an opportunity to further optimize our risk and governance processes and position the Bank to benefit from market and regulatory developments. In summary, it has been a very engaging year of risk management. Various risk management initiatives came to fruition during the period which added to the range of risk management tools/processes that assisted the bank in managing risk over the period. Some of these include:

- ❖ Implementation of our risk-based SBU monthly performance management system, which fostered robust alignment between risk-taking, financial performance and remuneration.
- ❖ Kick-off of our trail-blazing risk culture assessment process - a first for the banking industry, and the launch of the first formal Risk Culture Statement – a signal of the bank's expressed risk values and attitudes in support of our moderate Risk Appetite.
- ❖ Full automation of our operational risk workflow and risk/capital measurement, which is part of our Governance, Risk and Compliance implementation journey.
- ❖ Automation of capital computation under Basle II principles.

## RISK MANAGEMENT FRAMEWORK

- ❖ Automation of our Environmental and Social Risk reviews and reporting process, including automation of our Nigerian Sustainable Banking Principles reporting system.
- ❖ Introduction of our automated document management system.
- ❖ Revamp of our stress testing menu to incorporate subsectors, industry margins and product/service elasticities.

The above remain pivotal in supporting the Bank's risk optimization in the course of the first half of the year, as well as being critical strategic investments in the Bank's medium and long-term sustainability. Further details on some of the above, and other key developments are provided in what follows below.

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### Compliance Risk Management

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The Bank organizes its compliance function and set priorities for the management of its compliance risk in a way that is consistent with its own risk management strategy and structures.

The implementation of our compliance function transformation which we commenced in 2015 has reached an advanced stage. A new governance structure designed to enhance our competitiveness has been established and the re-designation and migration of some activities/functions has begun. We are happy to note that the Central bank of Nigeria has approved our Cluster Branch Compliance structure which has significantly impacted on the way the compliance monitoring activities are carried out in the Bank.

The compliance function has redefined its approach from its traditional inspectorate function into an advisory role with intense focus on regulatory intelligence gathering and closer cooperation with business units within the Bank, and the group acting as a contact point within the bank for compliance queries from staff members

Furthermore, activities such as the gradual empowerment of the first line of defence, joint visitation calls & AML/CFT evaluation of our FI customers and the realignment of the Compliance function to incorporate conduct risk has been carried out.

The strategy of the Conduct and Compliance group is to align the bank's processes with best practice; promote 'Positive Culture'; and closely provide regular advisory services to business units in order to achieve the business objectives of the bank without exposing the bank or any of its stakeholders to any regulatory or reputational risks.

### Measurement, monitoring and management of compliance risk

In Access Bank, compliance risk is:

- **measured by** reference to identified metrics, incident assessments (whether affecting Access Bank or the wider industry), regulatory feedback and the judgment of our external assessors as it relates to AML/CFT and other compliance vulnerabilities;
- **monitored against** our compliance risk assessments and metrics, the results of the continuous monitoring and reporting activities of the compliance function and the results of internal and external audits and regulatory inspections; and

## RISK MANAGEMENT FRAMEWORK

- **managed by** establishing and communicating appropriate policies and procedures, training employees on them, and monitoring activity to assure their observance.

The bank recognizes its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business. The Conduct & Compliance function, including all staff of Access Bank Plc and its subsidiaries are committed to high standards of integrity and fair dealing in the conduct of business. The bank's compliance risk management philosophy is deepened in the effective convergence risk management through the '**Three Lines of Defence**' model.

Effective compliance risk management of Access Bank Plc and its subsidiaries is coordinated in the following manner:

- i. Where a business unit is subject to regulatory requirements, it will comply with those requirements. The business unit will furthermore establish and maintain systems of internal control to monitor and report the extent of compliance with those requirements with the support of Conduct & Compliance function.
- ii. In the absence of regulatory requirements for all or part of a business unit, certain minimum standards of conduct is established and maintained by that business unit to the extent required as determined by the management of that business unit.
- iii. Accountability for ensuring compliance with regulatory requirements and minimum standards rests with the Group Managing Director and the Board of Access Bank Group, whilst the enforcement thereof is the responsibility of the respective Group Heads (1<sup>st</sup> line of defence).
- iv. To assist in the discharge of this obligation, Access Bank Plc maintains an independent Conduct & Compliance Function. The Conduct & Compliance function develop systems of control that are required to ensure there is adequate protection of the bank, empower the first line of defence and ensure timely and reporting of breaches and other regulatory non-compliances to the Board and Executive Management of the Access Bank Group.
- v. For independent assurance, Conduct & Compliance Function together with other Risk Management functions and Group Internal Audit work cordially to ensure that the necessary synergies are achieved in the management of the bank's compliance risk.

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### Our Compliance Risk Appetite

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Access Bank Plc aims to be compliant with all applicable laws and regulations, internal company rules and policies governing its operations and established good business practices. Access Bank Plc ensures that this requirement is embedded in the **culture** of its business operations. Enhanced global AML and sanctions policies, incorporating the bank's risk appetite, were approved by the Board in January 2014. The policies adopt and seek to enforce the highest or most effective standards globally, including a globally consistent approach to knowing our customers.

With respect to Compliance risk, the bank's appetite for Compliance Risk is defined as follows; Zero tolerance for payment of fines and other penalties associated with regulatory infractions and non-compliance with laws, standards and rules. The primary compliance objective is to be among top three (3)

## RISK MANAGEMENT FRAMEWORK

most compliant banks in all jurisdictions we have our business operations. The Bank shall continuously aim to minimize the following compliance risk indicators:

- i. Reported exceptions by auditors, regulators and external rating agencies;
- ii. Frequent litigations;
- iii. Payment of fines and other regulatory penalties; and
- iv. Unresolved customer complaints.

The Bank shall not compromise its reputation through unethical, illegal and unprofessional conduct in the market place. The Bank shall also maintain a zero appetite for association with disreputable persons and/or entities.

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### **Our AML Program**

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Access Bank Plc has a Board approved and established an AML/CFT program. This is contained in the bank's compliance manual which is reviewed and updated at least on an annual basis. Our compliance manual contains the policies approved by the board. Some of these are the Politically Exposed Persons (PEP) Policy; Compliance Risk Management Policy, Compliance Charter etc.

Board members and all levels of staff are trained at least once every financial year on AML/CFT/KYC as stated in the bank's policy. New employees also undergo KYC/AML/CFT training as an induction course. The Bank organizes and ensures that staff attend webinars, conferences, workshop, trainings etc as part of its bankwide AML/CFT/KYC awareness program. Tests are conducted during such trainings to ensure employees understand the content and scope of the trainings.

All Access Bank staff sign the Annual Compliance attestation message to affirm that they have read and understood the policies and procedures of the bank relating to ethics, code of conduct, AML/CFT, Anti-bribery and corruption etc.

The Bank has designated a non-executive director who is responsible for the Access Bank Plc Anti Money Laundering / Combating Financing of Terrorism (AML/CFT) program.

With the escalation protocol for compliance risk in place, the Enterprise Risk Management Committee (ERMC) and the Board via the Board Risk Management Committee (BRMC) serves as a medium for reporting compliance risk.

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### **Anti-Bribery & Corruption Implementation**

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Access Bank adopts a zero-tolerance approach to bribery and corruption. The Bank conducts business affairs in a manner that shuns the use of corrupt practices or acts of bribery to obtain unfair advantage in our dealings within the markets and the communities we operate.

The Bank and all its Subsidiaries have a Board approved policy which sets out the general rules and principles we adhere to and also communicate to all employees, directors, business associates as well as relevant partners, suppliers, vendors and other stakeholders the need to maintain high ethical and professional conduct in the course of doing the Bank's business.

## RISK MANAGEMENT FRAMEWORK

The Bank commenced and completed the Anti-bribery risk assessment of selected high risk areas within the Group office in 2015. The bank became one of the first banks in the country to successfully achieve this.

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### **Conduct Risk Implementation**

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**Conduct Risk:** Detriment caused to our customers, clients, counterparties, or the Bank and its employees through inappropriate judgment in execution of business activities.

We have reviewed and improved how conduct risk is assessed and reported throughout our business. The Bank is committed to putting customers' at the heart of the decisions, treating customers' fairly and resolving customer complaints within the shortest possible time.

The Conduct Risk Framework is being embedded throughout the bank with focus on delivering positive customer and client outcomes. The roll-out of the conduct risk management framework has seen the adoption of Conduct Risk parameters as part of the formal KPIs for all staff of the Bank.

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### **Strategic Alliance & Partnership**

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As part of our contribution towards the enhancement of the financial industry's existing framework and initiatives to combat financial crimes and terrorist financing, the Conduct and Compliance Group collaborated with the Financial Institutions Training Centre (FITC) to organize a training session on compliance risk management where compliance issues such as emerging risk regulations and standards, new International and regulatory landscape where discussed.

The Association of Certified Compliance Professionals in Africa (ACCPA) which is a continental network of experienced and certified Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) professionals working on the ground in Sub-Saharan Africa recently conferred the award for Africa AML Professional of the year on the Chief Conduct and Compliance Officer, Mr. Pattison Boleigha.

### **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

## RISK MANAGEMENT FRAMEWORK

- 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 emphasizes 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

## RISK MANAGEMENT FRAMEWORK

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 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 the management and future mitigation of such events.

The role of the Operational Risk function 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 of this framework is the financial quantification and modelling of operational risks. This functionality has significantly improved the Group's operational risk measurement and management capabilities.

### **Management and control responsibilities**

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

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

The Group recognizes 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 MANAGEMENT FRAMEWORK

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

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

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

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

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

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

### **Reporting**

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

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

An allocation methodology is applied for allocating capital to business units. For each business units, the allocation takes into consideration not only the size of the business unit, but also measures the business unit's control environment, namely open audit findings, RCSA results, and loss experience. 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.

## RISK MANAGEMENT FRAMEWORK

### **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. In 2014, the Bank obtained ISO certification in Business Continuity. Regular bank wide awareness campaigns are also used to drive information security and business continuity culture in the bank.

### **Strategic Risk Management**

In Access Bank, we define Strategic Risk as the process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios that could inhibit the bank's ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value. It is a primary component and necessary foundation of our Enterprise Risk Management.

Strategic risk management, therefore, is defined as current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. It can also be defined as the risk associated with future business plans and strategies, including plans for entering new business lines, expanding existing services through mergers and acquisitions, and enhancing infrastructure.

## RISK MANAGEMENT FRAMEWORK

A well-defined structure for managing strategic risk exists in Access Bank. It provides a process for the Bank to identify and assess potential risks posed by its strategic plan, and consider whether they have adequate capacity to withstand the risks. Strategic risk management involves various organizational functions within the Bank. The following principles govern the Bank's strategic risk management:

The Board and Senior management are responsible for Strategic risk management and oversees the effective functioning of the strategic risk management framework; The functional units (i.e. the units which carry out business or operational functions) assists the Board and Senior management in formulating an implementing strategies, and in providing input to the strategic planning and management processes; and as well as implementing the strategic risk management framework.

The strategic risk management functions support the Board and senior management in managing strategic risk and other related processes in the Bank.

Access Bank, in compliance with the Basel II principles, uses Internal Capital Adequacy Assessment Process in assessing its Strategic Risk. To this end, it sees Strategic Risk as material risk that could result when the bank fails to meet its performance targets, sufficient cashflow to maintain its operations that may result in a negative impact on the bank's operating result and financial condition.

This strategic risk could stem from adverse global economy, regulatory actions, improper analysis that can impact the implementation of decisions, lack of responsiveness to industry changes, inability to respond promptly to business opportunities, ineffective change management and communication process as well as the nature and activities of competitors.

Based on the foregoing, the bank estimates a capital charge figure in relationship to its actual gross earnings to cover its strategic risk exposure, in line with its tolerance level.

The measures and controls it has put in place include the followings:

Strategic plans are approved and monitored by the board. Regular environmental scan, business strategy sessions and workshops are set up to discuss business decisions, close monitoring to ensure that strategic plans are properly aligned with the business model, regular performance review by EXCO, business plans are approved by the board. The bank also maintains a well-defined succession plan, proper monitoring and well defined structures to align its activities to international best practices.

### **Reputational Risk Management**

Reputational risk arises when the bank's reputation is damaged by one or more reputational events from negative publicity about the organization's business practices, conduct or financial condition. The Bank's Strategic and Reputational Risk Management is mandated to protect the Bank from potential threats to its reputation. The team continuously uses proactive means in minimizing the effects of reputational events, thereby averting the likelihood of major reputational crises with the view of ultimately ensuring the survival of the organization. The Bank has put in place a framework to properly articulate, analyze and manage reputational risk factors.

## RISK MANAGEMENT FRAMEWORK

Access Bank takes the management of reputational risks seriously because of their far-reaching implications which are buttressed by the fact that the Bank operates under:

- 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);
- 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.

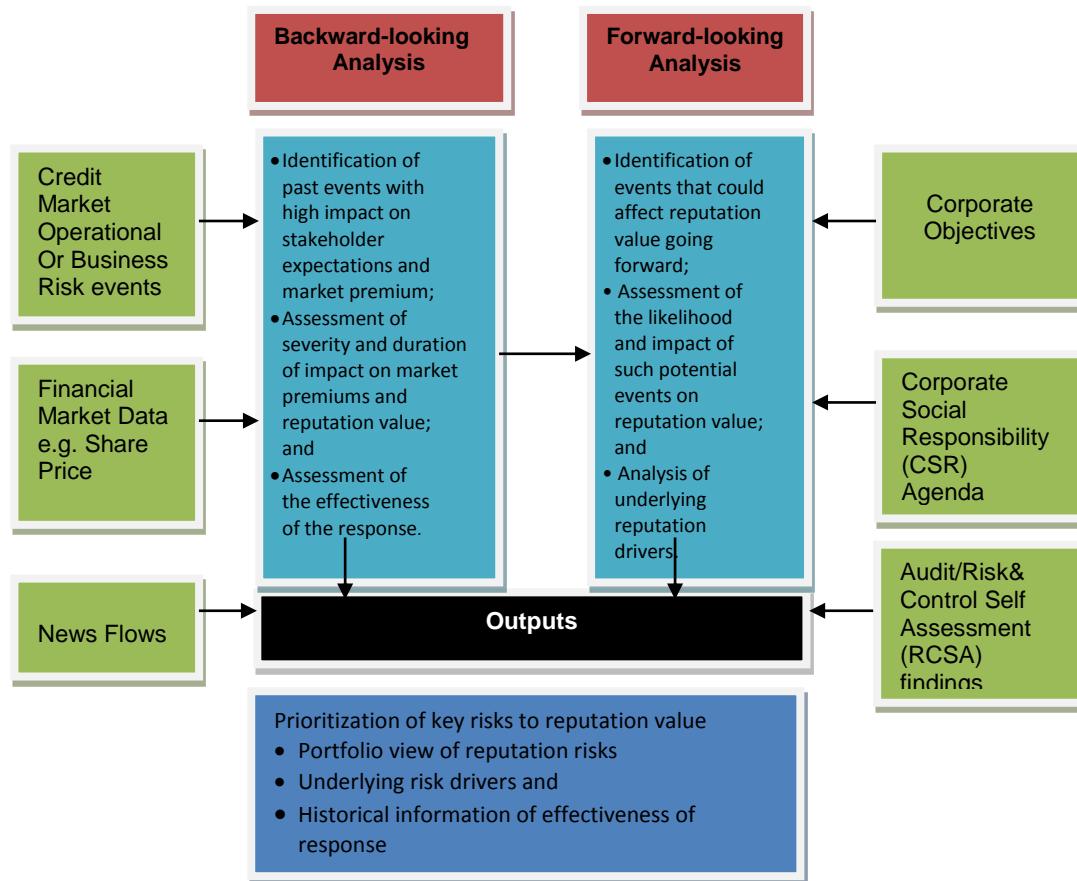
It is Group policy that, at all times, the protection of the Group's reputation should take priority over all other activities, including revenue generation. Reputational risk will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory and operational 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.

The desired risk appetite for reputation is low risk (1). The bank will ensure that highest ethical standards are followed at all times and the code of conduct policy will be strictly implemented.

During the year under review, the leadership of Strategic and Reputational Risk Management Unit was strengthened with the recruitment of a senior management staff to fully drive the implementation of the policies and strategies of the Bank with regards to its strategic and reputational risks.

## RISK MANAGEMENT FRAMEWORK

### Key Drivers of Reputational Risk



In identifying reputational risk factors, the Bank makes use of the output of a risk identification process. At the end of the 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 MANAGEMENT FRAMEWORK

Risk Drivers	Trigger Events
Corporate governance and leadership	<ul style="list-style-type: none"> <li>• Corporate frauds and scandals;</li> <li>• Association with dishonest and disreputable characters as directors, management</li> <li>• Association with politically exposed persons</li> <li>• Incidence of shareholders conflict and Board Instability.</li> </ul>
Regulatory Compliance	<ul style="list-style-type: none"> <li>• Non - Compliance with laws and regulation;</li> <li>• Non submission of Regulatory returns</li> </ul>
Delivering customer promise	<ul style="list-style-type: none"> <li>• Security Failure</li> <li>• Shortfall in quality of service/fair treatment;</li> <li>• Bad behavior by employees</li> </ul>
Workplace talent and culture	<ul style="list-style-type: none"> <li>• Unfair employment practices</li> <li>• Not addressing employee grievances</li> <li>• Uncompetitive remuneration</li> </ul>
Corporate social responsibility	<ul style="list-style-type: none"> <li>• Lack of community development initiatives</li> </ul>
Corporate Culture	<ul style="list-style-type: none"> <li>• Lack of appropriate culture to support the achievement of business objective.</li> <li>• Ineffective risk management practices.</li> <li>• Unethical behaviors on the part of staff and management.</li> <li>• Lack of appropriate structure for employees to voice their concerns</li> </ul>
Risk Management and Control Environment	<ul style="list-style-type: none"> <li>• Inadequate Risk Management and Control environment</li> <li>• Continuous violations of existing policies and Procedures</li> </ul>
Financial Soundness and Business viability	<ul style="list-style-type: none"> <li>• Consistent poor financial performance</li> <li>• Substantial losses from unsuccessful Investment</li> </ul>
Crisis Management	<ul style="list-style-type: none"> <li>• Inadequate response to a crisis or even a minor incident</li> </ul>

## RISK MANAGEMENT FRAMEWORK

### **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. Example 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.

### **Capital Risk Management**

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

Capital management objectives:

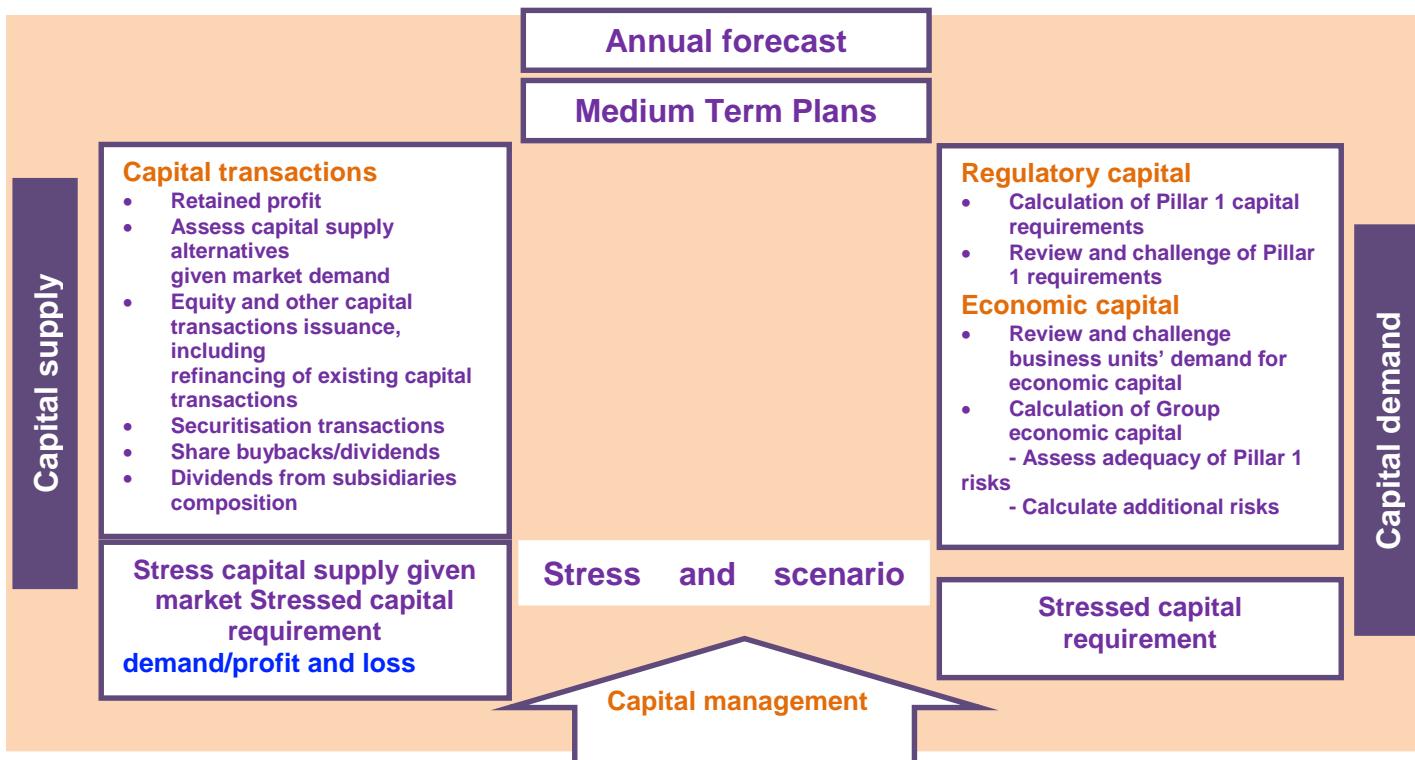
The Group has a number of capital management objectives:

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

**Capital management strategy:**

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

Capital management process



**Importance of capital management**

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

A capital management framework provides effective capital planning, capital issuance, Basel II alignment, EC utilisation and economic profit (EP) performance measurement criteria. The above 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.

## *Independent auditor's report*

To the members of Access Bank Plc

### *Report on the audit of the consolidated and separate financial statements*

#### *Our opinion*

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Access Bank Plc ("the bank") and its subsidiaries (together "the group") as at 30 June 2017, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) 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.

#### **What we have audited**

Access Bank Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 30 June 2017;
- the consolidated and separate statements of comprehensive income for the period then ended;
- the consolidated and separate statements of changes in equity for the period then ended;
- the consolidated and separate statements of cash flows for the period then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment assessment of loans and advances to customers</i></b>	

Management exercises significant judgment when determining how much to record as impairment on loans and advances to customers.

We focused on this area because of the significance of the judgements involved and the size of the loans and advances portfolio. At 30 June 2017, the total gross loans and advances was N 1.8 trillion (Bank: N 1.6 trillion) against which allowance for impairment provisions of N 44.5 billion (Bank: N39.5 billion) were recorded. Judgement is applied to determine appropriate parameters and assumptions used to calculate impairment.

The accounting policies and critical judgements relating to the calculation of the impairment on loans and advances to customers are summarised in Note 3.9g and Note 4.0 to the consolidated and separate financial statements respectively.

We comment on the most judgemental aspects, which we consider to be key audit matters below.

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*Impairment on individually and collectively assessed facilities – N 44.5 billion (refer to note 23)*

The Group uses two categories in its calculations of impairment provisions on loans and advances:

- Individual impairment assessment
- Collective impairment assessment

The individual impairment assessment is performed by the Credit Risk Unit in order to determine whether there exists any objective evidence that a loan is impaired.

Where an objective evidence of impairment is identified, these facilities are assessed based on their recoverable amounts i.e. present value of expected future cash flows discounted at the original effective interest rate, or the fair value of the collateral.

Management uses external valuers to determine the fair value of collaterals.

We understood and evaluated the design and operating effectiveness of the controls over loan loss impairment assessment across the Group to determine the extent of substantive testing required.

For individually significant loans, we evaluated the reasonableness of management's identification of impairment triggers.

This was done by applying a risk based target testing approach in selecting a sample of customer facilities for detailed reviews of customer files and account statements to determine whether or not the customers met with their contractual obligations as well as identify other indicators of impairment.

Where the recoverable amount is less than the carrying value of the facilities, management determines impairment loss as the difference between the carrying value and the recoverable amount.

Allowances against all loans and advances not assessed individually and those assessed individually for which recoverable amount was higher than the carrying value are done on a collective basis.

Impairment allowances on the loans to be assessed collectively is done using a modelled basis for different portfolios with common features and allowances are adjusted accordingly based on the judgement of management.

Primary data fundamental to the assessment of collective impairment is the Probability of Default (PD), the Loss Given Default (LGD) and the exposure at default (EAD); which are all obtained using the bank's historical data, prevailing economic and credit conditions and loss experiences on how:

- Facilities have migrated between risk ratings over the periods (PD);
- Portion of the loan facilities determined to be irrecoverable at the time of default (LGD); and
- Loan amount at the time of default (EAD).

This matter is considered a key audit matter in both the consolidated and separate financial statements.

In particular we focused on the identification of loss events in line with IAS 39 paragraph 59.

For individually significant loans where impairment triggers were identified, we reviewed management's impairment assessment by comparing the fair value of the collateral to the total exposure.

Where the fair value of the collateral was insufficient compared to the total exposure, we checked to ensure that specific impairment was recognized on such loans.

Where the fair value of the collateral sufficiently covered the total exposure, we reviewed to determine that these category of facilities were assessed for collective impairment.

For a sample of collateral valuation reports supporting significant facilities, we evaluated the competence, independence and objectivity of management valuation experts used for the valuation of collaterals and the methodology used.

We applied a risk based targeted testing approach in performing a review of the collateral valuation reports. The details of the reports were agreed to the contract agreement between the bank and the customer to assess the bank's legal rights over the collateral.

For the collective impairment assessment, we evaluated the reasonableness of management's assumptions with respect to the inputs into the collective impairment model.

We assessed the reasonableness of the probability of default (PD) by estimating how loan customers have migrated from the performing grade to the impaired assets grade in prior periods and determined an average risk rating per grade. This was compared to the PD determined by management and we challenged management where our assessment differed from theirs.

We evaluated the reasonableness of the Loss Given Default (LGD) by comparing it with the bank's historical data and supporting documents.

### **Valuation of available for sale investment securities**

We focused on this area because of the nature of the transactions and the level of judgment, estimates and assumptions used in determining the valuation.

Notes 25 to the financial statements describes the elements that make up the available for sale investment securities balance. The most judgemental aspect of available for sale investment securities relate to the valuation of level 3 financial instruments (*N 55.2 billion - refer to note 4.1.1*), which we consider to be a key audit matter below.

We identified and assessed the following risks that could lead to inaccurate fair values:

- The equity securities are not quoted on a recognised stock exchange and their fair values are not readily determined by reference to an active market.
- Whilst some of the model inputs used for determining fair values are observable, there are unobservable inputs (such as illiquidity discount rate and hair cut) which could lead to valuation variances.
- The Group uses a number of model types to value its level 3 financial instruments. Model deficiencies or inaccurate model parameters could lead to material misstatements of the financial statements.

Inputs into the fair value approach could include the ratio of Enterprise Value (EV) to Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA), Price Earnings (P/E) ratios and Price to Book (P/B) ratios.

This matter is considered a key audit matter in both the consolidated and separate financial statements.

We performed detailed evaluation of the validity and reasonableness of the techniques, inputs and the assumptions used by management.

We confirmed the valuation technique used to determine the fair values of unquoted equity instruments to be “the market approach” which is in line with the techniques prescribed by the applicable standard “IFRS 13, Fair value measurement”.

We verified the inputs i.e. EV/EBITDA, PE ratios and P/B ratios by comparing them to independent sources.

We evaluated the principal assumptions against independent sources for reasonableness.

We assessed the valuation methodology and models for consistency by comparing to prior periods.

We also reviewed the disclosure and applied the IFRS checklist for compliance with the relevant standards.

### **Valuation of derivative financial instruments (refer to note 21)**

*N 148 billion (Derivative financial assets)*

*N 24 billion (Derivative financial liabilities)*

We focused on this area because of the nature of the transactions and the level of judgment, estimates and assumptions used in determining the valuation.

Due to the significance of derivative financial instruments and the related estimation uncertainty, this is considered a key audit matter.

The fair value of derivative financial instruments is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates.

The Bank's derivative financial instruments are broadly categorized into the following:

- Forward contracts
- Swap contracts
- Non deliverable forward contracts

For forward and swap contracts which have terms to maturity of less than one year from the statement of financial position date, management obtains the input for the valuation i.e. market rate from a quoted market.

For long term swap contracts, the input for the valuation is not readily available from a quoted market. Management obtains a confirmation of the long tenured contracts from an independent source and performs a fair valuation similar to the procedure described above.

Non deliverable forward contracts are short tenured and are valued with respect to a reference market rate with no adjustment for discounting.

This matter is considered a key audit matter in the separate financial statements only.

We obtained an understanding of the valuation techniques and inputs used by management.

We tested the validity of the underlying data used in management's valuation report. Furthermore, we employed the services of our valuation specialists in assessing the reasonableness of assumptions and models used.

For the short tenured forwards and swap contracts, we have assessed the reasonableness of management's fair value estimation by:

- discounting the payoff in each currency to the valuation date using that currency's swap curve;
- converting the foreign currency payoffs to local currency using spot exchange rates as at valuation date between local and foreign currency; and
- determining the value to the bank as the difference between the value to be received and the value to be paid (both in local currency).

For the long term swap contracts, we have assessed the reasonableness of management's fair value estimation using the methodology similar to above. However, we have independently obtained the market rates for contracts with maturities greater than one year and challenged management's estimation where necessary.

With respect to non-deliverable forward contracts, we have determined the fair values by reference to a market rate differential between the contracted exchange rate and the spot exchange rates at the date of the valuations.

We have also assessed the adequacy of the Group's disclosures including the accuracy of the categorisation into the fair value measurement hierarchy and adequacy of the disclosure of the valuation techniques.

### *Other information*

The directors are responsible for the other information. The other information comprises: *Directors' report, Corporate governance report, Statement of director's responsibilities, Report of the statutory audit committee, Statement of value added and Five year financial summary* (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements*

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated and separate financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### ***Report on other legal and regulatory 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 statements of financial position and statements of comprehensive income 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 44 to the financial statements;
- v) except for the contraventions disclosed in Note 41 to the financial statements, the bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.



For: PricewaterhouseCoopers  
Chartered Accountants  
Lagos, Nigeria  
Engagement Partner: Anthony Oputa  
FRC/2013/ICAN/oooooooo980

17 August 2017

## Consolidated statement of comprehensive income

In thousands of Naira	Notes	Group <u>June 2017</u>	*Restated Group <u>June 2016</u>	Bank <u>June 2017</u>	*Restated Bank <u>June 2016</u>
			<u>June 2017</u>	<u>June 2016</u>	
Interest income	8	161,905,310	112,292,554	141,295,043	97,594,915
Interest expense	8	(78,863,521)	(43,841,887)	(71,850,693)	(38,152,388)
Net interest income		83,041,789	68,450,667	69,444,350	59,442,527
Net impairment charge	9	(10,362,780)	(10,212,305)	(9,215,120)	(8,557,077)
Net interest income after impairment charges		72,679,009	58,238,362	60,229,230	50,885,450
Fee and commission income	10	25,076,547	35,632,172	19,866,554	31,930,080
Fee and commission expense		(250,510)	(57,448)	-	-
Net fee and commission income		24,826,037	35,574,724	19,866,554	31,930,080
Net gains on investment securities	11a,b	(3,645,531)	33,089,164	(3,771,616)	33,072,183
Net foreign exchange income/(loss)	12	59,022,310	(11,108,100)	57,251,011	(12,949,785)
Other operating income	13	4,216,767	4,163,527	3,886,175	3,861,815
Personnel expenses	14	(27,743,513)	(22,068,132)	(22,052,095)	(18,521,260)
Rent expenses		(1,665,573)	(990,251)	(852,901)	(818,856)
Depreciation	28	(5,373,476)	(4,184,521)	(4,588,273)	(3,663,050)
Amortization	29	(1,130,477)	(930,809)	(898,997)	(817,351)
Other operating expenses	15	(69,136,786)	(47,790,895)	(63,802,632)	(44,372,876)
<b>Profit before tax</b>		52,048,768	43,993,069	45,266,456	38,606,350
Income tax	16	(12,588,824)	(10,355,321)	(10,413,301)	(9,199,580)
<b>Profit for the period</b>		<b>39,459,944</b>	<b>33,637,748</b>	<b>34,853,155</b>	<b>29,406,770</b>
Other comprehensive income (OCI) net of income tax :					
<i>Items that may be subsequently reclassified to the income statement:</i>					
Foreign currency translation differences for foreign subsidiaries					
- Unrealised (losses)/gains during the period		1,213,051	17,266,423	-	-
Net changes in fair value of AFS financial instruments		4,804,620	13,413,968	4,563,014	13,514,011
-Fair value changes during the period		6,017,671	30,680,391	4,563,014	13,514,011
Other comprehensive gain, net of related tax effects					
<b>Total comprehensive income for the period</b>		<b>45,477,615</b>	<b>64,318,139</b>	<b>39,416,169</b>	<b>42,920,781</b>
Profit attributable to:					
Owners of the bank		39,352,370	33,386,610	34,853,155	29,406,770
Non-controlling interest		107,574	251,138	-	-
<b>Profit for the period</b>		<b>39,459,944</b>	<b>33,637,748</b>	<b>34,853,155</b>	<b>29,406,770</b>
Total comprehensive income attributable to:					
Owners of the bank		45,256,341	62,520,307	39,416,169	42,920,781
Non-controlling interest		221,274	1,797,832	-	-
<b>Total comprehensive income for the period</b>		<b>45,477,615</b>	<b>64,318,139</b>	<b>39,416,169</b>	<b>42,920,781</b>
<b>Earnings per share attributable to ordinary shareholders</b>					
Basic (kobo)	17	138	117	120	102
Diluted (kobo)	17	136	115	120	102

The notes are an integral part of these consolidated financial statements.

\* See Note 46 - Restatement of prior period financial information

Consolidated statement of financial position  
As at 30 June 2017

<b>In thousands of Naira</b>	<b>Notes</b>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
<b>Assets</b>					
Cash and balances with banks	18	716,825,510	713,889,105	568,053,167	517,997,249
Investment under management	19	16,884,148	14,871,248	16,884,148	14,871,247
Non pledged trading assets	20	16,067,825	44,629,579	14,517,175	44,629,579
Derivative financial assets	21	148,397,715	156,042,984	147,986,650	155,772,662
Loans and advances to banks	22	54,010,483	45,203,002	92,720,149	104,006,574
Loans and advances to customers	23	1,739,443,893	1,809,459,172	1,532,357,902	1,594,562,345
Pledged assets	24	394,533,663	314,947,502	394,533,663	314,947,502
Investment securities	25	166,811,167	229,113,772	92,757,256	161,200,642
Other assets	26	101,981,448	63,255,053	84,289,251	50,594,480
Investment in subsidiaries	27b	-	-	67,351,486	59,239,252
Property and equipment	28	92,348,156	84,109,052	79,559,022	71,824,472
Intangible assets	29	6,350,889	6,939,555	4,675,674	5,173,784
Deferred tax assets	30	1,273,021	1,264,813	-	-
		3,454,927,918	3,483,724,837	3,095,685,543	3,094,819,788
Asset classified as held for sale	31	110,727	140,727	110,727	140,727
<b>Total assets</b>		<b>3,455,038,645</b>	<b>3,483,865,564</b>	<b>3,095,796,270</b>	<b>3,094,960,515</b>
<b>Liabilities</b>					
Deposits from financial institutions	32	227,595,925	167,356,583	181,456,542	95,122,188
Deposits from customers	33	1,899,832,290	2,089,197,286	1,626,907,782	1,813,042,872
Derivative financial liabilities	21	24,333,846	30,444,501	24,323,543	30,275,181
Current tax liabilities	16	7,327,188	5,938,662	5,596,613	5,004,160
Other liabilities	34	154,002,841	113,571,240	148,850,010	107,538,941
Deferred tax liabilities	30	10,492,221	3,699,050	9,885,164	3,101,753
Debt securities issued	35	361,716,229	316,544,502	287,033,258	243,952,418
Interest-bearing borrowings	36	286,465,687	299,543,707	359,219,315	372,179,785
Retirement benefit obligation	37	2,791,879	3,075,453	2,766,322	3,064,597
		<b>2,974,558,106</b>	<b>3,029,370,984</b>	<b>2,646,038,549</b>	<b>2,673,281,895</b>
<b>Total liabilities</b>		<b>2,974,558,106</b>	<b>3,029,370,984</b>	<b>2,646,038,549</b>	<b>2,673,281,895</b>
<b>Equity</b>					
Share capital and share premium	38	212,438,802	212,438,802	212,438,802	212,438,802
Retained earnings		105,354,981	93,614,030	111,383,181	93,329,188
Other components of equity	38	158,149,430	142,194,720	125,935,738	115,910,630
<b>Total equity attributable to owners of the Bank</b>		<b>475,943,214</b>	<b>448,247,552</b>	<b>449,757,721</b>	<b>421,678,620</b>
Non controlling interest	38	4,537,325	6,247,028	-	-
<b>Total equity</b>		<b>480,480,539</b>	<b>454,494,580</b>	<b>449,757,721</b>	<b>421,678,620</b>
<b>Total liabilities and equity</b>		<b>3,455,038,645</b>	<b>3,483,865,564</b>	<b>3,095,796,270</b>	<b>3,094,960,515</b>

Signed on behalf of the Board of Directors on 26 July, 2017 by:



GROUP MANAGING DIRECTOR  
Herbert Wigwe  
FRC/2013/ICAN/oooooooo1998



GROUP DEPUTY MANAGING DIRECTOR  
Roosevelt Ogbonna  
FRC/2017/ICAN/oooooooo16638



CHIEF FINANCIAL OFFICER  
Oluseyi Kumapayi  
FRC/2013/ICAN/oooooooo0911

## Consolidated statement of changes in equity

In thousands of Naira Group	Attributable to owners of the Bank											Non Controlling interest	Total Equity
	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Share scheme reserve	Treasury Shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total		
<b>Balance at 1 January 2017</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>42,932,550</b>	<b>62,615,212</b>	<b>1,211,978</b>	<b>(3,286,375)</b>	<b>3,489,080</b>	<b>23,240,250</b>	<b>11,992,025</b>	<b>93,614,030</b>	<b>448,247,552</b>	<b>6,247,028</b>	<b>454,494,580</b>
<b>Total comprehensive income for the period:</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	39,352,370	39,352,370	107,574	39,459,944
<b>Other comprehensive income, net of tax</b>													
Unrealised foreign currency translation difference	-	-	-	-	-	-	-	-	1,102,244	-	1,102,244	110,807	1,213,051
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	-	4,801,726	-	-	4,801,726	2,894	4,804,620
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,801,726</b>	<b>1,102,244</b>	<b>-</b>	<b>5,903,970</b>	<b>113,701</b>	<b>6,017,671</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,801,726</b>	<b>1,102,244</b>	<b>39,352,370</b>	<b>45,256,339</b>	<b>221,274</b>	<b>45,477,613</b>
<b>Transactions with equity holders, recorded directly in equity:</b>													
Transfers during the period	-	-	4,884,281	4,974,200	-	-	-	-	-	(9,858,481)	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(6,181,748)	(6,181,748)	(1,930,978)	(8,112,726)
Scheme shares	-	-	-	-	301,629	-	-	-	-	-	301,629	-	301,629
Vested shares	-	-	-	-	-	(109,370)	-	-	-	-	(109,370)	-	(109,370)
Dividend paid to equity holders	-	-	-	-	-	-	-	-	-	(11,571,189)	(11,571,189)	-	(11,571,189)
<b>Total contributions by and distributions to equity holders</b>	<b>-</b>	<b>-</b>	<b>4,884,281</b>	<b>4,974,200</b>	<b>301,629</b>	<b>(109,370)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,611,418)</b>	<b>(17,560,678)</b>	<b>(1,930,978)</b>	<b>(19,491,656)</b>
<b>Balance at 30 June 2017</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>47,816,831</b>	<b>67,589,412</b>	<b>1,513,607</b>	<b>(3,395,745)</b>	<b>3,489,080</b>	<b>28,041,976</b>	<b>13,094,269</b>	<b>105,354,981</b>	<b>475,943,213</b>	<b>4,537,325</b>	<b>480,480,539</b>

## Consolidated statement of changes in equity

In thousands of Naira Group	Attributable to owners of the Bank											Non Controlling interest	Total Equity
	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Share scheme reserve	Treasury Shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total		
<b>Balance at 1 January 2016</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>39,625,042</b>	<b>50,097,911</b>	<b>554,898</b>	<b>(1,732,711)</b>	<b>3,489,080</b>	<b>13,268,889</b>	<b>(5,570,719)</b>	<b>51,730,369</b>	<b>363,901,561</b>	<b>3,899,966</b>	<b>367,801,527</b>
<b>Total comprehensive income for the period:</b>													
Profit for the period (Restated. See Note 46)	-	-	-	-	-	-	-	-	-	33,386,610	33,386,610	251,138	33,637,748
<b>Other comprehensive income, net of tax</b>													
Unrealised foreign currency translation difference	-	-	-	-	-	-	-	-	15,719,687	-	15,719,687	1,546,736	17,266,423
Fair value changes on AFS financial instruments from associates	-	-	-	-	-	-	-	13,414,010	-	-	13,414,010	(42)	13,413,968
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,414,010</b>	<b>15,719,687</b>	<b>-</b>	<b>29,133,697</b>	<b>1,546,694</b>	<b>30,680,391</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,414,010</b>	<b>15,719,687</b>	<b>33,386,610</b>	<b>62,520,307</b>	<b>1,797,832</b>	<b>64,318,139</b>
<b>Transactions with equity holders, recorded directly in equity:</b>													
Transfers during the period	-	-	3,104,584	7,613,976	-	-	-	-	-	(10,718,560)	-	-	-
Scheme shares	-	-	-	-	501,329	-	-	-	-	-	501,329	-	501,329
Vested Shares	-	-	-	-	-	(1,174,964)	-	-	-	-	(1,174,964)	-	(1,174,964)
Dividend paid to equity holders	-	-	-	-	-	-	-	-	-	(8,678,391)	(8,678,391)	-	(8,678,391)
<b>Total contributions by and distributions to equity holders</b>	<b>-</b>	<b>-</b>	<b>3,104,584</b>	<b>7,613,976</b>	<b>501,329</b>	<b>(1,174,964)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,396,951)</b>	<b>(0,352,026)</b>	<b>-</b>	<b>(0,352,026)</b>
<b>Balance at 30 June 2016</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>42,729,626</b>	<b>57,711,887</b>	<b>1,056,227</b>	<b>(2,907,675)</b>	<b>3,489,080</b>	<b>26,682,899</b>	<b>10,148,968</b>	<b>65,720,028</b>	<b>417,069,842</b>	<b>5,697,798</b>	<b>422,767,640</b>

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	Retained earnings	Total Equity
<b>Balance at 1 January, 2017</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>35,058,266</b>	<b>53,001,072</b>	<b>1,008,118</b>	<b>3,489,081</b>	<b>23,354,093</b>	<b>93,329,188</b>	<b>421,678,620</b>
<b>Total comprehensive income for the period:</b>									
Profit for the period	-	-	-	-	-	-	-	34,853,155	<b>34,853,155</b>
<b>Other comprehensive income, net of tax</b>									
Actuarial gain on remeasurement of retirement benefit	-	-	-	-	-	-	-	-	-
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	4,563,014	-	<b>4,563,014</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,563,014</b>	<b>-</b>	<b>4,563,014</b>
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,563,014</b>	<b>34,853,155</b>	<b>39,416,168</b>
<b>Transactions with equity holders, recorded directly in equity:</b>									
Transfers for the period	-	-	-	5,227,973	-	-	-	(5,227,973)	-
Dividend paid to equity holders	-	-	-	-	-	-	-	(11,571,189)	<b>(11,571,189)</b>
Scheme shares	-	-	-	-	234,121	-	-	-	<b>234,121</b>
Vested shares	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to equity holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,227,973</b>	<b>234,121</b>	<b>-</b>	<b>-</b>	<b>(16,799,162)</b>	<b>(11,337,068)</b>
<b>Balance at 30 June 2017</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>35,058,266</b>	<b>58,229,045</b>	<b>1,242,239</b>	<b>3,489,081</b>	<b>27,917,107</b>	<b>111,383,181</b>	<b>449,757,721</b>

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	Retained earnings	Total Equity
<b>Balance at 1 January, 2016</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>37,826,382</b>	<b>43,397,152</b>	<b>527,331</b>	<b>3,489,081</b>	<b>13,291,054</b>	<b>49,459,102</b>	<b>360,428,904</b>
<b>Total comprehensive income for the period:</b>									
Profit for the period (Restated. See Note 46)	-	-	-	-	-	-	-	29,406,770	<b>29,406,770</b>
<b>Other comprehensive income, net of tax</b>									
Actuarial loss on remeasurement of retirement benefit	-	-	-	-	-	-	-	-	-
Net changes in fair value of AFS financial instruments	-	-	-	-	-	-	13,514,011	-	<b>13,514,011</b>
<b>Total other comprehensive gain/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,514,011</b>	<b>-</b>	<b>13,514,011</b>
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,514,011</b>	<b>29,406,770</b>	<b>42,920,781</b>
<b>Transactions with equity holders, recorded directly in equity:</b>									
Transfers for the period	-	-	-	4,411,015	-	-	-	(4,411,015)	-
Dividend paid to equity holders	-	-	-	-	-	-	-	(8,678,391)	<b>(8,678,391)</b>
Proceed from right issue	-	-	-	-	-	-	-	-	-
Scheme shares	-	-	-	-	528,896	-	-	-	<b>528,896</b>
Vested Shares	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to equity holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,411,015</b>	<b>528,896</b>	<b>-</b>	<b>-</b>	<b>(13,089,406)</b>	<b>(8,149,495)</b>
<b>Balance at 30 June 2017</b>	<b>14,463,986</b>	<b>197,974,816</b>	<b>37,826,382</b>	<b>47,808,167</b>	<b>1,056,227</b>	<b>3,489,081</b>	<b>26,805,065</b>	<b>65,776,465</b>	<b>395,200,190</b>

**Consolidated financial statements**  
**For the period ended 30 June 2017**

**Consolidated statement of cash flows**

	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
<i>In thousands of Naira</i>				
<b>Cash flows from operating activities</b>				
Profit before income tax and discontinued operations	52,048,768	43,993,069	45,266,456	38,606,350
<b>Adjustments for:</b>				
Depreciation of property and equipment	5,373,476	4,184,521	4,588,273	3,663,050
Amortization of intangible assets	1,130,477	930,809	898,997	817,351
Gain on disposal of property and equipment	(10,333)	(25,751)	(6,451)	(17,614)
Loss/(Gain) on disposal of investment securities	-	15,042,222	-	15,050,287
Fair value loss on assets held for sale	-	-	-	-
Impairment on financial assets	10,362,780	10,212,305	9,215,120	8,557,077
Additional gratuity provision	372,683	596,700	378,889	589,627
Equity share-based payment expense	301,629	528,896	234,121	528,897
Property and equipment written off	264,051	65,042	-	64,925
Net interest income	(81,972,251)	(70,914,236)	(68,841,148)	(59,338,295)
Unrealised foreign exchange loss on revaluation	950,295	15,219,791	692,986	15,360,145
Dividend income	(2,074,684)	(2,313,389)	(2,074,684)	(2,313,389)
	(13,253,108)	17,519,979	(9,647,442)	21,568,411
<b>Changes in operating assets</b>				
Non-pledged trading assets	28,150,653	28,519,815	29,759,315	28,519,815
Derivative financial instruments	1,534,614	(32,363,762)	1,834,374	(33,370,087)
Pledged assets	(79,586,161)	(65,462,126)	(79,586,161)	(63,570,970)
Restricted deposits	(24,168,993)	(78,574,627)	(23,570,941)	(77,630,094)
Loans and advances to banks and customers	82,640,953	(324,821,721)	97,408,822	(302,386,289)
Other assets	(39,658,005)	(4,004,227)	(33,694,771)	894,434
<b>Changes in operating liabilities</b>				
Deposits from banks	60,287,059	137,216,216	86,497,028	55,264,940
Deposits from customers	(191,532,623)	285,234,361	(187,789,376)	196,848,801
Other liabilities	40,431,601	22,605,473	41,311,069	18,064,161
Payment to gratuity benefit holders	(677,164)	-	(677,164)	-
Interest paid on deposits to banks and customers	(56,346,697)	(34,018,234)	(47,986,167)	(29,165,563)
Interest received on loans and advances	109,449,291	84,956,596	92,740,898	76,621,505
	(82,728,582)	36,807,743	(33,400,514)	(108,340,936)
Income tax paid	(3,808,571)	(5,931,298)	(3,037,437)	(4,094,095)
<b>Net cash generated from operating activities</b>	<b>(86,537,153)</b>	<b>30,876,445</b>	<b>(36,437,951)</b>	<b>(112,435,031)</b>
<b>Cash flows from investing activities</b>				
Acquisition of investment securities	(522,003,501)	(194,241,825)	(476,418,827)	(180,169,803)
Interest received on investment securities	25,434,586	20,891,382	9,946,925	35,576,603
Dividend received	2,074,684	805,081	2,074,684	805,081
Acquisition of property and equipment	(14,838,044)	(9,667,920)	(12,332,363)	(6,794,568)
Proceeds from the sale of property and equipment	420,885	697,126	15,990	39,594
Acquisition of intangible assets	(465,319)	(948,493)	(400,888)	(800,387)
Proceeds from matured investment securities	33,091,850	53,841,709	26,934,904	46,420,238
Proceeds from disposal of asset held for sale	30,000	39,116	30,000	39,116
Additional investment in subsidiaries	-	-	(8,112,235)	(1,185,324)
Proceeds from sale of investment securities	554,414,405	119,377,573	532,552,313	113,081,739
Proceeds from sale of associates	-	606,656	-	606,656
<b>Net cash generated from investing activities</b>	<b>78,159,548</b>	<b>(8,599,595)</b>	<b>74,290,503</b>	<b>7,618,946</b>
<b>Cash flows from financing activities</b>				
Interest paid on borrowings and debt securities issued	(29,252,662)	(8,280,522)	(28,062,226)	(8,205,380)
Proceeds from interest bearing borrowings	5,536,406	63,887,158	303,788	62,966,264
Repayment of interest bearing borrowings	(21,111,329)	(12,151,794)	(15,113,726)	(12,151,794)
Purchase of own shares	(109,370)	(1,202,471)	-	-
Dividends paid to owners	(11,571,189)	(8,678,391)	(11,571,189)	(8,678,391)
Debt securities issued	59,308,189	-	59,308,189	-
Repayment of debt securities issued	(14,218,119)	-	(14,218,119)	-
<b>Net cash provided by financing activities</b>	<b>(11,418,074)</b>	<b>33,573,980</b>	<b>(9,353,281)</b>	<b>33,930,699</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(19,795,678)</b>	<b>55,850,830</b>	<b>28,499,271</b>	<b>(70,885,387)</b>
Cash and cash equivalents at beginning of period	343,075,962	234,044,111	149,467,972	163,405,749
Net increase/ (decrease) in cash and cash equivalents	(19,795,678)	55,850,830	28,499,271	(70,885,387)
Effect of exchange rate fluctuations on cash held	575,993	(6,208)	(1,392)	(6,205)
<b>Cash and cash equivalents at end of period</b>	<b>323,856,277</b>	<b>289,888,733</b>	<b>177,965,851</b>	<b>92,514,158</b>

## 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 period ended 30 June 2017 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 26 July 2017. The directors have the power to amend and reissue the financial statements.

## 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) issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

## 3.0 Basis of preparation

This financial statements has been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. This consolidated financial statement comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statements of changes in equity, the consolidated cash flow statement and the notes.

### 3.1 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.

#### (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.
- 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. Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the period in which it arise.
- share based payment at fair value or an approximation of fair value allowed by the relevant standard.

#### (c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, 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 judgments 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

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

Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that are relevant to the group.

None of these standards were early adopted in the prior period by the Group as early adoption is not permitted by the Financial Reporting Council of Nigeria (FRCN).

##### **(i) Amendments to IFRS 7 - Financial Instruments: Disclosures**

Amends IFRS 7 to remove the phrase 'and interim periods within the annual periods' from paragraph 44R, clarifying that offsetting disclosures is not required in the condensed interim financial report. However, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, an entity is required to include the disclosures in the condensed interim financial report.

On servicing contract, it clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. This standard does not have any impact on this financial statement.

##### **(ii) Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions**

Amends IAS 19 to clarify that high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

There is no material impact on the accounting policies, financial position or performance of the Group.

##### **(iii) Amendments to IAS 12 – Income Taxes. (with effective date of 1 January 2017)**

Amends IFRS 12 to clarify accounting treatment for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

##### **(iv) Amendments IAS 7 – Statement of Cash Flows. (with effective date of 1 January 2017)**

Amends IAS 7 to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment specifies that the following changes arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

As at year end, 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. Details are set out below.

***IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2018)***

IFRS 9 is part of the IASB's project to replace IAS 39. It addresses classification, measurement and impairment of financial assets as well as hedge accounting.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortized cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. The bank is yet to quantify the impact of this change although it is expected to lead to an increased impairment charge than recognized under IAS 39.

Furthermore, the IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The bank is yet to quantify the impact of these changes on its financial statements.

The Bank is currently at the impact assessment phase of the IFRS 9 journey. The focus is on understanding the IFRS 9 financial and operational implications, with outcomes being key inputs to the design and implementation phases. Also, the phase will help the bank identify any gaps with the implementation of IFRS 9, especially in terms of the people, processes, technology and controls that will be necessary to drive an effective implementation.

The Bank is in the design phase of the project. This phase will involve obtaining information from current systems, adjusting the IT systems to capture the additional data requirements.

***IFRS 16 Leases (effective 1 January 2019)***

IFRS 16 Leases ("IFRS 16") eliminates the classification of leases as either operating leases or finance leases for a lessee, and instead introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. The requirements relating to the definition of a lease have been changed from those included in IAS 17. Guidance is provided on how to determine short term leases as well as leases of low-value assets. The accounting requirements for lessors have largely remained unchanged. New disclosures regarding leases are also introduced. The effective date of IFRS 16 is 1 January 2019, with an allowance for early adoption, provided the entity applies IFRS 15 Revenue from Contracts with Customers at the same time. The group is in the process of assessing the impact.

***IFRS 15 – Revenue from contracts with customers. (with effective date of 1 January 2018)***

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. The Standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers to improve comparability within industries, across industries, and across capital markets with the exemption of interest income. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The group is in the process of assessing the impact.

***Amendments to IFRS 2 – Share-based Payment (with effective date of 1 January 2018)***

The International Accounting Standards Board (IASB) has published final amendments to IFRS 2 'Share-based Payment' on 20 June 2017 that clarify the classification and measurement of share-based payment transactions which contains the following: (a) accounting for cash-settled share-based payment transactions that include a performance condition; (b) classification of share-based payment transactions with net settlement features; and (c) the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The group is in the process of assessing the impact.

### 3.3 Basis of consolidation

#### (a) Subsidiaries

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

- [i] power over the investee;
- [ii] exposure, or rights, to variable returns from its involvement with the investee; and
- [iii] the ability to use its power over the investee to affect the amount of the investor's returns

The Group reassess periodically 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. A group considers all relevant facts and circumstances in assessing whether or not its voting rights are sufficient to give it power, including:

- [i] a contractual arrangement between the group and other vote holders
- [ii] rights arising from other contractual arrangements
- [iii] the group's voting rights (including voting patterns at previous shareholders' meetings)
- [iv] potential voting rights

The 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.

#### (b) 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 gain from a bargain purchase is recognised immediately in statement of comprehensive income.

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

**(c) 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.

**(d) Disposal of subsidiaries**

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. Foreign currency translation differences become realised when the related subsidiary is disposed.

**(e) 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.

**(f) 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**

**(a) 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 Entities (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.

**(b) 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.

**(c) 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:

- [i] assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- [ii] 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
- [iii] all resulting exchange differences are recognised in other comprehensive income.

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

**3.6 Operating income**

**(a) 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 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

**(b) 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.

Fee and commission presented in the income statement includes:

- Credit related fees and commission: These fees are not integral to the loans and are therefore not included in the EIR calculation. These 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.
- Current account maintenance fees (formerly Commission on Turnover): This fee is charged as N1 on every N1,000 in respect of all customer induced debit transactions. This fee is recognised one-off by the bank.
- Other fees and commission income, includes card related commissions, commission on letters of credit, account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees. These fees and commissions are recognised as the related services are performed

**(c) Net gains on investment securities**

Net gains on investment securities comprise of the following:

- Net gains/losses on financial instruments classified as held for trading: This includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value of derivatives instruments.
- Net gains on financial instruments held as available for sale: This relates to gains arising from the disposal of financial instruments held as available for sale as well as fair value changes reclassified from other comprehensive income upon disposal.

**(d) Foreign exchange income**

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

**(e) Other operating income**

Other operating income includes items such as dividends, gains on disposal of properties, rental income, income from asset management, brokerage and agency as well as income from other investments.

- Dividend on available for sale equity securities: This 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**

The tax expense for the year 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.

**(a) 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.

**(b) 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 derivative financial instruments) have to be rerecognised 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 39 category.

	Category (as defined by IAS 39)	Class (as determined by the Group)
	Financial assets at fair value through profit or loss	Non pledged trading assets
		Derivative financial assets
		Cash and balances with banks
	Loans and receivables	Loans and advances to banks
		Loans and advances to customers
		Other assets
	Held to maturity	Investment securities - debt securities (pledged and non pledged)
		Investment securities - debt securities (pledged and non pledged)
	Available for sale financial assets	Investment securities - equity securities
		Investment under management
	Category (as defined by IAS 39)	Class (as determined by the Group)
	Financial liabilities at fair value through profit or loss	Derivatives
	Financial liabilities at amortised cost	Deposits from banks Deposits from customers Interest bearing borrowings Debt securities issued Other liabilities
Financial liabilities		

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

#### (a) 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date – 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 losses 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.

Available for sale instruments include investment securities.

#### **[v] Investments under management**

Investment under management are funds entrusted to Asset management firms who acts as agents to the bank for safe keeping and management for investment purpose with returns on the underlying investments accruable to the Bank, who is the principal.

The investment decision made by the Asset management within an agreed portfolio of high quality Nigerian fixed income and money market instruments which are usually short tenured.

The investments are carried as available-for-sale and accounting policy (3.9) (a) [iv] applies.

#### **(b) 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.

##### **[i] 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, other financial liabilities carried at amortised cost include deposit from banks, deposit from customers, interest bearing borrowings, debt securities issued and other liabilities

**[ii] 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 21 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. Derivatives are presented as financial assets or financial 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.

**(c) De-recognition**

**[i] 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.

Loans that are either subject to collective impairment assessment or individually significant 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.

**[ii] Financial liabilities**

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

**(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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 receivables**

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 modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment 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 modeling. 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.

**(h) 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.

**(i) Repossessed collateral**

Repossessed collateral are equities, investment properties or other investments repossessed 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 separately disclosed in the financial statement.

**(j) 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.

**(k) 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.

**(l) 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 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.

### **3.11 Property and equipment**

#### **(a) 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

#### **(b) 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.

#### **(c) 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	60 years
Computer hardware	3 - 4.5 years
Furniture and fittings	3 - 6 years
Motor vehicles	5 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 reviewed for impairment whenever events or changes 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.

**(d) 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.

**3.12 Intangible assets****(a) 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 has an indefinite useful life and 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.

**(b) 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.

**3.13 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

**(a) 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.

**(b) 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.

**3.14 Impairment of non-financial assets**

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

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

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

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

**3.15 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.

**3.16 Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the period in which it arises.

### 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.

#### (a) 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 which includes Letters of credit 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 guaranteed 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).

Letters of credits which have been guaranteed by Access bank but funded by the customer is included in other liabilities while those guaranteed and funded by the Bank is included in Deposit from financial institutions.

### 3.19 Employee benefits

#### (a) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution 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 8% and 10% respectively of the qualifying staff salary in line with the provisions of the Pension Reforms Act 2014.

#### (b) 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.

#### (c) 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 immediately recognized in the income statement. The Bank recognizes all actuarial gains or losses and all expenses arising from defined benefit plan immediately in the balance sheet, with a charge or credit to other comprehensive income (OCI) in the periods in which they occur. They are not recycled subsequently in the income statement.

**(d) 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.

**(e) Share-based payment remuneration scheme**

The Group applies IFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares. The cost of the employee services received in respect of the shares or share granted is recognised in the income statement over the period that employees provide services, generally the period between the date the award is granted or notified and the vesting date of the shares. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a forfeiture, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability.

**3.20 Share capital and reserves****(a) Share issue costs**

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

**(b) 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.

**(c) 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.

**(d) 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 and 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.

**(e) Statutory credit reserve**

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing losses in risk assets. Assets are classified as performing or non-performing. Non performing assets are further classed as substandard, doubtful or lost with attendant provisions per the table below based on objective criteria

Classification	Percentage	Basis
Substandard	10%	Interest and/or principal overdue by 90 days but less than
Doubtful	50%	Interest and/or principal overdue by 180 days but less than
Lost	100%	Interest and/or principal overdue by more than 365 days

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non-distributable 'Statutory credit reserve'. Where the IAS 39 impairment is greater, no appropriation is made and the amount of IAS 39 impairment is recognised in the income statement

Following an examination, the regulator may also require more amounts to be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to statutory risk reserve.

### **3.21 Levies**

The Group recognizes liability to pay levies progressively if the obligating event occurs over a period of time. However, if the obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The Group recognizes an asset if it has paid a levy before the obligating event but does not yet have a present obligation to pay that levy. The obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. The same recognition principles are applied in interim financial reports.

**4.0 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

**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.

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed by the Credit Risk Management Department (CRMD).

A collective component of the total allowance is established for:

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

Collective allowance for groups of homogeneous loans is established using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

**Sensitivity of Exposure at default - Probability of Default (PD) & Loss Given Default (LGD)**

Had there been a 20% reduction in expected cashflows from all the significantly impaired loans and customers rated ORR 5 facilities were impaired, there would have been an additional impairment of N15.1bn in the financial statements relating to this. In addition, if the PDs and LGDs were increased by 2%, impairment charge would have further increased by N309m but if the PDs and LGDs were decreased by 2%, there would have been a write back of impairment of N296m.

	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
	<b>Loans and advances to individuals</b>		<b>Loans and advances to corporates</b>	
<b>Impact on Profit before tax</b>				
20% reduction in expected cashflow from Specifically loans and All customers rated 5 are specifically impaired	(15,099,484)	(2,204,979)	(15,097,974)	(2,204,979)
Increase in LGD and PD by 2%	(312,644)	(21,795,115)	(309,855)	(21,129,199)
Decrease in LGDs and PD by 2%	299,477	20,940,405	296,600	20,288,377
Increase in LGDs and PD by 10%	(1,536,471)	(23,504,536)	(1,522,766)	(22,911,741)
Decrease in LGDs and PD by 10%	1,524,153	19,230,984	1,509,511	18,707,632

**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  
*In thousands of Naira*

Bank	Note	June 2017	December 2016
<b>Loans &amp; advances:</b>			
Specific impairment allowances on loans to customers			
- Loans to Individuals	23(b)	384,950	405,200
- Loans to Corporate	23(b)	13,031,570	9,679,116
22		-	-
Specific impairment allowances on loans to banks			
Collective impairment allowances on loans to customers			
- Loans to Individuals	23(b)	968,896	1,039,812
- Loans to Corporates	23(b)	25,108,482	19,151,386
22		20,122	23,386
Total impairment allowances on loans per IFRS		<b>39,514,020</b>	<b>30,298,900</b>
<b>Total regulatory impairment based on prudential guidelines</b>			
Balance, beginning of the period		<b>74,572,287</b>	<b>65,357,167</b>
Additional transfers to regulatory risk reserve		35,058,267	37,826,382
<b>Balance, end of the period</b>		<b>35,058,267</b>	<b>35,058,267</b>

The Central Bank of Nigeria (CBN) via its circular BSD/DIR/GEN/LAB/08/052 issued on 11 November 2015, directed banks in Nigeria to increase the general provision on performing loans from 1 percent to 2 percent for prudential review of credit portfolios in order to ensure adequate buffer against unexpected loan losses.

**4.1 Valuation of financial instruments**

The table below analyses financial and non-financial instruments measured at fair value at the end of the financial period, 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***Group**  
**June 2017**

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment under management	6,878,376	9,744,899	-	16,623,275
Non pledged trading assets				
Treasury bills	12,001,480	-	-	12,001,480
Bonds	2,428,386	27,961	-	2,456,347
Equity	59,348	-	-	59,348
Derivative financial instrument	-	148,397,715	-	148,397,715
Pledged assets				
Treasury bills	200,914,655	-	-	200,914,655
Bonds	27,039,561	-	-	27,039,561
Investment securities				
Available for sale				
Treasury bills	33,740,025	-	-	33,740,025
Bonds	23,207,003	3,456,270	-	26,663,273
Equity	1,124,439	8,095,885	55,179,378	64,399,702
Assets held for sale		-	110,727	110,727
	<b>307,393,274</b>	<b>169,722,731</b>	<b>55,290,105</b>	<b>532,406,109</b>
<b>Liabilities</b>				
Derivative financial instrument	-	24,333,846	-	24,333,846
	<b>-</b>	<b>24,333,846</b>	<b>-</b>	<b>24,333,846</b>

**Group**  
**December 2016**

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment under management	7,346,795	7,524,452	-	14,871,247
Non pledged trading assets				
Treasury bills	34,381,635	-	-	34,381,635
Bonds	10,170,293	18,304	-	10,188,597
Equity	59,348	-	-	59,348
Derivative financial instrument	-	156,042,984	-	156,042,984
Pledged assets				
Treasury bills	188,239,520	-	-	188,239,520
Bonds	7,516,209	-	-	7,516,209
Investment securities				
Available for sale				
Treasury bills	69,346,601	-	-	69,346,601
Bonds	29,252,094	3,431,482	-	32,683,576
Equity	1,147,387	7,451,138	55,179,378	63,777,903
Assets held for sale		-	110,727	110,727
	<b>347,459,881</b>	<b>174,468,360</b>	<b>55,290,105</b>	<b>577,218,345</b>
<b>Liabilities</b>				
Derivative financial instrument	-	30,444,501	-	30,444,501
	<b>-</b>	<b>30,444,501</b>	<b>-</b>	<b>30,444,501</b>

**Bank**  
**June 2017**  
*In thousands of Naira*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Investment under management	6,878,376	9,744,899	-	16,623,274
Non pledged trading assets				
Treasury bills	12,001,480	-	-	12,001,480
Bonds	2,428,386	27,961	-	2,456,347
Equity	59,348	-	-	59,348
Pledged assets				
Treasury bills	200,914,655	-	-	200,914,655
Bonds	27,039,561	-	-	27,039,561
Derivative financial instrument	-	147,986,650	-	147,986,650
Investment securities				
Available for sale				
Bonds	15,668,089	3,456,270	-	19,124,359
Equity	1,124,439	8,095,885	54,929,514	64,149,838
Asset held for sale	-	-	110,727	110,727
	<b>266,114,334</b>	<b>169,311,666</b>	<b>55,040,240</b>	<b>490,466,239</b>
<b>Liabilities</b>				
Derivative financial instrument	-	24,323,543	-	24,323,543
	<b>-</b>	<b>24,323,543</b>	<b>-</b>	<b>24,323,543</b>

**Bank**  
**December 2016**  
*In thousands of Naira*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Investment under management	7,346,795	7,524,452	-	14,871,247
Non pledged trading assets				
Treasury bills	34,381,635	-	-	34,381,635
Bonds	10,170,293	18,304	-	10,188,597
Equity	59,348	-	-	59,348
Pledged assets				
Treasury bills	188,239,521	-	-	188,239,521
Bonds	7,516,209	-	-	7,516,209
Derivative financial instrument	-	155,772,662	-	155,772,662
Investment securities				
Available for sale				
Treasury bills	40,960,665	-	-	40,960,665
Bonds	18,025,037	3,431,482	-	21,456,519
Equity	1,147,387	7,451,138	49,821,881	58,420,406
Asset held for sale	-	-	140,727	140,727
	<b>307,846,890</b>	<b>174,198,036</b>	<b>49,962,608</b>	<b>532,007,535</b>
<b>Liabilities</b>				
Derivative financial instrument	-	30,275,181	-	30,275,181
	<b>-</b>	<b>30,275,181</b>	<b>-</b>	<b>30,275,181</b>

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

**4.1.2 Financial instruments not measured at fair value**

**Group**  
**June 2017**  
*In thousands of Naira*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and balances with banks	-	716,824,937	-	716,824,937
Investment under management	260,874	-	-	260,874
Loans and advances to banks	-	53,121,272	-	53,121,272
Loans and advances to customers	-	-	1,687,424,687	1,687,424,687
Pledged assets				
Bonds	98,840,587	-	-	98,840,587
Investment securities				
Held to Maturity				
Treasury bills	27,347,558	-	-	27,347,558
Bonds	30,729,231	-	-	30,729,231
Other assets	-	-	73,894,759	73,894,759
	<b>157,178,250</b>	<b>760,946,209</b>	<b>1,761,319,446</b>	<b>2,688,443,904</b>
<b>Liabilities</b>				
Deposits from financial institutions	-	232,052,815	-	232,052,815
Deposits from customers	-	1,900,166,413	-	1,900,166,413
Other liabilities	-	-	150,502,857	150,502,857
Debt securities issued	366,079,065	-	-	366,079,065
Interest-bearing borrowings	-	280,496,048	-	280,496,048
	<b>366,079,065</b>	<b>2,421,715,276</b>	<b>150,502,857</b>	<b>2,938,297,198</b>

**Group**  
**December 2016**  
*In thousands of Naira*

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with banks	-	714,858,231	-	714,858,231
Investment under management	-	-	-	-
Loans and advances to banks	-	45,847,527	-	45,847,527
Loans and advances to customers	-	-	1,771,419,816	1,771,419,816
Pledged assets				
Treasury bills	-	-	-	-
Bonds	79,336,927	-	-	79,336,927
Investment securities				
Held to Maturity				
Treasury bills	27,347,558	-	-	27,347,558
Bonds	30,729,231	-	-	30,729,231
Other assets	-	-	41,796,068	41,796,068
	137,413,716	760,705,758	1,813,215,884	2,711,335,358

## Liabilities

Deposits from financial institutions	-	167,356,583	-	167,356,583
Deposits from customers	-	2,101,625,991	-	2,101,625,991
Other liabilities	-	-	111,117,648	111,117,648
Debt securities issued	312,815,183	-	-	312,815,183
Interest-bearing borrowings	72,895,869	230,282,772	-	303,178,641
	285,711,052	2,400,265,246	111,117,648	2,096,094,046

## **Bank**

June 2017

*In thousands of Naira*

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with banks	-	568,052,593	-	568,052,593
Investment under management	260,874	-	-	260,874
Loans and advances to banks	-	91,830,938	-	91,830,938
Loans and advances to customers	-	-	1,479,957,434	1,479,957,434
Pledged assets				
Treasury bills	-	-	-	-
Bonds	98,840,587	-	-	98,840,587
Investment securities				
Held to maturity				
Treasury bills	-	-	-	-
Bonds	8,482,553	-	-	8,482,553
Other Assets		-	62,031,250	62,031,250
	107,584,014	659,883,531	1,541,988,683	2,309,456,227

## Liabilities

Deposits from financial institutions	-	185,913,431	-	185,913,431
Deposits from customers	-	1,627,241,905	-	1,627,241,905
Other liabilities	-	-	145,442,143	145,442,143
Debt securities issued	293,790,095	-	-	293,790,095
Interest-bearing borrowings	72,267,220	288,918,211	-	361,185,431
	366,057,315	2,102,073,547	145,442,143	2,613,573,009

## Bank

December 2016

*In thousands of Naira*

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with banks	-	517,997,249	-	517,997,249
Investment under management	-	-	-	-
Loans and advances to banks	-	104,651,099	-	104,651,099
Loans and advances to customers	-	-	1,584,350,701	1,584,350,701
Pledged assets				
Treasury bills	-	-	-	-
Bonds	79,336,927	-	-	79,336,927
Investment securities				
Held to maturity				
Treasury bills	-	-	-	-
Bonds	30,729,231	-	-	30,729,231
Other Assets	-	-	33,265,072	33,265,072
	110,066,158	622,648,348	1,617,615,773	2,350,330,279

## Liabilities

Deposits from financial institutions	-	95,107,837	-	95,107,837
Deposits from customers	-	1,825,471,578	-	1,825,471,578
Other liabilities	-	-	105,287,724	105,287,724
Debt securities issued	227,210,069	-	-	227,210,069
Interest-bearing borrowings	72,895,869	303,178,641	-	376,074,510
	300,105,938	2,223,758,056	105,287,724	2,629,151,718

**Financial instrument measured at fair value****(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 of 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 period under review. Fair values of unquoted debt securities were derived by interpolating prices of quoted debt securities with similar maturity profile and characteristics. There were no transfer between levels 1 and 2 during the period.

**(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 Market approach. These securities are not actively traded and the prices used in the valuation are prices as at the last trade date of these securities. Below is a table showing sensitivity analysis of material unquoted investments categorised as Level 2 fair values.

Description	Fair value at 30 June 2017	Valuation Technique	Observable Inputs	Fair value if inputs increased by 5%	Fair value if inputs decreased by 5%	Relationship of unobservable inputs to fair value
Investment in MTN	8,095,885	Fair value through quoted share price as at last trade date.	Share price from last trade date Number of units owned by Access bank	8,500,679	7,691,091	The higher the share price as at the last trade date, the higher the fair value

**Valuation techniques used to derive Level 3 fair values**

Level 3 fair values of investments have been generally derived using the adjusted fair value comparison approach. Quoted price per earning or price per book value, enterprise value to EBITDA 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	Fair value at 30 June 2017	Valuation Technique	Observable Inputs	Fair value if inputs increased by 5%	Fair value if inputs decreased by 5%	Fair value if unobservable inputs increased by 5%	Fair value if unobservable inputs decreased by 5%	Relationship of unobservable inputs to fair value
Investment in African Finance Corporation	47,024,418	Adjusted fair value comparison approach	Average P/B multiples of comparable companies	49,375,639	44,673,197	49,375,639	44,673,197	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Investment in Unified Payment System	3,130,451	Adjusted fair value comparison approach	Median of Enterprise value to EBITDA ratio (EV/EBITDA) of similar comparable companies	3,286,974	2,973,929	3,246,824	3,014,079	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Investment in CSCS	1,343,868	Adjusted fair value comparison approach	Median of Enterprise value to EBITDA ratio (EV/EBITDA) of similar comparable companies	1,411,061	1,276,675	1,408,673	1,279,062	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Investment in NIBSS	2,911,506	Adjusted fair value comparison approach	Weighted Price to earnings (P/E) ratio of similar comparable companies	3,057,081	2,765,931	3,057,081	2,765,931	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Investment in Afrexim	13,848	Adjusted fair value comparison approach	Average P/B multiples of comparable companies	14,540	13,155	14,540	13,155	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Investment in FMDQ	130,610	Adjusted fair value comparison approach	Average P/B multiples of comparable companies	137,141	124,080	137,141	124,080	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Investment in CRC	281,626	Adjusted fair value comparison approach	Average P/B multiples of comparable companies	295,708	267,545	292,414	270,836	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value
Nigerian Mortgage Refinance Company	93,186	Adjusted fair value comparison approach	Average P/B multiples of comparable companies	97,845	88,526	97,845	88,526	The higher the illiquidity ratio and the earnings per share haircut adjustment the higher the fair value

**Reconciliation of Level 3 Items**

The following tables presents the changes in Level 3 instruments for the period ended 30th June 2017

<b>Equity Securities - Available for Sale</b>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Opening balance	50,069,031	37,159,966	49,821,881	35,516,671
Total unrealised gains or (losses) in OCI	5,111,787	15,449,958	5,107,631	15,449,958
Reclassification to profit or loss	-	(2,540,893)	-	(1,144,748)
Balance, period end	<b>55,180,818</b>	<b>50,069,031</b>	<b>54,929,513</b>	<b>49,821,881</b>
<b>Assets Held for Sale</b>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Opening balance	140,727	179,843	140,727	179,843
Cost of Asset Additions/ (Disposal)	(30,000)	(39,116)	(30,000)	(39,116)
Balance, period end	<b>110,727</b>	<b>140,727</b>	<b>110,727</b>	<b>140,727</b>

Varying valuation techniques were applied in the valuation of assets classified as Level 3

**Disclosure Requirements for Level 3 Financial Instruments****Valuation Technique Unquoted Equity:**

The investment valuation policy (IVP) of the Group provides the framework for accounting for the Group's investment in unquoted equity securities, investment properties and assets held for sale while also providing a broad valuation guideline to be adopted in valuing them. Furthermore, the IVP details how the group decides its valuation policies and procedures and analysis changes in fair value measurements from period to period.

In accordance with IFRS 13 Fair Value Measurement, which outlines three approaches for valuing unquoted equity instruments; market approach, the income approach and the cost approach. The Group estimated the fair value of its investment in each of the unquoted equity securities at the end of the financial period using the Market approach.

The Adjusted fair value comparison approach of EV/EBITDA, P/E ratios and P/Bv ratios was adopted in valuing each of these equity investments taken into cognizance the suitability of the model to each equity investment and the availability of financial information while minimizing the use of unobservable data.

**Description of Valuation Methodology and inputs:**

The fair value of the other unquoted equity securities were derived using the Adjusted fair value comparison technique. Adjusted fair value comparison approach of EV/EBITDA, P/E ratios and P/B ratios are used as input data .

The steps involved in estimating the fair value of the Group's investment in each of the investees (i.e. unquoted equity securities) are as follows:

**Step 1:** Identify quoted companies with similar line of business ,structure and size

**Step 2:** Obtain the EV/EBITDA or the P/B or P/E ratios of these quoted companies identified from Bloomberg,Reuters or Nigeria Stock Exchange

**Step 3:** Derive the average or median of EV/EBITDA or the P/B or P/E ratios of these identified quoted companies

**Step 4:** Apply the lower of average (mean) or median of the identified quoted companies ratios on the EV/EBITDA or Book Value or Earnings of the investment company to get the value of the investment company

**Step 5:** Discount the derived value of the investment company by Illiquidity discount of 25% and EPS Haircut Adjustment of 40% to obtain the Adjusted Equity Value

**Step 6:** Multiply the Adjusted Equity value by the present exchange rate for foreign currency investment

**Step 7:** Compare the Adjusted Equity value with the carrying value of the investment company to arrive at a net gain or loss

**a. Enterprise Value (EV):**

Enterprise value measures the value of the ongoing operations of a company. It is calculated as the market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents of the company .

**b. Earnings Before Interest ,Tax Depreciation and Tax (EBITDA ):**

EBITDA is earnings before interest, taxes, depreciation and amortization. EBITDA is one of the indicator's of a company's financial performance and is used as a proxy for the earning potential of a business.

EBITDA = Operating Profit + Depreciation Expense + Amortization Expense

**c. Price to Book (P/B Ratio):**

The price-to-book ratio (P/B Ratio) is used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest company book value per share or by dividing the company's market capitalization by the company's total book value from its balance sheet.

**d. Price to Earnings (P/E Ratio):**

The price-earnings ratio (P/E Ratio) values a company using the current share price relative to its per-share earnings.

The sources of the observable inputs used for comparable technique were gotten from Reuters ,Bloomberg and the Nigeria Stock Exchange

**Valuation Assumptions :**

- Illiquidity discount of 25% are used to discount the value of the investment being that they are not tradable
- EPS Hair cut "emerging market" discount of 40% to take care of inflation and exchange rate impact being that the comparable companies are in foreign countries

**Valuation Technique Asset Held for Sale:**

The Group policy on valuation of Asset Held for Sale is to appoint a professional expert valuer to value tangible asset held for sale. The professional expert used must be qualified and a member of the Nigeria Institute of Estate Surveyors and Valuers (NIESV) or International Institute of Valuers.

**Basis of valuation:**

The assets is being valued on a fair open market value approach. This implies that the value is based on the conservative estimates of the reasonable price that can be obtained if and when the subject asset is offered for sale under the present market conditions.

**Method of Valuation**

The comparative method of valuation in the valuation of the asset. This method involves the analysis of recent transaction in such asset within the same asset type and the size of the subject asset after due allowance have been made for peculiar attributes of the various asset concerned.

The key elements of the control framework for the valuation of financial instruments include model validation and independent price verification. These functions are carried out by an appropriately skilled Finance team, independent of the business area responsible for the products. The result of the valuation are reviewed quarterly by senior management.

**(iii) *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 19.50% (Dec. 2016: 19.5%) and a cash flow growth rate of 6.62% (Dec. 2016: 6.62%) over a period of four years. The Group determined the appropriate discount rate at the end of the period. See note 29b for further details.

**(iv) *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 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 37 for the sensitivity analysis.

**4.3 Financial assets and liabilities****Fair value measurement**

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.

<b>Group</b> <i>In thousands of Naira</i> <b>30 June 2017</b>	<b>Trading</b>	<b>Derivatives held for trading</b>	<b>Held-to-maturity</b>	<b>Loans and receivables at amortized cost</b>	<b>Available-for-sale</b>	<b>Fair value through profit or loss</b>	<b>Financial Liabilities measured at amortized cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
Cash and balances with banks	-	-	-	716,825,510	-	-	-	716,825,510	716,824,937
Investment under management	-	-	-	-	-	16,884,148	-	16,884,148	16,884,149
Non pledged trading assets									
Treasury bills	13,552,130	-	-	-	-	-	-	13,552,130	12,001,480
Bonds	2,456,347	-	-	-	-	-	-	2,456,347	2,456,347
Equity	59,348	-	-	-	-	-	-	59,348	59,348
Derivative financial instruments	-	148,397,715	-	-	-	-	-	148,397,715	148,397,715
Loans and advances to banks	-	-	-	54,010,483	-	-	-	54,010,483	91,830,938
Loans and advances to customers	-	-	-	1,739,443,893	-	-	-	1,739,443,893	1,687,424,687
Pledged assets									
Treasury bills	68,719,401	-	-	-	132,195,254	-	-	200,914,655	200,914,655
Bonds	-	-	166,579,447	-	27,039,561	-	-	193,619,008	125,880,148
Investment securities									
- Available for sale									
Treasury bills	-	-	-	-	33,740,025	-	-	33,740,025	33,740,025
Bonds	-	-	-	-	26,663,273	-	-	26,663,273	26,663,273
Equity	-	-	-	-	64,399,701	-	-	64,399,701	64,399,702
- Held to Maturity									
Treasury bills	-	-	31,217,965	-	-	-	-	31,217,965	27,347,558
Bonds	-	-	11,034,281	-	-	-	-	11,034,281	30,729,231
Other assets	-	-	-	73,894,759	-	-	-	73,894,759	73,894,759
	<b>84,787,226</b>	<b>148,397,715</b>	<b>208,831,693</b>	<b>2,584,174,645</b>	<b>284,037,814</b>	<b>16,884,148</b>	<b>-</b>	<b>3,327,113,244</b>	<b>3,259,448,952</b>
Deposits from financial institutions	-	-	-	-	-	227,595,925	227,595,925	232,052,815	
Deposits from customers	-	-	-	-	-	1,899,832,290	1,899,832,290	1,900,166,413	
Other liabilities	-	-	-	-	-	150,502,857	150,502,857	150,502,857	
Derivative financial instruments	-	24,333,846	-	-	-	-	-	24,333,846	24,333,846
Debt securities issued	-	-	-	-	-	361,716,229	361,716,229	366,079,065	
Interest bearing borrowings	-	-	-	-	-	286,465,687	286,465,687	289,496,048	
	<b>-</b>	<b>24,333,846</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,926,112,988</b>	<b>2,950,446,834</b>	<b>2,962,631,044</b>

Group <i>In thousands of Naira</i> <b>31 December 2016</b>	Trading	Derivatives held for trading	Held-to- maturity	Loans and receivables at amortized cost	Available- for-sale	Fair value through profit or loss	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and balances with banks	-	-	-	713,889,105	-	-	-	713,889,105	714,858,231
Investment under management	-	-	-	-	-	14,871,247	-	14,871,247	14,871,247
Non pledged trading assets									
Treasury bills	34,381,635	-	-	-	-	-	-	34,381,635	34,381,635
Bonds	10,188,597	-	-	-	-	-	-	10,188,597	10,188,597
Equity	59,348	-	-	-	-	-	-	59,348	59,348
Derivative financial instruments	-	156,042,984	-	-	-	-	-	156,042,984	156,042,984
Loans and advances to banks	-	-	-	45,203,002	-	-	-	45,203,002	45,203,002
Loans and advances to customers	-	-	-	1,809,459,172	-	-	-	1,809,459,172	1,771,419,816
Pledged assets									
Treasury bills	105,841,302	-	-	-	82,398,218	-	-	188,239,520	188,239,520
Bonds	-	-	119,191,773	-	7,516,209	-	-	126,707,982	86,853,136
Investment securities									
- Available for sale									
Treasury bills	-	-	-	-	69,346,601	-	-	69,346,601	69,346,601
Bonds	-	-	-	-	32,648,488	-	-	32,648,488	32,683,577
Equity	-	-	-	-	58,667,555	-	-	58,667,555	58,667,555
- Held to Maturity									
Treasury bills	-	-	27,350,114	-	-	-	-	27,350,114	27,347,558
Bonds	-	-	41,101,014	-	-	-	-	41,101,014	30,729,231
Other assets	-	-	-	41,796,068	-	-	-	41,796,068	41,796,068
	<b>150,470,882</b>	<b>156,042,984</b>	<b>187,642,901</b>	<b>2,610,347,347</b>	<b>250,577,071</b>	<b>14,871,247</b>	-	<b>3,369,952,432</b>	<b>3,342,136,203</b>
Deposits from financial institutions	-	-	-	-	-	-	167,356,583	167,356,583	167,356,583
Deposits from customers	-	-	-	-	-	-	2,089,197,286	2,089,197,286	2,101,625,991
Other liabilities	-	-	-	-	-	-	111,117,648	111,117,648	111,117,648
Derivative financial instruments	-	30,444,501	-	-	-	-	-	30,444,501	30,444,501
Debt securities issued	-	-	-	-	-	-	316,544,502	316,544,502	312,815,183
Interest bearing borrowings	-	-	-	-	-	-	299,543,707	299,543,707	303,178,641
	<b>-</b>	<b>30,444,501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,983,759,726</b>	<b>3,014,204,227</b>	<b>3,026,538,547</b>

Bank <i>In thousands of Naira</i>	Trading	Held-to-maturity	Loans and receivables at amortised cost	Available-for-sale	Fair value through profit or loss	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
<b>30 June 2017</b>		<b>Derivatives held for trading</b>						
Cash and balances with banks	-	-	568,053,167	-	-	-	568,053,167	568,052,593
Investment under management	-	-	-	-	16,884,148	-	16,884,148	16,884,148
Non pledged trading assets								
Treasury bills	12,001,480	-	-	-	-	-	12,001,480	12,001,480
Bonds	2,456,347	-	-	-	-	-	2,456,347	2,456,347
Equity	59,348						59,348	59,348
Derivative financial instruments	-	147,986,650	-	-	-	-	147,986,650	147,986,650
Loans and advances to banks	-	-	92,720,149	-	-	-	92,720,149	91,830,938
Loans and advances to customers	-	-	1,532,357,902	-	-	-	1,532,357,902	1,479,957,434
Pledged assets								
Treasury bills	68,719,399	-	-	132,195,255	-	-	200,914,655	200,914,655
Bonds	-	-	166,579,447	27,039,561	-	-	193,619,008	125,880,148
Investment securities								
Available for sale								
Bonds	-	-	-	19,124,358	-	-	19,124,358	19,124,359
Equity	-	-	-	64,149,837	-	-	64,149,837	64,149,838
Held to maturity								
Bonds	-	-	9,727,140	-	-	-	9,727,140	8,482,553
Other assets	-	-	-	62,031,250	-	-	62,031,250	62,031,250
	<b>83,236,574</b>	<b>147,986,650</b>	<b>176,306,587</b>	<b>2,255,162,468</b>	<b>242,509,011</b>	<b>16,884,148</b>	<b>2,922,085,439</b>	<b>2,799,811,741</b>
Deposits from financial institutions	-	-	-	-	-	181,456,542	181,456,542	185,913,431
Deposits from customers	-	-	-	-	-	1,626,907,782	1,626,907,782	1,627,241,905
Derivative financial instruments	-	24,323,543	-	-	-	-	24,323,543	24,323,543
Other liabilities	-	-	-	-	-	145,442,143	145,442,143	145,442,143
Debt securities issued	-	-	-	-	-	287,033,258	287,033,258	293,790,095
Interest bearing borrowings	-	-	-	-	-	359,219,315	359,219,315	361,185,431
	<b>-</b>	<b>24,323,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,600,059,040</b>	<b>2,624,382,583</b>	<b>2,637,896,548</b>

Bank <i>In thousands of Naira</i> <b>31 December 2016</b>	Trading	Derivatives held for trading	Held-to- maturity	Loans and receivables at amortised cost	Available-for-sale	Fair value through profit or loss	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and balances with banks	-	-	-	517,997,249	-	-	-	517,997,249	517,997,249
Investment under management	-	-	-	-	-	14,871,247	-	14,871,247	14,871,247
Non pledged trading assets									
Treasury bills	34,381,635	-	-	-	-	-	-	34,381,635	34,381,635
Bonds	10,188,597	-	-	-	-	-	-	10,188,597	10,188,597
Equity	59,348							59,348	59,348
Derivative financial instruments	-	155,772,662	-	-	-	-	-	155,772,662	155,772,662
Loans and advances to banks	-	-	-	104,006,574	-	-	-	104,006,574	104,651,099
Loans and advances to customers	-	-	-	1,594,562,345	-	-	-	1,594,562,345	1,584,350,701
Pledged assets									
Treasury bills	105,841,302	-	-	-	82,398,218	-	-	188,239,520	188,239,521
Bonds	-	-	119,191,773	-	7,516,209	-	-	126,707,982	86,853,136
Investment securities									
Available for sale									
Treasury bills	-	-	-	-	40,960,665	-	-	40,960,665	40,960,665
Bonds	-	-	-	-	21,456,519	-	-	21,456,519	21,456,519
Equity	-	-	-	-	58,420,406	-	-	58,420,406	58,420,406
Held to maturity									
Treasury bills	-	-	-	-	-	-	-	-	-
Bonds	-	-	40,363,051	-	-	-	-	40,363,051	30,729,231
Other assets	-	-	-	33,265,072	-	-	-	33,265,072	33,265,072
	<b>150,470,882</b>	<b>155,772,662</b>	<b>159,554,824</b>	<b>2,249,831,241</b>	<b>210,752,017</b>	<b>14,871,247</b>	<b>-</b>	<b>2,941,252,872</b>	<b>2,882,197,087</b>
Deposits from financial institutions	-	-	-	-	-	-	95,122,188	95,122,188	95,107,837
Deposits from customers	-	-	-	-	-	-	1,813,042,872	1,813,042,872	1,825,471,578
Derivative financial instruments	-	30,275,181	-	-	-	-	-	30,275,181	30,275,181
Other liabilities	-	-	-	-	-	-	105,287,724	105,287,724	105,287,724
Debt securities issued	-	-	-	-	-	-	243,952,418	243,952,418	227,210,069
Interest bearing borrowings	-	-	-	-	-	-	372,179,785	372,179,785	376,074,510
	<b>-</b>	<b>30,275,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,629,584,987</b>	<b>2,659,860,168</b>	<b>2,659,426,899</b>

**4.3 (b) Fair value of financial assets and liabilities not carried at fair value**

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 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 liabilities in other liabilities is a reasonable approximation of fair value. They comprise of short term liabilities which are available on demand to creditors with no contractual rates attached to them.

**(vii) Interest bearing borrowings**

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

## RISK MANAGEMENT FRAMEWORK

### FINANCIAL RISK MANAGEMENT

#### **Our Enterprise Risk Management Remains Custom-made**

Helping our stakeholders achieve their ambitions lies at the heart of our processes as we apply bespoke risk management framework in identifying, assessing, monitoring, controlling and reporting the inherent and residual risks associated with the pursuit of these ambitions and ensuring they are achieved the right way. We help in connecting our customers to opportunities through our avowed promise of speed, security and service.

The Bank's overall risk tolerance is established in the context of our earning power, capital and diversified business model. The Bank's organisational structure and business strategy is aligned with its risk management philosophy.

As we navigate through new frontiers in a growth market in the ever-changing risk universe, proactive Enterprise Risk Management Framework becomes even more critical. We continue to push the frontiers of our overall risk profile whilst remaining responsive to the ever-changing risk universe.

Access Bank views and treats risks as an intrinsic part of business and maintains a disciplined approach to its management of risk. Its Group Risk functions remain dynamic and responsive to the needs of stakeholders as it improves its focus on the inter-relationships between risk types. It uses periodic reviews of risk exposure limits and risk control to position itself against adverse scenarios. This is an invaluable tool with which the bank predicted and successfully managed the headwinds – local and global – which continued to impact the macroeconomy in the first half of 2016. Market volatility and economic uncertainty, like was witnessed in 2008, are typically contained because 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, as designed, continued 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.

Risk strategies and policies are set by the Board of Directors of Access Bank. These policies, which 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 are 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. 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 risks.

## RISK MANAGEMENT FRAMEWORK

The role of the Group Chief Risk Officer in Access Bank remains pivotal as he has the primary responsibility for the overall risk management and effective ERM Framework of both the Bank and its subsidiaries. He provides robust challenge to the management teams based on quantitative and qualitative metrics. Though 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.

Risk Management in Access Bank Plc. has become a culture and everyone, from the most junior officer to the Executive Management has cultivated the risk culture. The bank officers approach every banking transaction with care, taking into consideration the bank's acceptable risk appetite.

To some institutions, risk is viewed as a threat or uncertainty, but to us, it goes beyond that. Risk to us, presents potential opportunities to grow and develop our 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**

All activities and processes of Access Bank, involve the identification, measurement, evaluation, acceptance and management of risk or combinations of risks. The Board, advised by the various Board and Management Risk Committees, requires and encourages a strong risk governance culture which shapes the Group's attitude to risk. We believe that risk management 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.

Here in Access Bank, we have a holistic view of all major risks facing the bank. We remain vigilant with regard to both known and emerging risks and ensure that we are strong enough to withstand any exogenous shocks. Our Board-level risk committees play a critical role in providing oversight of risk management and ensuring that our risk appetite, risk culture and risk profile are consistent with and support our strategy to deliver long-term, sustainable success in achieving our strategic vision of being the world's most respected African Bank.

Risk, by definition, is dynamic in nature. The management of risk, consequently, must be evolving, necessitating regular review of the effectiveness of each enterprise risk management component. It is in the light of this that Access Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in 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.

## RISK MANAGEMENT FRAMEWORK

We are running an automated and workflow-driven approach to managing, communicating, and implementing Governance, Risk Management and Compliance (GRC) policies and procedures across the Bank. This provides an integrated and flexible platform for documenting and analysing risks, developing mitigation plans, defining controls, and managing ongoing risk assessments. It provides clear visibility on key risk indicators, assessment results, and compliance initiatives with integrated reporting of self-assessments, independent assessments, and automated controls.

We believe that understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic objectives. The Board's risk committees play an active role in ensuring that we undertake well-measured, profitable risk-taking activities that support long-term sustainable growth.

### **Recovery and Resolution Planning**

The 2008/2010 global financial crisis exposed Nigerian banks and the economy in general to unprecedented stress. Poor risk management in Nigerian banks led to the concentration of assets in certain risky areas. The concerns stemmed from the huge deterioration in the quality of banks' assets, liquidity concerns and low capital adequacy ratios. Consequently, the Central Bank of Nigeria had to intervene to prevent a total collapse of the industry and create stability in the Nigerian financial sector.

The Asset Management Corporation (AMCON) was set up in 2010 to relieve banking sector balance sheets of Non-Performing Loans thereby stimulating lending to the real sector. AMCON has over the period intervened by acquiring Eligible Bank Assets ("EBAs"), issuing financial accommodation securities and employing the bridging option to establish bridge banks as a form of resolution. The various regulatory interventions have been at the expense of taxpayers, as these funds could have been channelled towards infrastructural and human capital development.

Over the years, the failure of some of the hitherto biggest financial institutions sometimes without sufficient early warning signals had huge implications for the financial system and national economies. This became a learning point for regulators worldwide as they devised measures to reduce the impact of these bank failures on the financial system. Part of these measures included drawing up criteria to determine Systemically Important Financial Institutions (SIFIs).

The Financial Stability Board describes Systemically Important Financial Institutions (SIFIs) as "financial institutions whose distress or disorderly failure, because of their size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity".

The Central Bank of Nigeria designated eight banks as Domestic Systemically Important Banks (D-SIBs) in November 2013 and issued requirements for Recovery and Resolution Plans to be submitted by 1st January of every year. Access Bank was designated as a D-SIB, accordingly we have updated the Bank's 2016 recovery plan ('Recovery Plan') and made submissions to the relevant regulators. The Recovery Plan is updated at least once a year to reflect changes in the business and the regulatory environment.

## RISK MANAGEMENT FRAMEWORK

The Recovery Plan equips the Bank to re-establish its financial strength and viability during an extreme stress situation. The Recovery Plan's raison d'être is to document how we can respond to a financial stress situation that would significantly impact our capital or liquidity position. The plan outlines a set of defined actions, aimed to protect us, our customers and the markets and prevent a potentially more costly resolution event.

The Access Bank Recovery Plan conforms to the following guidelines:

Central Bank of Nigeria (CBN) Minimum Contents for Recovery Plans and Requirements for Resolution Planning. November 2016

European Banking Authority (EBA):

Regulatory Technical Standards (EBA/RTS/2014/11)

Guidelines (GL/2015/02)

Prudential Regulations Authority (PRA) Policy and Supervisory Statements (PS1/15 and SS18/13)

Financial Stability Board (FSB) Guidance on Recovery Triggers and Stress Scenarios dated 16 July 2013

Recovery Indicators are metrics that can be used by the Bank to define the points at which to take action under the recovery plan. Indicators are qualitative and quantitative in nature, and draw on our existing risk management frameworks. The Bank currently has several risk related frameworks in place for both financial and non-financial risk, such as the Enterprise Risk Management (ERM) Framework, Contingency Funding Plan (CFP) and Business Continuity Plan (BCP). The Bank's qualitative and quantitative indicators are drawn from our existing risk management frameworks.

Quantitative indicators include Capital, Liquidity, Asset Quality and Earnings indicators. In addition to these, macroeconomic and market-based indicators are used by us to proactively signal negative trends which may harm the Bank. These triggers provide input and support for the continuous monitoring of possible adverse situations and may indicate potential changes in the four key indicators. The trigger levels and thresholds for the indicators were determined based on regulatory requirements (CBN), the Bank's Risk Appetite, as well as global best practices. These indicators have different monitoring frequencies and a threshold breach will trigger a series of actions as specified in the plan.

In line with best practice, we have identified a wide range of recovery options that will mitigate different types of stress scenarios and steer the Bank back to a "BAU" condition. The Bank's ICAAP and ILAAP form the bedrock on which the Scenario Planning and Stress testing are shaped. These scenarios cover both idiosyncratic and market-wide events, which could lead to severe capital and liquidity impacts as well as impacts on our performance and balance sheet. For each recovery option, the impact on capital and liquidity is quantified. The timing to realization of benefits, franchise impact as well as likely effectiveness are evaluated. The implementation plan and timeline are delineated, risks and regulatory considerations are also assessed.

The Board of Directors ("Board") owns and is responsible for the Recovery Plan. The CRO is charged with the responsibility of maintaining the RRP and making submission to the regulatory authorities.

### **Resolution Planning**

Globally, regulators of financial institutions are seeking to mitigate the risk of market-wide disruption from a bank failure as occurred in the previous financial crisis. To facilitate this, information is required

## RISK MANAGEMENT FRAMEWORK

from banks to facilitate the ease of resolution by the regulators with minimal distortions and impediments thereby ensuring that the impact of failure is minimised, access to deposits are maintained, payment services continue and the risk of a fire sale of assets, which may cause financial instability, is minimised.

The Central Bank of Nigeria (CBN) Minimum Contents for recovery Plans and Requirements for Resolution Planning outlines minimum information which should be included in a resolution pack which would assist the resolution authorities in carrying out their statutory responsibilities. These information have been provided in line with the regulatory guidance

### **Balancing Risk and Return**

Balancing risk and return and taking cognisance of the capital required demands rigorous analysis. The ultimate aim is to optimize the upside and minimize the downside with a view to adding value to our shareholders, and providing security to our other capital providers and clients, as well as ensuring 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 Scenario and Stress Testing**

We use robust and appropriate scenario stress testing to assess the potential impact on the Group's capital adequacy and strategic plans. Our stress testing and scenario analysis programme is central to the monitoring of strategic and potential risks. It highlights the vulnerabilities of our business and capital plans to the adverse effects of extreme but plausible events. As a part of our core risk management

## RISK MANAGEMENT FRAMEWORK

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. The outcome of the testing and analysis is also used to assess the potential impact of the relevant scenarios on the demand for regulatory capital compared with its supply. These enterprise-wide stress tests provide an understanding of the potential impacts on 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. Scenarios are carefully selected by a group drawn from senior line of business, risk and finance executives. Impacts on 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.

### **Risk Analytics and Reporting**

The Bank's Risk Analytics and Reporting Group continues to champion the development and entrenchment of integrated data architecture to enhance risk analytics and reporting within the enterprise-wide risk management (ERM) space in Access Bank. The Group has aligned its governance and functions to that of leading global financial institutions and also considered all contents as seen in most jurisdictions where risk management is best practised.

The group gives Risk management space a critical depth and dimension in its risk management activities as it relates to data management and integration. The group is responsible for enhancing all core risk analytical and reporting functions that previously resided in the respective risk areas within our Enterprise-wide Risk Management (ERM), while the Bank's pre-defined governance structures in respect of the above-mentioned functions is retained by the respective risk groups.

The group remains the key driver in ensuring that Access Bank fully implements Basel II/III to the most advance levels in alignment with the Central Bank of Nigeria (CBN) prudential guidelines. The team is also responsible for the Internal Capital Adequacy Assessment Process (ICAAP), stress testing, Liquidity Risk measurement and other risk measurement activities. The group aligns its reporting with the Bank's predefined government structure such as BRMC, BCC and ERMC.

The functional set up of the Risk Analytics and Reporting group is as follows:

- Data management and integration

## RISK MANAGEMENT FRAMEWORK

- Integrated Risk Analytics
- Integrated Risk Reporting

### **Data Management and Integration.**

This unit is responsible for the development and maintenance of the enterprise Risk data architecture with a roadmap geared to promoting data integrity, data quality and ensuring integration with risk analytics and reporting.

The group has a data governance structure which enforces risk data governance and discipline across the Bank as well as data quality measurement metrics to reduce the Bank's risk exposure due to data quality issues.

An efficient structure has been put in place to ensure auto-reconciliation of data across risk and finance silos to improve timeliness and consistency of risk reporting. The group is in the process of developing a data structure model which will support the risk analytics and reporting activities, thus driving improvements.

### **Integrated Risk Analytics**

The group guides the analytical input into the implementation of various risk software and their on-going implementation in Credit risk, Market risk, Operational risk and other risk areas. The unit also drives the development as well as implementation of the internal and regulatory risk measurement methodology and models for the core risk elements; examples of the model are Rating models, Scoring models, Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) ,etc.

The unit designs stress test models and implements the same on the Bank's portfolios and risk profile as well as comprehensive risk analyses to provide insight into all current Strategic Business Unit (SBU) risk profiles. The group also drives the full implementation of Basel II/III and manages the Internal Adequacy Assessment Process (ICAAP).

In 2015, the group deepened the Risk Embedded Performance Management Frame work as part of the process of maintaining and aligning behaviours with the Bank's moderate risk appetite. Business performance will subsequently be monitored with a focus on financial performance and risk exposures being aligned with the Bank's risk appetite. The 2017 Budget was built with risk appetite as an integral part of the financial target determination. Varieties of triggers were employed and an automated process was created to efficiently track compliance and apply a risk charge to the various SBUs where there are deviations.

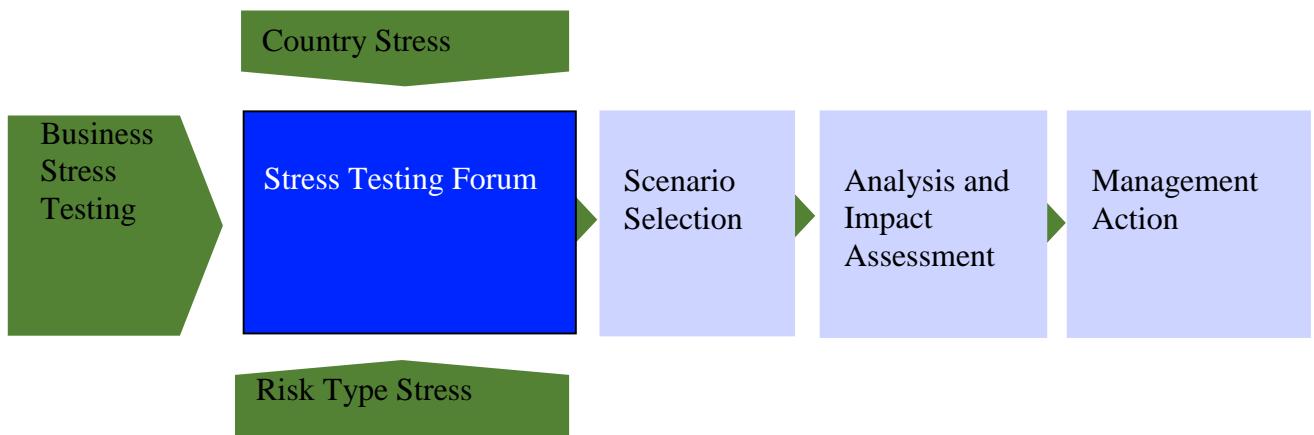
### **Integrated Risk Reporting.**

The group strives to improve all in-house analytical reporting of risk management in the bank and stimulate a culture of data-driven analytical insights for every decision impacting all risk touch points in the risk management process.

## RISK MANAGEMENT FRAMEWORK

The quality of risk reporting was also enhanced in 2015 by implementing an automated risk reporting system known as the Risk Management Report Portal and the subsequent inclusion of the Subsidiary Risk Management portal. This has led to easy and timely access to risk reports, provided early warning signals, better limit monitoring and better decision making for all units across risk management.

### 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

### Access Bank's Risk Culture Statement:

At Access Bank, we embrace a moderate risk appetite, whilst delivering strategic objectives. We anticipate the risks in our activities. We reward behaviour that aligns with our core values, controls and regulations. Challenges are discussed in an open environment of partnership and shared responsibility.

## RISK MANAGEMENT FRAMEWORK

Access Bank's Risk management philosophy and culture remain fundamental to the delivery of our strategic objectives. 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.

The Bank's acclaimed 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 fundamental 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.

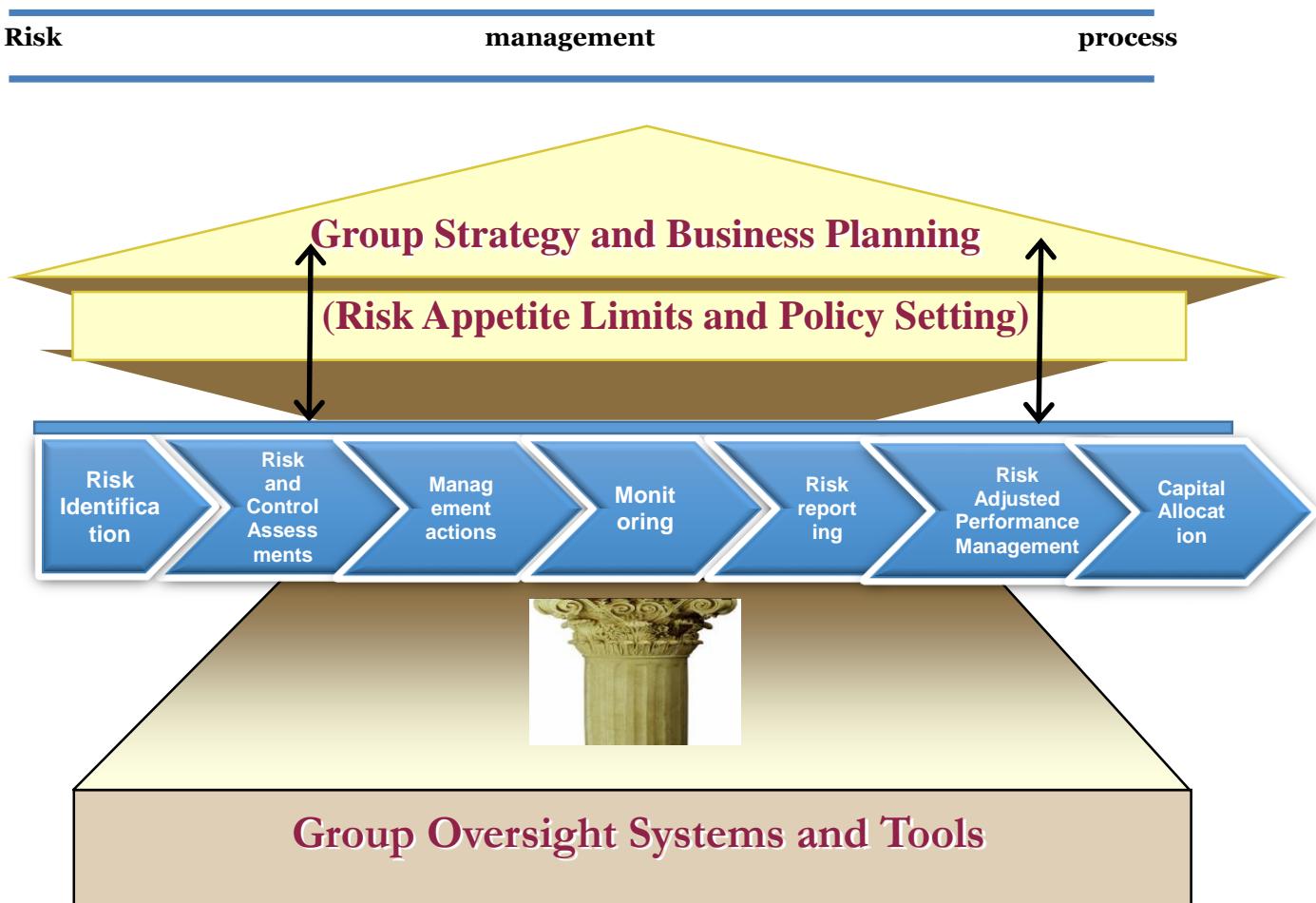
The Bank identifies the following attributes as guiding principles for its risk culture.

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;

## RISK MANAGEMENT FRAMEWORK

- 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' partners with 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) The bank also partners with its customers to improve their attitudes to risk management and encourage them to build corporate governance culture into their business management
- 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.



### Group risk oversight approach

Our risk governance framework, of which our risk appetite framework is a significant element, ensures the appropriate oversight of and accountability for the effective management of risk. 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 function 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 function is complemented by the financial control and strategy group in the management of strategic and reputational risks.

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

## RISK MANAGEMENT FRAMEWORK

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 approved 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 (e.g. 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 2015, the risk appetite metrics were tracked against approved triggers and exceptions were reported to management for prompt corrective actions. Key issues were also escalated to the Enterprise Risk Management committee and the Board Risk Management Committee.

## RISK MANAGEMENT FRAMEWORK

### 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, and other key stakeholders 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.

Access Bank Plc

Consolidated financial statements  
For the period ended 30 June 2017

## RISK MANAGEMENT FRAMEWORK

- d) Facilitate the identification, measurement, assessment, monitoring and control of the level of risks in the Bank.
- e) Embed risk culture in the Bank to ensure that everyone in the bank takes into consideration Access Bank risk appetite in whatever they do.
- f) Collect, process, verify, monitor and distribute risk information across the Bank and other material risk issues to senior management, the Board and regulators.
- g) Monitor compliance with bank-wide risk policies and limits.
- h) Empower Business unit risk champion to identify, monitor and report on the effectiveness of risk mitigation plans in reducing risk incidence as related to day to day activities in the unit.
- i) Ensure that laws, regulations and supervisory requirements are complied with including consequence management.
- j) Champion the implementation of Basel II and III.
- 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 FRAMEWORK

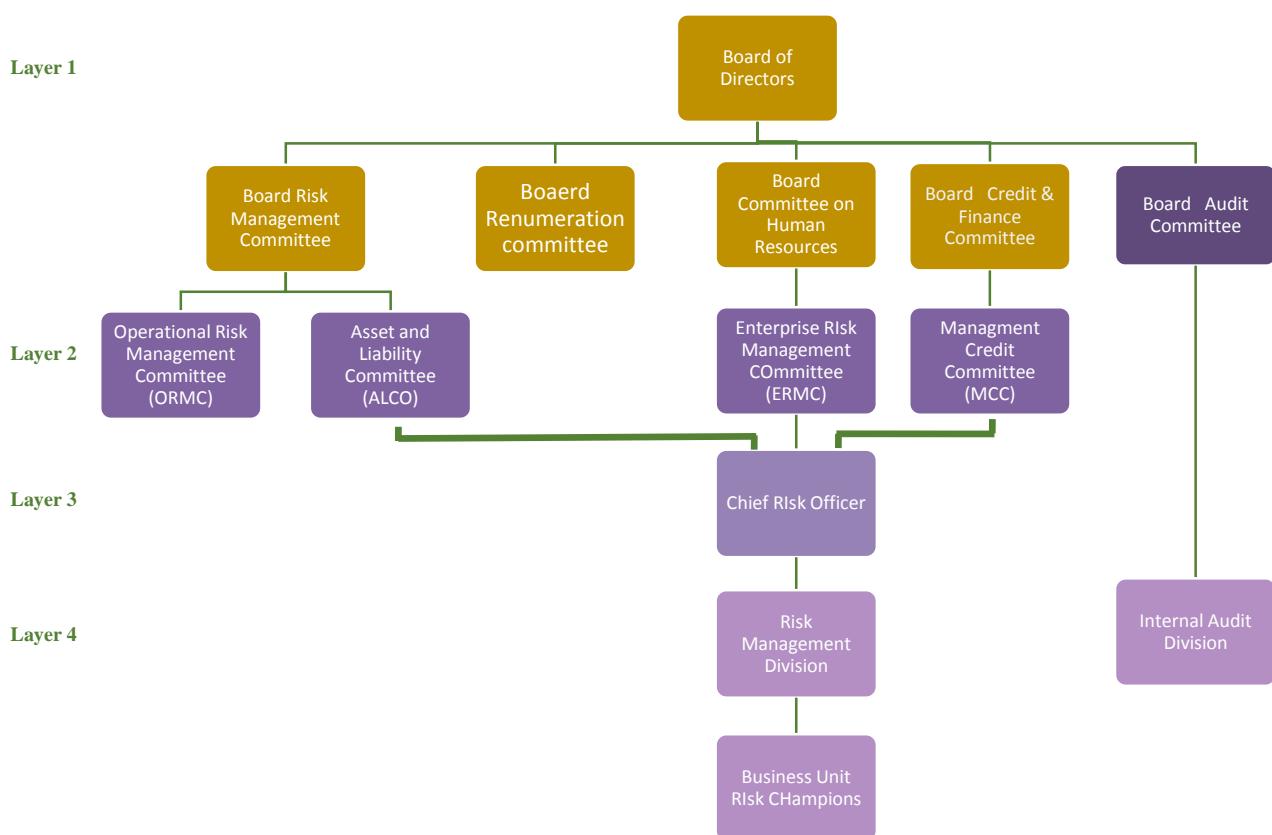
### Risk Management Governance Framework

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

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

### Risk Management Governance Structure

Access Bank's Risk Management Governance Structure is depicted below.



## RISK MANAGEMENT FRAMEWORK

### **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

## RISK MANAGEMENT FRAMEWORK

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 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) To put in place effective internal policies, systems and controls to identify, measure monitor, and control credit risk concentrations.
- f) Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place; and
- g) 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.

## RISK MANAGEMENT FRAMEWORK

### **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;

## RISK MANAGEMENT FRAMEWORK

- 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 on-going 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 of director is the highest approval authority for credit risk policies and credit facilities in Access Bank. It 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.

## RISK MANAGEMENT FRAMEWORK

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: the Board Risk Management Committee, the Board Audit Committee, the Board Human Resources Committee and the Board Credit & Finance Committee.

The management committees which exists in the Bank includes: 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).

Without prejudice to the roles of these committees, the full Board retains 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:

#### **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.

Access Bank Plc

Consolidated financial statements  
For the period ended 30 June 2017

## RISK MANAGEMENT FRAMEWORK

Provisions for credit losses meet IFRS and 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 the various Head of Risk within the Credit Risk Management Groups.

### **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 Mitigator 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

## RISK MANAGEMENT FRAMEWORK

responsible for deriving the ORR and FRR using approved methodologies as set out in this policy, however independent credit risk management will validate such ratings.

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

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

### **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 and risk rating 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.

Access Bank Plc

Consolidated financial statements  
For the period ended 30 June 2017

## RISK MANAGEMENT FRAMEWORK

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 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.

#### **For Retail Exposures:**

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

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

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

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

#### **For Non – Retail Exposures:**

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

1. Sovereign (Approach to rating Sovereign Exposures using External ratings)
2. Bank and NBFIs
3. Corporate
  - Manufacturing Sector
  - Trading Sector
  - Services Sector
  - Real Estate Sector
4. Small and Medium Enterprises (SME) Without Financials

Facility Risk Rating (FRR) Models have been developed for

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

## RISK MANAGEMENT FRAMEWORK

### 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 the 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 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 Long term equivalent	Grade
1	AAA	Investment Grade
2+	AA	
2	A	
2-	BBB	
3+	BB+	Standard Grade
3	BB	
3-	BB-	
4	B	Non Investment Grade

### Credit Risk Control & Mitigation policy

#### Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee. Individuals are also assigned credit approval authorities in line with the Bank's criteria for such delegation set out in its Credit Risk and Portfolio Management Plan. The principle of central management of risk and decision authority is maintained by the Bank. The maximum amount of credit that may be approved at each subsidiary is limited, with amounts above such limit being approved at the Head Office.

## RISK MANAGEMENT FRAMEWORK

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Where appropriate, credit derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, such derivatives are used in a controlled manner with reference to their expected volatility.

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types.

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	N300,000,000
Group Deputy Managing Director	N200,000,000
Group Executive Director	N100,000,000
Managing Directors of the Bank's subsidiaries	N65,000,000

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

	Credit Rating by S&P	Board of Directors	Board Credit Committee Approval Limit	Management Credit Committee Approval Limit
1	AAA	Single Obligor	N30 Billion	N15 Billion
2+	AA	Single Obligor	N25 Billion	N12.5 Billion
2	A	Single Obligor	N10 Billion	N2 Billion
2-	BBB	Single Obligor	N10 Billion	N1 Billion
3+	BB+	Single Obligor	N10 Billion	N500 Million
3	BB	Single Obligor	N10 Billion	N500 Million
3-	BB-	Single Obligor		Above N200 Million
4	B	Single Obligor		
5	B-	Single Obligor		

## RISK MANAGEMENT FRAMEWORK

### **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. For all credit risk mitigants that meet the policy criteria, a clear set of procedures are applied to ensure that the value of the underlying collateral is appropriately recorded and updated regularly.

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit.

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

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

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

## RISK MANAGEMENT FRAMEWORK

- 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 Traded Products**

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions.

The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

For derivative contracts, we limit our exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. As required by IAS 32, exposures are only presented net in the financial statement if there is a legal right to offset and the assets/liabilities will be settled simultaneously.

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.

### **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 interest rates and currency

## RISK MANAGEMENT FRAMEWORK

exchange rates. 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 efficient, monitoring and management of 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 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 to 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 approach for market risk and is used in the annual computation of the Internal Capital Adequacy Assessment Process (ICAAP) which involves the identification, measurement and assessment of all material risks and resultant capital requirements.

## RISK MANAGEMENT FRAMEWORK

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

### **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.

## RISK MANAGEMENT FRAMEWORK

### **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.

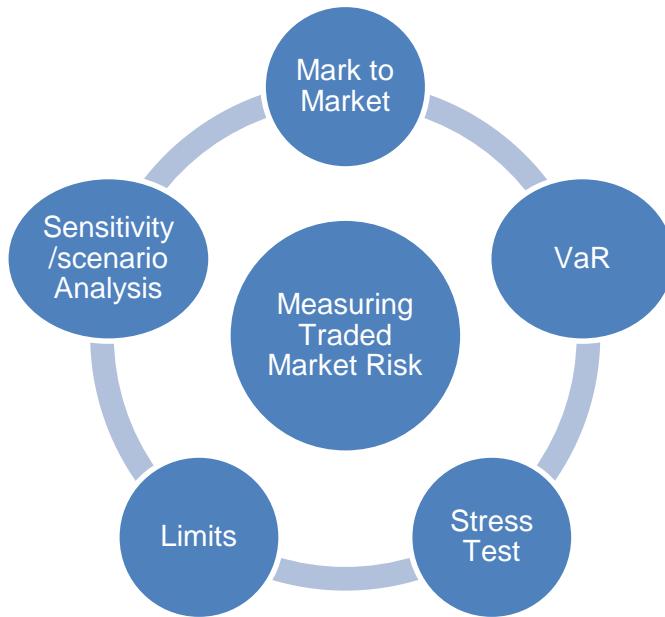
Stress testing generally involves consideration of the simultaneous movements in a number of risk factors. It is used to measure the level of potential unexpected losses for Credit, Market (both trading and non-trading), Operational and Liquidity Risks.

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 organization 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.

## RISK MANAGEMENT FRAMEWORK



### **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 authorization, 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.

## RISK MANAGEMENT FRAMEWORK

**Dealer Limits:** This limit sets a maximum transaction limit by a dealer. It is based on experience and knowledge.

**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 VaR limits are linked to the Banks risk appetite and Treasury' Budget. To quantify the risk appetite with respect to trading intentions we set the VaR limit as a % of this value.

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 VaR. This is further supported by a comprehensive set of non-VaR 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. 300 days of historical price and rate data is applied and updated daily. This internal model is used for measuring value at risk over both a one-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 the 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.

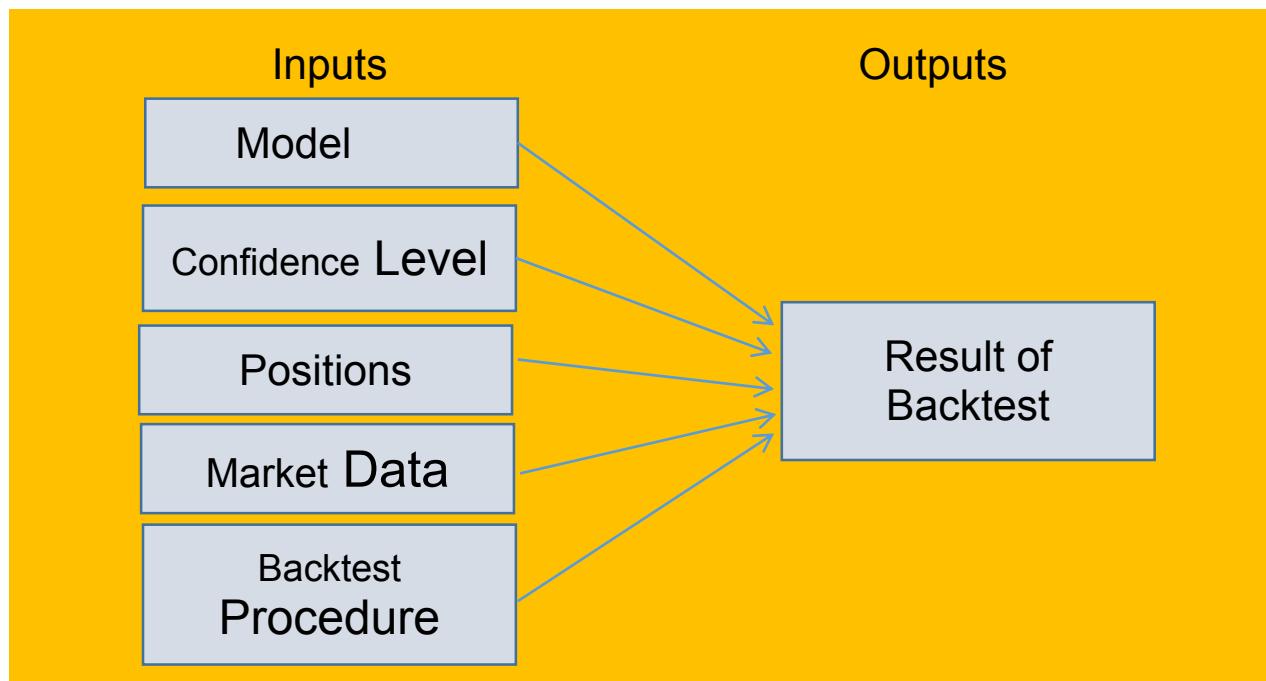
Prudent valuation practices are used in the VaR calculation when there is difficulty obtaining rate/price information.

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

## RISK MANAGEMENT FRAMEWORK

### **Back testing**

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 back testing, which counts the number of days when daily trading losses exceed the corresponding the VaR estimate.



The standard for back testing is to measure daily losses against the VaR measurement 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 VaR model. Back testing 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.

## RISK MANAGEMENT FRAMEWORK

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.

### **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, maximize access to funding sources, minimizes borrowing costs and facilitate 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. In line with Basel III regulations, the Bank has documented its internal Liquidity Adequacy Assessment Process (ILAAP).

### **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

## RISK MANAGEMENT FRAMEWORK

### 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 a contingency funding plan which incorporates 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 materialize, 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.

## 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:

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
Cash and balances with banks				
- Current balances with banks outside Nigeria	119,548,133	115,380,195	126,071,625	106,594,205
- Unrestricted balances with central banks	147,800,730	139,954,922	37,331,425	33,160,736
- Restricted balances with central banks	272,656,238	250,831,529	270,756,494	248,547,664
- Money market placements	41,519,620	119,826,012	6,097,588	41,798,197
- Other deposits with central banks	76,295,127	87,896,447	76,295,127	87,896,447
Investment under management	16,884,148	14,871,247	16,884,148	14,871,247
Non pledged trading assets				
Treasury bills	13,552,130	34,381,635	12,001,480	34,381,635
Bonds	2,456,347	10,188,597	2,456,347	10,188,597
Derivative financial instruments	148,397,715	156,042,984	147,986,650	155,772,662
Loans and advances to banks	54,010,483	45,203,002	92,720,149	104,006,574
Loans and advances to customers	1,739,443,893	1,809,459,172	1,532,357,902	1,594,562,345
Pledged assets				
Treasury bills	200,914,655	188,239,520	200,914,655	188,239,520
Bonds	193,619,008	126,707,982	193,619,008	126,707,982
Investment securities				
Available for sale				
Treasury bills	33,740,025	69,346,601	-	40,960,665
Bonds	26,663,273	32,891,849	19,124,358	21,699,880
Held to Maturity				
Treasury bills	31,217,965	27,350,114	-	-
Bonds	11,034,281	41,101,014	9,727,140	40,363,051
Other assets	73,894,759	41,796,068	62,031,250	33,265,072
<b>Total</b>	<b>3,203,648,530</b>	<b>3,311,468,890</b>	<b>2,806,375,346</b>	<b>2,883,016,479</b>
<b>Off balance sheet exposures</b>				
Transaction related bonds and guarantees	198,142,790	186,251,718	144,661,611	136,163,848
Guaranteed facilities	113,301,521	99,582,709	106,927,904	85,513,821
Clean line facilities for letters of credit and other commitments	317,240,113	261,208,243	203,661,763	158,994,793
Future, swap and forward contracts	782,746,710	933,073,893	772,477,622	900,436,358
<b>Total</b>	<b>1,411,431,134</b>	<b>1,480,116,563</b>	<b>1,227,728,900</b>	<b>1,281,108,820</b>

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 30 June 2017 and 31 December 2016, 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 net 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:

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
Agriculture	23,985,283	22,746,128	17,460,552	16,358,431
Construction	154,153,284	136,719,717	123,814,801	107,339,808
Education	2,098,895	2,866,466	1,199,024	1,411,646
Finance and insurance	21,992,040	24,432,492	18,838,214	21,309,881
General	62,856,494	65,759,892	54,292,873	58,753,541
General commerce	188,066,112	192,758,058	139,858,310	139,729,100
Government	255,584,269	265,754,095	255,508,286	265,300,462
Information And communication	99,015,911	118,887,314	96,059,186	114,360,925
Other Manufacturing (Industries)	87,866,658	98,361,843	66,645,358	77,233,498
Basic Metal Products	3,115,935	2,978,984	3,115,935	2,978,984
Cement	19,867,196	26,141,390	19,867,196	26,141,390
Conglomerate	28,316,561	31,074,505	28,316,561	31,074,505
Steel Rolling Mills	67,047,993	65,431,551	67,047,993	65,431,551
Flourmills And Bakeries	467,618	5,045,937	467,618	5,045,937
Food Manufacturing	25,778,610	29,921,021	17,950,622	22,140,950
Oil And Gas - Downstream	126,025,964	155,875,311	104,602,418	130,605,016
Oil And Gas - Services	222,012,198	204,208,802	220,030,180	201,268,821
Oil And Gas - Upstream	108,233,851	105,211,512	108,057,843	105,211,512
Crude oil refining	32,685,439	33,386,262	32,685,439	33,386,262
Real estate activities	129,888,404	134,617,760	121,476,827	128,653,753
Transportation and storage	64,254,883	64,919,122	53,822,094	52,966,761
Power and energy	20,990,152	21,406,071	10,315,490	9,465,028
Professional, scientific and technical activities	6,516,583	3,229,824	4,347,774	1,913,153
Others	33,077,225	33,431,407	6,071,208	6,756,944
	<b>1,783,897,557</b>	<b>1,845,165,464</b>	<b>1,571,851,800</b>	<b>1,624,837,859</b>

5.1.3(a) Group Credit quality by class <i>In thousands of Naira</i>	Loans and advances to Individuals		Loans and advances Corporates		Loans and advances to banks		Off balance sheet	
	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
	Carrying amount		1,679,313,946	1,748,686,478	54,010,484	45,203,003	1,411,431,134	1,480,116,562
<b>Neither past due nor impaired</b>								
Grade 1:	-	-	105,050,254	140,577,674	53,688,344	44,515,864	719,112,784	697,527,499
Grade 2:	-	-	514,301,035	620,986,103	-	-	295,641,809	254,394,923
Grade 3:	58,967,704	58,049,748	897,173,436	883,334,381	270,848	648,871	392,289,732	525,564,741
Grade 4:	476,113	1,630,027	118,652,864	85,410,961	-	-	4,386,809	2,629,399
Grade 5:	-	-	26,751,783	3,335,377	-	-	-	-
<b>Gross amount</b>	<b>59,443,817</b>	<b>59,679,776</b>	<b>1,661,929,372</b>	<b>1,733,644,496</b>	<b>53,959,192</b>	<b>45,164,735</b>	<b>1,411,431,134</b>	<b>1,480,116,562</b>
Impairment	(592,273)	(616,014)	(24,763,101)	(19,158,011)	(3,466)	(9,006)	-	-
<b>Carrying amount</b>	<b>58,851,544</b>	<b>59,062,861</b>	<b>1,637,166,271</b>	<b>1,714,486,485</b>	<b>53,955,726</b>	<b>45,155,729</b>	<b>1,411,431,134</b>	<b>1,480,116,562</b>
<b>Past due but not impaired:</b>								
Grade 6:	150,367	658,807	2,039,705	4,099,130	-	-	-	-
Grade 7:	769,173	852,431	11,837,537	1,067,363	71,414	61,654	-	-
Grade 8:	704,632	690,396	1,526,532	5,034,436	-	-	-	-
<b>Gross amount</b>	<b>1,624,172</b>	<b>2,201,634</b>	<b>15,403,773</b>	<b>10,200,929</b>	<b>71,414</b>	<b>61,654</b>	<b>-</b>	<b>-</b>
Impairment	(458,560)	(557,599)	(1,125,989)	(618,041)	(16,657)	(14,380)	-	-
<b>Carrying amount</b>	<b>1,165,612</b>	<b>1,644,035</b>	<b>14,277,785</b>	<b>9,582,888</b>	<b>54,757</b>	<b>47,274</b>	<b>-</b>	<b>-</b>
<b>Past due and impaired:</b>								
Grade 6: Impaired	591,288	405,200	9,752,194	5,727,631	-	-	-	-
Grade 7: Impaired	41,897	23,012	6,129,820	5,845,857	-	-	-	-
Grade 8: Impaired	237,732	103,016	28,743,492	27,243,913	-	-	-	-
<b>Gross amount</b>	<b>870,917</b>	<b>621,228</b>	<b>44,925,506</b>	<b>38,817,401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allowance for impairment	(758,126)	(555,430)	(16,755,016)	(14,200,296)	-	-	-	-
<b>Carrying amount</b>	<b>112,791</b>	<b>65,798</b>	<b>27,869,890</b>	<b>24,617,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bank Credit quality by class <i>In thousands of Naira</i>	Loans and advances to Individuals		Loans and advances Corporates		Loans and advances to banks		Off balance sheet	
	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
	Carrying amount		1,500,812,850	1,559,617,152	92,720,149	104,006,574	1,228,067,183	1,281,108,820
<b>Neither past due nor impaired</b>								
Grade 1:	-	-	100,846,407	138,494,537	92,398,010	103,319,435	719,112,784	697,527,499
Grade 2:	-	-	506,343,440	612,599,057	-	-	269,063,553	254,394,923
Grade 3:	30,720,199	34,386,962	766,519,724	747,567,989	270,848	648,871	235,504,039	326,556,998
Grade 4:	-	-	102,268,612	53,294,762	-	-	4,386,809	2,629,400
Grade 5:	-	-	26,744,967	3,335,377	-	-	-	-
<b>Gross amount</b>	<b>30,720,199</b>	<b>34,386,962</b>	<b>1,502,723,151</b>	<b>1,555,291,722</b>	<b>92,668,858</b>	<b>103,968,306</b>	<b>1,228,067,183</b>	<b>1,281,108,820</b>
Impairment	(510,336)	(578,908)	(24,218,082)	(18,737,558)	(3,466)	(9,006)	-	-
<b>Carrying amount</b>	<b>30,209,863</b>	<b>33,808,054</b>	<b>1,478,505,069</b>	<b>1,536,554,164</b>	<b>92,665,392</b>	<b>103,959,300</b>	<b>1,228,067,183</b>	<b>1,281,108,820</b>
<b>Past due but not Impaired:</b>								
Grade 6:	150,218	137,463	967,806	727,602	-	-	-	-
Grade 7:	769,097	833,271	2,637,045	757,098	71,414	61,654	-	-
Grade 8:	680,405	627,308	666,862	529,504	-	-	-	-
<b>Gross amount</b>	<b>1,599,720</b>	<b>1,598,042</b>	<b>4,271,713</b>	<b>2,014,204</b>	<b>71,414</b>	<b>61,654</b>	<b>-</b>	<b>-</b>
Impairment	(458,560)	(460,904)	(890,400)	(413,828)	(16,657)	(14,380)	-	-
<b>Carrying amount</b>	<b>1,141,160</b>	<b>1,137,138</b>	<b>3,381,313</b>	<b>1,600,376</b>	<b>54,757</b>	<b>47,274</b>	<b>-</b>	<b>-</b>
<b>Past due and Impaired:</b>								
Grade 6: Impaired	578,972	405,200	6,487,648	5,684,031	-	-	-	-
Grade 7: Impaired	-	-	2,584,532	3,582,551	-	-	-	-
Grade 8: Impaired	-	-	22,885,859	21,875,146	-	-	-	-
<b>Gross amount</b>	<b>578,972</b>	<b>405,200</b>	<b>31,958,039</b>	<b>31,141,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allowance for impairment	(384,950)	(405,200)	(13,031,570)	(9,679,116)	-	-	-	-
<b>Carrying amount</b>	<b>194,022</b>	<b>-</b>	<b>18,926,468</b>	<b>21,462,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5.1.3</b>								
<b>(b) Aging analysis of credit quality</b>								
30 June 2017	Group				Bank			
	Loans to individuals	Loans to Corporates and Banks	Other assets	Loans to individuals	Loans to Corporates and Banks	Other assets		
<b>Past due &amp; not impaired</b>								
Past due up to 30days	150,367	2,039,705	1,380,318	150,218	967,806	1,380,318		
Past due up 30 - 60 days	769,173	11,908,951	1,145,128	769,097	2,708,459	1,145,128		
Past due up 60 - 90 days	704,632	1,526,532	968,868	680,405	666,862	968,868		
<b>Total</b>	<b>1,624,172</b>	<b>15,475,187</b>	<b>3,494,314</b>	<b>1,599,720</b>	<b>4,343,127</b>	<b>3,494,314</b>		
<b>Past due &amp; impaired</b>								
Past due up to 91 - 180days	591,288	9,752,194	153,094	578,972	6,487,648	153,094		
Past due up 180 - 360 days	41,897	6,129,820	3,504	833,271	2,584,532	3,504		
Above 360days	237,732	28,743,492	707,491	646,200	22,885,859	707,491		
<b>Total</b>	<b>870,917</b>	<b>44,625,506</b>	<b>884,914</b>	<b>578,972</b>	<b>31,958,039</b>	<b>884,914</b>		
<b>31 December 2016</b>								
<b>Past due &amp; not impaired</b>								
Past due up to 30days	658,807	4,099,130	33,760	137,463	727,602	33,760		
Past due up 30 - 60 days	852,431	1,067,363	3,504	833,271	757,098	3,504		
Past due up 60 - 90 days	690,396	5,034,436	34,830	627,308	529,504	34,830		
<b>Total</b>	<b>2,201,634</b>	<b>10,200,929</b>	<b>72,094</b>	<b>1,598,042</b>	<b>2,014,204</b>	<b>72,094</b>		
<b>Past due &amp; impaired</b>								
Past due up to 91 - 180days	405,200	5,727,631	170,490	405,200	5,684,031	170,490		
Past due up 180 - 360 days	23,012	5,845,857	2,151,168	-	3,582,551	2,151,168		
Above 360days	193,016	27,243,913	646,200	-	21,875,146	646,200		
<b>Total</b>	<b>621,229</b>	<b>38,817,401</b>	<b>2,067,858</b>	<b>405,200</b>	<b>31,141,728</b>	<b>2,067,858</b>		

## 5.1.3 Credit quality

## (c) Credit quality by risk rating class

Group	Loans and advances to Individuals			Loans and advances to Corporates		Loans and advances to banks		
External Rating Equivalent	Grade	Risk Rating	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
<i>In thousands of Naira</i>								
AAA	Investment	1	-	-	105,050,243	140,577,676	53,688,344	44,515,863
AA	Investment	2+	-	-	158,811,105	172,873,234	-	-
A	Investment	2	-	-	153,794,685	195,719,545	-	-
BBB	Investment	2-	-	-	201,695,245	252,393,325	-	-
BB+	Standard	3+	609,770	698,134	231,582,218	257,581,303	-	-
BB	Standard	3	57,885,364	56,772,887	521,981,228	532,076,799	270,848	648,871
BB-	Standard	3-	472,570	577,003	143,609,990	93,676,279	-	-
B	Non-Investment	4	476,113	1,630,027	118,652,864	85,410,961	-	-
B-	Non-Investment	5	-	1,724	26,751,783	3,335,377	-	-
CCC	Non-Investment	6	741,655	1,064,007	11,791,898	9,826,761	-	-
C	Non-Investment	7	811,070	875,443	18,467,362	6,913,220	71,414	61,654
D	Non-Investment	8	942,365	883,412	29,770,030	32,278,349	-	-
<b>Gross amount</b>			<b>61,129,949</b>	<b>61,310,835</b>	<b>1,670,313,945</b>	<b>1,755,163,823</b>	<b>54,010,482</b>	<b>45,217,302</b>
Collective Impairment			(1,050,832)	(941,178)	(25,889,090)	(17,266,952)	(20,122)	(9,086)
Specific Impairment			(758,126)	(250,624)	(16,755,616)	(10,232,054)	-	-
<b>Carrying amount</b>			<b>60,129,949</b>	<b>61,310,835</b>	<b>1,670,313,945</b>	<b>1,755,163,823</b>	<b>54,010,482</b>	<b>45,217,302</b>
<b>Derivative Financial Instruments</b>								
<b>Gross Nominal</b>								
External Rating Equivalent	Grade	Risk Rating	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
AAA-A	Investment	1	-	-	472,650,933	499,960,107	133,846,178	130,383,150
A	Investment	2	-	-	7,385,190	28,635,979	1,796,920	3,668,990
AA	Investment	2+	-	-	3,078,493	20,574,538	187,071	1,523,707
BBB	Investment	2-	-	-	66,105,561	160,447,229	12,567,546	20,467,138
<b>Gross amount</b>			-	-	549,220,177	709,617,853	148,397,715	156,042,983
Collective Impairment			-	-	-	-	-	-
Specific Impairment			-	-	-	-	-	-
<b>Carrying amount</b>			<b>549,220,177</b>	<b>709,617,853</b>	<b>148,397,715</b>	<b>156,042,983</b>		

The external rating equivalent refers to the equivalent ratings for loans and advances by credit rating agencies. These instruments are neither past due nor impaired.

## Credit quality by risk rating class

Bank	Loans and advances to Individuals			Loans and advances Corporates		Loans and advances to banks		
External Rating Equivalent	Grade	Risk Rating	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
<i>In thousands of Naira</i>								
AAA	Investment	1	-	-	100,846,407	138,494,537	92,398,010	103,319,435
AA	Investment	2+	-	-	157,580,716	171,528,084	-	-
A	Investment	2	-	-	148,985,333	190,643,315	-	-
BBB	Investment	2-	-	-	199,777,392	250,427,658	-	-
BB+	Standard	3+	603,456	698,134	217,815,633	236,768,708	-	-
BB	Standard	3	29,644,179	33,111,826	420,349,403	428,534,577	270,847	648,871
BB-	Standard	3-	472,570	577,003	128,354,688	82,264,705	-	-
B	Non-Investment	4	-	-	102,268,612	53,294,762	-	-
B-	Non-Investment	5	-	-	26,744,967	3,335,377	-	-
CCC	Non-Investment	6	729,190	542,663	7,455,454	6,411,633	-	-
C	Non-Investment	7	769,096	833,271	5,221,577	4,339,649	71,414	61,654
D	Non-Investment	8	680,405	627,308	23,552,721	22,404,651	-	-
<b>Gross amount</b>			<b>32,898,896</b>	<b>36,390,205</b>	<b>1,538,952,903</b>	<b>1,588,447,656</b>	<b>92,740,271</b>	<b>104,029,960</b>
Collective Impairment			(968,896)	(1,039,812)	(25,108,482)	(19,151,386)	(20,122)	(23,386)
Specific Impairment			(384,950)	(405,200)	(13,031,570)	(9,679,116)	-	-
<b>Carrying amount</b>			<b>31,545,950</b>	<b>34,945,193</b>	<b>1,500,812,851</b>	<b>1,559,617,154</b>	<b>92,720,149</b>	<b>104,006,574</b>

External Rating Equivalent	Grade	Risk Rating	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
<i>In thousands of Naira</i>								
AAA-A	Investment	1	-	-	462,443,025	499,960,107	133,435,112	130,383,150
A	Investment	2	-	-	7,385,190	28,635,979	1,796,922	3,668,990
AA	Investment	2+	-	-	3,078,492	9,728,383	187,071	1,253,384
BBB	Investment	2-	-	-	66,105,562	160,447,229	12,567,546	20,467,138
<b>Gross amount</b>			-	-	539,012,269	698,771,698	147,986,650	155,772,662
Collective Impairment			-	-	-	-	-	-
Specific Impairment			-	-	-	-	-	-
<b>Carrying amount</b>			<b>539,012,269</b>	<b>698,771,698</b>	<b>147,986,650</b>	<b>155,772,662</b>		

The external rating equivalent refers to the equivalent ratings for loans and advances by credit rating agencies.

5.1.3 The table below summarises the risk rating for other financial assets:  
(d)**Group**

<i>In thousands of Naira</i> <b>30 June 2017</b>	<b>Total</b>	<b>Grade 1-3</b>	<b>Grade 4-5</b>	<b>Grade 6</b>	<b>Grade 7</b>	<b>Grade 8</b>
Cash and balances with banks						
Cash on hand and balances with banks	178,553,795	178,553,795	-	-	-	-
Restricted deposits with central banks	272,656,238	272,656,238	-	-	-	-
Unrestricted balances with central banks	147,800,730	147,800,730	-	-	-	-
Money market placements	41,519,620	41,519,620	-	-	-	-
Investment under management	16,884,148	16,884,148	-	-	-	-
Non-pledged trading assets						
Treasury bills	13,552,130	13,552,130	-	-	-	-
Bonds	2,456,347	2,433,946	22,401	-	-	-
Equity	59,348	59,348	-	-	-	-
Derivative financial instruments	148,397,715	148,397,715	-	-	-	-
Pledged assets						
Treasury bills	200,914,655	200,914,655	-	-	-	-
Bonds	193,619,008	193,619,008	-	-	-	-
Investment securities						
- Available for sale						
Treasury bills	33,740,025	33,740,025	-	-	-	-
Bonds	26,663,273	26,663,273	-	-	-	-
Equity	3,145,697	3,145,697	-	-	-	-
- Held to Maturity						
Treasury bills	31,217,965	31,217,965	-	-	-	-
Bonds	11,034,281	11,034,281	-	-	-	-
Other assets	73,894,759	73,894,759	-	-	-	-
	<b>1,396,109,734</b>	<b>1,396,087,335</b>	<b>22,401</b>	-	-	-

**Group**

<i>In thousands of Naira</i> <b>31 December 2016</b>	<b>Total</b>	<b>Grade 1-3</b>	<b>Grade 4-5</b>	<b>Grade 6</b>	<b>Grade 7</b>	<b>Grade 8</b>
Cash and balances with banks						
Cash on hand and balances with banks	115,380,195	115,380,195	-	-	-	-
Restricted deposits with central banks	250,831,529	250,831,529	-	-	-	-
Unrestricted balances with central banks	139,954,922	139,954,922	-	-	-	-
Money market placements	119,826,012	119,826,012	-	-	-	-
Investment under management	14,871,247	14,871,247	-	-	-	-
Non-pledged trading assets						
Treasury bills	34,381,635	34,381,635	-	-	-	-
Bonds	10,188,597	10,180,206	8,391	-	-	-
Equity	59,348	59,348	-	-	-	-
Derivative financial instruments	156,042,984	156,042,984	-	-	-	-
Pledged assets						
Treasury bills	188,239,520	188,239,520	-	-	-	-
Bonds	126,707,982	126,707,982	-	-	-	-
Investment securities						
- Available for sale						
Treasury bills	69,346,601	69,346,601	-	-	-	-
Bonds	32,891,849	32,891,849	-	-	-	-
Equity	3,145,697	3,145,697	-	-	-	-
- Held to Maturity						
Treasury bills	27,350,114	27,350,114	-	-	-	-
Bonds	41,101,014	41,101,014	-	-	-	-
Other assets	41,796,068	41,796,068	-	-	-	-
	<b>1,372,115,314</b>	<b>1,372,106,923</b>	<b>8,391</b>	-	-	-

The table below summarises the risk rating for other financial assets:

Bank		Total	Grade 1-3	Grade 4-5	Grade 6	Grade 7	Grade 8
<i>In thousands of Naira</i>							
<b>30 June 2017</b>							
Cash and balances with banks							
Cash on hand and balances with banks	177,572,533	177,572,533	-	-	-	-	-
Restricted deposits with central banks	347,051,621	347,051,621	-	-	-	-	-
Unrestricted balances with central banks	37,331,425	37,331,425	-	-	-	-	-
Money market placements	6,097,588	6,097,588	-	-	-	-	-
Investment under management	16,884,148	16,884,148	-	-	-	-	-
Non-pledged trading assets							
Treasury bills	12,001,480	12,001,480	-	-	-	-	-
Bonds	2,456,347	2,433,946	22,401	-	-	-	-
Equity	59,348	59,348	-	-	-	-	-
Derivative financial instruments	147,986,650	147,986,650	-	-	-	-	-
Pledged assets							
Treasury bills	200,914,655	200,914,655	-	-	-	-	-
Bonds	193,619,008	193,619,008	-	-	-	-	-
Investment securities							
Available for sale							
Treasury bills	-	-	-	-	-	-	-
Bonds	19,124,358	19,124,358	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	9,727,140	9,727,140	-	-	-	-	-
Other assets	62,031,249	62,031,249	-	-	-	-	-
	<b>1,232,857,550</b>	<b>1,232,835,149</b>	<b>22,401</b>	-	-	-	-

Bank		Total	Grade 1-3	Grade 4-5	Grade 6	Grade 7	Grade 8
<i>In thousands of Naira</i>							
<b>31 December 2016</b>							
Cash and balances with banks							
Cash on hand and balances with banks	106,594,205	106,594,205	-	-	-	-	-
Restricted deposits with central banks	336,444,111	336,444,111	-	-	-	-	-
Unrestricted balances with central banks	33,160,736	33,160,736	-	-	-	-	-
Money market placements	41,798,197	41,798,197	-	-	-	-	-
Investment under management	14,871,247	14,871,247	-	-	-	-	-
Non-pledged trading assets							
Treasury bills	34,381,635	34,381,635	-	-	-	-	-
Bonds	10,188,597	10,180,206	8,391	-	-	-	-
Equity	59,348	59,348	-	-	-	-	-
Derivative financial instruments	155,772,662	155,772,662	-	-	-	-	-
Pledged assets							
Treasury bills	188,239,520	188,239,520	-	-	-	-	-
Bonds	126,707,982	126,707,982	-	-	-	-	-
Investment securities							
Available for sale							
Treasury bills	40,960,665	40,960,665	-	-	-	-	-
Bonds	21,456,519	21,456,519	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	40,363,051	40,363,051	-	-	-	-	-
Other assets	33,265,072	33,265,072	-	-	-	-	-
	<b>1,184,263,547</b>	<b>1,184,255,156</b>	<b>8,391</b>	-	-	-	-

## 5.1.3 Credit quality

## (e) Credit quality by credit risk rating model

Group <i>In thousands of Naira</i>	Loans and advances to Individuals		Loans and advances to Corporates		Loans and advances to banks	
	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
<b>Risk Rating (ORR) Model</b>						
Auto Loan	2,223,549	2,511,013	1,727,892	2,003,352	-	-
Credit Card	2,874,119	3,475,443	428,805	576,553	-	13,599
Finance Lease	49,499	60,912	4,060,659	3,946,347	6,867	8,455
Mortgage Loan	27,577,272	24,375,564	9,055,807	5,929,037	-	-
Overdraft	5,241,746	5,639,049	194,021,874	181,242,213	314,803	647,541
Personal Loan	17,262,225	18,754,870	-	-	-	-
Term Loan	6,028,153	6,964,075	1,168,065,897	1,102,912,471	53,708,935	40,930
Time Loan	682,347	721,712	344,597,705	486,052,855	-	44,515,863
<b>Gross amount</b>	<b>61,938,906</b>	<b>62,502,636</b>	<b>1,721,958,641</b>	<b>1,782,662,828</b>	<b>54,030,605</b>	<b>45,226,388</b>
Collective Impairment	(1,050,832)	(1,174,513)	(25,889,090)	(19,776,052)	(20,122)	(23,386)
Specific Impairment	(758,126)	(555,430)	(16,755,616)	(14,200,296)	-	-
<b>Carrying amount</b>	<b>60,120,948</b>	<b>60,772,693</b>	<b>1,679,313,935</b>	<b>1,748,686,480</b>	<b>54,010,483</b>	<b>45,203,002</b>
 <b>Bank</b> <i>In thousands of Naira</i>						
Risk Rating (ORR) Model	Loans and advances to Individuals		Loans and advances Corporates		Loans and advances to banks	
	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016
Auto Loan	2,062,314	2,426,024	1,727,892	2,003,352	-	-
Credit Card	2,874,119	3,431,339	428,805	563,357	-	13,599
Finance Lease	49,499	60,912	4,060,659	3,946,347	6,867	8,455
Mortgage Loan	4,433,150	5,053,845	14,282	18,437	-	-
Overdraft	4,380,557	5,033,990	149,385,135	135,065,623	314,803	647,541
Personal Loan	15,554,959	17,369,909	-	-	-	-
Term Loan	3,112,128	2,427,653	1,051,235,252	1,032,873,587	92,418,601	40,930
Time Loan	432,174	586,531	332,100,880	413,976,953	-	103,319,435
<b>Gross amount</b>	<b>32,898,896</b>	<b>36,390,205</b>	<b>1,538,952,903</b>	<b>1,588,447,654</b>	<b>92,740,271</b>	<b>104,029,960</b>
Collective Impairment	(968,896)	(1,039,812)	(25,108,482)	(19,151,386)	(20,122)	(23,386)
Specific Impairment	(384,950)	(405,200)	(13,031,570)	(9,679,116)	-	-
<b>Carrying amount</b>	<b>31,545,050</b>	<b>34,945,193</b>	<b>1,500,812,851</b>	<b>1,559,617,153</b>	<b>92,720,149</b>	<b>104,006,574</b>

5.1.3 Disclosure of Collateral held against loans and advances to customers by fair value heirarchy  
(g)

Group In thousands of Naira	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	June 2017			December 2016		
Against neither past due and not impaired						
Property	-	-	907,367,675	-	-	914,144,760
Equities	38,973,077	15,916,553	-	57,865,380	15,916,553	-
Cash	138,873,821	-	-	171,417,199	-	-
Pledged goods/receivables	-	-	80,607,125	-	-	141,014,518
Others	-	-	1,367,697,777	-	-	846,303,836
Total	<b>177,846,898</b>	<b>15,916,553</b>	<b>2,355,672,577</b>	<b>229,282,579</b>	<b>15,916,553</b>	<b>1,901,463,114</b>
Against past due but not impaired:						
Property	-	-	13,384,613	-	-	4,985,770
Equities	-	-	-	-	-	-
Cash	-	-	-	-	-	-
Pledged goods/receivables	-	-	331,605	-	-	-
Others	-	-	3,638,290	-	-	32,241
Total	-	-	<b>17,354,508</b>	-	-	<b>5,018,011</b>
Against past due and impaired						
Property	-	-	4,911,377	-	-	29,237,351
Equities	-	-	-	24,909	-	-
Cash	121	-	-	1,178,130	-	-
Pledged goods/receivables	-	-	-	-	-	-
Others	-	-	659,916	-	-	19,054,851
Total	<b>121</b>	-	<b>5,571,293</b>	<b>1,203,040</b>	-	<b>48,292,202</b>
Total	<b>177,847,019</b>	<b>15,916,553</b>	<b>2,378,598,378</b>	<b>230,485,618</b>	<b>15,916,553</b>	<b>1,954,773,327</b>
Bank In thousands of Naira	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
June 2017			December 2016			
Against neither past due and not impaired						
Property	-	-	801,628,506	-	-	777,026,304
Equities	38,973,077	15,916,553	-	35,795,940	15,916,553	-
Cash	105,930,043	-	-	153,127,205	-	-
Pledged goods/receivables	-	-	80,607,125	-	-	141,014,518
Others	-	-	1,333,062,194	-	-	745,839,135
Total	<b>144,903,120</b>	<b>15,916,553</b>	<b>2,215,297,825</b>	<b>188,923,145</b>	<b>15,916,553</b>	<b>1,663,879,957</b>
Against past due but not impaired:						
Property	-	-	2,523,164	-	-	1,272,479
Equities	-	-	-	-	-	-
Cash	-	-	-	-	-	-
Pledged goods/receivables	-	-	331,605	-	-	-
Others	-	-	3,131,170	-	-	32,241
Total	-	-	<b>5,985,939</b>	-	-	<b>1,304,720</b>
Against past due and impaired						
Property	-	-	3,880,355	-	-	19,975,994
Equities	-	-	-	24,909	-	-
Cash	-	-	-	-	-	-
Pledged goods/receivables	-	-	-	-	-	-
Others	-	-	-	-	-	18,115,344
Total	-	-	<b>3,880,355</b>	<b>24,909</b>	-	<b>38,091,338</b>
Total	<b>144,903,120</b>	<b>15,916,553</b>	<b>2,225,164,119</b>	<b>188,948,954</b>	<b>15,916,553</b>	<b>1,703,276,015</b>

There are no collaterals held against other financial assets. There were also no repossessed collateral during the period

**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. The bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Group's focus on credit worthiness, the group aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. For impaired loans, the Group obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair values of collaterals are based upon last annual valuation undertaken by independent valuers on behalf of the bank. The valuation technique adopted for properties are based on fair values of similar properties in the neighbourhood.

The fair values of non-property collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instruments.

## 5.1.4 Offsetting financial assets and financial liabilities

As at 30 June 2017

In thousands of Naira

The following financial assets are subject to offsetting

**Financial assets**Loans and advances to banks  
**Total**

	<u>Gross amounts of recognised financial assets</u>	<u>Gross amounts of recognised financial liabilities offset in the statement of financial position</u>	<u>Net amounts of financial assets presented in the statement of financial position</u>
	54,763,854	753,371	54,010,483
<b>Total</b>	<b>54,763,854</b>	<b>753,371</b>	<b>54,010,483</b>

As at 30 June 2017

**Financial liabilities**Interest bearing borrowing  
**Total**

	287,219,057	753,371	286,465,687
<b>Total</b>	<b>287,219,057</b>	<b>753,371</b>	<b>286,465,687</b>

As at 31 December 2016

In thousands of Naira

The following financial assets are subject to offsetting

**Financial assets**Loans and advances to banks  
**Total**

	<u>Gross amounts of recognised financial assets</u>	<u>Gross amounts of recognised financial liabilities offset in the statement of financial position</u>	<u>Net amounts of financial assets presented in the statement of financial position</u>
	45,954,156	751,154	45,203,002
<b>Total</b>	<b>45,954,156</b>	<b>751,154</b>	<b>45,203,002</b>

As at 31 December 2016

**Financial liabilities**Interest bearing borrowing  
**Total**

	300,294,861	751,154	299,543,707
<b>Total</b>	<b>300,294,861</b>	<b>751,154</b>	<b>299,543,707</b>

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.

In line with the IAS 32 the group currently has the legally enforceable right to set-off the recognised amount and it also intends to settle the borrowing on a net basis.

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.

## 5.1.5 (a) Credit concentration

The Group'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.

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:

## Group

## By Sector

## June 2017

In thousands of Naira

	Corporate	Commercial	Bank	Retail	Government	Others	Total
Cash and balances with banks	-	-	657,819,848	-	-	-	657,819,848
Investment under management	8,393,493	-	4,397,470	-	4,093,186	-	16,884,149
Non pledged trading assets							
Treasury bills	-	-	-	-	13,552,130	-	13,552,130
Bonds	-	8,497	19,464	-	2,428,386	-	2,456,347
Derivative financial instruments	3,560,997	11,689,840	8,108,304	-	125,038,574	-	148,397,715
Loans and advances to banks	-	-	54,010,483	-	-	-	54,010,483
Loans and advances to customers							
Auto Loan	-	25,705	-	3,866,340	-	-	3,892,045
Credit Card	99,978	-	-	3,148,824	-	-	3,248,802
Finance Lease	1,683,787	274,298	-	2,004,041	5,964	-	3,968,090
Mortgage Loan	7,569,967	378,536	-	28,603,168	-	-	36,551,671
Overdraft	56,145,761	123,882,535	-	3,844,439	-	-	183,872,735
Personal Loan	-	-	-	16,520,801	-	-	16,520,801
Term Loan	439,833,962	448,161,583	-	6,107,204	255,287,711	-	1,149,390,459
Time Loan	155,011,351	186,002,035	-	985,904	-	-	341,999,291
Pledged assets							
Treasury bills	-	-	-	-	200,914,655	-	200,914,655
Bonds	-	-	-	-	193,619,008	-	193,619,008
Investment securities							
Available for sale							
Treasury bills	-	-	-	-	33,740,025	-	33,740,025
Bonds	3,456,270	-	3,018,119	-	20,188,885	-	26,663,273
Held to Maturity							
Treasury bills	-	-	-	-	31,217,965	-	31,217,965
Bonds	1,605,686	-	-	-	9,428,595	-	11,034,280
Other assets	38,383,888	3,231,874	9,817,329	6,126,863	4,745,934	11,588,874	73,894,762
<b>Total</b>	<b>715,745,139</b>	<b>773,654,903</b>	<b>737,191,018</b>	<b>71,207,582</b>	<b>894,261,017</b>	<b>11,588,874</b>	<b>3,203,648,535</b>

Credit risk exposures relating to other credit commitments at gross amount are as follows:

Transaction related bonds and guarantees	133,172,469	63,096,249	-	1,874,071	-	-	198,142,790
Guaranteed facilities	24,591,078	82,114,581	-	3,978,671	-	2,617,191	113,301,521
Clean line facilities for letters of credit and other commitments	100,371,921	112,569,639	4,509,660	95,659,244	4,129,650	-	317,240,113
Future, swap and forward contracts	53,713,545	64,076,506	284,158,615	-	380,798,044	-	782,746,710
<b>Total</b>	<b>311,849,013</b>	<b>321,856,975</b>	<b>288,668,275</b>	<b>101,511,986</b>	<b>384,927,694</b>	<b>2,617,191</b>	<b>1,411,431,134</b>

## Group

## By Sector

## December 2016

In thousands of Naira

	Corporate	Commercial	Bank	Retail	Government	Others	Total
Cash and balances with banks	-	-	663,403,259	-	-	-	663,403,259
Investment under management	10,913,760	-	1,070,385	-	2,887,102	-	14,871,247
Non pledged trading assets							
Treasury bills	-	-	-	-	34,381,635	-	34,381,635
Bonds	-	9,913	8,391	-	10,170,293	-	10,188,597
Derivative financial instruments	28,003,737	-	5,360,808	-	122,678,439	-	156,042,984
Loans and advances to banks	-	-	45,203,002	-	-	-	45,203,002
Loans and advances to customers							
Auto Loan	-	-	-	4,450,747	-	-	4,450,747
Credit Card	27,496	12,500	-	3,939,240	-	-	3,979,235
Finance Lease	2,404,390	1,259,848	-	312,384	11,275	-	3,987,898
Mortgage Loan	5,323,073	416,377	-	24,431,400	49,707	-	30,220,557
Overdraft	47,606,024	120,886,294	-	6,758,959	38,428	-	175,289,705
Personal Loan	-	-	-	18,072,072	-	-	18,072,072
Term Loan	418,496,135	396,250,334	-	8,006,467	265,966,313	-	1,088,719,249
Time Loan	236,078,483	246,004,748	-	2,380,302	276,175	-	484,739,708
Pledged assets							
Treasury bills	-	-	-	-	188,239,520	-	188,239,520
Bonds	-	-	-	-	126,707,982	-	126,707,982
Investment securities							
Available for sale							
Treasury bills	-	-	-	-	69,346,601	-	69,346,601
Bonds	377,207,00	-	5,814,936	-	26,699,706	-	32,891,849
Held to Maturity							
Treasury bills	-	-	-	-	27,350,114	-	27,350,114
Bonds	3,036,929	-	1,032,857	-	37,031,227	-	41,101,013
Other assets	19,111,634	3,898,137	5,066,892	4,063,320	4,930,246	4,725,841	41,796,070
<b>Total</b>	<b>771,378,871</b>	<b>768,738,151</b>	<b>726,960,530</b>	<b>72,414,801</b>	<b>916,764,763</b>	<b>4,725,841</b>	<b>3,260,083,044</b>

Credit risk exposures relating to other credit commitments at gross amount are as follows:

Transaction related bonds and guarantees	136,220,145	48,419,939	1,611,634	-	-	-	186,251,718
Guaranteed facilities	85,363,987	14,068,722	150,000	-	-	-	99,582,710
Clean line facilities for letters of credit and other commitments	140,720,906	17,865,294	69,563,933	2,771,057	30,287,053	-	261,208,242
Future, swap and forward contracts	314,341,917	-	185,130,561	-	433,601,415	-	933,073,893
<b>Total</b>	<b>676,646,055</b>	<b>80,353,956</b>	<b>256,456,128</b>	<b>2,771,057</b>	<b>463,888,468</b>	<b>-</b>	<b>1,480,116,563</b>

**5.1.5(a)** 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

**Group**  
**June 2017**  
*In thousands of Naira*

	<b>Nigeria</b>	<b>Rest of Africa</b>	<b>Europe</b>	<b>Others</b>	<b>Total</b>
Cash and balances with banks	402,618,797	41,419,666	139,128,958	74,652,428	657,819,849
Investment under management	16,884,148	-	-	-	16,884,148
Non pledged trading assets					
Treasury bills	12,001,480	1,550,650	-	-	13,552,130
Bonds	2,456,347	-	-	-	2,456,347
Derivative financial instruments	140,238,222	485,793	291,636	7,382,065	148,397,715
Loans and advances to banks	322,139	-	53,688,344	-	54,010,483
Loans and advances to customers					
Auto Loan	3,731,755	160,290	-	-	3,892,045
Credit Card	3,248,802	-	-	-	3,248,802
Finance Lease	3,968,090	-	-	-	3,968,090
Mortgage Loan	4,370,817	1,380,135	30,800,720	-	36,551,671
Overdraft	140,646,362	43,607,634	-	-	184,253,997
Personal Loan	15,082,822	1,437,979	-	-	16,520,801
Term Loan	1,032,022,683	55,240,821	62,126,954	-	1,149,390,459
Time Loan	329,286,436	12,712,855	-	-	341,999,291
Pledged assets					
Treasury bills	200,914,655	-	-	-	200,914,655
Bonds	193,619,008	-	-	-	193,619,008
Investment securities					
- Available for sale					
Treasury bills	-	5,960,708	-	27,779,317	33,740,025
Bonds	19,124,358	7,538,915	-	-	26,663,273
- Held to Maturity					
Treasury bills	-	31,217,965	-	-	31,217,965
Bonds	7,703,256	3,331,025	-	-	11,034,281
Other assets	60,640,275	12,976,702	153,060	124,722	73,894,759
<b>Total</b>	<b>2,588,880,453</b>	<b>219,021,137</b>	<b>286,189,673</b>	<b>109,938,532</b>	<b>3,204,029,795</b>

Credit risk exposures relating to other credit commitments at

gross amount are as follows:

Transaction related bonds and guarantees	144,661,611	53,141,427	339,752	-	198,142,790
Guaranteed facilities	106,927,904	6,373,617	-	-	113,301,521
Clean line facilities for letters of credit and other commitments	203,661,763	103,327,432	3,484,721	6,766,199	317,240,114
Future, swap and forward contracts	482,972,140	45,177,438	13,174,082	241,423,049	782,746,710
<b>Total</b>	<b>938,223,418</b>	<b>208,019,914</b>	<b>16,998,555</b>	<b>248,189,248</b>	<b>1,411,431,135</b>

## By geography

**Group**  
**December 2016**  
*In thousands of Naira*

	<b>Nigeria</b>	<b>Rest of Africa</b>	<b>Europe</b>	<b>Others</b>	<b>Total</b>
Cash and balances with banks	415,235,668	47,170,554	200,997,037	-	663,403,258
Investment under management	14,871,247	-	-	-	10,403,608
Non pledged trading assets					
Treasury bills	34,381,635	-	-	-	34,381,635
Bonds	10,170,293	-	18,304	-	10,188,597
Derivative financial instruments	149,856,253	1,388,281	97,119	4,701,331	156,042,983
Loans and advances to banks	5,156,475	-	40,046,527	-	45,203,002
Loans and advances to customers					
Auto Loan	4,366,544	84,204	-	-	4,450,748
Credit Card	3,935,784	43,450	-	-	3,979,235
Finance Lease	3,987,898	-	-	-	3,987,898
Mortgage Loan	4,996,952	918,895	24,304,711	-	30,220,557
Overdraft	130,272,256	45,017,450	-	-	175,289,705
Personal Loan	16,789,104	1,282,968	-	-	18,072,072
Term Loan	1,017,646,255	48,440,037	22,632,958	-	1,088,719,249
Time Loan	412,567,554	28,556,750	43,615,404	-	484,739,708
Pledged assets					
Treasury bills	188,239,520	-	-	-	188,239,520
Bonds	126,707,982	-	-	-	126,707,982
Investment securities					
- Available for sale					
Treasury bills	40,960,665	6,092,117	22,293,819	-	69,346,602
Bonds	18,939,219	13,297,546	655,084	-	32,891,849
- Held to Maturity					
Treasury bills	-	27,350,114	-	-	27,350,114
Bonds	37,917,493	737,963	2,445,558	-	41,101,014
Other assets	32,437,346	7,685,644	1,673,078	-	41,796,067
<b>Total</b>	<b>2,669,436,141</b>	<b>228,065,973</b>	<b>358,779,598</b>	<b>4,701,331</b>	<b>3,256,515,404</b>

Credit risk exposures relating to other credit commitments at

gross amount are as follows:

Transaction related bonds and guarantees	136,163,848	48,420,025	1,667,845	-	186,251,718
Guaranteed facilities	85,513,821	14,068,888	-	-	99,582,709
Clean line facilities for letters of credit and other commitments	158,994,793	16,950,311	85,263,139	-	261,208,243
Future, swap and forward contracts	744,259,779	33,663,881	128,787,677	26,362,557	933,073,893
<b>Total</b>	<b>1,124,932,240</b>	<b>113,103,105</b>	<b>215,718,660</b>	<b>26,362,557</b>	<b>1,480,116,563</b>

## Credit risk management

## 5.1.5 (b) By Sector

## Bank

June 2017

In thousands of Naira

	Corporate	Commercial	Bank	Retail	Government	Others	Total
Cash and balances with banks	-	-	516,552,258	-	-	-	516,552,258
Investment under management	8,393,493	-	4,397,470	-	4,093,186	-	16,884,148
Non pledged trading assets							
Treasury bills	-	-	-	-	12,001,480	-	12,001,480
Bonds	-	8,497	19,464	-	2,428,386	-	2,456,347
Derivative financial instruments	3,560,997	11,689,840	7,697,239	-	125,028,574	-	147,986,650
Loans and advances to banks	-	-	92,720,149	-	-	-	92,720,149
Loans and advances to customers							
Auto Loan	-	-	-	3,731,755	-	-	3,731,755
Credit Card	19,909	-	-	3,229,027	-	-	3,248,936
Finance Lease	1,683,787	274,298	-	2,004,041	5,964	-	3,968,090
Mortgage Loan	-	-	-	4,370,817	-	-	4,370,817
Overdraft	28,401,654	108,490,827	-	3,753,882	-	-	140,646,362
Personal Loan	-	-	-	15,082,822	-	-	15,082,822
Term Loan	348,036,897	425,665,309	-	3,032,766	255,287,711	-	1,032,022,683
Time Loan	148,287,219	180,574,086	-	425,131	-	-	329,286,436
Pledged assets							
Treasury bills	-	-	-	-	200,914,655	-	200,914,655
Bonds	-	-	-	-	193,619,008	-	193,619,008
Investment securities							
Available for sale							
Treasury bills	-	-	-	-	-	-	-
Bonds	3,456,270	-	3,018,119	-	12,649,970	-	19,124,358
Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	1,605,686	-	-	-	8,121,454	-	9,727,140
Other assets	38,334,773	3,231,874	7,196,932	6,103,055	4,707,352	2,457,267	62,031,252
<b>Total</b>	<b>581,780,684</b>	<b>729,934,731</b>	<b>631,601,631</b>	<b>41,733,296</b>	<b>818,867,739</b>	<b>2,457,267</b>	<b>2,806,375,348</b>
Credit risk exposures relating to other credit commitments at gross amount are as follows:							
Transaction related bonds and guarantees	89,658,681	54,704,107	-	298,823	-	-	144,661,611
Guaranteed facilities	23,874,833	80,318,334	-	2,734,738	-	-	106,927,904
Clean line facilities for letters of credit and other commitments	90,972,258	97,317,502	-	11,242,352	4,129,650	-	203,661,763
Future, swap and forward contracts	44,362,157	64,076,506	284,158,615	-	379,880,344	-	772,477,622
<b>Total</b>	<b>248,867,931</b>	<b>296,416,449</b>	<b>284,158,615</b>	<b>14,275,913</b>	<b>384,009,994</b>	<b>-</b>	<b>1,227,728,900</b>

## By Sector

## Bank

December 2016

In thousands of Naira

	Corporate	Commercial	Bank	Retail	Government	Others	Total
Cash and balances with banks	-	-	480,395,147	-	-	-	480,395,147
Investment under management	10,913,760	-	1,070,385	-	2,887,102	-	14,871,247
Non pledged trading assets							
Treasury bills	-	-	-	-	34,381,635	-	34,381,635
Bonds	-	9,913	8,391	-	10,170,293	-	10,188,597
Derivative financial instruments	28,003,737	-	5,360,808	-	122,408,117	-	155,772,662
Loans and advances to banks			104,006,574	-	-	-	104,006,574
Loans and advances to customers							
Auto Loan	-	-	-	4,366,544	-	-	4,366,544
Credit Card	26,799	-	-	3,895,578	-	-	3,922,377
Finance Lease	2,404,390	1,259,848	-	312,384	11,275	-	3,987,898
Mortgage Loan	-	18,242	-	4,978,710	-	-	4,996,952
Overdraft	19,595,999	104,350,992	-	6,318,069	20,603	-	130,285,663
Personal Loan	-	-	-	16,789,104	-	-	16,789,104
Term Loan	371,285,015	375,330,466	-	5,193,606	265,837,168	-	1,017,646,255
Time Loan	176,512,323	235,178,172	-	669,550	207,509	-	412,567,554
Pledged assets							
Treasury bills	-	-	-	-	188,239,520	-	188,239,520
Bonds	-	-	-	-	126,707,982	-	126,707,982
Investment securities							
Available for sale							
Treasury bills	-	-	-	-	40,960,665	-	40,960,665
Bonds	377,207	-	5,814,936	-	15,507,737	-	21,699,880
Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	3,036,929	-	1,032,857	-	36,293,265	-	40,363,051
Other assets	17,580,637	1,895,503	1,426,691	3,706,154	4,430,246	4,225,841	33,265,072
<b>Total</b>	<b>629,736,796</b>	<b>718,043,136</b>	<b>599,115,791</b>	<b>46,229,698</b>	<b>848,063,115</b>	<b>4,225,841</b>	<b>2,845,414,376</b>

Credit risk exposures relating to other credit commitments at gross amount are as follows:

Transaction related bonds and guarantees	136,163,848	-	-	-	-	-	136,163,848
Guaranteed facilities	85,363,821	-	150,000	-	-	-	85,513,821
Clean line facilities for letters of credit and other commitments	128,707,741	-	-	-	30,287,053	-	158,994,793
Future, swap and forward contracts	314,341,917	-	152,493,026	-	433,601,415	-	900,436,358
<b>Total</b>	<b>664,577,326</b>	<b>-</b>	<b>152,643,026</b>	<b>-</b>	<b>463,888,468</b>	<b>-</b>	<b>1,281,108,819</b>

## 5.1.5 (b) i By geography

Bank	Nigeria	Rest of Africa	Europe	Others	Total
<b>June 2017</b>					
<i>In thousands of Naira</i>					
Cash and balances with banks	402,618,797	627,395	63,455,244	49,850,822	516,552,258
Investment under management	16,884,148	-	-	-	16,884,148
Non pledged trading assets					
Treasury bills	12,001,480	-	-	-	12,001,480
Bonds	2,456,347	-	-	-	2,456,347
Derivative financial instruments	140,238,222	340,087	26,277	7,382,065	147,986,650
Loans and advances to banks	322,139	-	92,398,010	-	92,720,149
Loans and advances to customers					
Auto Loan	3,731,755	-	-	-	3,731,755
Credit Card	3,248,936	-	-	-	3,248,936
Finance Lease	3,968,090	-	-	-	3,968,090
Mortgage Loan	4,370,817	-	-	-	4,370,817
Overdraft	140,646,362	-	-	-	140,646,362
Personal Loan	15,082,822	-	-	-	15,082,822
Term Loan	1,032,022,683	-	-	-	1,032,022,683
Time Loan	329,286,436	-	-	-	329,286,436
Pledged assets					
Treasury bills	200,914,655	-	-	-	200,914,655
Bonds	193,619,008	-	-	-	193,619,008
Investment securities					
Available for sale					
Treasury bills	-	-	-	-	-
Bonds	19,124,358	-	-	-	19,124,358
Held to Maturity					
Treasury bills	-	-	-	-	-
Bonds	7,703,256	2,023,884	-	-	9,727,140
Other assets	60,640,275	1,273,772	-	117,203	62,031,250
<b>Total</b>	<b>2,588,880,588</b>	<b>4,265,138</b>	<b>155,879,531</b>	<b>57,350,090</b>	<b>2,806,375,347</b>
Credit risk exposures relating to other credit commitments at gross amount are as follows:					
Transaction related bonds and guarantees	144,661,611	-	-	-	144,661,611
Guaranteed facilities	106,927,904	-	-	-	106,927,904
Clean line facilities for letters of credit and other commitments	203,661,763	-	-	-	203,661,763
Future, swap and forward contracts	482,972,140	44,259,738	3,822,604	241,423,049	772,477,622
<b>Total</b>	<b>938,223,419</b>	<b>44,259,738</b>	<b>3,822,604</b>	<b>241,423,049</b>	<b>1,227,728,900</b>

## By geography

Bank	Nigeria	Rest of Africa	Europe	Others	Total
<b>December 2016</b>					
<i>In thousands of Naira</i>					
Cash and balances with banks	415,235,668	-	65,159,480	-	480,395,147
Investment under management	14,871,247	-	-	-	14,871,247
Non pledged trading assets					
Treasury bills	34,381,635	-	-	-	34,381,635
Bonds	10,170,293	-	18,304	-	10,188,597
Derivative financial instruments	149,856,253	1,117,959	97,119	4,701,331	155,772,662
Loans and advances to banks	5,156,475	-	98,850,099	-	104,006,574
Loans and advances to customers					
Auto Loan	4,366,544	-	-	-	4,366,544
Credit Card	3,922,377	-	-	-	3,922,377
Finance Lease	3,987,898	-	-	-	3,987,898
Mortgage Loan	4,996,952	-	-	-	4,996,952
Overdraft	130,285,663	-	-	-	130,285,663
Personal Loan	16,789,104	-	-	-	16,789,104
Term Loan	1,017,646,255	-	-	-	1,017,646,255
Time Loan	412,567,554	-	-	-	412,567,554
Pledged assets					
Treasury bills	188,239,520	-	-	-	188,239,520
Bonds	126,707,982	-	-	-	126,707,982
Investment securities					
Available for sale					
Treasury bills	40,960,665	-	-	-	40,960,665
Bonds	18,939,219	-	2,760,661	-	21,699,880
Held to Maturity					
Treasury bills	-	-	-	-	-
Bonds	37,917,493	-	2,445,558	-	40,363,051
Other assets	32,437,346	808,611	19,115	-	33,265,072
<b>Total</b>	<b>2,669,436,141</b>	<b>1,926,570</b>	<b>169,350,336</b>	<b>4,701,331</b>	<b>2,845,414,377</b>
Credit risk exposures relating to other credit commitments at gross amount are as follows:					
Transaction related bonds and guarantees	136,163,848	-	-	-	136,163,848
Guaranteed facilities	85,513,821	-	-	-	85,513,821
Clean line facilities for letters of credit and other commitments	158,994,793	-	-	-	158,994,793
Future, swap and forward contracts	744,259,779	32,748,881	97,065,142	26,362,557	900,406,358
<b>Total</b>	<b>1,124,932,240</b>	<b>32,748,881</b>	<b>97,065,142</b>	<b>26,362,557</b>	<b>1,281,108,820</b>

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

## Group

In thousands of Naira 30 June 2017	Re-pricing period						Total
	Less than 3 months	4 - 6 months	7 - 12 months	1 - 5 years	More than 5 years	Non-Interest bearing	
<i>Non-derivative assets</i>							
Cash and balances with banks	41,519,620	-	-	-	-	675,305,891	716,825,510
Investment under management	16,884,148	-	-	-	-	-	16,884,148
Non pledged trading assets							
Treasury bills	3,218,495	3,683,967	6,649,668	-	-	-	13,552,130
Bonds	-	-	677	2,455,671	-	-	2,456,347
Loans and advances to banks	28,615,250	4,262,224	18,752,842	2,380,168	-	-	54,010,483
Loans and advances to customers							
Auto Loan	121,941	124,187	185,569	3,336,439	123,908	-	3,892,044
Credit Card	432,532	183,612	758,525	1,874,267	-	-	3,248,936
Finance Lease	41,759	307,131	180,819	3,438,381	-	-	3,968,090
Mortgage Loan	32,181,196	-	2,038	1,218,428	3,150,009	-	36,551,671
Overdraft	112,863,244	16,136,734	54,872,625	-	-	-	183,872,603
Personal Loan	595,720	444,582	1,644,945	13,509,992	325,561	-	16,520,801
Term Loan	64,010,785	20,891,679	43,654,493	455,528,461	565,305,039	-	1,149,390,458
Time Loan	199,957,024	39,167,549	69,121,148	33,753,569	-	-	341,999,290
Pledged assets							-
Treasury bills	78,105,484	62,503,143	60,306,028	-	-	-	200,914,655
Bonds	-	5,062,931	11,744,492	31,650,964	145,160,622	-	193,619,008
Investment securities							
- Available for sale							
Treasury bills	11,599,118	4,884,951	17,255,956	-	-	-	33,740,025
Bonds	-	-	-	11,717,923	14,945,350	-	26,663,273
- Held to Maturity							
Treasury bills	9,364,167	9,932,282	11,921,516	-	-	-	31,217,965
Bonds	1,051,093	933,494	5,106,082	2,946,312	997,301	-	11,034,281
Other assets	-	-	-	-	-	73,894,759	73,894,759
	<b>600,561,575</b>	<b>168,518,467</b>	<b>302,157,424</b>	<b>563,810,576</b>	<b>730,007,790</b>	<b>749,200,649</b>	<b>3,114,256,479</b>
<i>Non-derivative liabilities</i>							
Deposits from financial institutions	206,082,438	91,629	21,421,858	-	-	-	227,595,925
Deposits from customers	1,735,144,073	37,694,107	47,612,540	7,607,841	-	71,773,728	1,899,832,290
Other liabilities	-	-	-	-	-	150,502,857	150,502,857
Debt securities issued	8,713,086	4,345,179	105,970,365	242,687,598	-	-	361,716,229
Interest bearing borrowings	-	2,625,993	76,614,381	207,225,402	-	-	286,465,687
	<b>1,949,939,598</b>	<b>44,756,818</b>	<b>251,619,146</b>	<b>457,520,843</b>	<b>-</b>	<b>222,276,585</b>	<b>2,926,112,987</b>
<b>Total interest re-pricing gap</b>	<b>(1,349,378,023)</b>	<b>123,761,649</b>	<b>50,538,278</b>	<b>106,289,734</b>	<b>730,007,790</b>	<b>526,924,064</b>	<b>188,143,492</b>

## Group

In thousands of Naira 31 December 2016	Re-pricing period						Total
	Less than 3 months	4 - 6 months	7 - 12 months	1 - 5 years	More than 5 years	Non-Interest bearing	
<i>Non-derivative assets</i>							
Cash and balances with banks	118,063,803	1,762,209	-	-	-	594,063,093	713,889,105
Investment under management	14,871,247	-	-	-	-	-	14,871,247
Non pledged trading assets							
Treasury bills	7,104,931	8,132,475	19,144,229	-	-	-	34,381,635
Bonds	-	-	1,993	10,186,604	-	-	10,188,597
Loans and advances to banks	35,976,130	7,477,605	1,523,322	224,438	1,508	-	45,203,002
Loans and advances to customers							
Auto Loan	48,036	140,524	285,619	3,722,834	253,735	-	4,450,748
Credit Card	3,857,163	187	16,538	105,348	-	-	3,979,235
Finance Lease	196,694	9,501	166,902	3,614,801	-	-	3,987,898
Mortgage Loan	24,310,113	759	39,255	1,195,811	4,674,619	-	30,220,557
Overdraft	104,827,946	8,168,255	61,356,628	936,877	-	-	175,289,705
Personal Loan	273,440	162,550	1,426,014	15,957,194	252,875	-	18,072,071
Term Loan	30,863,690	14,132,484	16,004,301	454,903,302	572,815,472	-	1,088,719,250
Time Loan	257,669,712	58,309,804	99,697,734	69,062,457	-	-	484,739,708
Pledged assets							
Treasury bills	39,049,250	67,819,721	81,370,550	-	-	-	188,239,521
Bonds	-	3,541,654	8,215,582	22,140,686	92,810,059	-	126,707,982
Investment securities							
- Available for sale							
Treasury bills	24,469,054	10,305,106	34,572,441	-	-	-	69,346,601
Bonds	-	5,537,388	-	8,923,273	18,431,188	-	32,891,849
- Held to Maturity							
Treasury bills	8,342,441	8,638,753	10,368,919	-	-	-	27,350,114
Bonds	-	88,654	2,302,702	7,555,286	31,154,372	-	41,101,014
Other assets	-	-	-	-	-	41,796,068	41,796,068
	<b>669,923,650</b>	<b>194,227,630</b>	<b>336,492,727</b>	<b>598,528,910</b>	<b>720,393,828</b>	<b>635,859,162</b>	<b>3,155,425,908</b>
<i>Non-derivative liabilities</i>							
Deposits from financial institutions	151,001,693	69,658	16,285,233	-	-	-	167,356,583
Deposits from customers	1,910,193,499	41,569,864	52,508,124	8,390,090	-	76,535,709	2,089,197,286
Other liabilities	-	-	-	-	-	111,117,648	111,117,648
Debt securities issued	7,624,982	3,802,546	92,736,609	212,380,366	-	-	316,544,502
Interest bearing borrowings	-	2,057,477	60,029,752	219,372,282	-	18,084,196	299,543,707
	<b>2,068,820,173</b>	<b>47,499,545</b>	<b>221,559,717</b>	<b>440,142,737</b>	<b>-</b>	<b>205,737,553</b>	<b>2,983,759,725</b>
<b>Total interest re-pricing gap</b>	<b>(1,398,896,524)</b>	<b>146,728,086</b>	<b>114,933,010</b>	<b>158,386,173</b>	<b>720,393,828</b>	<b>430,121,608</b>	<b>171,666,182</b>

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

## Bank

In thousands of Naira 30 June 2017	Re-pricing period						Total
	Less than 3 months	4 - 6 months	7 - 12 months	1 - 5 years	More than 5 years	Non-Interest bearing	
<i>Non-derivative assets</i>							
Cash and balances with banks	6,097,588	-	-	-	-	561,955,579	568,053,167
Investment under management	16,884,148	-	-	-	-	-	16,884,148
Non-pledged trading assets							
Treasury bills	2,899,346	3,318,662	5,783,472	-	-	-	12,001,480
Bonds	-	-	677	2,455,671	-	-	2,456,347
Loans and advances to banks	23,482,695	15,463,351	53,767,305	6,799	-	-	92,720,149
Loans and advances to customers							
Auto Loan	105,912	92,129	137,482	3,288,352	107,879	-	3,731,755
Credit Card	432,532	183,612	758,525	1,874,267	-	-	3,248,936
Finance Lease	41,759	307,131	180,819	3,438,381	-	-	3,968,090
Mortgage Loan	342	-	2,038	1,218,428	3,150,009	-	4,370,817
Overdraft	105,595,326	8,868,817	26,182,219	-	-	-	140,646,362
Personal Loan	451,922	300,784	1,213,551	13,078,599	37,966	-	15,082,822
Term Loan	16,240,544	6,626,799	43,562,662	416,171,273	549,421,406	-	1,032,022,683
Time Loan	194,871,882	36,624,978	67,849,863	29,939,713	-	-	329,286,436
Pledged assets							
Treasury bills	78,105,484	62,503,143	60,306,028	-	-	-	200,914,655
Bonds	-	5,062,931	11,744,492	31,650,964	145,160,622	-	193,619,008
Investment securities							
- Available for sale							
Treasury bills	-	-	-	-	-	-	-
Bonds	-	-	-	11,717,923	7,406,435	-	19,124,358
- Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	1,051,093	932,536	4,106,082	2,872,130	765,301	-	9,727,140
Other assets				-	-	61,905,585	61,905,585
	<b>446,260,572</b>	<b>140,284,876</b>	<b>275,595,214</b>	<b>517,712,500</b>	<b>706,049,615</b>	<b>623,861,164</b>	<b>2,709,763,940</b>
<i>Non-derivative liabilities</i>							
Deposits from financial institutions	163,723,736	75,526	17,657,280	-	-	-	181,456,542
Deposits from customers	1,485,600,776	32,293,515	40,752,999	6,511,779	-	61,778,712	1,626,907,782
Other liabilities		-	-	-	-	145,442,143	145,442,143
Debt securities	6,914,109	3,448,037	84,090,833	192,580,278	-	-	287,033,258
Interest bearing borrowings	74,767,009	2,625,993	76,614,381	205,212,022	-	-	359,219,315
	<b>1,731,005,631</b>	<b>38,412,981</b>	<b>219,115,493</b>	<b>404,304,079</b>	-	<b>207,220,855</b>	<b>2,600,059,040</b>
<b>Total interest re-pricing gap</b>	<b>(1,284,745,059)</b>	<b>101,871,895</b>	<b>56,479,720</b>	<b>113,408,421</b>	<b>706,049,615</b>	<b>416,640,309</b>	<b>109,704,900</b>

## Bank

In thousands of Naira 31 December 2016	Re-pricing period						Total
	Less than 3 months	4 - 6 months	7 - 12 months	1 - 5 years	More than 5 years	Non-Interest bearing	
<i>Non-derivative assets</i>							
Cash and balances with banks	41,798,197	-	-	-	-	476,199,052	517,997,249
Investment under management	14,871,247	-	-	-	-	-	14,871,247
Non-pledged trading assets							
Treasury bills	7,104,931	8,132,475	19,144,229	-	-	-	34,381,635
Bonds	-	-	1,993	10,186,604	-	-	10,188,597
Loans and advances to banks	100,956	-	80,850,522	23,055,096	-	-	104,006,574
Loans and advances to customers							
Auto Loan	44,538	140,498	278,421	3,649,349	253,737	-	4,366,544
Credit Card	3,877,028	187	16,538	118,623	-	-	3,922,376
Finance Lease	196,694	9,501	166,902	3,614,801	-	-	3,987,898
Mortgage Loan	4,996	353	38,443	1,156,744	3,796,416	-	4,996,952
Overdraft	102,563,620	8,168,255	19,374,316	179,472	-	-	130,285,663
Personal Loan	266,532	159,842	860,207	15,477,175	25,348	-	16,789,104
Term Loan	8,752,512	13,988,889	15,750,168	409,300,808	569,853,878	-	1,017,646,255
Time Loan	240,757,770	50,689,184	52,089,014	69,031,586	-	-	412,567,553
Pledged assets							
Treasury bills	39,049,250	67,819,721	81,370,550	-	-	-	188,239,521
Bonds	-	3,541,654	8,215,582	22,140,686	92,810,060	-	126,707,983
Investment securities							
- Available for sale							
Treasury bills	2,154,121	9,021,856	29,784,689	-	-	-	40,960,665
Bonds	-	4,009,824	-	3,650,527	14,039,528	-	21,699,879
- Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	-	66,554	2,132,702	7,323,605	30,840,190	-	40,363,051
Other assets				-	-	33,265,072	33,265,072
	<b>461,452,391</b>	<b>165,748,794</b>	<b>310,074,275</b>	<b>568,885,078</b>	<b>711,619,156</b>	<b>509,464,124</b>	<b>2,727,243,818</b>
<i>Non-derivative liabilities</i>							
Deposits from financial institutions	85,753,842	39,901	9,328,445	-	-	-	95,122,188
Deposits from customers	1,657,794,162	36,053,247	45,539,922	7,276,665	-	66,378,876	1,813,042,872
Other liabilities	-	-	-	-	-	105,287,724	105,287,724
Debt securities	7,624,982	3,802,546	20,144,524	212,380,366	-	-	243,952,418
Interest bearing borrowings	2,557,609	58,694,740	9,724,633	285,275,751	-	15,927,053	372,179,785
	<b>1,753,730,594</b>	<b>98,590,435</b>	<b>84,737,524</b>	<b>504,932,781</b>	-	<b>187,593,653</b>	<b>2,629,584,986</b>
<b>Total interest re-pricing gap</b>	<b>(1,292,278,203)</b>	<b>67,158,359</b>	<b>225,336,751</b>	<b>63,952,297</b>	<b>711,619,156</b>	<b>321,870,471</b>	<b>97,658,833</b>

**Market risk management**

The Group trades on bonds, treasury bills and foreign currency. 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 at a group level to estimate the market risk 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 Market Risk 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, 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 base 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***In thousands of Naira*

	<b>June 2017</b>			
	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Actual</b>
Foreign exchange risk	678,320	2,352,213	17,806	652,213
Interest rate risk	434,481	1,379,604	190,525	309,754
<b>Total</b>	<b>1,112,801</b>	<b>3,731,817</b>	<b>208,331</b>	<b>961,967</b>

**Group**

	<b>December 2016</b>			
	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Actual</b>
Foreign exchange risk	20,455	201,816	154	12,050
Interest rate risk	564,918	1,492,932	84,051	393,917
<b>Total</b>	<b>585,373</b>	<b>1,694,748</b>	<b>84,204</b>	<b>405,967</b>

**Bank VAR by risk type***In thousands of Naira*

	<b>June 2017</b>			
	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Actual</b>
Foreign exchange risk	620,677	2,274,938	17,391	631,477
Interest rate risk	334,481	1,379,604	190,525	309,754
<b>Total</b>	<b>955,158</b>	<b>3,654,542</b>	<b>207,916</b>	<b>941,231</b>

**Bank**

	<b>December 2016</b>			
	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Actual</b>
Foreign exchange risk	19,275	198,717	31	11,309
Interest rate risk	564,918	1,492,932	84,051	393,917
<b>Total</b>	<b>584,193</b>	<b>1,691,649</b>	<b>84,082</b>	<b>405,226</b>

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*

	Fixed N'ooo	Floating N'ooo	Non-interest bearing N'ooo	Total N'ooo
<b>30 June 2017</b>				
<b>ASSETS</b>				
Cash and balances with banks	41,519,620	-	675,305,891	716,825,510
Non pledged trading assets	16,008,477	-	59,348	16,067,825
Derivative financial instruments	-	-	148,397,715	148,397,715
Loans and advances to banks	54,010,483	-	-	54,010,483
Loans and advances to customers	4,891,994	1,734,551,899	-	1,739,443,893
Pledged assets	394,533,663	-	-	394,533,663
Investment securities:				
– Available-for-sale	60,403,299	-	64,155,622	124,558,921
– Held-to-maturity	42,252,246	-	-	42,252,246
<b>TOTAL</b>	<b>613,619,783</b>	<b>1,734,551,899</b>	<b>887,918,575</b>	<b>3,236,090,256</b>
<b>LIABILITIES</b>				
Deposits from financial institutions	227,595,925	-	-	227,595,925
Deposits from customers	960,785,764	939,046,527	-	1,899,832,290
Derivative financial instruments	-	-	24,333,846	24,333,846
Debt securities issued	241,079,539	120,636,690	-	361,716,229
Interest-bearing borrowings	248,448,352	38,017,334	-	286,465,687
<b>TOTAL</b>	<b>1,677,909,580</b>	<b>1,097,700,551</b>	<b>24,333,846</b>	<b>2,799,943,976</b>
<b>31 December 2016</b>				
<b>ASSETS</b>				
Cash and balances with banks	119,826,012	-	594,063,093	713,889,105
Non pledged trading assets	44,570,231	-	59,348	44,629,578
Derivative financial instruments	-	-	156,042,984	156,042,984
Loans and advances to banks	45,203,002	-	-	45,203,002
Loans and advances to customers	4,891,994	1,804,567,178	-	1,809,459,172
Pledged assets	314,947,502	-	-	314,947,502
Investment securities:				
– Available-for-sale	102,238,450	-	58,424,194	160,662,644
– Held-to-maturity	68,451,128	-	-	68,451,128
<b>TOTAL</b>	<b>700,128,319</b>	<b>1,804,567,178</b>	<b>808,589,619</b>	<b>3,313,285,116</b>
<b>LIABILITIES</b>				
Deposits from financial institutions	167,356,583	-	-	167,356,583
Deposits from customers	925,976,555	1,163,220,731	-	2,089,197,287
Derivative financial instruments	-	-	30,444,501	30,444,501
Debt securities issued	195,907,812	120,636,690	-	316,544,502
Interest-bearing borrowings	254,868,576	44,675,131	-	299,543,707
<b>TOTAL</b>	<b>1,544,109,526</b>	<b>1,328,532,552</b>	<b>30,444,501</b>	<b>2,903,086,579</b>
<b>Bank</b>				
<b>30 June 2017</b>				
<b>ASSETS</b>				
Cash and balances with banks	6,097,588	-	561,955,579	568,053,167
Non pledged trading assets	14,457,826	-	59,348	14,517,174
Derivative financial instruments	-	-	147,986,650	147,986,650
Loans and advances to banks	92,720,149	-	-	92,720,149
Loans and advances to customers	4,374,708	1,527,983,194	-	1,532,357,902
Pledged assets	394,533,663	-	-	394,533,663
Investment securities:				
– Available-for-sale	19,124,357	-	63,905,758	83,030,116
– Held-to-maturity	9,727,140	-	-	9,727,140
<b>TOTAL</b>	<b>541,035,432</b>	<b>1,527,983,194</b>	<b>773,907,334</b>	<b>2,842,925,961</b>

**LIABILITIES**

Deposits from financial institutions	181,456,542	-	-	181,456,542
Deposits from customers	849,538,619	777,369,163	-	1,626,907,782
Derivative financial instruments	-	-	24,323,543	24,323,543
Debt securities issued	166,396,568	120,636,690	-	287,033,258
Interest-bearing borrowings	321,201,981	38,017,334	-	359,219,315

**TOTAL**

1,518,593,709 936,023,187 24,323,543 2,478,940,440

**31 December 2016****ASSETS**

	Fixed N'ooo	Floating N'ooo	Non-interest bearing N'ooo	Total N'ooo
Cash and balances with banks	41,798,197	-	476,199,052	517,997,249
Non pledged trading assets	44,570,231	-	59,348	44,629,578
Derivative financial instruments	-	-	155,772,662	155,772,662
Loans and advances to banks	104,006,574	-	-	104,006,574
Loans and advances to customers	4,374,708	1,590,187,637	-	1,594,562,345
Pledged assets	314,947,502	-	-	314,947,502
Investment securities:				
– Available-for-sale	62,660,545	-	58,177,045	120,837,589
– Held-to-maturity	40,363,051	-	-	40,363,051

**TOTAL**

612,720,808 1,590,187,637 690,208,106 2,893,116,551

**LIABILITIES**

Deposits from financial institutions	95,122,188	-	-	95,122,188
Deposits from customers	799,495,575	1,013,547,297	-	1,813,042,872
Derivative financial instruments	-	-	30,275,181	30,275,181
Debt securities issued	123,315,728	120,636,690	-	243,952,418
Interest-bearing borrowings	327,504,654	44,675,131	-	372,179,785

**TOTAL**

1,345,438,145 1,178,859,118 30,275,181 2,554,572,444

Derivative financial instruments include elements of interest rate differential between the applicable underlying currencies. Further details on the fair value of derivatives have been discussed in Note 3.9(J) of the financial statement.

**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, 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 - 30 June 2017****Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'ooo)**

<b>Time Band</b>	<b>Cashflow interest rate risk</b>	
	<b>100 basis points decline in rates</b>	<b>100 basis points increase in rates</b>
Less than 3 months		(266,110) 266,110
6 months		105,710 (105,710)
12 months		2,338,170 (2,338,170)
		<b>2,177,770 (2,177,770)</b>

**Interest sensitivity analysis - 31 December 2016****Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'ooo)**

<b>Time Band</b>	<b>Cashflow interest rate risk</b>	
	<b>100 basis points decline in rates</b>	<b>100 basis points increase in rates</b>
Less than 3 months		(71,335) 71,335
6 months		(1,868,207) 1,868,207
12 months		(1,967,752) 1,967,752
		<b>(3,907,294) 3,907,294</b>

**Bank****Interest sensitivity analysis - 30 June 2017****Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'ooo)**

<b>Time Band</b>	<b>Cashflow interest rate risk</b>	
	<b>decline in rates</b>	<b>increase in rates</b>
Less than 3 months		(266,110) 266,110
6 months		105,710 (105,710)
12 months		2,338,170 (2,338,170)
		<b>2,177,770 (2,177,770)</b>

**Interest sensitivity analysis - 31 December 2016****Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'ooo)**

<b>Time Band</b>	<b>Cashflow interest rate risk</b>	
	<b>100 basis points decline in rates</b>	<b>100 basis points increase in rates</b>
Less than 3 months		(67,938) 67,938
6 months		(1,612,292) 1,612,292
12 months		(1,805,538) 1,805,538
		<b>(3,485,768) 3,485,768</b>

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 fall 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, the Assets and Liability Committee, 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 sale. 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****30 June 2017***Impact on Statement of Comprehensive Income*

Investment under management T-Bills

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Held for trading Bonds	2,456,347	(2,123)	(3,313)
Held for trading T-bills	13,552,130	(8,374)	(16,748)
Pledged assets: Bonds	193,619,008	(118,783)	(185,378)
Pledged assets: T-bills	200,914,655	(124,203)	(248,405)
	410,542,141	(253,483)	(453,843)

*Impact on Other Comprehensive Income*

Available for sale investments

**TOTAL****31 December 2016***Impact on Statement of Comprehensive Income*

Investment under management T-Bills

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Held for trading Bonds	10,188,597	(165,377)	(327,492)
Held for trading T-bills	34,381,635	(103,935)	(207,868)
Pledged assets: Bonds	-	-	-
Pledged assets: T-bills	104,560,978	(318,783)	(637,563)
	149,131,209	(588,095)	(1,172,924)

*Impact on Other Comprehensive Income*

Available for sale investments

**TOTAL****Bank****30 June 2017***Impact on Statement of Comprehensive Income*

Held for trading Bonds

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Held for trading T.bills	2,428,386	(2,106)	(3,287)
Pledged assets: Bonds	12,001,480	(7,473)	(14,946)
Pledged assets: T-bills	193,619,008	(118,800)	(185,404)
	200,914,655	(125,104)	(250,207)
	408,963,529	(253,483)	(453,843)

*Impact on Other Comprehensive Income*

Available for sale investments

**TOTAL****31 December 2016***Impact on Statement of Comprehensive Income*

Held for trading Bonds

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Held for trading T.bills	10,170,293	(165,377)	(327,492)
Pledged assets: Bonds	34,381,635	(103,935)	(207,868)
Pledged assets: T-bills	-	-	-
	104,560,978	(318,783)	(637,563)
	149,112,906	(588,095)	(1,172,924)

*Impact on Other Comprehensive Income*

Available for sale investments

**TOTAL**

## 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

30 June 2017

	Total	Naira	US	GBP	Euro	Others
Cash and balances with banks	716,825,510	446,098,689	98,645,580	102,489,968	28,697,895	40,893,378
Investment under management	16,884,148	16,884,148	-	-	-	-
Non-pledged trading assets						
Treasury bills	13,552,130	12,001,480	-	-	-	1,550,650
Bonds	2,456,347	2,453,475	2,872	-	-	-
Equity	59,348	59,348	-	-	-	-
Derivative financial instruments	148,397,715	147,986,650	5,275	257,853	1,627	146,311
Loans and advances to banks	54,010,483	-	51,161,443	106,996	2,741,485	558
Loans and advances to customers						
Auto Loan	3,892,045	3,731,755	-	-	-	160,290
Credit Card	3,248,803	500,170	2,748,258	375	-	-
Finance Lease	3,968,091	3,968,091	-	-	-	-
Mortgage Loan	36,551,671	4,320,524	50,292	30,800,719	-	1,380,136
Overdraft	183,872,735	131,477,809	9,242,040	-	-	43,152,886
Personal Loan	16,520,800	14,469,981	636,246	-	-	1,414,574
Term Loan	1,149,390,457	690,868,992	427,317,091	2,289,372	-	28,915,001
Time Loan	341,999,291	121,333,669	207,624,283	13,477	1,176,233	11,851,629
Pledged assets						
Treasury bills	200,914,655	200,914,655	-	-	-	-
Bonds	193,619,008	193,619,008	-	-	-	-
Investment securities						
- Available for sale						
Treasury bills	33,740,025	-	-	-	-	33,740,025
Bonds	26,663,273	16,106,240	10,557,034	-	-	-
Equity	64,399,701	64,149,837	-	-	-	249,864
- Held to Maturity						
Treasury bills	31,217,965	-	-	-	-	31,217,965
Bonds	11,034,281	7,703,256	3,331,025	-	-	-
Other assets	73,894,759	51,297,438	12,263,345	65,508	34,498	10,233,969
	<b>3,327,113,241</b>	<b>2,129,945,214</b>	<b>823,584,783</b>	<b>136,024,268</b>	<b>32,651,738</b>	<b>204,907,237</b>
Deposits from financial institutions	227,595,925	968,753	194,993,848	11,638,612	11,401,625	8,593,087
Deposits from customers	1,899,832,290	1,327,958,243	380,435,205	98,099,801	13,964,824	79,374,217
Derivative financial instruments	24,333,846	24,323,543	5,275	2,797	1,627	605
Other liabilities	150,502,857	58,182,641	80,606,588	2,282,406	7,007,574	2,423,650
Debt securities issued	361,716,229	73,434,270	288,281,959	-	-	-
Interest bearing borrowings	286,465,687	223,137,554	62,664,808	13,765	-	649,561
	<b>2,950,446,834</b>	<b>1,708,005,004</b>	<b>1,006,987,682</b>	<b>112,037,381</b>	<b>32,375,649</b>	<b>91,041,121</b>
Off balance sheet exposures						
Transaction related bonds and guarantees	198,142,790	96,666,212	42,013,851	-	47,608,240	11,854,487
Guaranteed facilities	113,301,521	41,605,573	42,811,103	-	13,221,872	15,662,973
Clean line facilities for letters of credit and other commitments	317,240,114	363,684	121,939,188	255,649	192,428,031	2,253,562
Future, swap and forward contracts	782,746,710	-	773,456,502	9,290,208	-	-
	<b>1,411,431,135</b>	<b>138,635,470</b>	<b>980,220,644</b>	<b>9,545,857</b>	<b>253,258,143</b>	<b>29,771,022</b>

\*Included in Others are balances the group has in other currencies which includes South Africa Rand, Japanese Yen, Ghanaian Cedis, Dirham, Australian dollars, Canadian dollars, Swiss franc, Chinese Yuan etc.

Financial instruments by currency  
GroupIn thousands of Naira  
31 December 2016

	Total	Naira	US	GBP	Euro	Others
Cash and balances with banks	713,889,105	449,810,262	107,945,620	108,816,821	15,018,080	32,298,322
Investment under management	14,871,248	14,871,248	-	-	-	-
Non-pledged trading assets						
Treasury bills	34,381,635	34,381,635	-	-	-	-
Bonds	10,188,597	10,170,293	18,304	-	-	-
Equity	59,348	59,348	-	-	-	-
Derivative financial instruments	156,042,984	155,807,597	-	117,937	-	117,449
Loans and advances to banks	45,203,002	5,120,324	36,849,371	100,828	3,054,125	78,354
Loans and advances to customers						
Auto Loan	4,450,747	4,366,543	-	-	-	84,204
Credit Card	3,979,234	461,865	3,489,838	356	-	27,176
Finance Lease	3,987,897	3,847,155	140,741	-	-	-
Mortgage Loan	30,220,557	4,945,265	51,687	-	24,304,711	918,895
Overdraft	175,289,705	115,975,909	19,408,321	112	1,914	39,903,450
Personal Loan	18,072,072	16,068,950	770,696	-	-	1,232,426
Term Loan	1,088,719,248	662,246,205	414,637,752	-	1,923,592	9,911,700
Time Loan	484,739,710	110,638,349	342,042,618	-	5,017,432	27,041,309
Pledged assets						
Treasury bills	188,239,520	188,239,520	-	-	-	-
Bonds	126,707,982	126,707,982	-	-	-	-
Investment securities						
- Available for sale						
Treasury bills	69,346,601	40,960,665	22,293,819	-	-	6,092,117
Bonds	32,648,488	18,939,219	3,319,215	-	-	10,390,054
Equity	58,667,555	58,420,406	-	220,510	-	26,639
- Held to Maturity						
Treasury bills	27,350,114	-	-	-	-	27,350,114
Bonds	41,101,014	37,917,493	3,031,795	-	-	151,726
Other assets	41,796,067	25,620,309	9,312,046	693,416	3,157	6,167,140
	<b>3,369,952,430</b>	<b>2,085,576,540</b>	<b>963,311,824</b>	<b>109,949,979</b>	<b>49,323,012</b>	<b>161,791,075</b>
Deposits from financial institutions	167,356,583	23,799	135,858,174	12,101,600	10,666,112	8,706,898
Deposits from customers	2,089,197,286	1,496,193,858	395,957,684	93,758,760	11,414,977	91,872,007
Derivative financial instruments	30,444,501	30,275,182	5,494	121,239	1,650	40,936
Other liabilities	111,117,648	37,357,834	65,587,013	1,282,116	909,666	5,981,019
Debt securities issued	316,544,502	31,572,052	284,972,450	-	-	-
Interest bearing borrowings	299,543,707	226,099,848	72,650,629	13,923	122,277	657,030
	<b>3,014,204,227</b>	<b>1,821,522,573</b>	<b>955,031,444</b>	<b>107,277,638</b>	<b>23,114,682</b>	<b>107,257,890</b>
Off balance sheet exposures						
Transaction related bonds and guarantees	186,251,718	86,188,508	54,791,787	454,287	873,301	43,943,835
Guaranteed facilities	99,582,709	29,384,264	8,065,763	2,771,057	48,063,793	11,297,831
Clean line facilities for letters of credit	261,208,243	231,580	205,935,077	2,322,543	12,145,795	40,573,249
Future, swap and forward contracts	933,073,893	-	901,351,358	31,722,536	-	-
	<b>1,480,116,563</b>	<b>115,804,352</b>	<b>1,170,143,986</b>	<b>37,270,422</b>	<b>61,082,889</b>	<b>95,814,915</b>

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

## Financial instruments by currency

## Bank

In thousands of Naira

30 June 2017

	Total	Naira	US	GBP	Euro	Others
Cash and balances with banks	568,053,167	446,098,689	99,537,536	4,851,675	16,623,912	941,355
Investment under management	16,884,148	16,884,148	-	-	-	-
Non-pledged trading assets						
Treasury bills	12,001,480	12,001,480	-	-	-	-
Bonds	2,456,347	2,453,475	2,872	-	-	-
Equity	59,348	59,348	-	-	-	-
Derivative financial instruments	147,986,650	147,986,650	-	-	-	-
Loans and advances to banks	92,720,149	322,139	92,398,010	-	-	-
Loans and advances to customers						
Auto Loan	3,731,755	3,731,755	-	-	-	-
Credit Card	3,248,936	500,169	2,748,392	375	-	-
Finance Lease	3,968,090	3,968,090	-	-	-	-
Mortgage Loan	4,370,817	4,320,524	50,292	-	-	-
Overdraft	140,646,362	131,477,809	9,168,554	-	-	-
Personal Loan	15,082,822	14,469,981	612,841	-	-	-
Term Loan	1,032,022,683	690,868,992	341,153,692	-	-	-
Time Loan	329,286,436	121,333,669	206,762,501	13,477	1,176,233	556
Pledged assets						
Treasury bills	200,914,655	200,914,655	-	-	-	-
Bonds	193,619,008	193,619,008	-	-	-	-
Investment securities	-					
Available for sale						
Treasury bills	-	-	-	-	-	-
Bonds	19,124,358	16,106,240	3,018,119	-	-	-
Equity	64,149,837	64,149,837	-	-	-	-
Held to Maturity						
Treasury bills	-	-	-	-	-	-
Bonds	9,727,140	7,703,256	2,023,884	-	-	-
Other assets	62,031,249	51,297,438	10,697,654	4,295	31,863	-
	<b>2,922,085,438</b>	<b>2,130,267,351</b>	<b>768,174,347</b>	<b>4,869,822</b>	<b>17,832,007</b>	<b>941,912</b>
Deposits from financial institutions	181,456,542	968,753	175,709,449	13,122	4,764,675	544
Deposits from customers	1,626,907,782	1,327,958,243	289,118,547	5,195,513	4,635,214	265
Derivative financial instruments	24,323,543	24,323,543	-	-	-	-
Other liabilities	145,442,143	58,182,641	79,264,827	899,394	6,910,273	185,008
Debt securities issued	287,033,258	73,434,270	213,598,988	-	-	-
Interest bearing borrowings	359,219,315	223,137,554	136,208,262	-	(126,501)	-
	<b>2,624,382,582</b>	<b>1,708,005,004</b>	<b>893,900,073</b>	<b>6,108,029</b>	<b>16,183,660</b>	<b>185,817</b>
Off balance sheet exposures						
Transaction related bonds and guarantees	144,661,611	96,666,212	573,951	-	47,421,448	-
Guaranteed facilities	106,927,904	41,605,573	52,100,459	-	13,221,872	-
Clean line facilities for letters of credit and other commitments	203,661,763	363,684	8,575,745	250,391	192,218,381	2,253,562
Future, swap and forward contracts	772,477,622	-	772,477,622	-	-	-
	<b>1,227,728,900</b>	<b>138,635,470</b>	<b>833,727,777</b>	<b>250,391</b>	<b>252,861,700</b>	<b>2,253,562</b>

## Financial instruments by currency

## Bank

In thousands of Naira

31 December 2016

	Total	Naira	US	GBP	Euro	Others
Cash and balances with banks	517,997,249	449,810,263	60,800,367	1,049,275	6,137,468	199,876
Investment under management	14,871,247	14,871,247	-	-	-	-
Non-pledged trading assets						
Treasury bills	34,381,635	34,381,635	-	-	-	-
Bonds	10,188,597	10,170,293	18,304	-	-	-
Equity	59,348	59,348	-	-	-	-
Derivative financial instruments	155,772,662	155,772,662	-	-	-	-
Loans and advances to banks	104,006,574	5,120,323	98,886,251	-	-	-
Loans and advances to customers						
Auto Loan	4,366,544	4,366,544	-	-	-	-
Credit Card	3,922,377	461,866	3,460,156	356	-	-
Finance Lease	3,987,897	3,847,155	140,741	-	-	-
Mortgage Loan	4,996,952	4,945,265	51,687	-	-	-
Overdraft	130,285,663	115,989,317	14,296,347	-	-	-
Personal Loan	16,789,104	16,068,950	720,154	-	-	-
Term Loan	1,017,646,255	662,246,205	355,400,050	-	-	-
Time Loan	412,567,554	110,638,348	297,462,741	-	4,214,043	252,422
Pledged assets						
Treasury bills	188,239,520	188,239,520	-	-	-	-
Bonds	126,707,982	126,707,982	-	-	-	-
Investment securities						
Available for sale						
Treasury bills	40,960,665	40,960,665	-	-	-	-
Bonds	21,456,519	18,939,219	2,517,300	-	-	-
Equity	58,420,406	58,420,406	-	-	-	-
Held to Maturity						
Treasury bills	-	-	-	-	-	-
Bonds	40,393,051	37,917,493	2,445,558	-	-	-
Other assets	33,265,072	25,620,310	7,640,386	3,506	870	-
	<b>2,941,252,872</b>	<b>2,085,555,016</b>	<b>843,840,041</b>	<b>1,053,137</b>	<b>10,352,381</b>	<b>452,298</b>
Deposits from financial institutions	95,122,188	23,800	88,867,543	13,942	6,137,942	78,961
Deposits from customers	1,813,042,872	1,496,193,859	308,016,702	5,443,703	3,388,353	255
Derivative financial instruments	30,275,181	30,275,181	-	-	-	-
Other liabilities	105,287,725	39,811,426	64,501,462	76,042	815,402	83,392
Debt securities issued	243,952,418	31,572,052	212,380,366	-	-	-
Interest bearing borrowings	372,179,785	226,099,849	146,079,936	-	-	-
	<b>2,659,860,169</b>	<b>1,823,976,167</b>	<b>819,846,008</b>	<b>5,533,687</b>	<b>10,341,697</b>	<b>162,609</b>
Off balance sheet exposures						
Transaction related bonds and guarantees	136,163,848	86,188,508	48,890,645	454,287	630,408	-
Guaranteed facilities	85,513,822	29,384,265	8,065,763	-	48,063,793	-
Clean line facilities for letters of credit	158,994,795	231,581	149,868,358	1,893,686	5,828,248	1,172,921
Future, swap and forward contracts	900,436,358	-	900,436,358	-	-	-
	<b>1,281,108,822</b>	<b>115,804,354</b>	<b>1,107,261,124</b>	<b>2,347,973</b>	<b>54,522,449</b>	<b>1,172,921</b>

**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.

The amounts in the table below 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.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Trading derivative liabilities and assets forming part of the Group's proprietary trading operations that are expected to be closed out before contractual maturity	Fair values at the date of the statement of financial position. This is because contractual maturities are not reflective of the liquidity risk exposure arising from these positions. These fair values are disclosed in the 'less than one month' column.
Trading derivative liabilities and assets that are entered into by the Group with its customers	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and so the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

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.

### 5.3.1 Residual contractual maturities of financial assets and liabilities

Group 30 June 2017	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
<i>In thousands of Naira</i>							
Cash and balances with banks	716,825,510	718,007,916	327,536,931	41,519,620	-	-	348,951,365
Investment under management	16,884,148	16,923,280	13,877,216	3,046,063	-	-	-
Non-pledged trading assets							
Treasury bills	13,552,130	14,373,460	6,906,751	3,680,674	3,786,035	-	-
Bonds	2,456,347	3,460,347	190,307	27,961	-	639,568	2,602,511
Derivative financial instruments	148,397,715	148,397,715	54,510,458	32,566,633	7,371,897	53,948,727	-
Loans and advances to banks	54,010,483	54,352,276	314,803	6,867	54,030,606	-	-
Loans and advances to customers							
Auto Loan	3,892,044	3,951,441	278,004	740,498	827,246	2,105,693	-
Credit Card	3,248,802	3,302,924	439,462	186,526	773,870	1,903,066	-
Finance Lease	3,968,089	4,110,158	105,597	809,726	941,685	2,253,150	-
Mortgage Loan	36,551,671	36,633,079	16,131,557	3,529,070	1,489,502	11,138,499	4,344,452
Overdraft	183,872,734	199,263,620	135,921,917	30,575,440	32,766,265	-	-
Personal Loan	16,520,801	17,262,225	2,194,304	3,402,070	4,605,008	7,060,842	-
Term Loan	1,149,390,458	1,174,094,050	132,779,520	77,057,196	100,816,332	589,569,172	273,871,830
Time Loan	341,999,293	345,280,062	85,104,674	173,311,895	86,863,493	-	-
Pledged assets							
Treasury bills	200,914,655	212,638,278	89,881,113	64,660,310	58,096,855	-	-
Bonds	193,619,008	195,249,140	9,780,789	-	20,448,054	31,393,728	133,626,569
Investment securities							
Available for sale							
Treasury bills	33,740,025	35,764,427	-	-	-	35,764,427	-
Bonds	26,663,273	28,969,416	-	-	1,525,000	19,650,146	7,794,270
Held to Maturity							
Treasury bills	31,217,965	32,074,308	-	-	-	32,074,308	-
Bonds	11,034,280	12,210,708	18,325	1,032,767	2,269,123	8,101,940	788,551
Other assets	73,894,759	76,560,762	46,162,812	3,161,155	9,355,050	17,881,745	-
	<b>3,262,654,193</b>	<b>3,332,879,590</b>	<b>922,134,540</b>	<b>439,314,471</b>	<b>385,966,020</b>	<b>813,485,010</b>	<b>771,979,549</b>
Deposits from financial institutions							
Deposits from customers	227,595,925	233,753,085	200,787,768	31,532,855	1,432,462	-	-
Derivative financial instruments	1,899,832,290	1,906,911,645	1,322,388,754	282,033,700	28,665,196	273,823,995	-
Other liabilities	24,333,846	24,333,846	10,644,212	11,038,236	2,651,399	-	-
Debt securities issued	150,502,857	150,502,857	84,798,921	52,972,425	12,731,512	-	-
Interest bearing borrowings	361,716,229	364,703,548	108,941,014	28,628,738	13,899,981	213,233,815	-
	286,465,687	298,207,558	828,707	2,580,269	23,035,123	244,997,208	26,766,250
	<b>2,950,446,834</b>	<b>2,978,412,539</b>	<b>1,728,389,376</b>	<b>408,786,223</b>	<b>82,445,672</b>	<b>732,055,018</b>	<b>26,766,250</b>
Gap (asset - liabilities)	312,207,360	354,467,051	(806,254,836)	30,528,247	303,550,348	81,429,993	745,213,301
Cumulative liquidity gap			(806,254,836)	(775,726,589)	(472,176,241)	(390,746,248)	354,467,053
Off-balance sheet							
Transaction related bonds and guarantees	198,142,790	196,551,088	30,950,124	45,345,626	23,248,382	97,006,956	-
Guaranteed facilities	113,301,521	104,012,165	4,650,154	5,993,719	14,113,357	73,043,442	6,211,494
commitments	317,240,113	286,811,889	144,290,431	98,015,062	27,676,731	16,829,665	-
Future, swap and forward contracts	782,746,710	782,746,710	348,099,740	248,064,633	74,201,215	112,381,121	-
	<b>1,411,431,134</b>	<b>1,370,121,853</b>	<b>527,990,449</b>	<b>397,419,040</b>	<b>139,239,686</b>	<b>299,261,184</b>	<b>6,211,494</b>

Group 31 December 2016	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
<i>In thousands of Naira</i>							
Cash and balances with banks	713,889,105	715,345,365	353,988,075	7,247,123	53,642,143	-	300,468,024
Investment under management	14,871,247	14,871,247	10,411,554	4,459,693	-	-	-
Non-pledged trading assets							
Treasury bills	34,381,635	34,029,176	9,040,335	4,866,243	20,122,598	-	-
Bonds	10,188,597	16,619,894	631,976	91,576	718,002	6,761,748	8,416,592
Derivative financial instruments	156,042,984	156,042,984	27,079,269	33,598,441	38,327,725	57,037,549	-
Loans and advances to banks	45,203,002	45,463,319	33,905,765	4,685,904	6,871,650	-	-
Loans and advances to customers							
Auto Loan	4,450,747	4,514,364	352,266	325,139	743,859	3,093,100	-
Credit Card	3,979,235	4,051,996	3,916,648	187	16,538	118,623	-
Finance Lease	3,987,897	4,007,259	709,657	370,719	725,035	2,201,848	-
Mortgage Loan	30,220,557	30,304,601	24,297,892	143,547	37,176	2,717,493	3,108,493
Overdraft	175,289,705	186,881,262	115,424,409	8,168,255	62,334,086	954,511	-
Personal Loan	18,072,072	18,754,869	3,212,043	1,692,016	4,106,747	9,486,725	257,338
Term Loan	1,088,719,249	1,109,876,546	92,812,191	37,992,342	70,123,875	620,946,018	288,002,120
Time Loan	484,739,708	486,774,566	321,897,757	36,295,722	63,668,031	64,913,055	-
Pledged assets							
Treasury bills	188,239,520	209,782,953	40,001,539	74,184,000	95,597,414	-	-
Bonds	126,707,982	210,020,281	1,841,690	7,536,150	12,442,115	53,256,317	134,944,010
Investment securities							
Available for sale							
Treasury bills	69,346,601	69,633,449	24,517,339	9,716,110	35,400,000	-	-
Bonds	32,891,849	39,382,977	477,858	5,278,846	1,616,705	14,058,682	17,950,886
Held to Maturity							
Treasury bills	27,350,114	28,180,997	16,686,645	4,378,220	7,116,132	-	-
Bonds	41,101,013	98,737,384	6,191,560	3,272,392	4,798,727	26,230,505	58,244,199
Other assets							
	<b>3,311,468,880</b>	<b>3,528,039,417</b>	<b>1,103,499,533</b>	<b>252,655,073</b>	<b>481,082,654</b>	<b>879,410,493</b>	<b>811,391,662</b>
Deposits from financial institutions							
Deposits from customers							
Derivative financial instruments							
Other liabilities							
Debt securities issued							
Interest bearing borrowings							
	<b>167,356,583</b>	<b>164,074,988</b>	<b>88,509,852</b>	<b>28,368,657</b>	<b>47,196,478</b>	-	-
	<b>2,089,197,286</b>	<b>2,131,487,288</b>	<b>1,770,249,157</b>	<b>169,609,396</b>	<b>131,265,649</b>	<b>60,363,086</b>	-
	<b>30,444,501</b>	<b>30,444,581</b>	<b>6,319,085</b>	<b>9,071,764</b>	<b>15,053,732</b>	-	-
	<b>111,117,648</b>	<b>111,134,476</b>	<b>34,280,188</b>	<b>64,128,143</b>	<b>12,124,191</b>	<b>601,954</b>	-
	<b>316,544,502</b>	<b>414,465,451</b>	<b>11,105,760</b>	<b>14,661,659</b>	<b>388,608,032</b>	-	-
	<b>299,543,707</b>	<b>349,046,526</b>	<b>5,715,379</b>	<b>11,935,782</b>	<b>16,675,458</b>	<b>95,242,608</b>	<b>219,477,299</b>
Gap (asset - liabilities)	<b>3,014,204,226</b>	<b>3,200,653,309</b>	<b>1,916,179,421</b>	<b>297,775,401</b>	<b>611,013,540</b>	<b>156,207,648</b>	<b>219,477,299</b>
Cumulative liquidity gap							
	<b>297,264,663</b>	<b>327,386,108</b>	<b>(812,679,888)</b>	<b>(45,120,329)</b>	<b>(129,930,886)</b>	<b>723,202,845</b>	<b>591,914,362</b>
Off-balance sheet							
Transaction related bonds and guarantees							
Guaranteed facilities							
Clean line facilities for letters of credit and other commitments							
Future, swap and forward contracts							
	<b>221,127,530</b>	<b>186,251,718</b>	<b>58,396,012</b>	<b>20,312,880</b>	<b>13,591,530</b>	<b>93,951,296</b>	-
	<b>94,135,927</b>	<b>99,582,709</b>	<b>12,734,834</b>	<b>3,939,865</b>	<b>12,160,759</b>	<b>68,912,931</b>	<b>1,834,320</b>
	<b>216,785,592</b>	<b>261,208,243</b>	<b>191,336,041</b>	<b>32,234,010</b>	<b>33,458,810</b>	<b>4,179,382</b>	-
	<b>440,800,900</b>	<b>933,073,893</b>	<b>277,615,235</b>	<b>195,494,789</b>	<b>347,913,388</b>	<b>112,050,481</b>	-
	<b>972,849,949</b>	<b>1,480,116,563</b>	<b>540,082,122</b>	<b>251,981,544</b>	<b>407,124,487</b>	<b>279,094,090</b>	<b>1,834,320</b>

## 5.3.1 Residual contractual maturities of financial assets and liabilities

Bank 30 June 2017 In thousands of Naira	Carrying amount	Gross nominal inflow/outflow	Less than 3 months	6 months	12 months	5 years	More than 5 years
Cash and balances with banks	568,053,167	571,786,309	218,637,101	6,097,588	-	-	347,051,621
Investment under management	16,884,148	16,923,280	13,877,216	3,046,063	-	-	-
Non-pledged trading assets							
Treasury bills	12,001,480	-					
Bonds	2,456,347	-					
Derivative financial instruments	147,986,650	-					
Loans and advances to banks	92,720,149	92,740,272	314,803	6,867	92,418,602	-	-
Loans and advances to customers							
Auto Loan	3,731,755	3,790,206	215,206	718,435	811,972	2,044,593	-
Credit Card	3,248,936	3,302,924	439,462	186,526	773,870	1,903,066	-
Finance Lease	3,968,090	4,110,158	105,597	809,726	941,685	2,253,150	-
Mortgage Loan	4,370,817	4,447,431	63,155	302,364	403,079	1,831,378	1,847,456
Overdraft	140,646,362	153,765,691	117,052,195	8,943,585	27,169,911	-	-
Personal Loan	15,082,822	15,554,959	1,563,099	3,157,201	4,424,529	6,410,131	-
Term Loan	1,032,022,683	1,054,347,380	80,317,262	62,612,170	92,707,512	545,555,188	273,155,248
Time Loan	329,286,436	332,533,051	78,979,137	171,709,117	81,844,797	-	-
Pledged assets							
Treasury bills	200,914,655	212,638,278	89,881,113	64,660,310	58,096,855	-	-
Bonds	193,619,008	195,249,140	9,780,789	-	20,448,054	31,393,728	133,626,569
Investment securities							
Available for sale							
Treasury bills	-	-	-	-	-	-	-
Bonds	19,124,358	19,581,858	-	-	1,982,500	9,805,088	7,794,270
Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	9,727,140	10,216,718	18,325	1,032,767	2,758,701	5,618,373	788,551
Other assets	62,031,250	64,618,113	46,024,737	-	835,486	17,757,889	-
	<b>2,857,876,255</b>	<b>2,755,605,767</b>	<b>657,869,198</b>	<b>323,282,719</b>	<b>385,617,551</b>	<b>624,572,584</b>	<b>764,263,715</b>
Deposits from financial institutions							
Deposits from customers	1,626,907,782	1,697,667,004	1,386,072,054	9,105,759	28,665,196	273,823,995	-
Derivative financial instruments							
Other liabilities	24,323,543	24,323,543	10,644,212	11,038,236	2,641,096	-	-
Debt securities issued	145,442,143	145,442,143	82,221,619	50,489,013	12,731,512	-	-
Interest bearing borrowings	287,033,258	291,723,866	35,961,332	28,628,738	13,899,981	213,233,815	-
	359,219,315	366,544,574	80,577,847	2,834,680	23,035,123	233,330,675	26,766,250
Gap (asset - liabilities)	2,624,382,583	2,713,701,238	1,735,879,141	148,909,674	81,757,689	720,388,484	26,766,250
Cumulative liquidity gap	233,493,671	41,904,529	(1,078,009,943)	174,373,044	303,859,862	(95,815,900)	737,497,465
Off balance-sheet							
Transaction related bonds and guarantees	144,661,611	144,661,611	14,046,286	14,795,496	20,534,818	95,285,011	-
Guaranteed facilities	106,927,904	106,927,904	5,233,302	6,576,866	14,696,505	73,626,590	6,794,641
Clean line facilities for letters of credit and other commitments	203,661,763	204,164,968	112,603,803	81,089,826	10,471,339	-	-
Future, swap and forward contracts	772,477,622	772,477,622	348,099,740	237,795,545	74,201,215	112,381,121	-
	<b>1,227,728,900</b>	<b>1,228,232,106</b>	<b>479,983,131</b>	<b>340,257,734</b>	<b>119,903,878</b>	<b>281,292,722</b>	<b>6,794,641</b>

Bank 31 December 2016 <i>In thousands of Naira</i>	Carrying amount	Gross nominal inflow/outflow	Less than 3 months	6 months	12 months	5 years	More than 5 years
Cash and balances with banks	517,997,249	519,266,390	160,192,964	7,247,123	53,642,143	-	298,184,159
Investment under management	14,871,247	13,041,247	10,411,554	2,629,693	-	-	-
Non-pledged trading assets							
Treasury bills	34,381,635	34,029,176	9,040,335	4,866,243	20,122,598	-	-
Bonds	10,188,597	16,619,893	631,976	91,576	718,002	6,761,748	8,416,592
Derivative financial instruments	155,772,662	155,772,662	26,810,280	33,597,108	38,327,725	57,037,549	-
Loans and advances to banks	104,006,574	106,370,619	17,606,339	35,495,655	53,268,624	-	-
Loans and advances to customers							
Auto Loan	4,366,544	4,429,376	349,123	325,117	737,390	3,017,746	-
Credit Card	3,922,377	4,008,296	3,872,947	187	16,538	118,623	-
Finance Lease	3,987,898	4,007,259	709,657	370,719	725,035	2,201,848	-
Mortgage Loan	4,996,952	5,072,282	71,128	143,142	36,366	2,588,525	2,233,121
Overdraft	130,285,663	140,086,013	112,363,969	8,168,255	19,374,316	179,472	-
Personal Loan	16,789,104	17,369,909	3,204,315	1,688,986	3,515,034	8,958,819	2,756
Term Loan	1,017,646,255	1,035,301,570	69,817,914	37,847,445	69,867,436	572,754,782	285,013,663
Time Loan	412,567,554	414,563,484	305,093,210	28,655,049	15,934,022	64,881,203	-
Pledged assets							
Treasury bills	188,239,520	209,782,953	40,001,539	74,184,000	95,597,414	-	-
Bonds	126,707,982	210,020,281	1,841,690	7,536,150	12,442,115	53,256,317	134,944,010
Investment securities							
Available for sale							
Treasury bills	40,960,665	47,318,516	2,202,406	9,716,110	35,400,000	-	-
Bonds	21,699,880	38,217,811	477,858	5,278,846	1,616,705	13,114,026	17,730,376
Held to Maturity							
Treasury bills	-	-	-	-	-	-	-
Bonds	40,363,051	88,365,459	2,217,396	288,326	3,453,755	24,516,142	57,889,841
Other assets	33,265,072	36,232,930	16,057,855	-	2,666,435	17,508,640	-
	<b>2,883,016,480</b>	<b>3,099,876,127</b>	<b>782,974,457</b>	<b>258,129,729</b>	<b>427,461,654</b>	<b>826,895,439</b>	<b>804,414,518</b>
Deposits from financial institutions	95,122,188	93,373,197	88,509,852	4,824,256	39,089	-	-
Deposits from customers	1,813,042,872	1,842,927,520	1,630,445,930	122,969,705	77,445,500	12,066,385	-
Derivative financial instruments	30,275,181	30,275,181	6,150,451	9,070,998	15,053,732	-	-
Other liabilities	105,287,724	105,287,724	29,202,451	64,128,143	11,957,131	-	-
Debt securities issued	243,952,418	336,873,750	8,452,867	14,661,659	313,759,224	-	-
Interest bearing borrowings	372,179,785	426,638,227	8,368,272	11,935,782	91,614,266	95,242,608	219,477,299
	<b>2,659,860,168</b>	<b>2,835,375,599</b>	<b>1,771,129,823</b>	<b>227,590,543</b>	<b>509,868,942</b>	<b>107,308,993</b>	<b>219,477,299</b>
Gap (asset - liabilities)	223,156,312	264,500,528	(988,155,366)	30,539,186	(82,407,288)	719,586,446	584,937,220
Cumulative liquidity gap			(988,155,366)	(957,616,181)	(1,040,023,468)	(320,437,022)	264,500,198
Off balance-sheet							
Transaction related bonds and guarantees	136,163,848	136,163,848	11,965,448	19,613,726	12,336,612	92,248,061	-
Guaranteed facilities	85,513,821	85,513,821	5,276,228	2,913,364	6,576,977	68,912,931	1,834,320
Clean line facilities for letters of credit and other commitments	158,994,793	158,994,793	81,207,362	32,234,010	41,374,039	4,179,382	-
Future, swap and forward contracts	900,436,358	900,436,358	277,615,235	195,494,789	315,275,853	112,050,481	-
	<b>1,281,108,820</b>	<b>1,281,108,820</b>	<b>376,064,274</b>	<b>250,255,889</b>	<b>375,563,481</b>	<b>277,390,855</b>	<b>1,834,320</b>

## 5.3.2 Financial instruments below and above 1 year's maturity

Group <i>In thousands of Naira</i>	June 2017			December 2016		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with banks	444,169,272	272,656,238	<b>716,825,510</b>	413,421,081	300,468,024	<b>713,889,105</b>
Investments under management	16,884,148	-	<b>16,884,148</b>	14,871,247	-	<b>14,871,247</b>
Non pledged trading assets						
Treasury bills	13,552,130	-	<b>13,552,130</b>	34,381,635	-	<b>34,381,635</b>
Bonds	677	2,455,671	<b>2,456,347</b>	1,993	10,186,604	<b>10,188,597</b>
Derivative financial instruments	93,437,448	54,960,268	<b>148,397,715</b>	99,005,435	57,037,549	<b>156,042,984</b>
Loans and advances to banks	54,010,483	-	<b>54,010,483</b>	44,977,056	225,946	<b>45,203,002</b>
Loans and advances to customers						
Auto Loan	442,383	3,449,661	<b>3,892,044</b>	474,178	3,976,569	<b>4,450,747</b>
Credit Card	1,374,669	1,874,267	<b>3,248,936</b>	3,873,887	105,348	<b>3,979,235</b>
Finance Lease	529,709	3,438,381	<b>3,968,090</b>	373,096	3,614,801	<b>3,987,897</b>
Mortgage Loan	21,456,283	15,095,388	<b>36,551,671</b>	24,350,127	5,870,430	<b>30,220,556</b>
Overdraft	169,716,492	14,156,112	<b>183,872,603</b>	174,352,829	936,877	<b>175,289,705</b>
Personal Loan	2,924,910	13,595,891	<b>16,520,801</b>	1,862,003	16,210,069	<b>18,072,071</b>
Term Loan	144,675,188	1,004,715,271	<b>1,149,390,458</b>	61,000,474	1,027,718,775	<b>1,088,719,248</b>
Time Loan	307,821,959	34,177,331	<b>341,999,290</b>	415,677,251	69,062,457	<b>484,739,709</b>
Pledged assets						
Treasury bills	200,914,655	-	<b>200,914,655</b>	188,239,520	-	<b>188,239,520</b>
Bonds	16,807,423	176,811,586	<b>193,619,008</b>	11,757,237	114,950,745	<b>126,707,982</b>
Investment securities						
Available for sale						
Treasury bills	33,740,025	-	<b>33,740,025</b>	69,346,601	-	<b>69,346,601</b>
Bonds	-	26,663,273	<b>26,663,273</b>	4,363,270	28,528,579	<b>32,891,849</b>
Held to Maturity						
Treasury bills	31,217,965	-	<b>31,217,965</b>	27,350,114	-	<b>27,350,114</b>
Bonds	7,090,669	3,943,612	<b>11,034,281</b>	2,199,256	38,901,757	<b>41,101,014</b>
Other assets						
	51,017,762	22,876,996	<b>73,894,758</b>	22,429,091	19,366,977	<b>41,796,068</b>
	<b>1,611,784,248</b>	<b>1,650,869,945</b>	<b>3,262,654,194</b>	<b>1,614,307,380</b>	<b>1,697,161,508</b>	<b>3,311,468,888</b>
Deposits from financial institutions						
Deposits from customers	227,595,925	-	<b>227,595,925</b>	167,356,583	-	<b>167,356,583</b>
Derivative financial instruments	1,892,224,448	7,607,841	<b>1,899,832,290</b>	2,080,224,795	8,972,491	<b>2,089,197,286</b>
Debt securities issued	24,333,846	-	<b>24,333,846</b>	30,444,501	-	<b>30,444,501</b>
Other liabilities	119,028,631	242,687,598	<b>361,716,229</b>	104,164,136	212,380,366	<b>316,544,502</b>
Interest-bearing borrowings	137,771,345	12,731,512	<b>150,502,857</b>	90,980,725	20,136,923	<b>111,117,648</b>
	79,240,285	207,225,402	<b>286,465,687</b>	13,369,251	286,174,456	<b>299,543,707</b>
	<b>2,480,194,481</b>	<b>470,252,353</b>	<b>2,950,446,834</b>	<b>2,548,627,220</b>	<b>747,036,517</b>	<b>3,014,204,227</b>

Bank	June 2017			December 2016		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<i>In thousands of Naira</i>						
Cash and balances with banks	297,296,673	270,756,494	<b>568,053,167</b>	219,813,090	298,184,159	<b>517,997,249</b>
Investment under management	16,884,148	-	<b>16,884,148</b>	14,871,247	-	<b>14,871,247</b>
Non pledged trading assets						
Treasury bills	12,001,480		<b>12,001,480</b>	34,381,635	-	<b>34,381,635</b>
Bonds	677	2,455,671	<b>2,456,347</b>	1,993	10,186,604	<b>10,188,597</b>
Derivative financial instruments	93,172,089	54,814,562	<b>147,986,650</b>	98,735,112	57,037,550	<b>155,772,662</b>
Loans and advances to banks	92,720,149	-	<b>92,720,149</b>	80,951,478	23,055,096	<b>104,006,574</b>
Loans and advances to customers						
Auto Loan	335,523	3,396,231	<b>3,731,755</b>	403,459	3,903,085	<b>4,366,544</b>
Credit Card	1,374,669	1,874,267	<b>3,248,936</b>	3,803,753	118,623	<b>3,922,377</b>
Finance Lease	529,709	3,438,381	<b>3,968,090</b>	373,097	3,614,801	<b>3,987,898</b>
Mortgage Loan	2,380	4,368,437	<b>4,370,817</b>	43,792	4,953,160	<b>4,996,952</b>
Overdraft	140,646,362	-	<b>140,646,362</b>	130,106,191	179,472	<b>130,285,663</b>
Personal Loan	1,966,258	13,116,565	<b>15,082,822</b>	1,286,581	15,502,522	<b>16,789,104</b>
Term Loan	66,430,004	965,592,679	<b>1,032,022,683</b>	38,491,569	979,154,686	<b>1,017,646,255</b>
Time Loan	299,346,723	29,939,713	<b>329,286,436</b>	343,535,968	69,031,586	<b>412,567,554</b>
Pledged assets						
Treasury bills	200,914,655	-	<b>200,914,655</b>	188,239,520	-	<b>188,239,520</b>
Bonds	16,807,423	176,811,586	<b>193,619,008</b>	11,757,236	114,950,746	<b>126,707,982</b>
Investment securities						
Available for sale						
Treasury bills	-	-	-	40,960,665	-	<b>40,960,665</b>
Bonds	-	19,124,358	<b>19,124,358</b>	4,303,270	17,336,610	<b>21,699,880</b>
Held to Maturity						
Treasury bills	-	-	-	-	-	-
Bonds	6,089,710	3,637,430	<b>9,727,140</b>	2,199,256	38,163,795	<b>40,363,051</b>
Other assets	38,652,483	23,378,765	<b>62,031,249</b>	18,724,289	14,540,783	<b>33,265,072</b>
	<b>1,285,171,116</b>	<b>1,572,705,138</b>	<b>2,857,876,254</b>	<b>1,233,103,205</b>	<b>1,649,913,279</b>	<b>2,883,016,480</b>
Deposits from financial institutions	181,456,542	-	<b>181,456,542</b>	95,122,188	-	<b>95,122,188</b>
Deposits from customers	1,620,396,003	6,511,779	<b>1,626,907,782</b>	1,804,070,381	8,972,491	<b>1,813,042,872</b>
Derivative financial instruments	24,323,543	-	<b>24,323,543</b>	30,275,181	-	<b>30,275,181</b>
Debt securities issued	94,452,980	192,580,278	<b>287,033,258</b>	31,572,052	212,380,366	<b>243,952,418</b>
Other liabilities	132,710,632	12,731,512	<b>145,442,143</b>	89,211,697	16,076,027	<b>105,287,724</b>
Interest-bearing borrowings	154,007,293	205,212,022	<b>359,219,315</b>	86,005,329	286,174,456	<b>372,179,785</b>
	<b>2,207,346,993</b>	<b>417,035,590</b>	<b>2,624,382,583</b>	<b>2,136,256,828</b>	<b>523,603,340</b>	<b>2,659,860,168</b>

**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 16% (15% + additional 1%) is to be maintained for deposit money banks designated as significant financial institutions. Following the CBN guideline on regulatory capital computation, the Regulatory Risk Reserve has been excluded from the capital computation. Standardised approach has been adopted in computing the risk weighted assets for Credit, Operational, and Market Risk. 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: This includes ordinary share capital, share premium, retained earnings and other reserves excluding regulatory reserves. Intangible assets, deferred tax assets and investment in subsidiaries were also deducted from Tier 1 capital for capital adequacy purposes; and
- Tier 2 capital: This includes fair value reserves, foreign currency translation reserves with adjustments for investments in subsidiaries.

	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
<i>In thousands of Naira</i>				
<b>Tier 1 capital</b>				
Ordinary share capital	14,463,986	14,463,986	14,463,986	14,463,986
Share premium	197,974,816	197,974,816	197,974,816	197,974,816
Retained earnings	105,354,981	93,614,030	111,383,181	93,329,188
Other reserves	158,149,430	142,194,720	125,935,738	115,910,630
Non-controlling interests	4,537,325	6,247,028	-	-
<b>480,480,538</b>	<b>454,494,580</b>	<b>449,757,721</b>	<b>421,678,620</b>	
<b>Add/(Less):</b>				
Fair value reserve for available-for-sale	(28,041,976)	(23,240,250)	(27,917,107)	(23,354,093)
Foreign currency translation reserves	(13,094,269)	(11,992,025)	-	-
Other reserves	(1,513,607)	(1,211,978)	(1,242,239)	(1,008,118)
<b>Total Tier 1</b>	<b>437,830,686</b>	<b>418,050,326</b>	<b>420,598,375</b>	<b>397,316,409</b>
<b>Add/(Less):</b>				
50% Investments in subsidiaries	-	-	(33,675,743)	(29,619,626)
Deferred tax assets	(1,273,021)	(1,264,813)	-	-
Regulatory risk reserve	(47,816,831)	(42,932,550)	(35,058,266)	(35,058,266)
Intangible assets	(6,350,889)	(6,939,555)	(4,675,674)	(5,173,784)
<b>Adjusted Tier 1</b>	<b>382,389,945</b>	<b>366,913,409</b>	<b>347,188,692</b>	<b>327,464,733</b>
<b>Tier 2 capital</b>				
Debt securities issued	97,888,000	97,600,000	97,888,000	97,600,000
Fair value reserve for available-for-sale securities	28,041,976	23,240,250	27,917,107	23,354,093
Foreign currency translation reserves	13,094,269	11,992,025	-	-
Other reserves	1,513,607	1,211,978	1,242,239	1,008,118
50% Investments in subsidiaries	-	-	(33,675,743)	(29,619,626)
<b>Total Tier 2</b>	<b>140,537,853</b>	<b>134,044,253</b>	<b>93,371,604</b>	<b>92,342,587</b>
<b>Adjusted Tier 2 capital (33% of Tier 1)</b>	<b>127,450,569</b>	<b>122,292,239</b>	<b>93,371,604</b>	<b>92,342,587</b>
<b>Total regulatory capital</b>	<b>509,840,514</b>	<b>489,205,648</b>	<b>440,560,295</b>	<b>419,807,320</b>
<b>Risk-weighted assets</b>	<b>2,358,011,237</b>	<b>2,355,526,638</b>	<b>2,160,556,116</b>	<b>2,148,490,422</b>
<b>Capital ratios</b>				
Total regulatory capital expressed as a percentage of total risk-weighted assets	21.62%	20.77%	20.39%	19.54%
Total tier 1 capital expressed as a percentage of risk-weighted assets	16.22%	15.58%	16.07%	15.24%

**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.

All of the Segments reported at the end of the year had its,

- Reported revenue, from both external customers and intersegment sales or transfers, 10 per cent or more of the combined revenue, internal and external, of all operating segments, or

-the absolute measure of its reported profit or loss 10 per cent or more of the greater, in absolute amount, of  
(i) the combined reported profit of all operating segments that did not report a loss and  
(ii) the combined reported loss of all operating segments that reported a loss, or

-its assets are 10% or more of the combined assets of all operating segments.

Unallocated Segments represents all other transactions than are outside the normal course 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;

Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the income statement.

**Material total assets and liabilities**

In thousands of Naira

	Group June 2017	Group December 2016
Other Assets	101,981,448	63,255,054
Deferred tax (net)	1,273,021	1,264,813
Assets Held for Sale	110,727	140,727
Goodwill	681,007	681,007
	<b>104,046,202</b>	<b>65,341,601</b>
Other liabilities	154,002,841	113,571,240
Debt Securities issued	361,716,229	316,544,502
Interest-bearing loans and borrowings	286,465,687	299,543,707
Deferred tax	10,492,221	3,699,050
Retirement Benefit Obligation	2,791,879	3,075,453
Total liabilities	<b>815,468,856</b>	<b>736,433,952</b>

**Material revenue and expenses**

	Group June 2017	Group December 2016
<b>Interest expense</b>	(18,105,158)	(18,369,256)

## 7a Operating segments (continued)

30 June 2017

<i>In thousands of Naira</i>	Corporate & Investment Banking	Commercial Banking	Business Banking	Personal Banking	Unallocated Segments	Total continuing operations	Total
Revenue:							
Derived from external customers	130,005,493	71,052,261	16,524,325	28,993,324	-	246,575,403	246,575,403
Derived from other business segments	(897)	(2,251)	1,063	2,084	-	0.00	0.00
<b>Total Revenue</b>	<b>130,004,597</b>	<b>71,050,010</b>	<b>16,525,388</b>	<b>28,995,408</b>	<b>-</b>	<b>246,575,403</b>	<b>246,575,403</b>
Interest Income	45,058,865	79,060,472	15,963,181	21,822,791	-	161,905,310	161,905,310
Interest expense	(23,011,045)	(29,544,537)	(5,505,809)	(7,286,438)	(13,515,692)	(78,863,521)	(78,863,521)
Impairment Losses	(5,037,972)	(3,442,022)	244,384	(2,127,169)	-	(10,362,780)	(10,362,780)
Profit/(Loss) on ordinary activities before taxation	47,039,330	15,066,167	874,376	2,584,588	(13,515,692)	52,048,768	52,048,768
Share of profit from associate	-	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	(12,588,824)	(12,588,824)
<b>Profit after tax</b>						<b>39,459,945</b>	<b>39,459,945</b>
<b>Assets and liabilities:</b>							
Loans and Advances to customers	625,016,339	998,546,813	64,104,240	51,776,501	-	1,739,443,893	1,739,443,893
Goodwill	-	-	-	-	681,007	681,007	681,007
Tangible segment assets	1,198,010,563	1,913,981,374	122,872,878	99,243,479	-	3,334,108,294	3,334,108,294
Unallocated segment assets	-	-	-	-	120,930,351	120,930,351	120,930,351
<b>Total assets</b>	<b>1,198,010,563</b>	<b>1,913,981,374</b>	<b>122,872,878</b>	<b>99,243,479</b>	<b>120,930,351</b>	<b>3,455,038,645</b>	<b>3,455,038,645</b>
Deposits from customers	359,467,805	794,151,499	276,087,702	470,125,284	-	1,899,832,290	1,899,832,290
Segment liabilities	462,285,568	1,021,300,854	355,056,443	604,594,154	-	2,443,237,018	2,443,237,018
Unallocated segment liabilities	-	-	-	-	531,321,088	531,321,088	531,321,088
<b>Total liabilities</b>	<b>462,285,568</b>	<b>1,021,300,854</b>	<b>355,056,443</b>	<b>604,594,154</b>	<b>531,321,088</b>	<b>2,974,558,106</b>	<b>2,974,558,106</b>
<b>Net assets</b>	<b>735,724,996</b>	<b>892,680,520</b>	<b>(232,183,564)</b>	<b>(505,350,675)</b>	<b>(410,390,737)</b>	<b>480,480,539</b>	<b>480,480,539</b>

31 December 2016  
Operating segments (continued)

<i>In thousands of Naira</i>	Corporate & Investment Banking	Commercial Banking	Business Banking	Personal Banking	Unallocated Segments	Total continuing operations	Total
Revenue:							
Derived from external customers	141,391,638	145,070,057	29,336,906	65,522,183	-	381,320,783	381,320,783
Derived from other business segments	(897)	(2,251)	1,063	2,084	-	-	0
<b>Total Revenue</b>	<b>141,390,741</b>	<b>145,067,806</b>	<b>29,337,969</b>	<b>65,524,267</b>	<b>-</b>	<b>381,320,783</b>	<b>381,320,783</b>
Interest Income	75,569,180	116,850,109	22,723,799	32,143,548	-	247,286,635	247,286,635
Interest expenses	(34,582,829)	(38,394,292)	(7,051,917)	(9,740,581)	(18,369,256)	(108,138,875)	(108,138,875)
Impairment Losses	(9,374,089)	(10,448,863)	(1,238,648)	(891,219)	-	(21,952,819)	(21,952,819)
Profit/(Loss) on ordinary activities before taxation	49,260,836	47,314,951	424,158	11,708,767	(18,369,256)	90,339,456	90,339,456
Share of profit from associate							-
Income tax expense						(18,900,109)	(18,900,109)
<b>Profit after tax</b>						<b>71,439,347</b>	<b>71,439,347</b>
<b>Assets and liabilities:</b>							
Loans and Advances to customers	702,318,575	1,028,136,471	66,283,947	57,923,181	-	1,854,662,174	1,854,662,174
Goodwill					681,007	681,007	681,007
Tangible segment assets	1,303,757,470	1,886,823,131	121,643,467	106,299,895	-	3,418,523,963	3,418,523,963
Unallocated segment assets	-	-	-	-	65,341,601	65,341,601	65,341,601
<b>Total assets</b>	<b>1,303,757,470</b>	<b>1,886,823,131</b>	<b>121,643,467</b>	<b>106,299,895</b>	<b>65,341,601</b>	<b>3,483,865,564</b>	<b>3,483,865,564</b>
Deposits from customers	480,494,494	970,978,683	243,016,286	394,707,823	-	2,089,197,286	2,089,197,286
Segment liabilities	358,575,114	1,407,188,270	254,397,381	284,733,397	-	2,304,894,163	2,304,894,163
Unallocated segment liabilities	-	-	-	-	724,476,821	724,476,821	724,476,821
<b>Total liabilities</b>	<b>358,575,114</b>	<b>1,407,188,270</b>	<b>254,397,381</b>	<b>284,733,397</b>	<b>724,476,821</b>	<b>3,029,370,984</b>	<b>3,029,370,984</b>
<b>Net assets</b>	<b>945,182,356</b>	<b>479,634,861</b>	<b>(132,753,914)</b>	<b>(178,433,503)</b>	<b>(659,135,220)</b>	<b>454,494,580</b>	<b>454,494,580</b>

**7b Geographical segments**

The Group operates in three geographic regions, being:

- Nigeria
- Rest of Africa
- Europe

**30 June 2017***In thousands of Naira*

	<b>Nigeria</b>	<b>Rest of Africa</b>	<b>Europe</b>	<b>Total</b>
Derived from external customers	218,527,168	22,323,855	5,724,380	246,575,403
Derived from other segments	-	-	-	-
<b>Total Revenue</b>	<b>218,527,168</b>	<b>22,323,855</b>	<b>5,724,380</b>	<b>246,575,403</b>
Interest Income	141,295,043	17,405,924	3,204,343	161,905,310
Impairment Losses	(9,215,120)	(1,147,660)	-	(10,362,780)
Interest expense	(71,850,693)	(8,157,451)	1,144,623	(78,863,521)
Fee and commission expenses	19,866,554	2,715,016	2,244,466	24,826,037
Operating Income	146,676,475	14,166,404	6,869,003	167,711,882
Profit/(loss) before income tax	45,266,456	2,657,283	4,125,029	52,048,768
<b>Assets and liabilities:</b>				
Loans and Advances to customers	1,625,078,051	114,158,739	54,217,588	1,854,662,173
Non current assets				
Goodwill	-	681,007	-	681,007
<b>Total assets</b>	<b>3,095,796,270</b>	<b>306,752,786</b>	<b>52,489,589</b>	<b>3,483,865,562</b>
Deposit from customers	1,626,907,782	209,953,644	62,970,864	2,089,197,286
<b>Total liabilities</b>	<b>2,646,038,549</b>	<b>257,184,279</b>	<b>71,335,278</b>	<b>3,028,773,689</b>
Net assets	449,757,721	49,568,507	(18,845,689)	455,091,873

**31 December 2016**

	<b>Nigeria</b>	<b>Rest of Africa</b>	<b>Europe</b>	<b>Total</b>
Derived from external customers	331,000,972	42,385,383	7,934,428	381,320,783
Derived from other segments	-	-	-	-
<b>Total Revenue</b>	<b>331,000,972</b>	<b>42,385,383</b>	<b>7,934,428</b>	<b>381,320,783</b>
Interest Income	210,794,456	10,563,845	25,928,334	247,286,635
Impairment Losses	(17,641,127)	(4,311,692)	-	(21,952,819)
Interest expense	(94,777,050)	(9,086,318)	(4,275,507)	(108,138,875)
Fee and commission expenses	45,992,484	5,372,046	3,499,274	54,863,803
Operating Income	236,223,922	33,299,065	3,658,921	273,181,908
Profit/(loss) before income tax	80,579,576	5,257,275	4,502,605	90,339,456
<b>Assets and liabilities:</b>				
Loans and Advances to customers	1,698,568,920	92,329,153	63,764,101	1,854,662,173
Non current assets				
Goodwill	-	681,007	-	681,007
<b>Total assets</b>	<b>3,094,960,515</b>	<b>163,680,065</b>	<b>225,224,983</b>	<b>3,483,865,562</b>
Deposit from customers	1,813,042,872	204,070,854	72,083,559	2,089,197,286
<b>Total liabilities</b>	<b>2,673,281,895</b>	<b>155,057,459</b>	<b>200,434,335</b>	<b>3,028,773,689</b>
Net assets	421,678,619	8,622,606	24,790,648	455,091,873

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 period ended 30 June 2017 and for the period ended 31 December 2016. 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**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
<b>Interest income</b>				
Cash and balances with banks	1,069,538	520,951	603,203	142,171
Loans and advances to banks	1,756,292	26,602	669,889	263,624
Loans and advances to customers	121,582,438	91,088,487	106,956,905	80,116,825
Investment securities				
-Available for sale	14,201,776	8,625,728	13,063,119	8,140,533
-Held for trading	13,251,824	3,255,063	13,056,130	3,255,063
-Held to maturity	10,043,442	8,775,723	6,945,797	5,676,699
	<b>161,905,310</b>	<b>112,292,554</b>	<b>141,295,043</b>	<b>97,594,915</b>
<b>Interest expense</b>				
Deposit from financial institutions	7,278,701	3,500,682	6,576,727	3,030,444
Deposit from customers	51,187,907	31,273,536	42,901,051	25,989,849
Debt securities issued	18,105,158	6,442,592	15,632,340	3,769,666
Interest bearing borrowings and other borrowed funds	2,291,755	2,610,460	6,740,575	5,362,429
Securities dealing	-	14,617	-	-
	<b>78,863,521</b>	<b>43,841,887</b>	<b>71,850,693</b>	<b>38,152,388</b>
<b>Net interest income</b>	<b>83,041,789</b>	<b>68,450,667</b>	<b>69,444,350</b>	<b>59,442,527</b>

Interest income for the period ended 30 June 2017 includes interest accrued on impaired financial assets of Group: N1.8Bn (30 June 2016: N2.24Bn) and Bank: N848Mn (30 June 2016: N1.74Bn).

The increase in interest income is attributable to the increase in value of loans and advances to customers, the impact of currency devaluation and repricing.

**9 Net impairment charge on financial assets**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
<b>Additional collective impairment charges on loans and advances to banks (note 22)</b>				
	3,264	-	3,264	-
<b>Additional collective impairment charges on loans and advances to customers (note 23)</b>	<b>(5,989,357)</b>	<b>(3,836,851)</b>	<b>(5,886,180)</b>	<b>(3,781,140)</b>
<b>Additional specific impairment charges on loans and advances to customers (see note 23)</b>	<b>(4,250,712)</b>	<b>(5,468,521)</b>	<b>(3,332,204)</b>	<b>(3,869,004)</b>
<b>Additional impairment allowance on financial assets in other assets (see note 26)</b>	<b>(125,975)</b>	<b>(906,933)</b>	<b>-</b>	<b>(906,933)</b>
	<b>(10,362,780)</b>	<b>(10,212,305)</b>	<b>(9,215,120)</b>	<b>(8,557,077)</b>

**10 Fee and commission income**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
<b>Credit related fees and commissions</b>				
Account maintenance charge and handling commission	10,178,018	7,301,158	7,446,572	6,254,683
Commission on bills and letters of credit	1,942,948	1,258,084	1,693,679	1,053,623
Commissions on collections	2,433,762	3,744,989	2,204,229	1,293,833
Commission on other financial services	102,116	30,698	84,054	30,698
Commission on virtual products	3,582,034	1,413,870	2,638,970	1,413,870
Commission on foreign currency denominated transactions	1,927,478	1,504,420	1,219,202	1,504,420
Channels and other E-business income	2,047,299	1,432,883	1,909,603	1,432,883
Retail account charges	2,711,658	18,788,998	2,560,563	18,788,998
	<b>151,234</b>	<b>157,072</b>	<b>109,682</b>	<b>157,072</b>
	<b>25,076,547</b>	<b>35,632,172</b>	<b>19,866,554</b>	<b>31,930,080</b>

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

Channels and other E-business income include income from electronic channels, card products and related services.

**11 Net gains on investment securities****a Net (loss)/gain on financial instruments designated as held for trading**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
Fixed income securities	(1,676,068)	(286,138)	(1,777,637)	(286,138)
Derivative instruments	<u>(1,809,857)</u>	<u>33,387,068</u>	<u>(1,834,373)</u>	<u>33,370,087</u>
	<b><u>(3,485,925)</u></b>	<b><u>33,100,930</u></b>	<b><u>(3,612,010)</u></b>	<b><u>33,083,949</u></b>

Net (loss)/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.

(Loss)/gain on financial instrument relates to fair value increase arising from derivative instruments to which the bank is a party in the normal course of business and are held at fair value. Derivative financial instruments consist of forward, swap and future contracts.

**b Net gains on financial instruments held as available for sale**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
Fixed income securities	(159,607)	(11,766)	(159,607)	(11,766)
	<b><u>(159,607)</u></b>	<b><u>(11,766)</u></b>	<b><u>(159,607)</u></b>	<b><u>(11,766)</u></b>
<b>Total</b>	<b><u>(3,645,531)</u></b>	<b><u>33,089,164</u></b>	<b><u>(3,771,616)</u></b>	<b><u>33,072,183</u></b>

**12 Net foreign exchange income/(loss)**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
Foreign exchange trading income (net)	59,822,605	4,111,691	57,943,998	2,410,360
Unrealised foreign exchange (loss)/gain on revaluation	<u>(800,295)</u>	<u>(15,219,791)</u>	<u>(692,987)</u>	<u>(15,360,145)</u>
	<b><u>59,022,310</u></b>	<b><u>(11,108,100)</u></b>	<b><u>57,251,011</u></b>	<b><u>(12,949,785)</u></b>

**13 Other operating income**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
Dividends on available for sale equity securities	2,074,684	2,313,389	2,074,684	2,313,389
Gain on disposal of property and equipment	10,333	25,751	6,451	17,614
Rental income	19,920	50,056	15,715	50,056
Bad debt recovered	468,706	840,985	259,909	624,768
Cash management charges	114,962	82,094	114,962	82,094
Income from agency and brokerage	152,669	50,754	152,669	50,754
Income from asset management	1,233,121	394,242	1,233,121	373,715
Income from other investments	85,603	-	-	-
Income from other financial services	<u>56,769</u>	<u>406,256</u>	<u>28,664</u>	<u>349,425</u>
	<b><u>4,216,767</u></b>	<b><u>4,163,527</u></b>	<b><u>3,886,175</u></b>	<b><u>3,861,815</u></b>

Included in income from agency and brokerage is an amount of N55,592m representing the referral commission earned from bancassurance products.

**14 Personnel expenses**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>June 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>
Wages and salaries	26,425,503	20,335,468	21,054,557	17,029,781
Increase in liability for long term incentive plan (see note 37 (a) (i))	<u>372,683</u>	<u>596,700</u>	<u>378,889</u>	<u>589,627</u>
Contributions to defined contribution plans	643,698	535,972	384,528	372,956
Restricted share performance plan (b)	<u>301,629</u>	<u>599,992</u>	<u>234,121</u>	<u>528,896</u>
	<b><u>27,743,513</u></b>	<b><u>22,068,132</u></b>	<b><u>22,052,095</u></b>	<b><u>18,521,260</u></b>

- (a)** Under the Restricted Share Performance Plan (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 twenty (20) 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 purchased. Upon vesting, the SE transfers the shares to the employee whose interest has vested. The SE is consolidated in the Group's financial statements.

- (i)** The shares allocated to staff has a contractual vesting period of three (3) years commencing from the year of purchase/allocation to the staff. The group has no legal or constructive obligation to repurchase or settle on a cash basis.
- (ii)** The number and weighted-average exercise prices of shares has been detailed in table below;

Group	June 2017			June 2016		
	Description of shares	Number of Shares	Weighted Share Price per Share - Naira	Number of Shares	Weighted Share Price per Share - Naira	
(i) Shares allocated to staff at start of the period;	552,268,754	5.21	209,554,491	7.56		
(ii) Shares allocated during the period	15,823,300	6.40	318,923,997	4.86		
(iii) Forfeited during the period;	(63,777,758)	5.14	10,728,687	6.74		
(iv) Exercised during the period;	11,851,426	6.19	-	-		
(v) Shares allocated to staff at end of the period;	458,029,618	6.12	517,753,801	5.95		
Shares under the scheme at the end of the period	556,240,628	4.40	-	-		
	Naira ('000)	Price per Share - Naira		Naira ('000)	Price per Share - Naira	
Share based expense recognised during the period	301,629	6.12		563,893	5.95	
Outstanding allocated shares to staff at the end of the period have the following maturity dates						
		Vesting period	Expiry date	Shares		
Outstanding allocated shares for the 2015 - 2017 vesting period		2015 - 2017	31 Dec 2017	192,029,092		
Outstanding allocated shares for the 2016 - 2018 vesting period		2016 - 2018	31 Dec 2018	266,000,526		
				458,029,618		

Bank	June 2017			June 2016		
	Description of shares	Number of Shares	Weighted Share Price per Share - Naira	Number of Shares	Weighted Share Price per Share - Naira	
(i) Shares allocated to staff at start of the period;	519,145,746	5.93	191,227,874	7.56		
(ii) Shares allocated during the period	-	-	292,873,997	4.99		
(iii) Forfeited during the period;	(63,777,758)	5.14	10,728,687	6.74		
(iv) Exercised during the period;	11,851,426	6.19	-	-		
(v) Shares allocated to staff at end of the period;	409,083,310	7.25	473,373,184	6.09		
(vi) Shares under the scheme at the end of the period	507,294,320	5.93	-	-		
	Naira ('000)	Price per Share - Naira		Naira ('000)	Price per Share - Naira	
Share based expense recognised during the period	234,121	7.25		528,896	6.09	
Outstanding allocated shares to staff at the end of the period have the following maturity dates						
		Vesting period	Expiry date	Shares		
Outstanding allocated shares for the 2015 - 2017 vesting period		2015 - 2017	31 Dec 2017	158,906,084		
Outstanding allocated shares for the 2016 - 2018 vesting period		2016 - 2018	31 Dec 2018	250,177,226		
				409,083,310		

The weighted average remaining contractual life of the outstanding allocated shares is :

	Group June 2017	Group June 2016	Bank June 2017	Bank June 2016
	Years	Years	Years	Years
Weighted average contractual life of remaining shares	1.08	1.80	1.11	1.78

- ii. The average number of persons other than directors, in employment at the Group level during the period comprise:

	Group June 2017	Group June 2016	Bank June 2017	Bank June 2016
	Number	Number	Number	Number
Managerial	309	315	241	252
Other staff	3,650	3,711	2,772	2,656
	<b>3,959</b>	<b>4,026</b>	<b>3,013</b>	<b>2,908</b>

- 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 June 2017	Group June 2016	Bank June 2017	Bank June 2016
	Number	Number	Number	Number
Below N900,000	236	182	-	-
N900,001 - N1,990,000	291	115	10	9
N1,990,001 - N2,990,000	104	164	-	-
N2,990,001 - N3,910,000	84	22	-	-
N3,910,001 - N4,740,000	1,006	1,262	968	935
N4,740,001 - N5,740,000	24	26	1	-
N5,740,001 - N6,760,000	681	783	651	660
N6,760,001 - N7,489,000	17	35	-	-
N7,489,001 - N8,760,000	453	328	437	465
N8,760,001 - N9,190,000	362	438	353	311
N9,190,001 - N11,360,000	33	19	-	-
N11,360,001 - N14,950,000	378	287	352	283
N14,950,001 - N17,950,000	12	65	-	-
N17,950,001 - N21,940,000	187	226	173	174
N21,940,001 - N26,250,000	40	45	35	41
N26,250,001 - N30,260,000	8	2	-	-
N30,261,001 - N45,329,000	43	39	33	37
	<b>3,959</b>	<b>4,026</b>	<b>3,013</b>	<b>2,908</b>

## 15 Other operating expenses

In thousands of Naira	Group June 2017	Group June 2016	Bank June 2017	Bank June 2016
Premises and equipment costs	5,344,580	4,036,379	4,433,403	2,985,662
Professional fees	2,756,742	1,937,978	2,466,715	1,510,468
Insurance	618,334	465,016	495,168	404,807
Business travel expenses	3,815,142	3,409,893	3,497,595	3,251,180
Asset Management Corporation of Nigeria (AMCON) surcharge (see note (a) below)	15,474,803	12,059,720	15,474,803	12,059,720
Deposit insurance premium	2,777,106	2,806,298	2,777,106	2,806,298
Auditor's remuneration	251,805	176,565	183,936	150,000
Administrative expenses	12,204,579	6,694,897	11,994,740	6,435,551
Board expenses	402,604	23,072	288,004	209,234
Communication expenses	1,857,910	942,474	1,312,122	652,384
IT and e-business expenses	7,982,652	5,202,034	7,046,768	4,672,778
Outsourcing costs	4,124,597	2,962,972	3,636,941	2,928,988
Advertisements and marketing expenses	3,018,916	1,779,900	2,586,821	1,565,934
Recruitment and training	1,306,456	681,240	1,161,569	588,584
Events, charities and sponsorship	2,269,878	1,131,517	2,187,703	1,111,088
Periodicals and subscriptions	675,605	500,191	594,940	449,679
Security expenses	2,006,109	1,391,934	1,758,689	1,277,775
Cash processing and management cost	946,315	781,551	873,230	737,753
Stationeries, postage and printing	1,060,857	564,596	891,757	389,459
Office provisions and entertainment	241,796	193,173	140,622	136,039
Net litigations claims (see note 34(i))	-	49,495	-	49,495
	<b>69,136,786</b>	<b>47,790,895</b>	<b>63,802,632</b>	<b>44,372,876</b>

- (a) This represents the Group's contribution to AMCON's sinking fund for the period ended 30 June 2017. All deposit money banks in Nigeria are required to contribute 0.5% of total assets as at the preceding year end to AMCON's sinking fund in line with existing guidelines. 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

## Current tax expense

	Group June 2017	Group June 2016	Bank June 2017	Bank June 2016
Corporate income tax	5,155,309	3,275,340	2,556,704	2,186,282
IT tax	452,665	386,063	452,665	386,063
Education tax	620,196	226,597	620,196	226,597
Capital gains tax	325	864	325	864
Prior period's under provision	-	-	-	-
	6,228,495	3,888,864	3,629,890	2,799,806

## Deferred tax expense

Origination of temporary differences	6,360,329	6,466,457	6,783,411	6,399,774
Income tax expense	<b>12,588,824</b>	<b>10,355,321</b>	<b>10,413,301</b>	<b>9,199,580</b>

The movement in the current income tax liability is as follows:

	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Balance at the beginning of the period	5,938,662	7,780,824	5,004,160	6,442,311
Tax paid	(4,787,310)	(8,007,140)	(3,037,437)	(5,222,302)
Income tax charge	6,228,495	6,905,639	3,629,890	4,380,916
Prior period's under provision	(8,642)	-	-	-
Withholding tax utilisation	-	(596,764)	-	(596,765)
Reclassifications	-	-	-	-
Translation adjustments	(10,001)	(143,897)	-	-
Income tax receivable	(34,016)	-	-	-
Balance at the end of the period	<b>7,327,188</b>	<b>5,938,662</b>	<b>5,596,613</b>	<b>5,004,160</b>

Income tax liability is to be settled within one year

	Group June 2017	Group June 2017	Group June 2016	Group June 2016
In thousands of Naira				
Profit before income tax (2016 Restated)		52,048,768		43,993,069
Income tax using the domestic tax rate	30%	15,614,631	30%	13,197,921
Effect of tax rates in foreign jurisdictions	0%	56,150	0%	145,195
Information technology tax	1%	452,665	1%	386,063
Capital allowance utilised for the period	0%	-	0%	-
Non-deductible expenses	14%	7,375,091	54%	28,908,627
Tax exempt income	-22%	(11,530,234)	-65%	(32,614,614)
Tax losses unutilised	0%	-	0%	100,276
Education tax levy	1%	620,196	1%	226,597
Capital gain tax	0%	325	0%	864
Under provided in prior periods	0%	-	0%	4,392
Impact of dividend as tax base	0%	-	0%	-
<b>Effective tax rate</b>	<b>24%</b>	<b>12,588,823</b>	<b>21%</b>	<b>10,355,321</b>

	Bank June 2017	Bank June 2017	Bank June 2016	Bank June 2016
In thousands of Naira				
Profit before income tax	-	45,266,456	-	38,606,350
Income tax using the domestic tax rate	30%	13,579,937	30%	11,581,905
Effect of tax rates in foreign jurisdictions	0%	-	0%	-
Information technology tax	1%	452,665	1%	386,063
Non-deductible expenses	15%	6,672,808	60%	28,609,032
Tax exempt income	-24%	(10,912,630)	-71%	(31,604,881)
Education tax levy	1%	620,196	1%	226,597
Capital gain tax	0%	325	0%	864
Over provided in prior periods	0%	-	0%	-
Impact of dividend as tax base	0%	-	0%	-
<b>Effective tax rate</b>	<b>23%</b>	<b>10,413,301</b>	<b>21%</b>	<b>9,199,580</b>

**17 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 period excluding ordinary shares purchased by the company and held as treasury shares.

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group June 2016</b>	<b>Bank June 2017</b>	<b>Bank June 2016</b>
Profit for the period from continuing operations	39,352,370	33,386,610	34,853,155	29,406,770
Weighted average number of ordinary shares in issue	28,927,972	28,927,972	28,927,972	28,927,972
Weighted average number of treasury Shares	509,006	377,702	-	-
	<u>28,418,966</u>	<u>28,550,270</u>	<u>28,927,972</u>	<u>28,927,972</u>
<i>In kobo per share</i>				
Basic earnings per share from continuing operations	138	117	120	102

Diluted earnings per share is calculated by considering the impact of the treasury shares in weighted average number of ordinary shares outstanding

**Potential Diluted EPS**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group June 2016</b>	<b>Bank June 2017</b>	<b>Bank June 2016</b>
Profit for the period from continuing operations	39,352,370	33,386,610	34,853,155	29,406,770
Weighted average number of ordinary shares in issue	28,927,972	28,927,972	28,927,972	28,927,972
<i>In kobo per share</i>				
Diluted earnings per share from continuing operations	136	115	120	102

**18 Cash and balances with banks**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Cash on hand and balances with banks (see note (i))	178,553,795	115,380,195	177,572,533	106,594,205
Restricted deposits with central banks (see note (ii))	272,656,238	250,831,529	270,756,494	248,547,664
Unrestricted balances with central banks	147,800,730	139,954,922	37,331,425	33,160,736
Money market placements	41,519,620	119,826,012	6,097,588	41,798,197
Other deposits with central banks (see note (iii))	<u>76,295,127</u>	<u>87,896,447</u>	<u>76,295,127</u>	<u>87,896,447</u>
	<b><u>716,825,510</u></b>	<b><u>713,889,105</u></b>	<b><u>568,053,167</u></b>	<b><u>517,997,249</u></b>

- (i) Included in cash on hand and balances with banks is an amount of N59.919Bn (31 Dec 2016: N46.956Bn) 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 34). 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 and other central banks of jurisdictions that the group operates in. These balances are not available for day to day operations of the group.
- (ii) Other deposits with central banks comprise a special intervention fund with the Central Bank of Nigeria of N49.6Bn introduced in January 2016 as a reduction in the cash reserve ratio with a view of channeling the reduction to financing the real sector. The special intervention fund is restricted and not available for day to use by the Bank. The balance of N24.29Bn represents the nominal value held for outstanding forward contracts entered on behalf of customers with Central Bank of Nigeria.

**19 Investment under management**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
<b>Relating to unclaimed dividends:</b>				
Government Bonds	260,874	-	260,874	-
Placements	4,397,470	1,070,385	4,397,470	1,070,385
Commercial Paper	5,347,429	6,454,067	5,347,429	6,454,067
Nigerian Treasury Bills	3,832,311	2,887,102	3,832,311	2,887,102
Mutual Funds	1,210,664	2,629,694	1,210,664	2,629,693
Eurobonds	1,835,400	1,830,000	1,835,400	1,830,000
	<b>16,884,148</b>	<b>14,871,248</b>	<b>16,884,148</b>	<b>14,871,247</b>

The Bank entrusted the sum transferred to it by the Registrars in respect of unclaimed dividends with select Asset Managers who will ensure safekeeping and manage the funds for the benefit of the Bank. The investments by the Asset Managers are as listed above (the corresponding liability which is due to the Registrar is reported in Other liabilities. See note 34).

**20 Non pledged trading assets**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
<i></i>				
Government bonds	2,428,386	10,170,293	2,428,386	10,170,293
Eurobonds	27,961	18,304	27,961	18,304
Treasury bills	13,552,130	34,381,635	12,001,480	34,381,635
Equity securities	59,348	59,347	59,348	59,347
	<b>16,067,825</b>	<b>44,629,579</b>	<b>14,517,175</b>	<b>44,629,579</b>

**21 Derivative financial instruments***In thousands of Naira***Group**

Foreign exchange derivatives

	<b>Notional amount</b>	<b>Fair Value Assets/ (Liabilities)</b>	<b>Notional amount</b>	<b>Fair Value Assets/ (Liabilities)</b>
	<b>June 2017</b>		<b>December 2016</b>	
Total derivative assets	<b>549,220,177</b>	<b>148,397,715</b>	<b>709,617,854</b>	<b>156,042,984</b>
Non-deliverable Future contracts	301,505,798	70,366,936	390,410,492	65,280,723
Forward and Swap contract	247,714,379	78,030,779	319,207,362	90,762,261
Total derivative liabilities	<b>233,526,533</b>	<b>(24,333,846)</b>	<b>223,456,040</b>	<b>(30,444,501)</b>
Non-deliverable Future contracts	36,800,285	(10,858,647)	41,349,705	(10,668,412)
Forward and Swap contract	196,726,248	(13,475,200)	182,106,335	(19,776,089)
	<b>Notional amount</b>	<b>Fair Value Assets/ (Liabilities)</b>	<b>Notional amount</b>	<b>Fair Value Assets/ (Liabilities)</b>
	<b>June 2017</b>		<b>December 2016</b>	

**Bank**

Foreign exchange derivatives

<b>Total derivative assets</b>	<b>539,012,269</b>	<b>147,986,650</b>	<b>698,771,698</b>	<b>155,772,662</b>
Non-deliverable Future contracts	247,714,379	70,366,936	319,207,362	65,280,723
Forward and Swap contract	291,297,890	77,619,714	379,564,336	90,491,939
<b>Total derivative liabilities</b>	<b>233,465,353</b>	<b>(24,323,543)</b>	<b>201,664,660</b>	<b>(30,275,181)</b>
Non-deliverable Future contracts	36,800,285	(10,858,647)	41,349,705	(10,668,411)
Forward and Swap contract	196,665,068	(13,464,896)	160,314,955	(19,606,770)

Derivative financial instruments consist of forward, swap and future contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. The contracts have intended settlement dates of between 30 days and two years. All derivative contracts are considered to be valued with reference to data obtained from FMDQ.

Included in other liabilities are security deposit for Swap and future deals which are deposits (collateralised deposits) by counter parties.

The movement in fair value is as a result of a depreciation of the functional currency of the group (Naira) within the period and an increase in the volume of transactions.

**22 Loans and advances to banks***In thousands of Naira*

	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Loans and advances to banks	54,030,605	45,226,388	92,740,271	104,029,960
Less collective allowances for impairment	(20,122)	(23,386)	(20,122)	(23,386)
	<b>54,010,483</b>	<b>45,203,002</b>	<b>92,720,149</b>	<b>104,006,574</b>

**Collective allowances for impairment on loans and advances to banks**

	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
<i>In thousands of Naira</i>				
Balance beginning of period	23,386	9,086	23,386	9,086
- (writeback)/Charge for the period	(3,264)	14,300	(3,264)	14,300
Balance end of period	20,122	23,386	20,122	23,386

23 Loans and advances to customers  
a Group

June 2017 <i>In thousands of Naira</i>	Gross amount	Specific impairment allowance	Collective impairment allowance	Total impairment allowance	Carrying amount
<b>Loans to individuals</b>					
Retail Exposures					
Auto Loan (note 23c)	2,223,549	(296)	(42,008)	(42,304)	2,181,244
Credit Card	2,874,119	(4,374)	(45,619)	(49,993)	2,824,125
Finance Lease (note 23c)	49,499	-	(806)	(806)	48,692
Mortgage Loan	27,577,272	-	(81,265)	(81,265)	27,496,007
Overdraft	5,130,260	(384,470)	(683,771)	(1,068,240)	4,062,020
Personal Loan	17,262,225	(425,547)	(315,877)	(741,424)	16,520,801
Term Loan	6,028,153	(30,053)	(56,428)	(86,481)	5,941,671
Time Loan	682,345	-	(8,220)	(8,220)	674,125
<b>Loans to corporate entities and other organizations</b>					
Non-Retail Exposures					
Auto Loan (note 23c)	1,727,892	-	(17,091)	(17,091)	1,710,801
Credit Card	428,805	-	(4,128)	(4,128)	424,677
Finance Lease (note 23c)	4,060,659	(118,421)	(22,840)	(141,261)	3,919,398
Mortgage Loan	9,055,807	-	(143)	(143)	9,055,665
Overdraft	194,133,360	(11,288,915)	(3,033,731)	(14,322,646)	179,810,714
Term Loan	1,168,065,897	(4,845,058)	(19,772,051)	(24,617,109)	1,143,448,788
Time Loan	344,597,716	(416,608)	(2,855,942)	(3,272,550)	341,325,166
	<b>1,783,897,557</b>	<b>(17,513,742)</b>	<b>(26,939,922)</b>	<b>(44,453,664)</b>	<b>1,739,443,893</b>

## Group

December 2016 <i>In thousands of Naira</i>	Gross amount	Specific impairment allowance	Collective impairment allowance	Total impairment allowance	Carrying amount
<b>Loans to individuals</b>					
Retail Exposures					
Auto Loan (note 23c)	2,511,013	-	(42,628)	(42,628)	2,468,384
Credit Card	3,475,443	(4,367)	(58,216)	(62,583)	3,412,860
Finance Lease (note 23c)	60,912	-	(1,053)	(1,053)	59,859
Mortgage Loan	24,375,564	-	(79,867)	(79,867)	24,295,697
Overdraft	5,639,049	(264,216)	(538,680)	(802,896)	4,836,153
Personal Loan	18,754,870	(286,847)	(395,950)	(682,798)	18,072,072
Term Loan	6,964,075	-	(46,451)	(46,451)	6,917,624
Time Loan	721,711	-	(11,667)	(11,667)	710,044
<b>Loans to corporate entities and other organizations</b>					
Non-Retail Exposures					
Auto Loan (note 23c)	2,003,352	-	(20,988)	(20,988)	1,982,363
Credit Card	576,553	-	(10,178)	(10,178)	566,375
Finance Lease (note 23c)	3,946,347	-	(18,308)	(18,308)	3,928,039
Mortgage Loan	5,929,037	-	(4,176)	(4,176)	5,924,861
Overdraft	181,242,213	(8,677,151)	(2,111,511)	(10,788,662)	170,453,553
Term Loan	1,102,912,471	(5,523,054)	(15,587,793)	(21,110,847)	1,081,801,625
Time Loan	486,052,854	(92)	(2,023,099)	(2,023,191)	484,029,664
	<b>1,845,165,464</b>	<b>(14,755,727)</b>	<b>(20,950,566)</b>	<b>(35,706,293)</b>	<b>1,809,459,172</b>

## Impairment on loans and advances to customers

<i>In thousands of Naira</i>	Specific allowances		Collective allowances	
	June 2017	December 2016	June 2017	December 2016
Balance beginning of period	14,755,727	10,482,678	20,950,565	18,208,130
Impairment loss for the period:				
- Charge for the period	4,250,712	17,874,149	5,989,357	2,742,435
Write-offs	-	(13,601,100)	-	-
Balance end of period	<b>19,006,437</b>	<b>14,755,727</b>	<b>26,939,922</b>	<b>20,950,565</b>

**23 Loans and advances to customers****b Bank**

<b>June 2017</b> <i>In thousands of Naira</i>	<b>Gross amount</b>	<b>Specific impairment allowance</b>	<b>Collective impairment allowance</b>	<b>Total impairment allowance</b>	<b>Carrying amount</b>
<b>Loans to individuals</b>					
Retail Exposures					
Auto Loan (note 23c)	2,062,314	-	(41,359)	(41,359)	2,020,954
Credit Card	2,874,119	(4,374)	(45,619)	(49,993)	2,824,125
Finance Lease (note 23c)	49,499	-	(806)	(806)	48,692
Mortgage Loan	4,433,150	-	(76,472)	(76,472)	4,356,678
Overdraft	4,380,557	(127,084)	(499,591)	(626,674)	3,753,882
Personal Loan	15,554,959	(223,439)	(248,699)	(472,137)	15,082,822
Term Loan	3,112,128	(30,053)	(49,308)	(79,361)	3,032,766
Time Loan	432,172	-	(7,041)	(7,041)	425,131
<b>Loans to corporate entities and other organizations</b>					
Non-Retail Exposures					
Auto Loan (note 23c)	1,727,892	-	(17,091)	(17,091)	1,710,801
Credit Card	428,805	-	(3,994)	(3,994)	424,811
Finance Lease (note 23c)	4,060,659	(118,421)	(22,840)	(141,261)	3,919,398
Mortgage Loan	14,282	-	(143)	(143)	14,139
Overdraft	149,385,135	(9,968,743)	(2,523,911)	(12,492,654)	136,892,480
Term Loan	1,051,235,252	(2,527,798)	(19,717,537)	(22,245,335)	1,028,989,917
Time Loan	332,100,879	(416,608)	(2,822,966)	(3,239,574)	328,861,305
	<b>1,571,851,799</b>	<b>(13,416,520)</b>	<b>(26,077,378)</b>	<b>(39,493,898)</b>	<b>1,532,357,902</b>

**Bank**

<b>December 2016</b> <i>In thousands of Naira</i>	<b>Gross amount</b>	<b>Specific impairment allowance</b>	<b>Collective impairment allowance</b>	<b>Total impairment allowance</b>	<b>Carrying amount</b>
<b>Loans to individuals</b>					
Retail Exposures					
Auto Loan (note 23c)	2,426,024	-	(41,976)	(41,976)	2,384,048
Credit Card	3,431,339	(4,367)	(57,775)	(62,142)	3,369,197
Finance Lease (note 23c)	60,912	-	(1,053)	(1,053)	59,859
Mortgage Loan	5,053,845	-	(75,135)	(75,135)	4,978,710
Overdraft	5,033,990	(115,021)	(515,982)	(631,003)	4,402,987
Personal Loan	17,369,909	(285,812)	(294,993)	(580,805)	16,789,104
Term Loan	2,427,653	-	(42,759)	(42,759)	2,384,894
Time Loan	586,532	-	(10,139)	(10,139)	576,394
<b>Loans to corporate entities and other organizations</b>					
Non-Retail Exposures					
Auto Loan (note 23c)	2,003,352	-	(20,856)	(20,856)	1,982,496
Credit Card	563,357	-	(10,178)	(10,178)	553,179
Finance Lease (note 23c)	3,946,347	-	(18,308)	(18,308)	3,928,038
Mortgage Loan	18,437	-	(195)	(195)	18,242
Overdraft	135,065,623	(7,573,737)	(1,609,209)	(9,182,946)	125,882,676
Term Loan	1,032,873,587	(2,105,379)	(15,506,849)	(17,612,228)	1,015,261,360
Time Loan	413,976,953	-	(1,985,791)	(1,985,792)	411,991,161
	<b>1,624,837,860</b>	<b>(10,084,316)</b>	<b>(20,191,199)</b>	<b>(30,275,517)</b>	<b>1,594,562,345</b>

**Impairment on loans and advances to customers***In thousands of Naira*

	<b>Specific Impairment</b>		<b>Collective Impairment</b>	
	<b>June 2017</b>	<b>December 2016</b>	<b>June 2017</b>	<b>December 2016</b>
Balance beginning of period	10,084,316	9,173,223	20,191,198	17,732,860
Impairment loss for the period:				
- Charge for the period	3,332,204	13,846,554	5,886,180	2,458,338
Write-offs	-	(12,935,461)	-	-
Balance end of period	<b>13,416,520</b>	<b>10,084,316</b>	<b>26,077,378</b>	<b>20,191,198</b>

**23(c) 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:

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
Gross investment in finance lease, receivable	9,831,429	10,459,206	9,635,494	10,327,104
Unearned finance income on finance leases	(1,769,831)	(1,937,583)	(1,735,129)	(1,890,469)
<b>Net investment in finance leases</b>	<b>8,061,598</b>	<b>8,521,623</b>	<b>7,900,363</b>	<b>8,436,635</b>
 Gross investment in finance leases, receivable:				
Less than one year	965,517	2,217,863	937,454	2,286,156
Between one and five years	8,729,177	7,976,709	8,587,548	7,782,749
Later than five years	136,735	264,634	110,489	258,199
 Unearned finance income on finance leases	9,831,429	10,459,206	9,635,491	10,327,104
 Present value of minimum lease payments	(1,769,831)	(1,937,583)	(1,735,128)	(1,890,469)
 Present value of minimum lease payments may be analysed as:				
- Less than one year	784,328	2,018,383	874,224	2,091,526
- Between one and five years	7,184,828	6,215,439	6,915,650	6,064,306
- Later than five years	92,443	287,801	110,489	280,803

**24 Pledged assets**

<i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
Treasury bills	200,914,655	188,239,520	200,914,655	188,239,520
Government bonds	193,619,008	126,707,982	193,619,008	126,707,982
 The related liability for assets pledged as collateral include:				
Bank of Industry (BOI)	<b>394,533,663</b>	<b>314,947,502</b>	<b>394,533,663</b>	<b>314,947,502</b>
 Bank of Industry (BOI)	<b>39,566,300</b>	<b>39,566,300</b>	<b>39,566,300</b>	<b>39,566,300</b>

- (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 security deposits to clearing house and payment agencies of N20.46bn (31 December 2016: N17.58Bn) for which there is no related liability. The pledges have been made in the normal course of business of the Bank. In the event of default, the pledgee has the right to realise the pledged assets.

**25 Investment securities**

<b>Available for sale investment securities</b> <i>In thousands of Naira</i>	<b>Group</b> <b>June 2017</b>	<b>Group</b> <b>December 2016</b>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>December 2016</b>
 <b>Debt securities</b>				
Government bonds	20,188,885	26,699,706	12,649,970	15,507,737
Treasury bills	33,740,025	69,346,601	-	40,960,605
Eurobonds	3,018,119	2,760,661	3,018,119	2,760,661
Corporate bonds	3,456,270	3,431,482	3,456,270	3,431,482
 <b>Equity securities</b>				
Equity securities with readily determinable fair values (i)	64,399,701	58,667,555	64,149,837	58,420,406
Unquoted equity securities at cost	3,145,697	3,145,697	3,145,697	3,145,697
	127,948,698	164,051,703	86,419,893	124,226,649
Specific allowance for impairment on available for sale investments	(3,389,777)	(3,389,059)	(3,389,777)	(3,389,059)
 <b>124,558,921</b>	<b>160,662,644</b>	<b>83,030,116</b>	<b>83,030,116</b>	<b>120,837,590</b>

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment. These equity investments have been fully impaired and has a nil balance in the group financial statement.

## (i) Equity securities with readily determinable fair values (carrying amount)

MTN Nigeria	8,095,885	7,451,138	8,095,885	7,451,138
Central securities clearing system limited	1,343,868	1,559,612	1,343,868	1,559,612
Nigeria interbank settlement system plc.	2,911,506	1,175,570	2,911,506	1,175,570
Unified payment services limited	3,130,451	2,340,346	3,130,451	2,340,346
Africa finance corporation	47,024,418	44,230,177	47,024,418	44,230,177
E-Tranzact	1,124,439	1,147,387	1,124,439	1,147,387
African export-import bank	13,848	10,754	13,848	10,754
FMDQ OTC Plc	130,610	130,610	130,610	130,610
Nigerian mortgage refinance company plc.	93,186	93,186	93,186	93,186
Credit reference company	281,626	281,626	281,626	281,626
Others	249,865	247,150	-	-
	<b>64,399,702</b>	<b>58,667,555</b>	<b>64,149,837</b>	<b>58,420,406</b>

**Held to maturity investment securities***In thousands of Naira***Debt securities**

Treasury bills	31,217,965	27,350,114	-	-
Federal government bonds	2,933,031	31,754,372	2,354,828	31,016,409
State government bonds	3,742,742	5,276,855	3,742,742	5,276,855
Corporate bonds	1,605,686	1,624,228	1,605,686	1,624,228
Eurobonds	2,752,822	2,445,558	2,023,884	2,445,558
	<b>42,252,246</b>	<b>68,451,128</b>	<b>9,727,140</b>	<b>40,363,050</b>

**Total****166,811,167** **229,113,772** **92,757,256** **161,200,642****Specific allowance for impairment on available for sale investment securities**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Balance, beginning of period	3,389,059	3,326,077	3,389,059	3,326,077
Additional allowance	-	-	-	-
Allowance written off	-	(21,358)	-	(21,358)
Revaluation difference	718	84,338	718	84,338
Balance, end of period	<b>3,389,777</b>	<b>3,389,059</b>	<b>3,389,777</b>	<b>3,389,059</b>

**26 Other assets**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
<b>Financial assets</b>				
Accounts receivable	45,253,012	23,063,084	32,812,480	13,804,165
Receivable on E-business channels	8,858,583	2,333,865	8,808,172	2,253,689
Receivable from disposal of Non-current asset	19,341,974	19,341,974	19,341,974	19,341,974
Deposit for investment in AGSMEIS (i)	3,201,307	-	3,201,307	-
Subscription for investment	333,716	25,003	835,485	833,102
	<b>76,988,592</b>	<b>44,763,926</b>	<b>64,999,418</b>	<b>36,232,930</b>

(i) Deposit for investment in AGSMEIS represents the Bank's deposit as equity investment in Agri-business/Small and Medium Enterprises Investment Scheme. As approved by the Bankers' Committee on 9th February 2017, all Deposit Money Banks are required to invest 5% of prior year's Profit After Tax as equity investment in the scheme.

**Non-financial assets**

Prepayments	27,477,390	20,751,237	21,682,445	16,668,917
Inventory	609,299	707,748	575,555	660,491
	<b>28,086,689</b>	<b>21,458,986</b>	<b>22,258,000</b>	<b>17,329,408</b>

**Gross other assets**

<i>Allowance for impairment on financial assets</i>				
Accounts receivable	(3,068,832)	(2,942,857)	(2,943,167)	(2,942,857)
Subscription for investment	(25,001)	(25,001)	(25,001)	(25,001)
	<b>101,981,448</b>	<b>63,255,054</b>	<b>84,289,249</b>	<b>50,594,480</b>

Movement in allowance for impairment on other assets:

	Group Accounts Receivable	Group subscription for investments	Bank Accounts Receivable	Bank subscription for investments
<i>In thousands of Naira</i>				
Balance as at 1 January 2016	2,635,576	25,001	2,635,576	25,001
<i>Impairment loss for the period:</i>				
- Additional provision	1,321,936	-	1,321,936	-
<i>Net impairment</i>	1,321,936	-	1,321,936	-
Allowance written off	(1,016,504)	-	(1,016,504)	-
Revaluation difference	1,848	-	1,848	-
Balance as at 31 December 2016/1 January 2017	2,942,855	25,001	2,942,856	25,001
<i>Impairment loss for the period:</i>				
- Additional provision	125,975	-	-	-
<i>Net impairment</i>	125,975	-	-	-
Allowance written off	(310)	-	-	-
Revaluation difference	311	-	311	-
Balance as at 30 June 2017	3,068,832	25,001	2,943,167	25,001

Inventory consists of blank debit cards, cheque leaves, computer consumables and other stationery held by the Bank.

Increase in prepayments resulted from services that have been paid in advance for the period for which the amortization will be over the relevant period of service. These include rents and advertisements.

**27(a) Subsidiaries (with continuing operations)****(i) Group entities**

Set out below are the group's subsidiaries as at 30 June 2017. 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.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances

	<b>Nature of business</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
			<b>June 2017</b>	<b>December 2016</b>
Access Bank Gambia Limited	Banking	Gambia	88%	64%
Access Bank Sierra Leone Limited	Banking	Sierra Leone	97%	97%
Access Bank Rwanda Limited	Banking	Rwanda	75%	75%
Access Bank Zambia	Banking	Zambia	92%	92%
The Access Bank UK	Banking	United Kingdom	100%	100%
Access Bank R.D. Congo	Banking	Congo	99.98%	74%
Access Bank Ghana	Banking	Ghana	91%	91%
Access Finance B.V.	Banking	Netherlands	100%	100%

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. lent to 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 transaction for which the entity was set up has matured subsequent to the period end. Management has not decided on the possibility of the entity existing beyond the maturity of the obligation.

**(ii) Structured entities:**

	<b>Nature of business</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
			<b>June 2017</b>	<b>December 2016</b>
Restricted Share Performance Plan (RSPP)	Financial services	Nigeria	100%	100%

## 27(b) Investment in subsidiaries

	Bank <u>June 2017</u>	Bank <u>December 2016</u>
<i>In thousands of Naira</i>		
<b>Subsidiaries with continuing operations</b>		
Access Bank, UK	29,104,081	29,104,081
Access Bank, Ghana	15,558,107	15,558,107
Access Bank Rwanda	1,578,825	1,578,825
Access Bank, Congo	5,998,590	2,779,650
Access Bank, Zambia	4,274,925	4,274,925
Access Bank, Gambia	6,747,051	1,853,756
Access Bank, Sierra Leone	1,019,951	1,019,951
Investment in RSPP scheme	3,065,865	3,065,865
Access Bank Finance B.V.	4,092	4,092
 Balance, end of period	<b>67,351,486</b>	<b>59,239,252</b>

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 subsidiaries 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 entities and were consolidated in the group financial statements.

## 27 (c) Condensed results of consolidated entities

(i) The condensed financial data of the consolidated entities as at 30 June 2017, are as follows:

Condensed profit and loss <i>In thousands of naira</i>	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.
Operating income	6,670,328	9,131,897	1,410,286	1,873,162	635,865	524,878	475,608	-	62,876
Operating expenses	(2,605,240)	(6,000,128)	(1,198,191)	(1,408,682)	(1,262,141)	(359,484)	(341,970)	-	(2,934)
Net impairment loss on financial assets	-	(558,775)	(14,227)	-	(243,133)	(1,578)	(6,106)	-	-
Profit before tax	4,065,088	2,572,995	197,868	464,480	(869,409)	163,816	127,532	-	59,942
Income tax expense	(78,390)	(1,244,571)	(67,849)	-	-	(30,463)	(38,260)	-	(11,988)
Profit for the period	3,282,698	1,328,424	130,019	464,480	(869,409)	133,353	89,272	-	47,954
<b>Assets</b>									
Cash and cash equivalents	146,775,319	60,314,915	13,680,480	15,617,822	6,008,560	2,104,005	1,320,815	-	407,428
Non pledged trading assets	-	1,550,650	-	-	-	-	-	-	-
Pledged assets	-	-	-	-	-	-	-	-	-
Derivative financial instruments	265,359	-	145,706	-	-	-	-	-	-
Loans and advances to banks	147,425,471	-	-	-	-	-	-	-	74,761,837
Loans and advances to customers	92,927,253	85,662,942	14,369,903	8,675,153	4,310,399	663,325	477,018	-	-
Investment securities	29,078,169	30,742,052	1,546,409	-	4,056,102	6,271,462	2,689,596	-	-
Other assets	1,768,625	11,877,811	861,503	1,164,237	2,648,704	263,034	368,939	-	5,278
Investment in subsidiaries	-	-	-	-	-	-	-	3,395,745	-
Property and equipment	103,058	8,755,038	739,418	1,343,852	804,086	756,353	287,446	-	-
Intangible assets	311,980	339,251	-	82,076	131,002	94,902	34,997	-	-
Deferred tax assets	-	719,818	-	-	467,308	-	85,895	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-	-
	418,655,234	199,962,477	31,343,419	26,883,140	18,426,161	10,153,081	5,264,706	3,395,745	75,174,542
<b>Financed by:</b>									
Deposits from banks	240,751,918	26,681,819	-	-	1,454,732	-	-	-	-
Deposits from customers	126,034,930	137,157,206	25,167,484	21,900,743	13,915,563	6,352,500	3,086,254	-	-
Derivative Liability	10,303	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	74,682,972
Retirement benefit obligations	15,268	10,142	-	-	146	-	-	-	-
Current tax liabilities	99,045	1,517,137	27,607	5,350	-	-	38,260	-	43,177
Other liabilities	2,797,460	2,040,194	493,334	1,064,961	211,014	664,051	647,679	-	21,237
Interest-bearing loans and borrowings	-	171,099	1,954,357	-	-	-	-	-	-
Contingent settlement provisions	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	48,638	242,002	238,026	-	-	78,390	-	-	-
Equity	48,897,672	32,142,878	3,462,611	3,912,086	2,844,706	3,058,140	1,492,513	3,395,745	427,155
	418,655,234	199,962,477	31,343,419	26,883,140	18,426,161	10,153,081	5,264,706	3,395,745	75,174,541
<b>Net cashflow from investing activities</b>	(4,955,366)	(4,493,147)	(262,480)	(265,999)	(565,669)	(224,969)	653,073	-	-
<b>Net cashflow from financing activities</b>	-	6,956,886	27,304,506	-	313,564	-	(25,754)	-	(6,948,919)
<b>Increase in cash and cash equivalents</b>	(66,893,240)	7,881,518	639,765	12,281,796	(1,833,848)	322,930	(126,581)	-	(26,218)
Cash and cash equivalent, beginning of period	213,668,357	40,510,968	11,807,637	3,336,026	5,870,730	1,815,252	1,447,395	-	550,177
Effect of exchange rate fluctuations on cash held	-	-	-	-	-	-	-	-	(60,380)
Cash and cash equivalent, end of period	146,775,117	48,392,486	12,447,402	15,617,822	4,936,882	2,138,182	1,320,815	-	463,579

## 27 (d) Condensed results of consolidated entities

(i) The condensed financial data of the consolidated entities as at 30 June 2016, are as follows:

Condensed profit and loss  
*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.
Operating income	4,025,567	12,429,093	1,210,466	992,359	927,816	503,243	443,206	59,193	3,261,433
Operating expenses	(2,531,313)	(8,840,135)	(927,729)	(772,723)	(801,079)	(382,166)	(381,569)	-	(2,524,088)
Net impairment loss on financial assets	-	(1,456,159)	(24,955)	(895)	(101,872)	(3,203)	-	-	-
Profit before tax	1,494,254	2,132,799	257,782	218,741	24,865	117,874	61,637	59,193	737,345
Taxation	(298,851)	(747,644)	(96,522)	-	-	(8,370)	(4,043)	-	(4,354)
Profit for the period	1,195,403	1,385,155	161,260	218,741	24,865	109,504	57,594	59,193	732,991

## Statement of financial position as at 31 December 2016

## Assets

Cash and cash equivalents	206,090,386	53,060,292	12,843,280	4,081,910	7,748,129	1,850,740	3,189,614	-	433,441
Derivative financial instruments	-	-	152,386	-	-	-	-	-	-
Loans and advances to banks	105,115,705	-	-	-	-	-	-	-	72,641,947
Loans and advances to customers	90,553,072	93,656,210	12,888,097	11,764,620	4,580,996	1,011,580	442,252	-	-
Pledged assets	-	-	-	-	-	-	-	-	-
Investment securities	23,316,245	30,800,861	1,390,502	-	2,211,138	6,332,347	4,082,549	-	-
Other assets	1,668,759	8,262,701	354,956	746,564	2,484,112	197,067	476,666	-	4,319
Investment in subsidiaries	-	-	-	-	-	-	-	3,286,375	-
Property and equipment	98,390	8,039,370	733,065	1,425,053	734,526	845,656	408,520	-	-
Intangible assets	320,219	436,493	-	85,669	100,736	102,207	39,440	-	-
Deferred tax assets	-	1,014,466	-	-	432,094	-	168,936	-	-
	<b>427,162,776</b>	<b>195,270,393</b>	<b>28,362,286</b>	<b>18,103,816</b>	<b>18,291,733</b>	<b>10,339,595</b>	<b>8,807,979</b>	<b>3,286,375</b>	<b>73,079,707</b>

## Financed by:

Deposits from banks	261,480,316	14,677,731	-	2,171,148	1,245,861	-	787,165	-	-
Deposits from customers	119,243,361	146,112,643	22,459,781	10,524,795	12,947,085	6,389,283	5,637,268	-	-
Derivative Liability	51,382	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	72,592,084
Retirement benefit obligations	841	9,921	-	-	95	-	-	-	-
Current tax liabilities	607,272	1,843,534	(126,448)	63,564	-	7,331	-	-	60,674
Other liabilities	1,998,068	1,498,809	614,869	834,620	642,039	686,957	477,233	-	41,673
Interest-bearing loans and borrowings	-	159,393	1,848,571	-	-	-	-	-	-
Contingent settlement provisions	-	-	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
Equity	43,781,536	30,665,017	3,354,496	4,509,689	3,456,653	3,173,092	1,906,313	3,286,375	385,276
	<b>427,162,776</b>	<b>194,967,048</b>	<b>28,151,267</b>	<b>18,103,816</b>	<b>18,291,733</b>	<b>10,256,665</b>	<b>8,807,979</b>	<b>3,286,375</b>	<b>73,079,707</b>

Net cashflow from investing activities

Net cashflow from investing activities	1,994,406	(8,643,815)	(989,210)	(135,946)	1,059,644	(639,740)	(19,873)	-	-
Net cashflow from financing activities	-	200,199	920,894	-	-	-	-	-	1,372,464
Increase/(Decrease) in cash and cash equivalents	122,257,654	29,226,974	463,224	(1,365,535)	1,201,421	(264,891)	(724,689)	-	(9,008)
Cash and cash equivalent, beginning of period	44,642,519	27,916,021	7,867,697	5,165,455	4,108,425	1,792,049	1,318,767	-	223,305
Effect of exchange rate fluctuations on cash held	12,666,055	-	3,027,437	1,896,295	1,922,220	551,128	(59,049)	-	98,494
Cash and cash equivalent, end of period	179,566,228	57,142,995	11,358,358	5,696,215	7,232,066	2,078,286	535,029	-	312,791

**28 Property and equipment****Group***In thousands of Naira*

	<b>Land and buildings</b>	<b>Computer hardware</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Capital Work-in - progress</b>	<b>Total</b>
<b>Cost</b>						
Balance at 1 January 2017	65,738,292	24,028,522	35,303,353	11,615,441	5,491,267	142,176,875
Acquisitions	939,589	679,022	7,082,027	1,771,048	4,366,359	14,838,044
Disposals	-	(33,796)	(70,967)	(153,607)	-	(258,369)
Transfers	1,612,787	30,712	21,800	-	(1,411,494)	253,805
Write-offs	(185,153)	-	(16,846)	-	-	(201,998)
Reclassifications	-	-	-	-	-	-
Translation difference	(2,074,760)	(2,403,412)	(3,342,392)	(1,118,199)	7,513,415	(1,425,348)
<b>Balance at 30 June 2017</b>	<b>66,030,755</b>	<b>22,301,048</b>	<b>38,976,975</b>	<b>12,114,684</b>	<b>15,959,547</b>	<b>155,383,009</b>
 <b>Balance at 1 January 2016</b>						
Acquisitions	57,073,875	17,762,955	29,241,820	9,898,894	7,755,533	121,733,077
Disposals	3,981,137	5,474,190	4,978,500	1,785,155	1,823,777	18,042,759
Transfers	(122,313)	(290,101)	(530,187)	(558,855)	(129,535)	(1,630,991)
Write-offs	3,586,520	74,632	87,346	-	(3,748,497)	-
Reclassifications	(187,281)	-	(18,575)	-	(155,144)	(361,000)
Translation difference	1,406,355	1,006,846	1,544,451	490,247	502,022	4,949,921
<b>Balance at 31 December 2016</b>	<b>65,738,292</b>	<b>24,028,522</b>	<b>35,303,353</b>	<b>11,615,441</b>	<b>5,491,267</b>	<b>142,176,873</b>
 <b>Depreciation and impairment losses</b>						
	<b>Leasehold improvement and buildings</b>	<b>Computer hardware</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Capital Work-in - progress</b>	<b>Total</b>
Balance at 1 January 2017	11,193,974	15,046,823	24,636,684	7,190,340	-	58,067,821
Charge for the period	956,940	1,552,643	2,103,922	759,971	-	5,373,476
Disposal	-	(32,622)	(44,477)	(95,749)	-	(172,848)
Write-Offs	(2,017)	-	(6,196)	-	-	(8,213)
Translation difference	(247,430)	(892,375)	1,493,415	(578,994)	-	(225,384)
<b>Balance at 30 June 2017</b>	<b>11,901,467</b>	<b>15,674,469</b>	<b>28,183,349</b>	<b>7,275,568</b>	<b>-</b>	<b>63,034,852</b>
 Balance at 1 January 2016						
Charge for the period	9,286,024	12,318,555	20,442,415	6,356,156	-	48,403,149
Disposal	1,864,239	2,658,469	3,340,041	1,244,137	-	9,106,886
Write-Offs	(10,538)	(281,617)	(515,657)	(428,352)	-	(1,236,164)
Translation difference	(14,219)	-	(6,267)	-	-	(20,486)
Balance at 31 December 2016	68,468	351,416	1,376,152	18,399	-	1,814,435
<b>Carrying amounts:</b>						
<b>Balance at 30 June 2017</b>	<b>54,129,288</b>	<b>6,626,579</b>	<b>10,793,626</b>	<b>4,839,115</b>	<b>15,959,547</b>	<b>92,348,156</b>
Balance at 31 December 2016	54,544,318	8,981,699	10,666,669	4,425,101	5,491,267	84,109,052

**28 Property and equipment**  
**Bank**

	<b>Land and buildings</b>	<b>Computer hardware</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Capital Work-in - progress</b>	<b>Total</b>
<i>In thousands of Naira</i>						
<b>Cost</b>						
Balance at 1 January 2017	57,646,569	20,614,356	30,775,870	9,694,750	3,216,721	121,948,266
Acquisitions	23,442	330,584	6,732,717	1,632,297	3,613,324	12,332,363
Disposals	-	(5,286)	(25,664)	(81,463)	-	(112,413)
Write-Offs	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>57,670,010</b>	<b>20,939,654</b>	<b>37,482,923</b>	<b>11,245,584</b>	<b>6,830,045</b>	<b>134,168,217</b>
Balance at 1 January 2016	52,737,675	15,863,065	26,748,469	8,644,919	5,388,964	109,383,091
Acquisitions	3,070,720	5,008,811	4,490,233	1,477,917	655,470	14,703,152
Disposals	(118,662)	(257,520)	(492,138)	(428,086)	(129,535)	(1,425,941)
Transfers	1,956,836	-	29,306	-	(1,986,142)	-
Reclassifications	-	-	-	-	(556,893)	(556,893)
Write-Offs	-	-	-	-	(155,143)	(155,143)
Balance at 31 December 2016	57,646,569	20,614,356	30,775,870	9,694,750	3,216,721	121,948,266
	<b>Leasehold improvement and buildings</b>	<b>Computer hardware</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Capital Work-in - progress</b>	<b>Total</b>
<b>Depreciation and impairment losses</b>						
Balance at 1 January 2017	9,700,946	12,997,503	21,259,586	6,165,759	-	50,123,794
Charge for the period	778,565	1,281,352	1,887,193	641,163	-	4,588,273
Disposal	-	(5,285)	(25,663)	(71,925)	-	(102,873)
<b>Balance at 30 June 2017</b>	<b>10,479,511</b>	<b>14,273,570</b>	<b>23,121,116</b>	<b>6,734,998</b>	<b>-</b>	<b>54,609,194</b>
Balance at 1 January 2016	8,207,291	10,985,168	18,767,401	5,522,848	-	43,482,708
Charge for the year	1,504,195	2,269,674	2,981,425	1,019,297	-	7,774,591
Disposal	(10,540)	(257,339)	(489,240)	(376,386)	-	(1,133,505)
Balance at 31 December 2016	9,700,946	12,997,503	21,259,586	6,165,759	-	50,123,794
Carrying amounts:						
<b>Balance at 30 June 2017</b>	<b>47,190,500</b>	<b>6,666,084</b>	<b>14,361,808</b>	<b>4,510,586</b>	<b>6,830,045</b>	<b>79,559,022</b>
Balance at 31 December 2016	47,945,623	7,616,853	9,516,284	3,528,991	3,216,721	71,824,473

(a) The amount of contractual commitments for the acquisition of property and equipment as at 30 June 2017 is N322.2Mn (31 Dec 2016: N365Mn)

(b) 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.

**29 Intangible assets****Group***In thousands of Naira***Cost****June 2017**

	<b>Goodwill</b>	<b>WIP</b>	<b>Purchased Software</b>	<b>Total</b>
Balance at 1 January 2017	681,007	286,724	14,858,925	15,826,656
Acquisitions	-	231,569	233,750	465,319
Transfer	-	-	(44,933)	(44,933)
Write off	-	-	(53,841)	(53,841)
Translation difference	-	(5,291)	161,940	156,649
Balance at 30 June 2017	<b>681,007</b>	<b>513,002</b>	<b>15,155,841</b>	<b>16,349,850</b>

**December 2016**

Balance at 1 January 2016	681,007	-	12,060,445	12,741,452
Acquisitions	-	286,724	2,250,300	2,537,024
Transfer	-	-	322,529	322,529
Write off	-	-	(54,460)	(54,460)
Translation difference	-	-	280,111	280,111
Balance at 31 December 2016	<b>681,007</b>	<b>286,724</b>	<b>14,858,925</b>	<b>15,826,656</b>

**Amortization and impairment losses**

Balance at 1 January 2017	-	-	8,887,101	8,887,101
Amortization for the period	-	-	1,130,477	1,130,477
Translation difference	-	-	(18,617)	(18,617)
Balance at 30 June 2017	<b>-</b>	<b>-</b>	<b>9,998,961</b>	<b>9,998,961</b>

## Balance at 1 January 2016

Amortization for the period	-	-	6,300,836	6,300,836
Translation difference	-	-	2,191,614	2,191,614
Balance at 31 December 2016	<b>-</b>	<b>-</b>	<b>394,651</b>	<b>394,651</b>
Balance at 31 December 2016	<b>-</b>	<b>-</b>	<b>8,887,101</b>	<b>8,887,101</b>

**Net Book Value**

<b>Balance at 30 June 2017</b>	<b>681,007</b>	<b>513,002</b>	<b>5,156,881</b>	<b>6,350,889</b>
Balance at 31 December 2016	<b>681,007</b>	<b>286,724</b>	<b>5,971,824</b>	<b>6,939,555</b>

**Bank***In thousands of Naira***Cost****June 2017**

Balance at 1 January 2017	231,569	12,167,422	12,398,991
Acquisitions	<b>219,593</b>	<b>181,294</b>	<b>400,887</b>
Balance at 30 June 2017	<b>451,162</b>	<b>12,348,716</b>	<b>12,799,878</b>

**December 2016**

Balance at 1 January 2016	-	10,348,678	10,348,678
Acquisitions	231,569	1,818,744	2,050,313
Transfers	-	-	-
Write off	-	-	-
Balance at 31 December 2016	<b>231,569</b>	<b>12,167,422</b>	<b>12,398,991</b>

**Amortization and impairment losses**

Balance at 1 January 2017	-	7,225,207	7,225,207
Amortization for the period	-	898,997	898,997
Balance at 30 June 2017	<b>-</b>	<b>8,124,204</b>	<b>8,124,204</b>

## Balance at 1 January 2016

Amortization for the period	-	5,370,770	5,370,770
Balance at 31 December 2016	<b>-</b>	<b>7,225,207</b>	<b>1,854,437</b>
Balance at 31 December 2016	<b>-</b>	<b>7,225,207</b>	<b>7,225,207</b>

## Carrying amounts

<b>Balance at 30 June 2017</b>	<b>451,162</b>	<b>4,224,512</b>	<b>4,675,674</b>
Balance at 31 December 2016	<b>231,569</b>	<b>4,942,214</b>	<b>5,173,784</b>

There were no capitalised borrowing costs related to the internal development of software during the period under review, 30 June 2017 (2016: nil). Computer software has a definite useful life of not more than five years in line with the Bank's accounting policy, while Goodwill has an indefinite useful life and is annually assessed for impairment.

The work in progress relates to the cost of the CR2 Omnichannel Banking solution aimed at providing a unique experience to customers at every touch point and empowering the bank to create, manage and deliver personalised product offerings and services to each customers or customer group across all channels.

Amortization method used is straight line.

**29(b) Intangible assets****(i) Goodwill is attributable to the acquisition of following subsidiaries:**

	June 2017	December 2016
<i>In thousands of Naira</i>		
Access Bank Rwanda	681,007	681,007
	<hr/>	<hr/>
	681,007	681,007

The recoverable amount of Goodwill as at 30 June 2017 is greater than its carrying amount and is thus not impaired.

- (ii) Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Impairment assessment has been performed for the period, while no losses on goodwill were recognized during the period under review 30 June 2017 (31 December 2016: Nil)

The recoverable amount of Goodwill as at 30 June 2017 was greater than its carrying amount and is thus not impaired.

The recoverable amount was determined using a value-in-use computation as N4.9bn

Goodwill is monitored by the Group on an entity by entity basis

The key assumption used in computing the value-in-use for goodwill in during the period are as follows:

	Access Bank Rwanda
Compound annual volume growth (i)	6.62%
Long term growth rate (ii)	4.70%
Discount rate (ii)	19.50%
Revenue Growth	9.60%

(i) Compound annual volume growth rate in the initial four-year period.

(ii) Weighted average growth rate used to extrapolate cash flows beyond the budget year.

(iii) Pre-tax discount rate applied to the cash flow projections.

**Cash Flow Forecast**

Cash flows were projected based on past experience, actual operating results and the 4-year business plan. These cashflows are based on the expected revenue growth for the entity over this 4-year period.

**Discount Rate**

Pre-tax discount rate of 19.50% was applied in determining the recoverable amounts for the only entity with goodwill (Access Bank Rwanda). This discount rate was estimated using the risk-free rate and the country risk premium for Rwanda.

**Long-term term growth rate**

The long term growth rate applied was based on the long term growth rate in GDP of Rwanda

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.

**Revenue Growth**

Revenue growth were projected based on past growth, actual operating income and the company's 4 year strategic plan. The revenue growth of 9.6% represents the average revenue growth of 4 years. The revenue growth was used to project the cashflow for the business.

**Sensitivity analysis of key assumptions used**

	10% increase	10% decrease
Impact of change in discount rate on value-in-use computation	(481,959)	626,557
Impact of change in growth rate on value-in-use computation	85,169	(79,926)
Impact of change in revenue growth on value-in-use computation	490,918	(490,918)

**30 Deferred tax assets and liabilities****(a) Group**

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	June 2017			December 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	99,850	(2,980,731)	(2,880,882)	14,329,164	(443,943)	13,885,221
Allowances/(Reversal) for loan losses	10,726,603	-	10,726,603	9,009,821	-	9,009,821
Tax loss carry forward	238,054	-	238,054	4,549,454	-	4,549,454
Exchange gain/(loss) unrealised	-	(17,178,448)	(17,178,448)	-	(29,234,934)	(29,234,934)
Fair value gain on Available for sale investments	-	-	-	-	-	-
Employee benefits	16,970	-	16,970	11,421	-	11,421
Actuarial loss on retirement benefit obligation	-	-	-	-	(655,220)	(655,220)
Deferred tax assets (net)	11,081,476	(20,159,179)	(9,077,703)	27,899,860	(30,334,096)	(2,434,236)

**(b) Bank**

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	June 2017			December 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	-	(2,524,041)	(2,524,041)	13,937,906	-	13,937,906
Allowances/(Reversal) for loan losses	9,814,180	-	9,814,180	8,344,683	-	8,344,683
Tax loss carry forward	-	-	-	4,505,813	-	4,505,813
Exchange gain/(loss) unrealised	-	(17,175,303)	(17,175,303)	-	(29,234,934)	(29,234,934)
Fair value gain on investment property	-	-	-	-	-	-
Actuarial loss on retirement benefit obligation	-	-	-	-	(655,220)	(655,220)
Net deferred tax assets/(liabilities)	9,814,180	(19,699,344)	(9,885,164)	26,788,402	(29,890,154)	(3,101,752)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. After reviews of the medium-term profit forecasts, the Group considers that there will be sufficient profits in the future against which these losses will be offset.

There were no unrecognized deferred tax assets or liabilities as at 30 June 2017 (31 December 2016: nil)

	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
<b>Deferred income tax assets</b>				
– Deferred income tax asset to be recovered after more than 12 months	10,964,657	13,559,276	9,814,180	12,850,495
– Deferred income tax asset to be recovered within 12 months	116,819	14,340,585	-	13,937,906
	11,081,476	27,899,861	9,814,180	26,788,401
<b>Deferred income tax liabilities</b>				
– Deferred income tax liability to be recovered after more than 12 months	(20,159,179)	(30,334,096)	(19,699,344)	(29,890,154)
– Deferred income tax liability to be recovered within 12 months	-	-	-	-
	(20,159,179)	(30,334,096)	(19,699,344)	(29,890,154)

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

In thousands of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
	2017	2016	2017	2016
Balance, beginning of period	(2,434,236)	10,578,968	(3,101,754)	10,180,831
Tax charge	(6,360,329)	(11,994,560)	(6,783,411)	(12,172,525)
Translation adjustments	(134,757)	91,416	-	-
Items included in OCI	-	(1,110,059)	-	(1,110,059)
Net deferred tax assets/(liabilities)	(8,929,322)	(2,434,236)	(9,885,164)	(3,101,754)
<i>Out of which</i>				
Deferred tax assets	11,081,476	27,899,860	9,814,180	26,788,401
Deferred tax liabilities	(20,159,179)	(30,334,096)	(19,699,344)	(29,890,154)

Temporary difference relating to the Group's investment in subsidiaries as at June 2017 is N29.35 billion (Dec 2016: N28.6 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 June 2017	Group December 2016	Bank June 2017	Bank December 2016
	2017	2016	2017	2016
<b>Actuarial gain/loss on retirement benefit obligation</b>				
Gross loss on retirement benefit obligation	-	3,700,198	-	3,700,198
Deferred tax @ 30%	-	(1,110,059)	-	(1,110,059)
Net balance loss after tax	-	2,590,139	-	2,590,139

**31 Assets classified as held for sale**

In 2013, Access Bank Plc took over collateral of some customers and these were recorded in the books as Investment properties, as the Bank had no intention to make use of the property for administrative use. Management initiated a plan to dispose of these assets to willing buyers to comply with the CBN directive to dispose of its non-core assets and thus has been classified as assets held for sale. Management expects to have completed the transaction before the end of the next financial year. This amount has been presented in Note 7 as unallocated segment in accordance with IFRS 8.

The Bank's Asset which is located in Lagos State, include Flats at Salvador and Eric Moore Towers. The Bank's intention is to systematically dispose of the Flats at Eric Moore towers, Salvador towers within 12months.

**Assets held for sale**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Balance at 1 January	140,727	179,843	140,727	179,843
Disposals	<u>(30,000)</u>	<u>(39,116)</u>	<u>(30,000)</u>	<u>(39,116)</u>
<b>Balance at 30 June</b>	<b><u>110,727</u></b>	<b><u>140,727</u></b>	<b><u>110,727</u></b>	<b><u>140,727</u></b>

In the course of the period , the Bank disposed some of its landed property at Eric Moore towers in order to comply with the CBN directive on non - core assets. Plans are in place to dispose of the remaining assets.

**32 Deposits from financial institutions**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Money market deposits	110,813,783	85,020,959	38,538,825	26,209,999
Trade related obligations to foreign banks	<u>116,782,142</u>	<u>82,335,624</u>	<u>142,917,717</u>	<u>68,912,189</u>
	<b><u>227,595,925</u></b>	<b><u>167,356,583</u></b>	<b><u>181,456,542</u></b>	<b><u>95,122,188</u></b>

**33 Deposits from customers**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Term deposits	960,785,764	925,976,555	849,538,619	799,495,575
Demand deposits	751,082,252	984,150,905	610,420,432	853,780,226
Saving deposits	<u>187,964,274</u>	<u>179,069,826</u>	<u>166,948,731</u>	<u>159,767,071</u>
	<b><u>1,899,832,290</u></b>	<b><u>2,089,197,286</u></b>	<b><u>1,626,907,782</u></b>	<b><u>1,813,042,872</u></b>

**34 Other liabilities**

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
<b>Financial liabilities</b>				
Certified and bank cheques	2,782,604	2,430,832	2,392,239	2,018,166
E-banking payables	10,202,629	3,758,302	10,136,612	3,561,974
Collections account balances	57,795,348	18,677,355	56,631,460	17,692,904
Due to subsidiaries	-	-	553,780	714,192
Accruals	2,219,259	1,294,775	1,098,271	434,811
Creditors	4,135,934	5,043,127	2,326,289	3,404,703
Customer deposits for foreign exchange	46,617,232	59,738,350	46,510,673	59,574,436
Agency services	54,312	37,984	51,934	36,140
Unclaimed dividend	12,731,512	11,957,131	12,731,512	11,957,131
Other financial liabilities	<u>13,964,027</u>	<u>8,179,792</u>	<u>13,009,373</u>	<u>5,893,267</u>
	<b><u>150,502,857</u></b>	<b><u>111,117,648</u></b>	<b><u>145,442,143</u></b>	<b><u>105,287,724</u></b>
<b>Non-financial liabilities</b>				
Litigation claims provision ( see (i)below)	613,886	613,886	613,886	613,886
Other current non-financial liabilities	<u>2,886,098</u>	<u>1,839,706</u>	<u>2,793,981</u>	<u>1,637,331</u>
<b>Total other liabilities</b>	<b><u>154,002,841</u></b>	<b><u>113,571,240</u></b>	<b><u>148,850,010</u></b>	<b><u>107,538,941</u></b>

	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
<b>(i) Movement in litigation claims provision</b>				
Opening balance	613,886	1,220,780	613,886	1,220,780
Additions	-	49,496	-	49,496
Payment	-	(656,390)	-	(656,390)
Closing balance	<b>613,886</b>	<b>613,886</b>	<b>613,886</b>	<b>613,886</b>

	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
<b>35 Debt securities issued</b>				
<i>In thousands of Naira</i>				
Debt securities at amortized cost:				
Eurobond debt from Access Bank B.V (see (i) below)	74,682,971	72,592,084	-	-
Eurobond debt security (see (ii) below)	213,233,815	212,380,366	213,233,815	212,380,366
Commercial Papers	<u>73,799,443</u>	<u>31,572,052</u>	<u>73,799,443</u>	<u>31,572,052</u>
	<b>361,716,229</b>	<b>316,544,502</b>	<b>287,033,258</b>	<b>243,952,418</b>

(i) This refers to USD350,000,000 7.25% guaranteed notes issued on 25 July 2012 by Access Finance B.V., Netherlands with a maturity date of 25 July 2017. In Oct 2016, USD 112,997,000 out of USD 350,000,000 was exchanged at a premium for a new note issued by Access Bank Plc. The amount of N74.68Bn represents the amortized cost as at 30 June 2017 on the outstanding balance of USD237,003,000.

The principal amount is payable at maturity, whilst interest is payable on a semi-annual basis at the interest rate above. This has been fully paid on maturity date, subsequent to period end.

(ii) This refers to US\$400,000,000 subordinated notes of 9.25% resettable interest issued on 24 December 2014 with a maturity date of 24 December 2021 and US\$300,000,000 notes of 10.5% interest issued on 19 October 2016 with a maturity date of 19 October 2021. These represent an amortized cost of N213.99bn.

The principal amount on both notes are payable at maturity, whilst interest is payable on a semi-annual basis at their respective interest rates.

## 36 Interest bearing borrowings

In thousands of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
African Development Bank (see note (a))	27,255,623	29,026,302	27,255,623	29,026,302
Netherlands Development Finance Company (see note (b))	1,218,437	1,513,901	1,218,437	1,513,901
French Development Finance Company (see note (c))	9,543,275	11,580,283	9,543,275	11,580,283
European Investment Bank (see note (d))	23,747,285	26,979,759	23,747,285	26,979,759
International Finance Corporation (see note (e))	-	2,554,646	-	2,554,646
Central Bank of Nigeria under the Commercial Agriculture Credit Scheme (see note (f))	8,847,211	9,766,871	8,847,211	9,766,871
Bank of Industry-Intervention Fund for SMEs (see note (g))	3,750,154	4,500,284	3,750,154	4,500,284
Bank of Industry-Power & Airline Intervention Fund (see note (h))	12,663,945	12,881,897	12,663,945	12,881,897
Access Finance B.V. (see note (i))	-	-	74,767,009	74,425,046
Special Refinancing & Restructuring Intervention fund (SRRIF) see note (j)	7,282,120	6,633,475	7,282,120	6,633,475
Central Bank of Nigeria - Salary Bailout facilities (see note (k))	65,749,966	66,479,721	65,749,966	66,479,721
Central Bank of Nigeria - Excess Crude Account (see note (l))	124,089,753	125,837,600	124,089,753	125,837,600
Other loans and borrowings	2,317,918	1,788,968	304,537	-
	<b>286,465,687</b>	<b>299,543,707</b>	<b>359,219,315</b>	<b>372,179,785</b>

There have been no defaults in any of the borrowings covenants during the period.

- (a) The amount of N27,255,623,733 (USD 89,099,780) represents the outstanding balance in the on-lending facility granted to the Bank by AFDB (Africa Development Bank) in two tranches. The first tranche of USD35 million has matured and was fully paid out in August 2016. The second tranche was disbursed in August 2014 (USD 90m) for a period of 10 years, while the third tranche came in June 2016 for (USD 10m) for a period of 9 years. The principal amount is repayable semi-annually starting from February 2017 for both tranches. Interest is paid semi annually at 3% above 6 months LIBOR. The annual effective interest rate is 2.00% and 2.04% respectively. From this creditor, the bank has nil undrawn balance as at 30th June 2017.
- (b) The amount of N1,218,436,697 (USD 3,983,121) represents the outstanding balance in the on-lending facility granted to the Bank by the Netherlands Development Finance Company effective from 15 December 2012 and disbursed in February 2013 (USD 10m) for a period of 6.5 years. The principal amount is repayable semi-annually from December 2015 while interest is paid semi annually at 3% above 6 months LIBOR. The annual effective interest rate is 5.16%. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (c) The amount of N9,543,274,927 (USD 31,197,368) 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 four tranches; February 2013 (USD 6m) , October 2013 (USD 15m) , October 2013 (USD 9m) and November 2014 (USD 30m) for a period of 6.5 years for the first three tranches and 5 years for the fourth tranche. The principal amount is repayable semi-annually from December 2014 with the fourth tranche repayable from January 2016 while interest is paid semi annually at 3% above 6 months LIBOR. The annual effective interest rate is 4.36% for the first tranche, 4.04% for the second tranche, 4.06% for the third tranche and 3.57% for the fourth tranche. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (d) The amount of N23,747,284,554 (USD 77,630,875) represents the outstanding balance on five on-lending facilities granted to the Bank by the European Investment Bank (EIB) in May 2013(USD 25m) , September 2013 (USD 26.75m) , June 2014 (USD 14.7m) , September 2015 (USD 27.9m) and March 2016 (USD 27.1m) for a period of 6 years each for the first three and period of 8 years each for the last two. The average annual effective interest rates are 3.48%, 2.97% , 3.18%, 2.97% and 2.97% respectively. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (e) An on-lending facility of USD 50mn was granted to the Bank by the International Finance Corporation (IFC) in November 2013 (USD 50m) for a period of 5 years. The principal amount was repayable semi-annually from December 2014 while interest is paid semi annually at 4% above 6months LIBOR. The facility matured in June 2017 and has been fully paid out to the counterparty International Finance Corporation (IFC).
- (f) The amount of N8,847,210,763 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 however, a management fee of 1% deductible at source is paid by the Bank under the on-lending agreement. The Bank did not provide security for this facility. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (g) The amount of N3,750,154,236 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 facility has a 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 in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (h) The amount of N12,663,945,115 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. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (i) The amount of N74,767,008,815 (USD237,003,000) represents the outstanding 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. In Oct 2016 , USD 112,997,000 out of USD 350,000,000 was exchanged at a premium for a new note issued by Access Bank Plc .The annual effective interest rate is 7.57%. From this creditor, the bank has nil undrawn balance as at 31 June 2017.

- (j) The amount of N7,282,120,445 represents the outstanding balance on intervention credit granted to the bank by the Bank of Industry (BOI) under the Special refinancing and Restructuring intervention fund, with a 10 year tenor which is due on the 31 August 2024. The bank has a 36 months moratorium on the facility after which principal repayment will be charged quarterly. 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. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (k) The amount of N65,749,965,549 represents the outstanding balance on the state salary bailout facilities granted to the bank by the Central Bank of Nigeria for onward disbursements to state governments for payments of salary of workers of the states. The facility has a tenor of 20 years with a 2% interest payable to the CBN. The Bank is under obligation to on-lend to the states at an all-in interest rate of 9% per annum. From this creditor, the bank has nil undrawn balance as at 30 June 2017.
- (l) The amount of N124,089,753,348 represents the outstanding balance on the excess crude account loans granted to the bank by the Central Bank of Nigeria for onward disbursements to state governments. The facility has a tenor of 20 years with a 2% interest payable to the CBN. The Bank is under obligation to on-lend to the states at an all-in interest rate of 9% per annum. From this creditor, the bank has nil undrawn balance as at 30 June 2017.

**Movement in interest bearing loans and borrowings:***In thousands of Naira*

Balance as at 1 January 2016

Additions

Repayments

Exchange gain/loss and Amortized cost impact

**Balance as at 31 December 2016/ 1 January 2017**

	<b>Group</b>	<b>Bank</b>
Balance as at 1 January 2016	<u>231,467,161</u>	<u>302,919,987</u>
Additions	69,307,930	69,307,930
Repayments	(28,626,050)	(63,090,135)
Exchange gain/loss and Amortized cost impact	<u>27,394,666</u>	<u>63,042,003</u>
<b>Balance as at 31 December 2016/ 1 January 2017</b>	<b><u>299,543,707</u></b>	<b><u>372,179,785</u></b>
Additions	7,379,602	303,788
Repayments	(28,640,749)	(21,564,935)
Exchange gain/loss and Amortized cost impact	<u>14,905,695</u>	<u>15,023,246</u>
<b>Balance as at 30 June 2017</b>	<b><u>293,188,255</u></b>	<b><u>365,941,884</u></b>

## 37 Retirement benefit obligation

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Recognised liability for defined benefit obligations (see note (a) below)	2,766,322	3,064,597	2,766,322	3,064,597
Liability for defined contribution obligations	25,557	10,856	-	-
	<b>2,791,879</b>	<b>3,075,453</b>	<b>2,766,322</b>	<b>3,064,597</b>

(a) **Defined benefit obligations**

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

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Post employment benefit plan (see note (i) below)	2,766,322	3,064,597	2,766,322	3,064,597
Recognised liability	<b>2,766,322</b>	<b>3,064,597</b>	<b>2,766,322</b>	<b>3,064,597</b>

(i) **Post employment benefit plan**

The Bank operates a non-contributory, unfunded lump sum defined benefit post employment benefit 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 Post employment benefit 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:

<i>In thousands of Naira</i>	<b>Group June 2017</b>	<b>Group December 2016</b>	<b>Bank June 2017</b>	<b>Bank December 2016</b>
Deficit on defined benefit obligations at 1 January	3,064,597	5,567,800	3,064,597	5,567,800
Charge for the period:				
-Interest costs	250,197	692,268	250,197	692,268
-Current service cost	128,692	504,727	128,692	504,727
-Past service cost	-	-	-	-
-Benefits paid	(677,164)	-	(677,164)	-
Net actuarial gain/(loss) for the period remeasured in OCI:				
Remeasurements - Actuarial gains and losses arising from changes in demographic assumptions	-	(577,343)	-	(577,343)
Remeasurements - Actuarial gains and losses arising from changes in financial assumption	-	(3,122,855)	-	(3,122,855)
Balance, end of period	<b>2,766,322</b>	<b>3,064,597</b>	<b>2,766,322</b>	<b>3,064,597</b>

Expense recognised in income statement:

Current service cost	128,692	504,727	128,692	504,727
Interest on obligation	250,197	692,268	250,197	692,268
Total expense recognised in profit and loss (see Note 14)	<b>378,889</b>	<b>1,196,995</b>	<b>378,889</b>	<b>1,196,995</b>

The weighted average duration of the defined benefit obligation is 10.7 years. The information on the maturity profile of the defined benefit plan includes the maturity analysis and the distribution of the timing of payment. The estimated contribution to the plan for the next annual reporting period is: N757Mn

## 30 June 2017

<i>In thousands of Naira</i>	<b>Impact on defined benefit obligation</b>		
	<b>Decrease in assumption by 1%</b>	<b>Liability changes to</b>	<b>Total comprehensive income</b>
Effect of changes in the assumption to the discount rate	Increase in liability by 5.5%	2,918,470	(152,148)
Effect of changes in assumption to the salary growth	Decrease in liability by 5.1%	2,625,240	141,082
Effect of changes in assumption to the mortality rate	Decrease in liability by 0.2%	2,760,789	5,533

	Impact on defined benefit obligation		
	Increase in assumption by 1%	Liability changes to	Total comprehensive income
Effect of changes in the assumption to the discount rate	Increase in liability by 5.0%	2,904,638	(138,316)
Effect of changes in assumption to the salary growth	Increase in the liability by 5.5%	2,918,470	(152,148)
Effect of changes in assumption to the mortality rate	Increase in the liability by 0.3%	2,774,621	(8,299)

**31 December 2016***In thousands of Naira*

	Impact on defined benefit obligation		
	Decrease in assumption by 1%	Liability changes to	Total comprehensive income
Effect of changes in the assumption to the discount rate	Increase in liability by 7.7%	3,232,367	(167,770)
Effect of changes in assumption to the salary growth	Decrease in liability by 6.75%	2,909,189	155,408
Effect of changes in assumption to the mortality rate	Decrease in liability by 6.75%	3,057,012	7,585

	Impact on defined benefit obligation		
	Increase in assumption by 1%	Liability changes to	Total comprehensive income
Effect of changes in the assumption to the discount rate	Increase in the liability by 6.9%	2,910,376	154,221
Effect of changes in assumption to the salary growth	Increase in the liability by 7.3%	3,232,322	(167,725)
Effect of changes in assumption to the mortality rate	Increase in the liability by 0.03%	3,073,008	(8,411)

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 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 period.

**Actuarial assumptions:**

Principal actuarial assumptions at the reporting date (expressed as weighted averages):  
The most recent valuation was performed by Alexander Forbes as at 31 December 2016.

	<u>June 2017</u>	<u>December 2016</u>
Discount rate	16.70%	16.70%
Future salary increases	5.00%	5.00%
Retirement age for both male and female	60 years	60 years
Retirement rate: 50 – 59 (average rate)	3.40%	3.40%
Withdrawal rate: 16 – 29	4.50%	4.50%
Withdrawal rate: 30 – 44	6.00%	6.00%
Withdrawal rate: 45 – 50	5.00%	5.00%
Withdrawal rate: 51 – 55 (average rate)	3.75%	3.75%

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 16.70% as at 30 June 2017. 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.

**38 Capital and reserves****A Share capital**

*In thousands of Naira*

**(a) Authorised:**

	<u>Bank</u>	<u>Bank</u>
	<u>June 2017</u>	<u>December 2016</u>
Ordinary shares:		
38,000,000,000 Ordinary shares of 50k each (2013: 24,000,000,000 ordinary share of 50k each)	19,000,000	19,000,000
Preference shares:		
2,000,000,000 Preference shares of 50k each	1,000,000	1,000,000
	<u>20,000,000</u>	<u>20,000,000</u>

*In thousands of Naira*

**(b) Issued and fully paid-up :**

	<u>Bank</u>	<u>Bank</u>
	<u>June 2017</u>	<u>December 2016</u>
28,927,971,631 Ordinary shares of 50k each	14,463,986	14,463,986

*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 period

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

	<u>Bank</u>	<u>Bank</u>
	<u>June 2017</u>	<u>December 2016</u>
<i>In thousands of Naira</i>		
Balance, beginning of period	14,463,986	14,463,986
Additions through issuance of rights	-	-
Balance, end of period	<u>14,463,986</u>	<u>14,463,986</u>

**(c) The movement on the number of shares in issue during the period was as follows:**

	<u>Group</u>	<u>Group</u>
	<u>June 2017</u>	<u>December 2016</u>
<i>In thousands of units</i>		
Balance, beginning of period	28,927,972	28,927,972
Additions through issuance of rights	-	-
Balance, end of period	<u>28,927,972</u>	<u>28,927,972</u>

**B Share premium**

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

	Group June 2017	Group December 2016
In thousands of Naira		
Balance, beginning of period	197,974,816	197,974,816
Additions through issuance of rights	-	-
Balance, end of period	<u>197,974,816</u>	<u>197,974,816</u>

**C Reserves****(i) Other Reserves****Other regulatory reserves****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.

**SMEEIS Reserves**

The Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserve is maintained to comply with the Central Bank of Nigeria (CBN)/ Banker's committee's requirement that all licensed deposit money banks in Nigeria 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 a 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' contribution shall thereafter reduce to 5% of profit after tax

However, this is no longer mandatory. Therefore, no additional appropriation has been done during the period.

The small and medium scale industries equity investment scheme reserves are non-distributable.

**(ii) Share scheme reserve**

This represents the total expenses incurred in providing the Bank's shares to its qualifying staff members under the RSPP scheme.

**(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) Foreign currency 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.

**(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.

**D Non-controlling interest**

This represents the Non-controlling interest's (NCI) portion of the net assets of the Group

	Group June 2017	Group December 2016
<i>In thousands of Naira</i>		
Access Bank, Gambia	366,977	1,142,313
Access Bank, Sierra Leone	37,611	57,189
Access Bank Zambia	225,585	276,532
Access Bank, Rwanda	865,653	838,624
Access Bank, Congo	782	1,172,519
Access Bank, Ghana	<u>3,040,716</u>	<u>2,759,852</u>
	<b><u>4,537,325</u></b>	<b><u>6,247,029</u></b>

This represents the NCI share of profit/(loss) for the period

	Group June 2017	Group December 2016
<i>In thousands of Naira</i>		
Access Bank, Gambia	16,002	59,235
Access Bank, Sierra Leone	2,250	4,698
Access Bank Zambia	(68,944)	(980)
Access Bank, Rwanda	32,505	(36,204)
Access Bank, Congo	93	113,372
Access Bank, Ghana	<u>125,669</u>	<u>182,200</u>
	<b><u>107,574</u></b>	<b><u>322,323</u></b>

	Group June 2017	Group December 2016
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**Proportional Interest of NCI in subsidiaries**

	%	%
Access Bank, Gambia	12%	36%
Access Bank, Sierra Leone	3%	3%
Access Bank Zambia	8%	8%
Access Bank, Rwanda	25%	25%
Access Bank Congo	0%	26%
Access Bank, Ghana	9%	9%

**E Dividends***In thousands of Naira*

	Bank June 2017	Bank December 2016
Interim dividend paid (2016: 25k)	-	7,231,993
Final dividend paid (2017: 40k)	11,571,189	-
	<u>11,571,189</u>	<u>7,231,993</u>

Number of shares 28,927,972 28,927,972

The Directors proposed an interim dividend of 25k for the period ended 30 June 2017

**39 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. No provision has been made for the period ended 30 June 2017.

*Contingent liability and commitments*

In common with other banks, Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

*Nature of instruments*

An acceptance is 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 conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The 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:**

	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
<i>In thousands of Naira</i>				
<b>Contingent liabilities:</b>				
Transaction related bonds and guarantees	198,142,790	186,251,718	144,661,611	136,163,848
Financial guarantees	113,301,521	99,582,709	106,927,904	85,513,821
<b>Commitments:</b>				
Clean line facilities for letters of credit, unconfirmed letters of credit and other commitments	317,240,113	261,208,242	203,661,763	158,994,793
Future, swap and forward contracts	782,746,710	933,073,893	772,477,622	900,436,358
	<u>1,411,431,134</u>	<u>1,480,116,562</u>	<u>1,227,728,900</u>	<u>1,281,108,819</u>

The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.  
Contractual capital commitments undertaken by the Bank during the period amounted to N322.2Mn (31 Dec 2016: N365.4Mn)

**40 Cash and cash equivalent**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
<i>In thousands of Naira</i>				
<b>Cash on hand and balances with banks</b>				
Cash on hand and balances with banks	117,651,779	68,423,783	117,652,689	59,637,792
Unrestricted balances with central banks	147,800,730	139,954,922	37,331,425	33,160,736
Money market placements	41,519,620	119,826,012	6,097,588	41,798,197
Investment under management	16,884,148	14,871,247	16,884,148	14,871,247
	<u>323,856,277</u>	<u>343,075,965</u>	<u>177,965,850</u>	<u>149,467,972</u>

Cash and cash equivalent for the purpose of the preparation of the statement of cash flows excludes cash collaterals held for letters of credit and the mandatory cash deposit held with the Central Bank of Nigeria.

**41 Contraventions of the Banks and Other Financial Institutions Act of Nigeria and CBN circulars**

S/N	Regulatory Body	Infraction
i)	Central Bank of Nigeria	Sum of N60 million in respect of BVN registration
ii)	Central Bank of Nigeria	Sum of N2 million in respect of KYC requirement

**42 Events after reporting date**

Subsequent to the end of the reporting period, the Board of Directors proposed a final dividend of 40k each payable to shareholders on register of shareholding at the closure date.

There are no other post balance sheet event that require disclosure in these consolidated financial statements.

**43 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 its subsidiary companies and key management personnel. Key Management Personnel is defined as members of the Board of Directors of the bank, including their close members of family and any entity over which they exercise control. Close member of family are those who may be expected to influence or be influenced by that individual in dealings with the bank.

The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

Period ended 30 June 2017	Directors and other key management personnel (and close family members)	Subsidiaries	Total
<i>In thousands of Naira</i>			
Balance, beginning of period	1,030,899	92,014,601	<b>93,045,500</b>
Net movement during the period	<u>2,998,509</u>	<u>786,388</u>	<u><b>3,784,897</b></u>
Balance, end of period	<b>4,029,409</b>	<b>92,800,989</b>	<b>96,830,398</b>
Interest income earned	<u>275,232</u>	<u>693,424</u>	<u><b>968,656</b></u>
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 30 June 2017 of N4.03Bn are repayable in various cycles ranging from monthly to annually over the tenor. The transactions were carried out at arms length and have an average tenor of 4 years. The loans 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 interbank placements of USD302M granted during the period. It is a non-collateralised placement advanced at an average interest rate of 1.49% and a tenor less than 12 months. This loan has been eliminated on consolidation and does not form part of the reported Group loans and advances balance.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at period end.

## (b) Deposits from related parties

	Directors (and close family members and related entities)	Subsidiaries	Total
<b>Period ended 30 June 2017</b>			
<i>In thousands of Naira</i>			
Balance, beginning of period	2,038,024	109,626,264	<b>111,664,288</b>
Net movement during the period	<u>8,428,765</u>	<u>36,722,696</u>	<u>45,151,461</u>
Balance, end of period	<u>10,466,788</u>	<u>146,348,960</u>	<u>156,815,748</u>
Interest expenses on deposits	<u>109,900</u>	<u>4,589,266</u>	<u>4,699,166</u>

The deposits are majorly term deposit with an average interest rate and tenor of approximately 2.10% and 6months for directors and 6.27% and 3 months for subsidiaries.

## (c) Borrowings from related parties

	Subsidiaries	Total
<i>In thousands of Naira</i>		
Borrowings at 1 January 2016		
Borrowings at 31 December 2016	74,425,046	<b>74,425,046</b>
Net movement during the period	<u>341,963</u>	<u>341,963</u>
Interest expenses on borrowings	<u>74,767,009</u>	<u>74,767,009</u>
	<u>2,913,497</u>	<u>2,913,497</u>

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 7.79%. In October 2016, USD 112,997,000 out of USD 350,000,000 was exchanged at a premium for a new note issued by Access Bank Plc.

## (d) Other balances and transactions with related parties

	Directors (and close family members and related entities)	Subsidiaries	Total
<i>In thousands of Naira</i>			
Cash and cash equivalent			
Deposit for Investments	-	32,690,854	<b>32,690,854</b>
Deposit from financial institutions	-	810,482	<b>810,482</b>
Receivables	-	146,348,960	<b>146,348,960</b>
Other Liabilities	-	204,994	<b>204,994</b>
Fee and commission expense	-	589,410	<b>589,410</b>
Off balance sheet exposures	-	314,626	<b>314,626</b>
		<u>91,691,562</u>	<u>91,691,562</u>

## (e) Key management personnel compensation for the period comprises:

Directors' remuneration	<u>June 2017</u>	<u>June 2016</u>
<i>In thousands of Naira</i>		
Non-executive Directors		
Fees	58,125	51,876
Other emoluments:		
Allowances	208,875	177,127
	<u>267,000</u>	<u>229,003</u>
Executive directors		
Short term employee's benefit	208,875	340,218
Defined contribution plan	7,516	20,025
Share based payment	19,446	20,723
Long term incentive plan	677,164	-
	<u>913,001</u>	<u>380,966</u>
	<u><u><u></u></u></u>	<u><u><u></u></u></u>

## (f) Directors remuneration:

Remuneration paid to directors of the Bank (excluding pension contributions and other benefits) was as follows:

<i>In thousands of Naira</i>	<u>June 2017</u>	<u>June 2016</u>
Fees as Directors	58,125	25,938
Other emoluments	177,812	138,377
Wages and salaries	118,910	132,110
Allowances	31,063	38,750
The Directors remuneration show above includes		
Chairman	28,944	20,053
Highest paid Director	42,580	42,580

## The emoluments of all other directors fell within the following ranges:

	<u>June 2017</u>	<u>June 2016</u>
N1,000,000-N9,000,000	-	-
N9,000,001-N13,000,000	-	-
N13,000,001-N20,000,000	6	6
N20,000,001-N37,000,000	8	8
AboveN37,000,000	-	-
	<u>14</u>	<u>14</u>

**44 Director-related 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 accrued 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 30 June 2017 is N1.66bn. 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.

Below is a schedule showing the details of the Bank's director-related lending:

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 Consult. Ltd.	Ex-Chairman	Mr. Gbenga Oyebode	Term Loan	68,750,000	Performing	Corporate Guarantee of Assets Management Group Limited.
2	Asset Management Group Limited	Ex-Chairman	Mr. Gbenga Oyebode	Time loan	1,435,310,037	Performing	1. Pledged properties at Ikoyi Lagos 2. Personal guarantee 3. Domiciliation of Rental Income
3	Sic Property and Investment Company Ltd	Ex Non-executive director	Mr Ortisedere Otubu	Term Loan	119,983,765	Performing	1. Legal Mortgage 2. Personal Guarantee 3. Debenture
4	Paul Usoro & Company	Non-executive director	Mr Paul Usoro	Overdraft Credit Card	22,310,073 10,855,727	Performing Performing	Cash collateral Cash collateral
<b>Balance, end of period</b>					<b>1,657,209,602</b>		

**45 Non-audit services**

During the period, the Bank's auditor, PricewaterHouseCoopers, were awarded the following contracts;

Service	Description	Sum N'000
1 Recovery and resolution plan	Advisory services on development of recovery and resolution plan to be submitted to the Central Bank of Nigeria and Nigeria Deposit Insurance Corporation as part of regulatory requirements for systemically important financial institutions.	9,975
2 IFRS 9 impact assessment project	Impact of IFRS 9 on reporting	32,000
3 Automation of Revenue assurance reviews	Revenue assurance exercise and script development to block income leakages and facilitate recoveries	11,500
		<b><u>53,475</u></b>

In the Bank's opinion, the provision of these services to the bank did not impair the independence and objectivity of the external auditor.

**46 Restatement of prior period financial information**

During the period, the Bank reassessed its obligation to the Asset Management Corporation of Nigeria (AMCON), as contained in the Resolution Cost Trust Fund Deed, as a levy and should be treated in line with IFRIC 21, Levies. This implies that the levy should be charged to the income statement as an expense immediately the obligation falls due. This was, hitherto, accounted for as a prepayment and amortized for the financial year.

The Bank has fully expensed the sum of N15.74bn as AMCON levy in this period ended 30 Jun 2017. Also, the financial information for the period ended 30 June 2016 has been restated to show the retrospective impact of an additional charge of N6.03bn to bring the total charge to N12.06bn as levy for 2016.

Below is the analysis of the restatements and resultant impact on the Statement of Comprehensive Income for the period ended 30 June 2016.

In thousands of Naira

	Reported Group June 2016	Restatements	Restated Group June 2016	Reported Bank June 2016	Restatements	Restated Bank June 2016
Other operating expenses (see Note 46 (i))	(41,761,035)	(6,029,860)	(47,790,895)	(38,343,016)	(6,029,860)	(44,372,876)
<b>Profit before tax</b>	50,022,929		43,993,069	44,636,210		38,606,350
Income tax (see Note 46 (ii))	(10,536,217)	180,896	(10,355,321)	(9,380,476)	180,896	(9,199,580)
<b>Profit for the period</b>	<b>39,486,712</b>	<b>(5,848,964)</b>	<b>33,637,748</b>	<b>35,255,734</b>	<b>(5,848,964)</b>	<b>29,406,770</b>
Other comprehensive income (OCI) net of income tax :						
Items that may be subsequently reclassified to the income statement:						
Foreign currency translation differences for foreign subsidiaries						
- Realised gains during the period						
- Unrealised gains /losses) during the period	17,266,423		17,266,423			
Net changes in fair value of AFS financial instruments						
-Fair value changes during the period	13,413,968		13,413,968	13,514,011		13,514,011
Fair value changes on AFS financial instruments from associates						
Other comprehensive gain, net of related tax effects	30,680,391	-	30,680,391	13,514,011	-	13,514,011
<b>Total comprehensive income for the period</b>	<b>70,167,103</b>	<b>(5,848,964)</b>	<b>64,318,139</b>	<b>48,769,745</b>	<b>(5,848,964)</b>	<b>42,920,781</b>
Profit attributable to:						
Owners of the bank	39,235,574		33,386,610	35,255,734		29,406,770
Non-controlling interest	251,138		251,138	-		-
<b>Profit for the period</b>	<b>39,486,712</b>	<b>(5,848,964)</b>	<b>33,637,748</b>	<b>35,255,734</b>	<b>(5,848,964)</b>	<b>29,406,770</b>
Total comprehensive income attributable to:						
Owners of the bank	68,369,271		62,520,307	48,769,745		42,920,781
Non-controlling interest	1,797,832		1,797,832	-		-
<b>Total comprehensive income for the period</b>	<b>70,167,103</b>	<b>(5,848,964)</b>	<b>64,318,139</b>	<b>48,769,745</b>	<b>(5,848,964)</b>	<b>42,920,781</b>
Earnings per share attributable to ordinary shareholders						
Basic (kobo)	161	(44)	117	142	(40)	102
Diluted (kobo)	159	(43)	115	142	(40)	102
<b>Effect on statement of changes in equity</b>						
Transfer to other regulatory reserve	8,491,321	(877,345)	7,613,976	5,288,360	(877,345)	4,411,015
<b>Effect on statement of cash flows</b>						
Effect on changes in operating assets						
Net increase in other assets (see Note 46 (i))	(10,034,087)	6,029,860	(4,004,227)	(5,135,426)	6,029,860	894,434

- (i) Effect of N6.029bn unamortized AMCON levy charged to statement of comprehensive income
- (ii) Tax effect of N6.029bn unamortized AMCON levy charged to statement of comprehensive income.
- (ii) Reduction in other regulatory reserve by 15% of N5.8Bn (N877Mn)

## OTHER NATIONAL DISCLOSURES

## Value Added Statement

In thousands of Naira

	Group <u>June 2017</u>	%	Group <u>June 2016</u>	%
Gross earnings	246,575,403		174,069,317	
Interest expense				
Foreign	(2,125,158)		(4,757,519)	
Local	<u>(56,341,451)</u>		<u>(32,641,777)</u>	
	188,108,794		136,670,022	
Net impairment (loss) on financial assets	(10,236,805)		(9,305,372)	
Net impairment loss on other financial assets	(125,975)		(906,933)	
Bought-in-materials and services				
Foreign	(482,183)		(1,421,484)	
Local	(68,905,112)		(41,387,250)	
<b>Value added</b>	<b><u>108,358,719</u></b>		<b><u>83,648,983</u></b>	
<b>Distribution of Value Added</b>				
<b>To Employees:</b>				
Employees costs	27,743,513	26%	22,068,132	30%
<b>To government</b>				
Government as taxes	12,588,824	12%	10,536,217	6%
<b>To providers of finance</b>				
Interest on borrowings	20,396,913	19%	6,442,592	10%
Dividend to shareholders	11,571,189	11%	8,678,391	11%
<b>Retained in business:</b>				
For replacement of property and equipment and intangible assets	6,503,953	6%	4,184,521	7%
For replacement of equipment on lease	1,665,573	2%	930,809	
Retained profit (including Statutory and regulatory risk reserves	27,888,755	26%	30,808,321	36%
	<b><u>108,358,719</u></b>	<b><u>100%</u></b>	<b><u>83,648,983</u></b>	<b><u>100%</u></b>

## OTHER NATIONAL DISCLOSURES

## Value Added Statement

<i>In thousands of Naira</i>	<b>Bank</b> <b>June 2017</b>	<b>Bank</b> <b>June 2016</b>	%
Gross earnings	218,527,168	153,509,208	
Interest expense			
Foreign	(2,125,158)	(6,619,599)	
Local	(47,352,621)	(26,944,267)	
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169,049,389	169,049,389	119,945,342	
Net impairment (loss) on financial assets	(9,215,120)	(7,650,144)	
Net impairment loss on other financial assets	-	(906,933)	
Bought-in-materials and services			
Foreign	(482,183)	(1,421,484)	
Local	(63,320,448)	(37,740,388)	
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	
<b>Value added</b>	<b>96,031,638</b>	<b>72,226,393</b>	
	<hr style="border-top: 3px double black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	<hr style="border-top: 3px double black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	

## Distribution of Value Added

**To Employees:**

Employees costs	22,052,095	23%	18,521,260	28%
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**To government**

Government as taxes	10,413,301	11%	9,380,476	5%
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**To providers of finance**

Interest on borrowings	22,372,915	23%	3,769,666	12%
Dividend to shareholders	11,571,189	12%	8,678,391	12%

**Retained in business:**

For replacement of property and equipment	5,487,270	6%	4,480,401	7%
For replacement of equipment on lease	852,901	1%	818,856	
Retained profit (including Statutory and regulatory risk reserves	23,281,966	24%	26,577,343	35%
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px;"/>
	<b>96,031,638</b>	<b>100%</b>	<b>72,226,393</b>	<b>100%</b>

**OTHER NATIONAL DISCLOSURES**  
*Other financial Information*  
 Five-year Financial Summary

Group	June 2017	December 2016	December 2015	December 2014	December 2013
	12 months N'ooo				
<i>In thousands of Naira</i>					
<b>Assets</b>					
Cash and balances with banks	716,825,510	713,889,105	478,409,336	405,014,793	439,459,541
Investment under management	16,884,148	14,871,247	10,403,608	-	-
Non pledged trading assets	16,067,825	44,629,579	52,298,422	28,411,644	3,877,969
Pledged assets	394,533,663	314,947,502	203,715,397	87,072,147	63,409,851
Derivative financial instruments	148,397,715	156,042,984	77,905,020	24,866,681	102,123
Loans and advances to banks	54,010,483	45,203,002	42,733,910	12,435,659	24,579,875
Loans and advances to customers	1,739,443,893	1,809,459,172	1,365,830,831	1,110,464,442	786,169,703
Trading properties	-	-	-	-	-
Investment securities	166,811,167	229,113,772	186,223,126	270,211,388	353,811,348
Insurance receivables	-	-	-	-	-
Other assets	101,981,448	63,255,054	83,014,503	56,310,620	52,019,723
Investment properties	-	-	-	-	23,974,789
Investments in equity accounted investee	-	-	-	-	3,623,326
Investment in subsidiary	-	-	-	-	-
Property and equipment	92,348,156	84,109,052	73,329,927	69,659,707	67,243,305
Intangible assets	6,350,889	6,939,555	6,440,616	5,592,991	3,659,072
Deferred tax assets	1,273,021	1,264,813	10,845,612	10,881,984	10,687,635
Assets classified as held for sale	110,727	140,727	179,843	23,438,484	2,847,740
Total assets	3,455,038,645	3,483,865,564	2,591,330,151	2,104,360,540	1,835,466,000
<b>Liabilities</b>					
Deposits from financial institutions	227,595,925	167,356,583	72,914,421	119,045,423	72,147,956
Deposits from customers	1,899,832,290	2,089,197,286	1,683,244,320	1,454,419,052	1,331,418,659
Derivative financial instruments	24,333,846	30,444,501	3,077,927	1,989,662	32,955
Claims payable	-	-	-	-	-
Current tax liabilities	7,327,188	5,938,662	7,780,824	8,180,969	6,899,558
Other liabilities	154,002,841	113,571,240	69,355,947	21,689,079	56,847,216
Deferred tax liabilities	10,492,221	3,699,050	266,644	59,038	37,861
Liabilities on investment contracts	-	-	-	-	-
Liabilities on insurance contracts	-	-	-	-	-
Debt securities issued	361,716,229	316,544,502	149,853,640	138,481,179	55,828,248
Interest-bearing borrowings	286,465,687	299,543,707	231,467,161	79,816,309	64,338,982
Retirement benefit obligations	2,791,879	3,075,453	5,567,800	3,269,100	1,933,021
Contingent settlement provisions	-	-	-	-	-
Liabilities classified as held for sale	-	-	-	-	1,499,495
Total liabilities	2,974,558,106	3,029,370,984	2,223,528,684	1,826,949,811	1,590,983,951
<b>Equity</b>					
Share capital and share premium	212,438,802	212,438,802	212,438,802	172,477,671	172,477,671
Retained earnings	105,354,981	93,614,030	51,730,369	34,139,453	22,232,374
Other components of equity	158,149,430	142,194,720	99,732,330	67,262,761	48,003,894
Non controlling interest	4,537,325	6,247,028	3,899,066	3,530,844	1,768,110
Total equity	480,480,539	454,494,580	367,801,467	277,410,729	244,482,049
Total liabilities and Equity	3,455,038,645	3,483,865,564	2,591,330,151	2,104,360,540	1,835,466,000
<b>Gross earnings</b>					
<b>Profit before income tax</b>	<b>246,575,403</b>	<b>381,320,783</b>	<b>337,404,230</b>	<b>245,383,536</b>	<b>206,891,219</b>
<b>Profit from continuing operations</b>	<b>52,048,768</b>	<b>90,339,456</b>	<b>75,038,117</b>	<b>52,022,290</b>	<b>44,996,410</b>
<b>Discontinued operations</b>	<b>39,459,944</b>	<b>71,439,347</b>	<b>65,868,773</b>	<b>43,063,479</b>	<b>36,101,830</b>
<b>Profit for the year</b>	<b>39,459,944</b>	<b>71,439,347</b>	<b>65,868,773</b>	<b>42,976,212</b>	<b>36,367,590</b>
<b>Non controlling interest</b>	<b>107,574</b>	<b>322,322</b>	<b>536,233</b>	<b>560,883</b>	<b>195,762</b>
<b>Profit attributable to equity holders</b>	<b>39,352,370</b>	<b>71,117,024</b>	<b>65,332,540</b>	<b>42,415,329</b>	<b>36,171,828</b>
<b>Dividend paid</b>	<b>11,571,189</b>	<b>15,910,384</b>	<b>15,241,014</b>	<b>13,729,777</b>	<b>13,729,777</b>
<b>Earning per share -Basic</b>	<b>138k</b>	<b>249k</b>	<b>265k</b>	<b>189k</b>	<b>158k</b>
<b>- Adjusted</b>	<b>136k</b>	<b>245k</b>	<b>262k</b>	<b>189k</b>	<b>158k</b>
<b>Number of ordinary shares of 50k</b>	<b>28,927,971,631</b>	<b>28,927,971,631</b>	<b>28,927,971,631</b>	<b>22,882,918,908</b>	<b>22,882,918,908</b>

## OTHER NATIONAL DISCLOSURES

Other financial Information  
Five-year Financial Summary

	June 2017	December 2016	December 2015	December 2014	December 2013
Bank	12 months N'ooo				
<i>In thousands of Naira</i>					
<b>Assets</b>					
Cash and balances with banks	568,053,167	517,997,249	405,998,636	351,174,879	395,808,747
Investment under management	16,884,148	14,871,247	10,403,608	-	-
Non pledged trading assets	14,517,175	44,629,579	52,298,422	28,411,644	3,877,969
Pledged assets	394,533,663	314,947,502	200,464,624	85,183,353	63,347,823
Derivative financial instruments	147,986,650	155,772,662	77,852,349	24,831,145	72,675
Loans and advances to banks	92,720,149	104,006,574	60,414,721	55,776,837	13,048,651
Loans and advances to customers	1,532,357,902	1,594,562,345	1,243,215,309	1,019,908,848	735,300,741
Trading properties	-	-	-	-	-
Investment securities	92,757,256	161,200,642	155,994,798	226,137,983	309,071,802
Insurance receivables	-	-	-	-	-
Other assets	84,289,251	50,594,480	78,623,381	48,246,307	44,326,360
Investment properties	-	-	-	-	23,974,789
Investments in equity accounted investee	-	-	-	-	1,521,812
Investment in subsidiary	67,351,486	59,239,252	45,439,246	40,120,572	38,029,992
Property and equipment	79,559,022	71,824,472	65,900,384	64,160,327	63,203,245
Intangible assets	4,675,674	5,173,784	4,977,908	4,436,814	2,661,553
Deferred tax assets	-	-	10,180,832	10,128,537	9,847,853
Assets classified as held for sale	110,727	140,727	179,843	23,438,484	-
Total assets	3,095,796,270	3,094,960,515	2,411,944,061	1,981,955,730	1,704,094,012
<b>Liabilities</b>					
Deposits from banks	181,456,542	95,122,188	63,343,785	134,509,662	61,295,352
Deposits from customers	1,626,907,782	1,813,042,872	1,528,213,883	1,324,800,611	1,217,176,793
Derivative financial instruments	24,323,543	30,275,181	2,416,378	1,737,791	-
Debt securities issued	287,033,258	243,952,418	78,516,655	73,155,391	-
Claims payable	-	-	-	-	-
Current tax liabilities	5,596,613	5,004,160	6,442,311	7,113,226	6,075,590
Other liabilities	148,850,010	107,538,941	64,094,358	16,870,132	52,092,559
Retirement benefit obligations	2,766,322	3,064,597	5,567,800	3,267,364	-
Liabilities on investment contracts	-	-	-	-	-
Liabilities on insurance contracts	-	-	-	-	-
Interest-bearing borrowings	359,219,315	372,179,785	302,919,987	146,345,767	120,342,026
Contingent settlement provisions	-	-	-	-	1,929,695
Deferred tax liabilities	9,885,164	3,101,753	-	-	-
Liabilities classified as held for sale	-	-	-	-	-
Total liabilities	2,646,038,549	2,673,281,895	2,051,515,157	1,707,799,944	1,458,912,015
<b>Equity</b>					
Share capital and share premium	212,438,802	212,438,802	212,438,802	172,477,671	172,477,671
Retained earnings	111,383,181	93,329,188	49,459,102	36,499,779	23,095,392
Other components of equity	125,935,738	115,910,630	98,531,000	65,178,336	49,608,934
Total equity	449,757,721	421,678,620	360,428,904	274,155,786	245,181,997
Total liabilities and Equity	3,095,796,270	3,094,960,515	2,411,944,061	1,981,955,730	1,704,094,012
<b>Gross earnings</b>	218,527,168	331,000,972	302,061,975	221,610,769	182,888,906
<b>Profit before income tax</b>	45,266,456	80,579,576	65,177,914	46,142,422	31,365,396
<b>Profit for the year</b>	39,459,944	71,439,347	65,868,773	39,941,126	26,211,844
<b>Dividend paid</b>	11,571,189	8,678,391	13,729,777	13,729,777	12,588,538
<b>Earning per share -Basic</b>	120k	237k	174k	114k	157k
<b>-Adjusted</b>	120k	237k	174k	114k	157k
<b>Number of ordinary shares of 50k</b>	28,927,971,631	28,927,971,631	22,882,918,908	22,882,918,908	22,882,918,908