the access bank uk

BUILDING ON OUR STRENGTHS

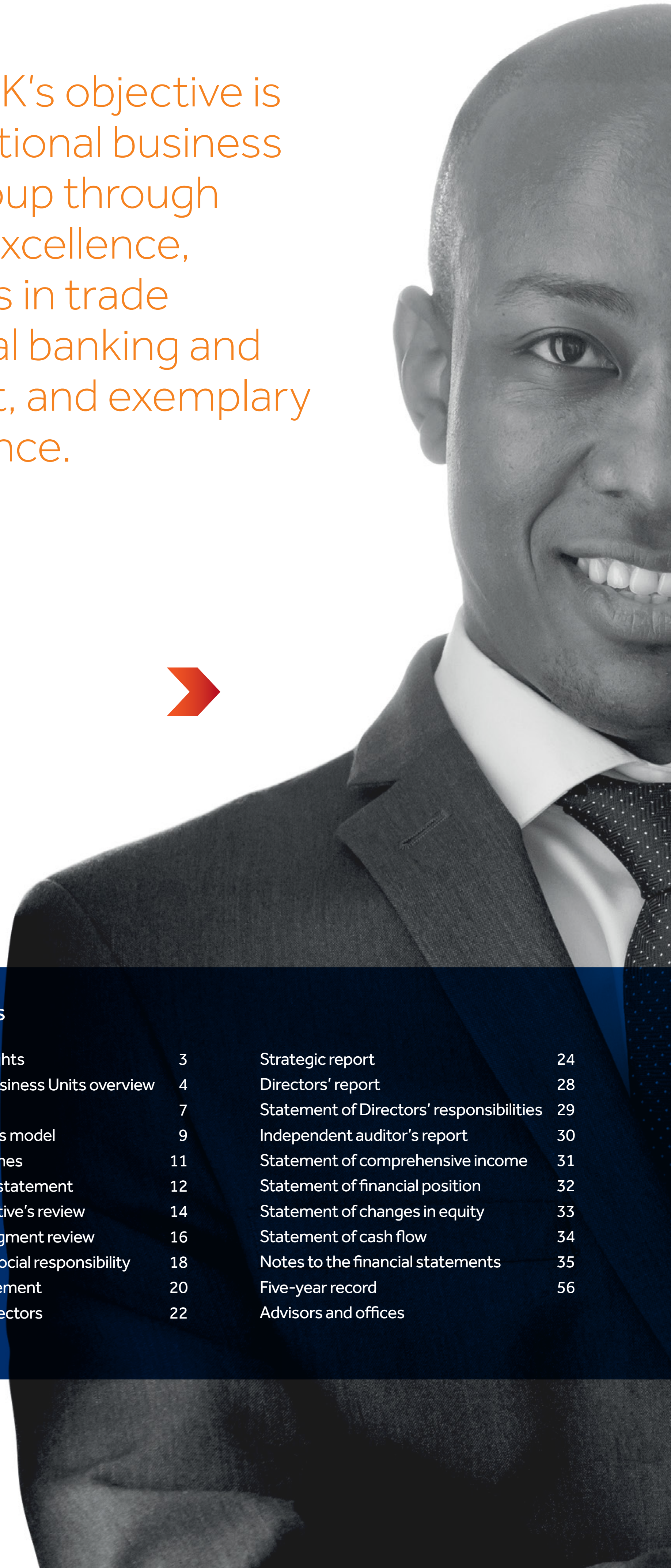
The Access Bank UK Limited
Annual Report and Accounts 2016

SIDE BY SIDE

Our personal approach to banking services

We take the time to work closely with our business and private banking customers. It is the strength of these relationships, combined with our commitment to excellent service and our moderate appetite for risk, which underpins our sustainable growth and also our contribution to Access Bank Group as a whole.

The Access Bank UK's objective is to grow the international business of Access Bank Group through customer service excellence, innovative solutions in trade finance, commercial banking and asset management, and exemplary corporate governance.



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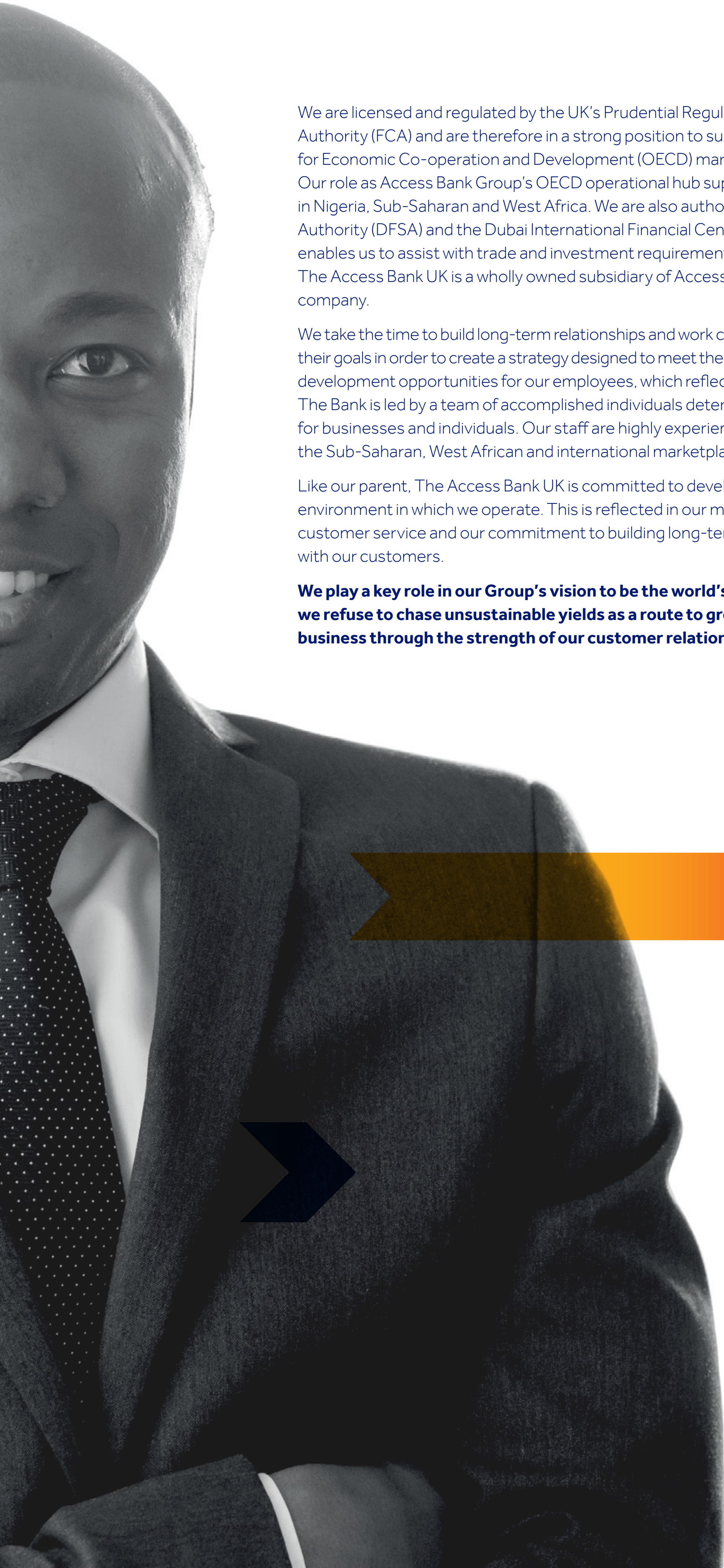


We are licensed and regulated by the UK's Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and are therefore in a strong position to support opportunities in the Organisation for Economic Co-operation and Development (OECD) markets for Access Bank Group customers. Our role as Access Bank Group's OECD operational hub supports the flow of investment into markets in Nigeria, Sub-Saharan and West Africa. We are also authorised by the Dubai Financial Services Authority (DFSA) and the Dubai International Financial Centre (DIFC) to run our Dubai operation, which enables us to assist with trade and investment requirements between UAE and Sub-Saharan Africa. The Access Bank UK is a wholly owned subsidiary of Access Bank Plc, a Nigerian Stock Exchange listed company.

We take the time to build long-term relationships and work closely with our customers to understand their goals in order to create a strategy designed to meet their needs. We provide constant support and development opportunities for our employees, which reflects in their dedication and professionalism. The Bank is led by a team of accomplished individuals determined to deliver superior financial solutions for businesses and individuals. Our staff are highly experienced and many have spent time working in the Sub-Saharan, West African and international marketplaces.

Like our parent, The Access Bank UK is committed to developing a sustainable business model for the environment in which we operate. This is reflected in our moderate appetite for risk, our passion for customer service and our commitment to building long-term relationships by working in partnership with our customers.

We play a key role in our Group's vision to be the world's most respected African bank. As such, we refuse to chase unsustainable yields as a route to growth. Instead, we focus on building our business through the strength of our customer relationships.

2016 Highlights

We broadened our operation in Dubai, UAE to full branch status

We launched our execution-only portfolios to expand the range of products and services for all Private Bank customers

We were awarded 'Best Africa Trade Finance Bank 2016' by Capital Finance International

Operating income increased 27% year-on-year to £25.0m

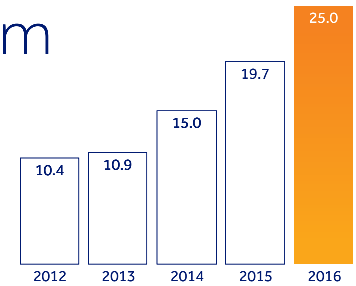
Pre-tax profits increased 45% year-on-year to £12.5m

Post-tax profits increased 43% year-on-year to £9.9m

Operating Income (£m)

£25.0m

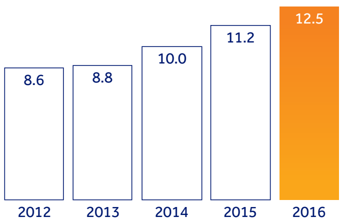
+27%



Operating Costs (£m)

£12.5m

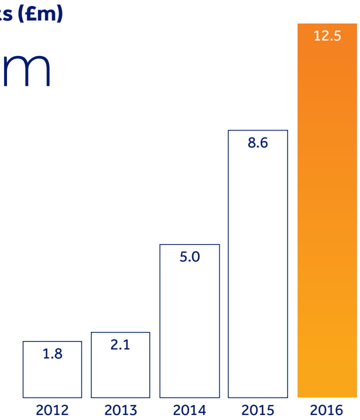
+12%



Pre-Tax Profits (£m)

£12.5m

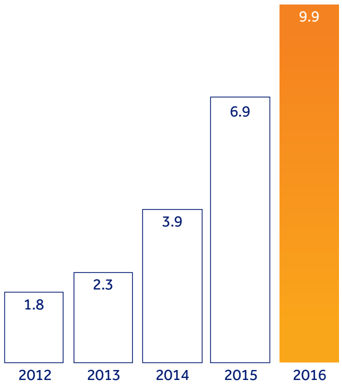
+45%



Post-Tax Profits (£m)

£9.9m

+43%



The growth The Access Bank UK achieved during the year was built squarely upon our commitment to customer service and through the implementation of our six core values: Excellence; Passion for customers; Innovation; Empowered employees; Professionalism and Leadership.

You can find more details about our values on page 7.

Strategic Business Units Overview

The Access Bank UK is a wholly owned subsidiary of Access Bank Plc. We provide Trade Finance, Commercial Banking and Asset Management services for clients of Access Bank Group in their dealings with OECD markets, and support companies exporting to African markets.

The Access Bank UK is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. The Access Bank UK Limited - Dubai is regulated by the Dubai Financial Services Authority (DFSA) as a Full Branch Office. All our IT systems are independent, wholly located in the UK and adhere to these authorities' standards of data collection and management.

Our operations comprise the following Business Units:

Trade Finance

Commercial Banking

Asset Management

Trade Finance

OECD trade finance hub for Access Bank Group.

Confirming bank for customers of Access Bank Group and exporters to Sub-Saharan African and MENA markets.

Correspondent bank to institutions in Nigeria and other countries in Sub-Saharan Africa.

Approved correspondent and trade finance bank for the Central Bank of Nigeria (CBN).

Issues Letters of Credit on behalf of the Nigerian government and Nigerian National Petroleum Company (NNPC).

Accredited by IFC (World Bank Commercial Arm).

Trade finance income:

£17.3m +27% yoy

Risk participation income:

£3.178m +61% yoy

LC discounting income:

£1.785m +41% yoy

Commercial Banking

Relationship-based service for corporate and individual customers encompassing bank accounts, international transfers, foreign exchange transactions and a range of Dollar, Sterling and Euro deposit-based products.

Bespoke trade finance solutions to facilitate the import of goods into Nigeria and other Sub-Saharan African countries.

Offers Retail Savings Bonds 1,2 & 3 year fixed rates for UK nationals.

Offers both investment and owner-occupied loans on UK properties.

Commercial banking income:

£5.4m +29% yoy

Property lending book:

£44m +5% yoy

Customer deposits:

£311m +81% yoy

Forex income:

£627k +77% yoy

Asset Management

Relationship-based service provided in conjunction with Lagos-based private banking team.

Provides bespoke discretionary portfolio management services, fixed interest and execution-only portfolios, bringing worldwide investment products to high net worth customers primarily in Nigeria, Ghana and Sub-Saharan Africa.

Investor visa product provides a route to a UK passport through investing in qualifying assets.

Lending services through portfolio and other asset instruments.

Income:

£1.27m +9.5% yoy

Property lending book:

£19.4m +21% yoy

Assets under management:

$61.4m +15.4% yoy

EYE TO EYE

Sharing a common view of good banking

Our values inform all of our activities. Through strong leadership we set exceptional standards of professionalism, embrace change and empower employees to reach their full potential. We have a passion for service and look to maintain good long-term relationships with our customers, stakeholders, markets and the communities in which we operate.

Our values

The Access Bank UK's six key values have informed our second five-year plan and our approach to meeting the targets within it. These values are also shared with Access Bank Group as a whole.

Excellence

- Surpassing ordinary standards to be the best in all that we do
- Setting the standard for what it means to be exceptional
- Never losing sight of our commitment to excellence, even when the going gets tough
- Remembering that excellence requires dedication and commitment
- Our approach is not that of excellence at all costs – it is excellence on all fronts so that we deliver outcomes that are economically, environmentally and socially responsible.

Passion for customers

- We live to serve our customers
- In addition to delivering excellent customer service, we will be focusing on our corporate responsibilities as a bank, supporting growth and opportunity in Africa and elsewhere.

Innovation

- Identifying new market needs and opportunities
- Creativity, invention, inspiration, exploration
- Pioneering new ways of doing things, new products and services, new approaches to clients/customers
- Being first, testing the waters, pushing boundaries
- Going from concept to market/reality
- Anticipating and responding quickly to market needs with the right technology, products and services to achieve customer objectives.

Empowered employees

- Recruiting and retaining the right people and teams based on shared values and vision
- Developing our people to become world-class professionals
- Encouraging a sense of ownership at individual level whilst fostering team spirit and loyalty to a shared vision
- Promoting a sense of belonging and community
- Facilitating continuous learning by providing the training, tools and coaching to help our people grow
- Helping our people to take care of their health
- Pursuing a positive work/life balance for increased productivity and improved employee satisfaction
- Encouraging a diverse workforce; respect for and appreciation of differences in ethnicity, gender, age, national origin, disability and religion.

Professionalism

- Putting our best foot forward in everything we do, especially in high-pressure situations
- Consistently bringing the best of our knowledge and expertise to the table in all of our interactions with our stakeholders
- Setting the highest standards in our work ethic, behaviours and activities, in the way we treat our customers and – just as importantly – each other
- Putting our customers' needs ahead of our own
- Maintaining composure and clear thinking at all times
- Ensuring continuous learning; through continuous growth and career development.

Leadership

- Leading by example, leading with guts
- Being first, being the best, sometimes being the only
- Courage to be the change we want to see
- Setting the standard
- Challenging the status quo
- Market-making
- Self-awareness in being able to maintain a balanced assessment of externalities and costs incurred in the pursuit of leadership.

FACE TO FACE

The bank that's built on strong relationships

As a business, The Access Bank UK is founded on strong relationships, innovation and the delivery of high quality services and products. Through activities encompassing trade finance, commercial banking, asset management, private banking and treasury, we offer added value to our customers and to other Access Bank Group companies and their customers.

Our business model

Summary

Our success in establishing The Access Bank UK has been built on ensuring that we develop strong relationships with our customers. This enables us to understand and anticipate their individual needs better, which also serves to reduce the operational risk of the Bank.

Our relationship-based approach has driven the successful delivery of the key milestones in the Bank's development, as shown on page 11.

Developing our business model

Our relationship-based philosophy continues to drive the growth being delivered as part of the Bank's second five-year plan.

We are confident that this strong focus on relationships will enable the Bank to secure the achievements delivered to date, despite the current challenges resulting from the headwinds in global growth and the adverse impact of oil prices in Sub-Saharan Africa.

Our vision

To be the world's most respected African bank.

Our mission

Setting standards for sustainable business practices that unleash the talents of our employees, deliver superior value to our customers and provide innovative solutions for the markets and communities we serve.

HAND IN HAND

Partners for achieving banking goals

Many high net worth customers who use The Access Bank UK for trade finance and commercial banking also use our asset management and private banking for their UK personal financial interests. We reflect this by offering a comprehensive portfolio of specialised services and products to accommodate diverse and changing needs.

Our milestones

2013

Fifth anniversary
The Access Bank UK's fifth anniversary and successful completion of the first five-year plan culminated in the most profitable year since the Bank was authorised.

Launched first institutional portfolio
The first institutional portfolio offered by our Asset Management SBU significantly broadened the range of offshore money management options that we are able to offer private customers.

2014

Took a lead role in syndication activity
We successfully led the syndication of a $52.5m, one-year trade loan for a key Nigerian bank, making the transition from syndication participant to syndication leader. This is a significant development for The Access Bank UK, enabling us to broaden the range of trade facilities that we offer, and build our reputation in the syndication market.

Launched retail savings bonds in the UK
Our one-year and two-year fixed-rate retail savings bonds offer UK residents competitive rates on savings, and open up a new channel of business for our Commercial Banking operation.

Received approval for High Net Worth Regulated Execution-only Mortgage products
The Access Bank UK secured approval to expand our range of loans for property purchases in the UK, enabling us to offer loans on owner-occupied properties in addition to buy-to-let investments.

Investors in People - Bronze accreditation
We were proud to have been awarded bronze accreditation by Investors in People.

2015

Launched operations in the UAE
We were authorised by the DFSA and DIFC to establish and run our office in Dubai. This is located in the prestigious DIFC and enables us to serve our customers based in the region and facilitate trade and investment between Sub-Saharan Africa and the UAE.

Launched High Net Worth regulated execution-only mortgage product
We were authorised by the PRA/FCA to undertake regulated execution only mortgage products for our high net worth customers. This provides our customers with expanding options for property ownership.

Launched our online retail savings product
This was to enhance the service channels and product offering to our retail savings customers. We launched a quick and simple online application and also expanded the product range to incorporate a three year fixed rate bond.

2016

Achieved full branch status
We broadened our operation in Dubai / UAE to full branch status.

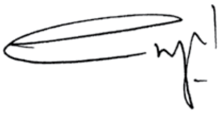
Expanding range of products
We launched our execution-only portfolios to expand the range of products and services for all Private Bank customers.

Winning awards
We were awarded 'Best Africa Trade Finance Bank 2016' by Capital Finance International.

Success with staff graduation
We achieved successful staff graduation from our Higher Apprentice Scheme.

Developing skills within the Bank
We launched our own mentoring scheme to coach and develop the skills of mentors and mentees within the Bank.

Chairman's statement



MR HERBERT WIGWE
Chairman and Non-Executive Director

The Access Bank UK adds value to the Access Bank Group as a whole via its UK and Dubai operations and delivers tangible benefits to customers in the UK, Sub-Saharan Africa and MENA regions. After another year of impressive growth, the Bank is unquestionably starting to realise the potential we envisaged at its formation.

The Access Bank UK was founded to establish a credible, sustainable OECD (Organisation for Economic Co-operation and Development) hub for the Access Bank Group. This it has achieved with commendable efficiency while also becoming a successful and profitable business in its own right.

Fundamental to the Bank's growth is our operational culture built upon strong customer relationships, the delivery of high quality services and a moderate appetite for risk.

Many high net worth customers who utilise The Access Bank UK for trade finance and commercial banking services also use our asset management and private banking for their UK personal financial interests. Such duality has proved beneficial for customers at a time when business and financial environments across Sub-Saharan Africa, Europe and the USA remain challenging.

During the year we tailored elements of our service to reflect the impact of marketplace uncertainties on our customers' needs.

We introduced new product ranges including capital facilities and foreign exchange services for business customers and also offered fixed income products and execution-only services to private customers. Similarly, we developed the scope of our Dubai office to accommodate increasing business volumes.

Financially, 2016 was a good year for The Access Bank UK and we achieved all our strategic targets. Operating income increased to £25m, pre-tax profit rose to £12.5m and return on equity grew to 13.54%.

It is a mark of confidence in The Access Bank UK that our parent, Access Bank Plc, chose to inject £25m capital into our business in 2016 via the release of additional shares. This illustrates both the strength of our balance sheet and Access Bank Plc's faith in our ability to continue growing services for customers here in the UK, Sub-Saharan Africa and MENA region.

WE WOULD ALSO LIKE TO EXTEND OUR APPRECIATION TO THE LOYAL SUPPORT WE CONTINUE TO RECEIVE FROM OUR CUSTOMERS WHICH IS AT THE HEART OF OUR BANK.

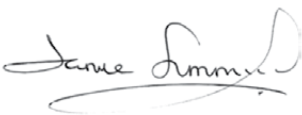
We say thank you and farewell to Mr Derek Ross who is stepping down as one of our Independent Non-Executive Directors. Derek has been with the Bank since its founding and his input over the years has contributed significantly to our development.

In the same vein, we would like to offer a warm welcome to Mr Stephen Clark. Stephen has a wealth of high-level financial and corporate finance experience and he joins us as an Independent Non-Executive Director.

2016 presented The Access Bank UK with many challenges. As such, it is a demonstration of the effectiveness of our business model and the support of our loyal and extremely capable team of employees that we achieved all our strategic targets for the year.

Looking forward, we anticipate that 2017 will also ask questions of us. However, with our balanced approach and the strength we derive from being part of the Access Bank Group, we are confident that The Access Bank UK will continue making good progress.

Chief Executive's review



MR JAMIE SIMMONDS
Chief Executive Officer

Within the context of a challenging business environment, it is particularly pleasing that in 2016 we delivered an uplift against our strategic targets for income, pre-tax profit, balance sheet growth and return on equity. Our service orientated, customer focused, moderate risk business model has yet again proved both its resilience and its flexibility.

The underlying success for The Access Bank UK in 2016 was our continued development as a sustainable business. We achieved and exceeded target for all our main growth strategies.

Our operating income was up 27% year-on-year to £25m and our pre-tax profit grew by 45% to £12.5m.

Return on equity for the year was 13.54%, which is up from 13.2% in 2015. This figure accommodates a release of additional share capital to the value of £25m acquired by our parent, Access Bank Plc.

In line with our goal to broaden and strengthen the Bank's capital and liability base, at year end these totalled £1,115m, which is a year-on-year increase of 81%. Within this, customer deposits grew to £311m.

Throughout the year we allowed our costs to rise to ensure continued investment to fully support the Bank's continued growth. An increase of 12% year-on-year to £12.5m is largely attributable to finalising our IT upgrade programme and an increase in employee numbers. We also enhanced the scope of services offered through our Dubai office. Reassuringly, our overall cost to income ratio fell from 57% in 2015 to 50%.

2016 presented many challenges to our customers and their businesses. Notably, there remained a degree of trading instability across parts of Sub-Saharan Africa, uncertainties around Brexit and the unsteadying effects of elections in Europe and the USA. Reflecting this, we delivered a range of new corporate and personal products to meet our customers' changing needs.

The reputation of The Access Bank UK in the international marketplace is now well established and continues to strengthen. We are accepted to hold a Bank of England reserve account and we have adequate resources, both financial and non-financial, to respond positively to the requirements of our growing and loyal customer base.

Trade Finance

Our Trade Finance teams worked diligently through 2016 to support customers in a challenging trading environment. The different elements of our business each contributed to our diverse revenue base and we increased year-on-year trade revenues by 27% to £17.3m.

Correspondent activities for Access Bank Group businesses and third party banks grew. Within this, our volume of LC discounting increased as we maintained the dependability of our services despite challenges around US$ availability. Building on our strong customer base we continued to diversify our income streams by product and by sector to assist performance growth in difficult economic circumstances.

Commercial Banking

2016 proved successful for our Commercial Banking teams in that we enhanced our product range, grew our property lending and increased our income to £5.4m representing 29% growth year-on-year.

During the year, many of our customers were affected by volatilities in the Sub-Saharan marketplace. In response to this we launched new products for the provision of working capital facilities and foreign exchange services. These were well received and widely adopted.

In the UK we made available both buy-to-let and owner-occupier financial products to customers who continue to want to have exposure to the UK property market. Even though property values and availability fell at times during the year, our property lending book grew by 5% year-on-year to £44m.

Overall customer deposits increased to £311m. Within this, our range of one, two and three-year fixed bonds for UK nationals continued to prove attractive.

The response from customers to the opening of our office in Dubai in 2015 has been very positive. During 2016 we continued expanding the depth and breadth of its services to meet growing customer demands and increased business volumes.

Asset Management

Asset Management and Private Banking revenues grew by 9.5%to £1.27m. Encouragingly, 2016 was the second consecutive year we delivered a profit from these activities.

Our services are founded on the strong relationships we have with our customers and our understanding of their banking needs. Many of our customers are high net worth individuals who also use The Access Bank UK for their business banking.

Reflecting the many uncertainties in the business environment, during 2016 we introduced a range of fixed income products and execution-only services to support customers looking to adopt a more defensive investment strategy.

By year end assets under management had grown to $61.4m representing 15.4% year-on-year growth and our property lending book had grown 21% year-on-year to 19.4m.

Treasury

Our treasury function is central to the effectiveness of The Access Bank UK in that it supports business operations, manages the Bank's balance sheet and ensures our ability to meet regulatory requirements concerning both capital and liquidity positions.

In 2016, the performance of Treasury was commendable bearing in mind our continued growth, the challenges pre and post Brexit and the difficult business conditions in our main markets. Within that context, Treasury applied a clear strategy, in line with our moderate risk appetite, to control liquidity and provide foreign exchange and thereby ensure our ability to meet our own needs and those of our customers.

Investing in our people

Our people are fundamental to our Bank's continued development. They provide the skills that deliver our focus on service and customer relations. Reflecting this, during the year we selectively recruited additional members to the team and also invested more in professional development.

It is encouraging to note that the majority of our middle and senior managers originally joined us as junior members of staff. Close to 40% of our employees have been with us for more than five years and our attrition rate is 16%, which is below the national average.

The Access Bank UK was the first Nigerian bank to achieve Investors in People accreditation. We have now advanced our status to Bronze level.

Operations development

At the beginning of the year we completed the update of our core IT banking operations system. This major undertaking was successfully brought in on time and within budget.

Alongside the 2015 update to our telephony, our continued investment in technology ensures that our infrastructure aligns to leading industry standards and provides essential operational resilience and future-proofing.

Risk management and compliance

All of our pre-work in preparing for the Senior Managers Regime proved successful and we seamlessly implemented the requirements on schedule in March 2016. We have subsequently maintained our programme of continuous learning and implemented the Certification Regime ahead of the March 2017 deadline.

During the year we extended our e-learning platform to embed risk management and reinforce a compliance culture at all levels of our business. This integrates with the application of our Risk Appetite Statement and is in line with our moderate appetite for risk.

Outlook for 2017

The challenges that we and our customers faced in 2016 will inevitably continue influencing banking and business environments during 2017. We are however cautiously optimistic that we will see some improvement in Nigeria as global oil prices have strengthened combined with higher output levels.

We believe wholeheartedly in our business model of strong customer relationships, excellent service and moderate appetite for risk. It has served us well to date and offers the mix of stability and flexibility we will require in the years ahead to enable continued development.

It is our nature to remain cautious. Yet The Access Bank UK has established solid foundations and we anticipate delivering favourable performances as we move forward through 2017 and beyond.

Business segment review

The Access Bank UK was established to grow the international business of the Access Bank Group. Fundamental to achieving this are our three Strategic Business Units and the support provided to them by our Treasury team.

For each Business Unit, our ongoing plan is to grow revenues through outstanding service levels and strong customer relationships while maintaining our moderate appetite for risk.

Trade Finance

Trade finance income:

£17.3m +27% yoy

LC discounting income:

£1.785m +41% yoy

Risk participation income:

£3.178m +61% yoy

Strong customer relationships and our ability to provide effective support in challenging markets underpinned The Access Bank UK's good performance in trade finance during 2016. We continued our role as confirming bank for Access Bank Plc and also developed our correspondent activities with other Access Bank Group entities and external banks across Sub-Saharan Africa.

Correspondent activities remain an important business stream for The Access Bank UK and a significant service to the Bank's customers. During 2016, when the trading environments in which many of our customers operate showed signs of instability, we maintained our ability to provide dependable LC facilities despite challenges on US$ availability. Our LC discounting income grew even though the overall volume of correspondent activities slightly reduced reflecting the fall in overall market activity.

We continued acting as the OECD hub for Access Bank Plc and our sister banks within the Group. In addition to providing support for Access Bank Group customers in Nigeria and Ghana, we maintained strong links with customers in Rwanda and DR Congo. We also provided services for Access Bank Group customers undertaking import and export transactions with China via the Group's Shanghai office and with the UAE via our branch in Dubai.

The Access Bank UK has extensive experience of the market in Nigeria and over time has built up strong relationships with a diversified range of business sectors to ensure maximum coverage and service to our customers. This diversification has enabled us to grow our revenue streams consistently throughout the year.

In line with our relationship-based business model, the Bank's knowledge of local markets enhances our competitiveness and enables us to effectively tailor solutions to meet customers' needs. We are selective in deciding which transactions are appropriate to our moderate risk appetite and thereby have flexibility to manage our exposure levels.

The Access Bank UK is now recognised and accepted in international markets. The consistency of our approach enhances our attraction as a preferred partner for correspondent banking.

Commercial Banking

Commercial banking income:

£5.4m +29% yoy

Customer deposits:

£311m +81% yoy

Property lending book:

£44m +5% yoy

Forex income:

£627k +77% yoy

The Access Bank UK's Commercial Banking business is closely aligned to the needs of business and high net worth individual customers in Nigeria and Sub-Saharan Africa. In 2016 we enhanced our range of corporate banking services, grew our property lending and increased profits to £5.4m.

Significantly in 2016, we introduced two new services for corporate customers in response to changing needs brought about by difficulties in some business environments. The first of these was a product providing working capital facilities to help cash flow management. Secondly provision of foreign exchange services to provide greater US$ liquidity.

We have continued to receive a positive response from customers to the opening of our branch in Dubai. Our presence in the region, which is an important hub in the trade corridor serving Sub-Saharan Africa, provides a dependable banking resource for FMCG (Fast Moving Consumer Goods) businesses and buying houses and also for customers in the commodities markets. In 2016 we enhanced the range of services offered from the branch and also grew the volume of transactions for our own and Access Bank Group customers.

The services we offer in the UK property sector reflect the strong relationship The Access Bank UK has with Nigerian business customers and the ambitions of the high net worth individuals associated with those businesses to invest in the UK. As such we offer both buy-to-let and owner-occupier financial products.

Our overall property lending book increased to £44m by the end of 2016. This is despite a post-Brexit fall in the availability and value of some investment-type UK properties and a small number of customers reducing their borrowings in light of the drop in value of Sterling. In keeping with our moderate appetite for risk, our loan to property value ratio for new lending is typically 65%.

Customer deposits increased to £311m by year end. Within this, our range of one, two and three-year fixed Sensible Savings bonds, exclusively for UK nationals, which can be accessed by both postal and online application continued to prove attractive.

Asset Management

Income:

£1.27m +9.5% yoy

Assets under management:

$61.4m +15.4% yoy

Property lending book:

£19.4m +21% yoy

The strong relationships we have with our customers underpinned our understanding of their changing needs in 2016 and also directed our response with appropriate liquidity and capital products. Our asset management income grew to £1.27m and we delivered our second consecutive year of profit.

Many high net worth customers who utilise The Access Bank UK's commercial banking services for their businesses also use our asset management services for their personal financial interests. This is in line with accepted practice around the world for individuals to manage financial risk by having a portion of their wealth invested offshore. Such is the case for high net worth individuals in Nigeria and other select Sub-Saharan African countries, many of whom bank with Access Bank Group companies.

Our asset management services address our customers' overlapping needs for building and managing offshore investments. Depending on the requirement, for some customers we manage existing funds they are seeking to invest in the UK and elsewhere, for some we provide loans to leverage such investments and for others we offer a combination of both services.

During 2016, instability in some Sub-Saharan business environments, uncertainties around Brexit and other political developments in Europe and the USA encouraged many customers to reduce their risk appetite. In response, we introduced a range of fixed income products and execution-only services enabling customers to be more defensive with their investment strategies. The timeliness and popularity of this offer is reflected in the growth of assets under our management at year end.

In recent years our reputation for being a trusted partner in wealth management has strengthened and we have generated revenues from an increasingly diversified income base. We have continued developing our investor visa portfolio to incorporate a broader range of investment options and we are authorised to offer both buy-to-let and owner-occupier property loans.

Corporate social responsibility

The way in which we balance our economic, environmental and social impact while continuing to grow our business and enhance our reputation is an area of key importance for The Access Bank UK Limited.

At the heart of our culture is a belief in maintaining close, long-term relationships with our customers and evolving products and services to meet their changing needs. Similarly, for our employees, we provide the leadership and resources that enable continuous professional development. And, as a business, the sustainability of our model underpins our active support for growth and opportunity in Nigeria, Sub-Saharan and West Africa.

Our commitment to behaving responsibly is enshrined in the values that inform our corporate activities and which we share with the Access Bank Group as a whole.

Passion for customers and those empowered through our business

Within the close relationships we have with our customers, we strive to deliver exceptional banking practices in addition to our high quality products and services:

- Economic empowerment: Enabling our customers to achieve more through the provision of finance.
- Financial education: Helping customers to clearly understand how our products and services work.
- Treating customers fairly: Building long-term relationships with customers based on trust, fairness and transparency.

Empowering our employees

The Access Bank UK is firmly committed to the diversity of its workforce. We encourage a sense of individual ownership while also fostering team spirit. Our endeavour is to help employees realise their potential through the provision of continuous learning opportunities and the tools and training to support professional growth.

We are proud to have been awarded Investors in People (IIP) accreditation, which we have held since 2011. This was further enhanced by us subsequently being upgraded to IIP Bronze Status. We believe that our consistently low staff turnover rate reflects in part the advances we have made in training and development.

Graduates from the Skills Acquisition Projects (Employee Volunteering)

The Bank is currently working in partnership with BPP professional apprenticeships and Chartered Institute of Personnel & Development (CIPD) programmes. We operate the Higher Apprenticeship Scheme, which aims to develop an apprentice's skills, knowledge and abilities alongside their day-to-day duties. The apprentice is then required to demonstrate their capability by completing learning activities in addition to fulfilling their professional role. This further enhances the skill set and talent pool within the Bank.

We have also established an internal mentoring programme, supported by external courses, to develop the skills of both the mentors and the mentees within their role.

Supporting the broader community

In 2016, The Access Bank Group's Corporate Social Responsibility activities were focused on community investment including gender equality, women empowerment, education and health.

Women Empowerment and Gender Inclusiveness

The Access Women's Network provides a platform for female employees to accelerate their professional and personal development through interactive learning, development workshops and training.

In 2016 a series of activities were implemented to engage women in empowering programmes comprising capacity building, mentoring and networking opportunities. All of which are specifically designed to develop the capabilities of our female employees at all levels in the organisation.

Employee Volunteering Activities

Access Bank Group continued its support of community initiatives by guiding and advising employees on how to impact communities through the donation of time, skills and resources to tackle local social issues.

This year we saw the passion and commitment of our employees to community investment in initiatives such as the restoration of public schools and raising awareness of violence against women and children.

UNICEF Charity Shield Polo Tournament 2016

The Access Bank supports UNICEF through the high-profile Access Bank Charity Shield polo matches held in Nigeria and the Access Bank Charity Cup matches held in the United Kingdom, which have been run for the past six years in conjunction with 5th Chukker. The 2016 UNICEF Charity Polo Match, held at the prestigious Guards Polo Club, was one of the prominent initiatives sponsored by the private banking arm of The Access Bank UK in its drive to aid development in the communities the Bank serves.

In particular, the tournament helps raise awareness of the plight of vulnerable children and orphans, especially the Internally Displaced Persons (IDPs) scattered across northern Nigeria.

Restoring Dignity to Public schools project (Employee Volunteering)

Players in action at Access Bank Charity Shield 2016

Awareness Forum on Violence Against Women and Children (Employee Volunteering)

Supporting UNICEF through Access Bank Charity Shield 2016 tournament

Risk management

The Access Bank UK has established a moderate appetite for risk, which is formalised in our published Risk Appetite Statement.

This statement covers all areas of credit, liquidity and operational risk. It is fully aligned with our current five-year plan and defines our development of new products and services.

Our risk management structure includes established teams dealing with operational, credit, compliance and anti-money laundering risk, and Key Risk Indicators that provide an early warning system for our top ten business risks. We have embedded enhanced risk management tools across our business and increased the leveraging of investment in IT infrastructure in 2016.

The Access Bank UK operates in strict accordance with the requirements of its regulators in the United Kingdom and Dubai. In respect of the United Kingdom, Capital and Liquidity requirements are managed through detailed planning and stress assumptions contained within the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment (ILAAP) documents. These are updated regularly and overseen by the United Kingdom Board, with daily monitoring undertaken by the Bank's Executives and through the established committee structure. A detailed Recovery and Resolution Pack is in place with appropriate triggers to ensure management action can be taken at an early stage if stresses to the Bank's moderate risk appetite in our business plan were to occur. We operate a 'three-line of defence' risk management model: we have identified our top ten key risks, we provide control through front-line staff, compliance and risk management functions and additional oversight through auditors and Directors.

We support this risk management model with an employee culture in which our risk strategy is firmly embedded and clearly communicated. Risk management is closely integrated within our operations through the attendance of our Risk & Compliance Director at the Executive Committee and all sub-committees. In addition, it is our policy to focus on investment-grade institutions and only deal with those banks that are generally considered to be both stable and systemically important.

As part of this ongoing risk management strategy, we continue to monitor the ten most significant risks for our business as follows:

Risk	Control strategy
Business Continuity Risk Losses arising from disruption of business or system failures, including people, systems or infrastructure failures.	All IT is supported by an offsite recovery centre that is designed to ensure records are secured and operations can be recovered. The Bank has an IT Disaster Recovery plan that has been the subject of a satisfactory audit review. The Bank has enhanced recovery plans by contracting with a work area recovery provider to enable staff to continue to operate in London and Manchester in the event of any interruption or office access restriction. Remote access services for some critical actions have been implemented with HSBC to ensure that these transactions can be performed in the event that systems are lost.
Documentation Risk Documentation risk comprises four areas of risk: Breach of data handling rules according to the Data Protection Act (DPA); PRA and FCA Record Keeping Rules; Accuracy; and Archiving and Recovery.	Our strategy incorporates clear policies and procedures, and document maker/checker requirements. Systemic record retention procedures have been established to ensure that records are retained for all systemic activity, currently indefinitely. The Bank has strict policies and procedures to ensure compliance with the Data Protection Act. These include system controls and safeguards that restrict the misuse of data. Documents are required to be the subject of compliance and senior manager review and oversight. Data is held securely on systems and is backed up on secure and remote locations to ensure that records can be recovered in the event of loss.
Regulatory Risk Impact of New Regulation; Regulatory Returns; Licensing and Authorisation; and Compliance with Laws and Regulations.	Regulation requirements are documented in the Compliance Policy and Anti Money Laundering/ Combatting the Financing of Terrorism Policy. All new and existing employees are required to review these requirements on a regular basis and when joining the Bank, identify new rules and amendments to ensure we maintain the highest standards in this important area. An update is provided monthly to the senior management on all new regulatory changes.

Risk	Control strategy
Financial Crime Risk The risk of: Internal Staff Theft and False Accounting; Third Party Fraud; Management Fraud; Cybercrime; and a failure to prevent corruption and bribery as detailed in the Bribery Act 2010. Losses typically involving at least one external third party and/or involving internal staff due to fraud, misappropriation of property or breach of regulations or Bank policy. Cybercrime is criminal activity performed using computers and the internet. This includes stealing from online bank accounts and non-monetary offences, such as creating and distributing viruses.	The Bank has an active monitoring plan to identify 'phishing' site activity and takes immediate action to have these sites removed. The Bank cannot prevent the proliferation of these sites and phishing activity on the internet, and the threat will therefore not be contained and will persist. Front office and back office segregation and four eyes principle controls exist over transactions. Security checks on identity are required to be performed. Call back procedures are performed for payments and all other instructions. The threshold for these controls is subject to periodic change. Internet banking controls are in place to ensure appropriate security checks are required to be satisfied by customers.
Liquidity Risk Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn. There are two forms of liquidity risk: market liquidity and funding liquidity.	The Bank has a high level of cash holding, above the required regulatory standards and is not highly leveraged. The Finance Director monitors the Bank's position according to Internal Liquidity Adequacy Assessment Process (ILAAP). The Asset and Liabilities Committee (ALCO) meets regularly to review positions.
Credit Risk Credit risk is a combination of the following: Unauthorised lending; Base rate lending changes; Country or Sovereign Risk; Concentration Risk; New Products; Collateral; and Credit Default.	A risk review is conducted at the design stage for each new product/service to identify risks. The Credit Risk team undertakes an analysis of the counterparty risks to provide an independent critical analysis of business, financial, management and security risks to formulate a structured view on the realistic probability of default and loss in the event of any default of the counterparty. The Credit Risk team monitors the value of ongoing security. The risk assessment process requires that each credit proposition is reviewed and approved by the Management Credit Committee.
Counterparty Risk The Counterparty Exposure Limit refers to the maximum transaction exposure the Bank can have to a counterparty and a requirement to perform ongoing due diligence on trading counterparties and determine the risk on complex transactions.	Credit limits are monitored by the Credit Risk and Finance Department. Limits are publicised to the Treasury team to assist with compliance and adherence. New online and real-time systems are being improved which support adherence to these limits. The Bank employs highly qualified Treasury personnel who are supervised by the MD/CEO of the Bank.

Risk	Control strategy
Staff Competence Risk Staff Competence Risk covers: Training and Competence; Health and Safety; Resourcing; and Remuneration.	All senior appointments are the subject of review and approval by the PRA and FCA, and the MD/CEO of the Bank. All staff appointments are the subject of review and interview by the CEO/MD together with appropriate EXCO members. A wider programme of personal development is being managed to improve broader competency amongst Bank employees. The Bank has a policy of reward and remuneration that sits in the upper quartile of industry expectations.
Key Person Risk The risk covers the need for Succession Planning and Professional Indemnity Insurance. The primary reason for business succession planning is to ensure that business risk is minimised and is focused on identifying specific back-up candidates for given senior management positions.	Senior roles and positions are supported by deputy appointments; therefore the loss of one individual is unlikely to give rise to immediate disruption. Increasing investment by the Bank in formal training and qualifications across the Bank is increasing the skills and knowledge set and the ability of staff to cover roles. Personal development plans are in place for all staff to ensure that appropriate personal skills development is taking place. The Bank has established good working relations with recruitment agencies and candidates can be readily identified to provide replacement cover if required.
Strategic Risk The loss resulting from a strategy that is defective, ineffective or inappropriate. This includes consideration of: competitor analysis; capital availability; political influence and change; industry; technology and innovation; and customer demand and requirement.	The Bank is a wholly owned subsidiary of an established Nigerian bank which remains committed and supportive of the development of the UK Bank. The Bank operates a robust five-year planning process which takes all strategic risks into account. The ICAAP and ILAAP are prepared on an annual basis and fully reviewed and updated each quarter at ALCO, and any changes presented to Board meetings each quarter. The IT Steering Committee reviews the prioritisation and management of IT projects to ensure that appropriate resource is applied to the most important and priority needs of the Bank and customers.

Board of Directors

MR HERBERT WIGWE
Chairman & Non-Executive Director

Herbert Wigwe is the CEO of Access Bank, one of Nigeria's top five banking institutions, which has set itself the goal of becoming the world's most respected African bank. Following a more than 25-year career in financial services including over a decade as Deputy Managing Director, Herbert was appointed CEO and Group Managing Director in January 2013.

Herbert Wigwe began his career at Coopers & Lybrand, Lagos as a management consultant, later qualifying as a Chartered Accountant.After a period at Capital Bank he joined GT Bank where he spent over a decade working in corporate and institutional banking including three years as Executive Director in charge of institutional banking. In 2002 Herbert co-led the acquisition and was given the mandate by the Board to transform a relatively small bank into a world-class financial service provider.

Since then Herbert has been part of a team which has revolutionised the Nigerian banking sector. As Deputy Managing Director Herbert had responsibility for overseeing and providing strategic direction for the Bank; for the subsidiaries; and for increasing market share. As one of Nigeria's foremost corporate bankers he helped develop some of Africa's biggest companies in the construction, telecommunications, energy and oil and gas sectors through a unique model which involved understanding and providing financial support and expertise throughout a company's value chain.

Herbert also served as the Chairman of Access Bank (Ghana) Limited and Access Investment & Securities Limited. He is a Board Member of Nigerian Mortgage Refinance Company and a member of the advisory Board for Friends Africa. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN – FCA), a Fellow of The Institute of Credit Administration, and an Honorary member of the Chartered Institute of Bankers of Nigeria. Herbert has a degree in accountancy from the University of Nigeria, an MA in Banking and Finance from the University College of North Wales, an MSc in Financial Economics from the University of London, and is an alumnus of the Harvard Business School.

MR STEPHEN CLARK
Independent Non-Executive Director

Stephen Clark was formally appointed Non-Executive Director at The Access Bank UK on the 7th November 2016. Stephen was formerly Chief Executive Officer of VTB Bank, responsible for the leadership and transition of the Commercial Bank to the Investment Bank. Prior to this Stephen served as Chief Executive of Gerrard Ltd, a subsidiary of Old Mutual Plc. He also served as Partner and Co-CEO of CIBC Oppenheimer International.

Stephen is an Honours Graduate in Financial Services from University of Manchester Institute of Science and Technology (UMIST) and is a qualified banker. He has a wealth of financial and corporate finance experience, with a career spanning 27 years with Natwest Bank Plc where he became Managing Director and Group Finance Director of the International Investment Bank County Natwest. Stephen is currently a Non-Executive Director at Nutmeg Saving and Investment Limited, Medway NHS Trust and is a Senior Advisor and Chairman of the Disciplinary Panel for the Chartered Institute for Securities & Investment (CISI)..

MR TIM WADE
Independent Non-Executive Director

Tim Wade was formerly a Managing Director of AMP Limited, responsible for the Group's banking operations in the UK and Australia. Previously, Tim was Chief Financial Officer of Colonial Limited, where he was an Executive Director of Colonial State Bank Limited. Before that, Tim worked at Arthur Andersen in Melbourne and Singapore where he became a Partner in 1992.

Tim is qualified as a lawyer and an accountant, and has a long career in financial services around the world. Tim is Chairman of the Credit and Remuneration Committees of The Access Bank UK Limited. Tim is an Independent Non-Executive Director at Resolution Limited, Macquarie Bank International Limited and Monitise PLC. He Chairs the Audit Committee of all three companies. He is also the Chair of the Board of Governors of Coeliac UK.

MR JAMIE SIMMONDS
CEO & Managing Director

Jamie Simmonds was appointed the founding Chief Executive Officer/ Managing Director of The Access Bank UK Limited in January 2008. He is an alumnus of Harvard Business School Executive Management Programme. Jamie is also an Associate of the Chartered Institute of Bankers, a Certified Financial Adviser and also a member of the Association of Foreign Bankers.

He has enjoyed a career spanning 39 years in financial services, holding a series of director roles for National Westminster, Coutts, Royal Bank of Scotland, Gerrards and Close Brothers. He has a proven track record in the startup and turnaround of financial service businesses, delivering sustainable benefits for all stakeholders. He has extensive knowledge of both Corporate, Retail and Private Banking services.

MR SEAN MCLAUGHLIN
Finance Director

Sean McLaughlin is a Chartered Accountant with excellent financial and operational management skills. He has over 18 years of proven success gained in senior positions with international investment banking institutions. He qualified with Deloitte, and worked as a senior manager specialising in the auditing of complex banking and securities firms.

He spent ten years at Credit Lyonnais Securities as Finance Director, where he also had responsibility for the settlements and middle office departments. He then worked for five years at Robert W Baird Limited, the UK subsidiary of the US investment bank, as Chief Operating Officer with responsibility for all operational functions. Prior to joining Access in 2008 he spent two years with an internet startup developing a property trading exchange dealing with small institutions and investors.

MR OBINNA NWOSU
Non-Executive Director

Obinna Nwosu was appointed the Group Deputy Managing Director and Chief Operating Officer of Access Bank Group in December 2013. Obinna has over two decades of banking experience spanning banking operations, sales, and relationship management, garnered from Guaranty Trust Bank and Access Bank. He joined Access Bank in 2002 as a Senior Manager after nine years at Guaranty Trust Bank.

Obinna was a director of several Access Bank subsidiaries including WAPIC Insurance and the banking subsidiaries in Rwanda and Burundi. He holds an MBA (Management) and a Second Class Upper Degree in Accountancy from University of Nigeria, Nsukka. Obinna has attended several Executive Management and Leadership Development programmes in leading international institutions. Obinna was Divisional Head, Retail Banking of Access Bank until December 2012 when he undertook a post-graduate programme in Public Policy at Columbia University, New York.

Mr Derek Ross stepped down as Non-Executive Director during the year

Strategic report

The Directors of The Access Bank UK Limited have pleasure in presenting their Strategic Report for the year ended 31 December 2016.

Business review

Principal activities

The Access Bank UK Limited (the "Bank") is a wholly owned subsidiary of Access Bank Plc, a bank incorporated in Nigeria ("the parent bank"). Access Bank Plc ranks among the top four banks in Nigeria by many metrics.

The Bank was authorised by the Financial Services Authority ("the FSA") on 12 August 2008. Following the reorganisation of the Regulatory Regime in the UK on 1 April 2013 with the introduction of Twin Peaks regulation, the Bank is currently regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The Bank is authorised to undertake a wide range of banking activities. The Permissions granted to the Bank are set out on the FCA Website at:
https://register.fca.org.uk/ShPo_FirmDetailsPage?id=001b000000Mg9TnAAJ

The Bank was established to provide trade finance, treasury services, correspondent banking, commercial banking, private banking, and asset management to corporate and personal customers, and seeks to differentiate itself from other banks currently operating in the UK through excellence in customer service, with a focus on establishing strong relationships with all our customers.

In December 2014 the Bank was granted permission by the PRA to offer regulated mortgages and this activity commenced in 2015. In April 2015, the Bank was approved and authorised by the Dubai Financial Services Authority and the Dubai International Financial Centre to open an office in Dubai to facilitate trade between the United Arab Emirates and Nigeria. In October 2016 the Dubai Financial Services Authority approved the upgrade of the office to Branch Status.

Performance of the Bank in 2016

The financial statements for the year ended 31 December 2016 are shown on pages 31 to 55. During the year the Bank grew operating income by 27% from £19.7m to £25.0m, and profit before tax by 45% from £8.6m to £12.5m. The statement of comprehensive income is set out on page 31.

Net fee and commission income grew by 28% from £8.1m to £10.4m, and within this Trade Finance fees increased by 34% from £7.3m to £9.8m. Net Interest Income showed an increase of 28% from £10.9m to £14.0m reflecting the increase in the loans to customers and money market placements during the year. A further analysis of income is included in notes 4 and 5 of the financial statements. This increase was achieved whilst still operating within the Bank's moderate risk appetite, relative to the Bank's peers, as set by the UK Board.

The significant challenges faced by the Nigerian economy during 2015 which were noted in the Bank's 2015 Strategic Report continued into 2016. These challenges included the continued fall in the value of the Naira, and restrictions imposed by the Central Bank of Nigeria regarding access to foreign currency and in particular US Dollars. This affected the ability of the Bank's trade finance correspondent banks to remit US Dollars and Euro in settlement of their borrowings, although funds were received on a regular basis. In mid 2016 the Central Bank of Nigeria started to ease these restrictions and the Bank saw an increase in trade finance volumes. The Directors undertake regular reviews of the impact of these and other factors on the asset quality, capital and liquidity of the Bank. In line with Board and parent company discussions, the Bank approved a number of extensions to trade finance loans denominated in US Dollars and Euro for the Nigerian banks for which the Bank provides trade confirmations, to allow them time to source the required foreign currency. The related exchange rate risk is borne by these banks.

The Board's continuous business oversight and risk management activities have resulted in updates to the Bank's business strategy, and appropriate adjustments to lending and other limits, to reflect this current trading environment. An increased focus on cash-collateralised trade finance, as well as the Bank's credit risk procedures, will help to mitigate the consequences from any further deterioration in the business environment.

One of the most significant events in the UK during 2016 was the Referendum vote to leave the European Union. This led to a cut in the UK Base Rate by the Bank of England from 0.50% to 0.25%, and also a decline in the value of Sterling against most currencies, and in particular against the US Dollar. With the majority of the Bank's assets and revenues denominated in US Dollar, the positive impact on the Bank's revenues from the decline in the value of Sterling outweighed the impact of the decline in the UK Base Rate.

The Bank continues to keep a firm control on costs, which rose by 12% during the year, which is a rate significantly behind the rate of growth of income, and with this increase predominantly as a result of continued investment in our employees through training and recruitment.

The Bank saw a strong growth in total assets during 2016, with growth of 81% from £614.9m to £1,115.1m as at 31 December 2016. This growth in assets was in part funded by the continued success of the Bank's Fixed Term Deposit product range which is targeted at the UK retail market. Deposits for this product continue to grow at a consistent and satisfactory rate in line with plan.

The Bank's management monitors the business of the Bank using a range of measures, including key performance indicators, which are prepared and presented to management on a monthly basis and which include the following:

Ratio	**2016**	2015
Cost to income	**50.09%**	56.57%
Return on average shareholders' equity	**13.54%**	13.19%
Loans to deposit	**51.39%**	84.07%
Non interest income/total operating income	**44.26%**	44.67%

Return on average shareholders' equity is calculated as the profit before tax for the year divided by the average of the opening and closing shareholders' funds for the year with an adjustment to reflect the additional shareholders' funds received in August 2016. The improvement in the return reflects the significant increase in the Bank's operating income and continued control over the rate of increase in costs.

The improvement in the cost to income ratio is as a result of the 27% growth in income during the year whilst costs were well controlled and increased by 12% as noted above.

During the year, the ratio of loans to deposits decreased to 51.39%, as a result of the 82% growth in deposit from customers following the success of the Bank's Fixed Term Deposit product and increased deposits from corresponding banks to secure their trade exposures.

Regulatory capital

The Bank manages its capital to ensure that it fully meets its

Strategic report continued

regulatory capital requirements and that it will be able to continue as a going concern. As at 31 December 2016 the Bank's equity shareholders' funds stood at £113.7m.

The Internal Capital Adequacy Assessment Process ("ICAAP") is the process under which the management of the Bank oversees and regularly assesses:

- the Bank's processes, strategies and systems;
- the major sources of risk to the Bank's ability to meet its liabilities as they fall due;
- the results of internal stress testing of these risks; and
- the amounts and types of financial and capital resources and whether they are adequate to cover the nature and level of the risks to which the Bank is exposed.

An analysis of the liquidity risks faced by the Bank and the liquidity position as at 31 December 2016 is set out in note 23 of the audited financial statements. The Bank undertakes daily liquidity compliance monitoring to ensure that funds are properly managed and PRA liquidity limits are fully met at all times.

Note 23 of the audited financial statements shows the liquidity maturity profile of the Bank, with a strong short and medium-term net liquidity position, once the liquidity buffer assets held by the Bank are taken into account. Of the Bank's assets £869m (78%) had a contractual maturity date of less than three months, and only £105m (9%) had a contractual maturity date of more than one year. This latter figure includes £12m of syndicated loans to banks and £68m of loans that were either secured on investment properties in the United Kingdom, or portfolios held by the Asset Management Strategic Business Unit.

Included in the total of available for sale investments were £58m of US government securities that constituted eligible liquidity buffer securities and included in Cash at Bank were Reserve Account deposits with the Bank of England of £220m, both of which were held to meet the PRA's liquidity requirements and which were available to be realised on demand.

Principal risks and uncertainties

The management of the business and the execution of the Bank's strategy are subject to a number of risks, which have remained during 2016 and into 2017, in particular given the situation in Nigeria noted above. The principal risks that the Bank faces vary across the different businesses and include principally credit risk and liquidity risk. All risks are formally reviewed by the Board Risk and Audit Committee and appropriate processes put in place to manage and mitigate these risks. The Bank has adopted the Three Lines of Defence Risk Management Framework which is familiar in the UK financial services environment.

Further details of the risks faced by the Bank and the Three Lines of Defence Risk Management framework are set out in note 23 of the audited financial statements.

SHOULDER TO SHOULDER

Stronger together

The Access Bank UK is a credible, sustainable OECD hub for Access Bank Group companies. Our activities include the provision of private banking and investment products, the facilitation of trade flows, and the realisation of business opportunities and diversification of income streams. We add to the appeal of Access Bank Plc and help raise its profile across the international marketplace.

Directors' report

The Directors of The Access Bank UK Limited have pleasure in presenting their Directors' Report and audited financial statements for the year ended 31 December 2016.

Principal activities, results and future developments
Details of the Bank's principal activities, results and future developments are detailed in the Bank's Strategic Report.

Dividend
No dividends were paid during the year. The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year.

Political contributions and charitable donations
During the year the Bank made charitable donations of £250 (2015 – £2,250).

No political donations were made during the year (2015 – nil).

Directors
The Directors, who served during the year and up to the date of the signing of the financial statements, were as follows:

H Wigwe	Chairman
O Nwosu	Non-Executive Director
D Ross	Independent Non-Executive Director (resigned 1 September 2016)
S Clark	Independent Non-Executive Director (appointed 1 September 2016)
T Wade	Independent Non-Executive Director
J Simmonds	Chief Executive Officer/Managing Director
S McLaughlin	Finance Director

Directors' indemnities
The Bank has made qualifying third party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this Report.

Future prospects and going concern
The Directors have undertaken a detailed review of the Bank's business model, profitability, capital and liquidity. As at 31 December 2016 the Bank had a high capital adequacy ratio that was significantly in excess of the minimum regulatory capital requirements, and it is the intention of the Directors that this will be maintained at satisfactory levels in the future. In addition as at 31 December 2016 the Bank maintained liquidity buffer assets significantly in excess of the minimum regulatory requirements, and the Directors intend to ensure that the Bank maintains a strong liquidity position to enable it to meet its obligations as they fall due.

The Directors believe that the Bank is well placed to continue to manage its business risks successfully and to trade profitably, and they are satisfied that the business model is robust and sustainable in the current environment. In the Strategic Report the Directors have reviewed the impact on the Bank of the current economic environment in Nigeria. Having undertaken this review, the Directors are satisfied that there is no evidence to believe that a material uncertainty exists which might cause significant doubt as to the Bank's ability to continue as a going concern. The Directors confirm that there are currently no plans to terminate or significantly curtail the Bank's activities, and that the Bank has received confirmation of the continued financial support of the parent bank in Nigeria. The Directors are satisfied therefore that it is appropriate to continue to adopt the going concern basis in preparing the financial statements of the Bank.

Financial Risk management and future developments are disclosed in the Strategic Report.

Employees
Our relationship based approach to banking rests upon the skills of our employees in identifying and responding to the needs of our customers. The Bank is therefore committed to investing significantly in the skills of the people that we employ through training and employee development.

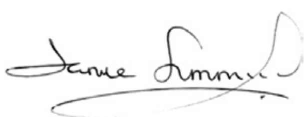
The Bank is an equal opportunities employer and is committed to equality and diversity.

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Bank's auditors are unaware and that each Director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP will continue to hold office in accordance with section 487 of the C ompanies Act 2006.

Internal audit
The Bank has engaged Grant Thornton to perform internal audit services for the Bank. The Bank's Risk and Audit Committee is responsible for approving the annual budget for Internal Audit and it has confirmed that it is satisfied that Internal Audit has the appropriate resources to undertake its role effectively.

Approved by the Board of Directors and signed on behalf of the Board.



J Simmonds
Director
20 March 2017

Company Registration No. 06365062

Statement of Directors' responsibilities
in respect of the Directors' Report and financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Bank for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of The Access Bank UK Limited

Report on the financial statements

Our opinion

In our opinion, The Access Bank UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Bank's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements, comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flow for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS as adopted by the European Union and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion: we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Bank's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Bank's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jeremy Foster

Jeremy Foster
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 March 2017

Statement of comprehensive income

for the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £**	Year ended 31 December 2015 £
Income			
Interest income	4	20,634,276	14,073,534
Interest expense		(6,697,753)	(3,157,909)
Net interest income		13,936,523	10,915,625
Fee and commission income	5	10,448,908	8,247,127
Fee and commission expense	5	–	(116,353)
Net fee and commission income		10,448,908	8,130,774
Other income		617,225	681,563
Operating income		**25,002,656**	**19,727,962**
Opearating expenses			
Personnel expenses	7	(8,649,098)	(7,682,177)
Depreciation and amortisation	8	(330,106)	(131,001)
Other expenses		(3,530,562)	(3,347,438)
Total operating expenses		**(12,509,766)**	**(11,160,616)**
Operating profit before tax		12,492,890	8,567,346
Taxation	10	(2,628,248)	(1,664,330)
Profit for the year		**9,864,642**	**6,903,016**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		(69,744)	(276,169)
Total comprehensive income for the year		**9,794,898**	**6,626,847**

The notes on pages 35 to 55 form an integral part of these financial statements.

Statement of financial position

As at 31 December 2016

	Note	31 December 2016 £	31 December 2015 £
Assets			
Cash at bank		280,081,032	117,647,524
Money market placements		257,801,246	35,001,521
Loans and advances to banks	11	274,334,638	295,961,169
Loans and advances to customers	12	236,312,712	146,217,408
Available for sale investments	13	60,851,549	7,813,426
Held to maturity investments	14	–	6,484,638
Property, plant and equipment	15	256,783	998,915
Intangible assets	16	835,718	101,364
Other assets	17	4,662,981	4,723,429
Total assets		**1,115,136,659**	**614,949,394**
Liabilities			
Deposits from banks	18	682,420,453	324,355,083
Deposits from customers	19	311,215,028	81,587,463
Deferred Tax Liability	10	122,439	–
Other liabilities	20	7,777,782	3,275,850
Total liabilities		**1,001,535,702**	**536,143,335**
Equity			
Share capital	24	98,000,000	73,000,000
Retained earnings		16,220,165	6,355,523
Available for sale reserve		(619,208)	(549,464)
Total equity		113,600,957	78,806,059
Total liabilities and equity		**1,115,136,659**	**614,949,394**

The notes on pages 35 to 55 form an integral part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2017.

They were signed on its behalf by:

J. Simmonds
Managing Director/Chief Executive Officer
20 March 2017

S. McLaughlin
Finance Director

Company Registration No. 06365062

Statement of changes in equity

For the year ended 31 December 2016

	Share capital £	Retained earnings £	Available for sale reserve £	Total equity £
Balance as at 1 January 2016	73,000,000	6,355,523	(549,464)	78,806,059
Profit for the year	–	9,864,642	–	9,864,642
Other comprehensive income for the year	**–**	**–**	**(69,744)**	**(69,744)**
Total comprehensive income for the year	–	9,864,642	(69,744)	9,794,898
Proceeds from shares issued	25,000,000	–	–	25,000,000
Balance at 31 December 2016				
	98,000,000	**16,220,165**	**(619,208)**	**113,600,957**

	Share capital £	Retained earnings £	Available for sale reserve £	Total equity £
Balance as at 1 January 2015	58,000,000	(547,493)	(273,295)	57,179,212
Profit for the year	–	6,903,016	–	6,903,016
Other comprehensive income for the year	–	–	(276,169)	(276,169)
Total comprehensive income for the year	–	6,903,016	(276,169)	6,626,847
Proceeds from shares issued	15,000,000	–	–	15,000,000
Balance at 31 December 2015	**73,000,000**	**6,355,523**	**(549,464)**	**78,806,059**

The notes on pages 35 to 55 form an integral part of these financial statements.

Statement of cash flow

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cash flows from operating activities			
Profit before tax		**12,492,890**	**8,567,346**
Adjustments for:			
Depreciation	15	124,375	85,166
Amortisation	16	205,731	45,835
Operating cash flows before movements in working capital		**12,822,996**	**8,698,347**
Changes in money market placements		(222,799,725)	896,899
Changes in loans and advances to banks and customers		(68,468,773)	(124,437,819)
Changes in other assets		60,448	(1,824,639)
Changes in deposits from banks		327,550,915	30,514,455
Changes in deposits from customers		140,102,853	89,524,712
Changes in other liabilities		(2,396,635)	5,306,543
		174,049,083	**(19,849)**
Taxation paid		(2,493,014)	–
Net cash inflow generated from operating activities		**184,379,065**	**8,678,498**
Cash flows from investing activities			
Net (purchase)/disposal of investment securities		(46,623,229)	61,366,978
Net purchase of property, plant and equipment		(34,327)	(461,997)
Purchase of intangible assets		(288,001)	(38,613)
Net cash inflow/(outflow) generated from investing activities		**(46,945,557)**	**60,866,368**
Cash flows from financing activities			
Net proceeds from issue of share capital		25,000,000	15,000,000
Net cash inflows generated from financing activities		**25,000,000**	**15,000,000**
Net increase in cash and cash equivalents		**162,433,508**	**84,544,866**
Cash and cash equivalents at the beginning of the year		117,647,524	33,102,658
Cash and cash equivalents at the end of the year		**280,081,032**	**117,647,524**

The notes on pages 35 to 55 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1. General information

The Access Bank UK Limited (the Bank) is a Company incorporated in the United Kingdom under the Companies Act 2006. It is a private company limited by shares. The address of the registered office is 4 Royal Court, Gadbrook Way, Gadbrook Park, Northwich, Cheshire, CW9 7UT. The parent and ultimate parent undertaking is Access Bank Plc, a bank incorporated in Nigeria. The Bank primarily provides trade finance, treasury services, correspondent banking, commercial banking, private banking and asset management to corporate and retail customers.

The Bank is not required to adopt the following Standards and Interpretations which are issued by IASB but not yet effective (and in some cases had not yet been endorsed by the EU):

- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018)

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset.

There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The Bank is currently assessing the impact of IFRS 9 and it is not expected to be material.

- Amendment to IAS 7 Statement of cash flows on disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).

These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. For further details, see In brief INT2016-04.

- Amendment to IAS 12 Income taxes on recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017)

These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Amendment to IFRS 10 and IAS 28 on sale or contribution of assets (postponed)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This converged standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for reporting periods beginning on or after 1 January 2017, subject to EU endorsement and public companies using US GAAP will be required to apply it for annual reporting periods beginning after 15 December 2016 (including interim reporting periods therein).

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied)

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of- use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendments to IFRS 2, Share based payments - classification and measurement of share based payment transactions (effective for annual periods beginning on or after 1 January 2018)

This amendment clarifies how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Notes to the financial statements continued

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost accounting convention as modified by the revaluation of available for sale financial assets and derivative financial instruments at fair value through profit or loss.

Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 24 to 26. Note 23 to the financial statements includes the Bank's financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

The Bank has considerable financial resources. As a consequence, the Directors believe that the Bank is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The Directors have satisfied themselves that there is no evidence to believe that a material uncertainty exists in respect of the economic situation in Nigeria that might cast doubt on the Bank's going concern assumption. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Foreign currency translation

The financial statements are presented in sterling, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the balance sheet date. Non-monetary assets and liabilities are translated into sterling at the effective historical rate used on the date of initial recognition. Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the profit or loss for the year.

Changes in accounting policy

In January 2016, assessment of the useful life of Motor Vehicles was changed from four years to five years. In line with IAS 8, this has been applied prospectively in these financial statements.

Presentation of financial statements

The Bank has applied revised IAS 1 Presentation of financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for providing loans, overdrafts and other banking services in the normal course of business, net of discounts and VAT if applicable.

Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised in interest and similar income and interest expenses and similar charges in the income statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

Fee and commission income

The Bank earns fee income from services it provides to its customers. Fee income is accounted for as follows:

i. if the income is earned on the execution of a significant act, it is recognised as revenue when the significant act has been completed (for example, fees arising on negotiating a transaction for a third party, such as the arrangement for the acquisition of securities);
ii. if the income is earned as services are provided, it is recognised as revenue as the services are provided (for example, documentary credit confirmation fees, custody and banking service fees); and
iii. if the income is an integral part of the effective interest rate of a financial instrument, it is recognised as an adjustment to the effective interest rate (for example, loan origination fees) and recorded over the period for which the service is provided.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are deemed to comprise cash at other banks repayable on demand.

Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

On initial recognition, financial assets are classified into fair value through profit or loss (FVTPL), available for sale financial assets, held to maturity investments or loans and receivables. Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit or loss on initial recognition which are held at fair value. The Bank initially recognises loans and receivables and deposits when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that the Bank is committed to purchase or sell an asset.

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognise a collateralised borrowing for the process received.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation is discharged), cancelled or expire.

2. Basis of preparation and significant accounting policies (continued)

Financial instruments at FVTPL

Financial instruments are classified as at FVTPL where the financial instrument is either held for trading or it was designated by management as being at FVTPL on initial recognition.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identical portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designed and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy and information about the Bank is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial instruments at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest on the financial instrument.

Use of effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees payable or receivable that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale

Available for sale financial assets are non-derivatives. These assets are initially recognised at fair value, with subsequent changes recognised in equity until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in statement of comprehensive income.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Collateral and other credit enhancements

The Bank holds collateral against certain loans and advances to customers in the form of cash margins, pledges/liens over deposits, mortgage, interests over property, other registered securities over assets and guarantees. The Bank accepts guarantees mainly from well reputed local or international banks financial institutions and well established local or multinational organisations. Estimates of fair value are based on the value of collateral assessed at the time of borrowing which are updated during annual reviews.

The Bank may hold collateral against loans and advances and other exposures to banks in the form of pledges/liens over deposits and other registered securities and guarantees.

It is the Bank's policy to ensure that loans are extended to customers within their capability to service interest and repay principal instead of relying excessively on collateral. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be unsecured.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For bonds classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including loans and advances and redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When an AFS debt instrument is considered to be impaired, cumulative gains previously recognised in equity are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the financial statements continued

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities.

Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Other financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments

The Bank 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. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivative assets and liabilities are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle on a net basis.

Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Valuation derived from unadjusted quoted market prices in an active market for an identical instrument.

Level 2: Valuation where quoted market prices are not available or where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation calculated on a straight-line basis to write-off the assets over their estimated useful lives as follows:

Computer equipment	3 years
Furniture, fixtures and fittings	5 years
Motor Vehicles	5 years
Leasehold improvements	Over the period of the lease

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Assets that are subject to depreciation or amortisation 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Intangible assets

Intangible assets are stated at cost or fair value on recognition less accumulated amortisation and any impairment in value.

Amortisation is calculated so as to write off the cost or valuation of intangible assets over their estimated useful lives, using the straight-line method, on the following basis:

Software	5 years

2. Basis of preparation and significant accounting policies (continued)

Trade and other payables and receivables
Trade and other payables and receivables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of non-financial assets
The Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than the carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognised as an expense.

Provisions
Provisions are recognised when the Bank has a present obligation as a result of a past event and it is probable that the Bank will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Current and deferred tax
Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of unutilised tax losses and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Pension costs
The Bank operates a defined contribution pension scheme for all staff. The cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within "Personnel Expenses" in the income statement. The Bank has no further obligation once the contributions have been paid.

Restricted Share Plan
The Bank operates a share based compensation plan under which it receives services from employees as consideration for shares in Access Bank Plc. The minimum vesting period is three years from the award date and staff may elect for the shares to vest at any time up to the tenth anniversary of the award date. On vesting, the shares are settled in cash. The shares on award date are purchased by The AB EBT Limited. As the shares are cash settled, a liability is recognised in the statement of financial position and an expense is recognised in the statement of comprehensive income in operating expenses over the course of the minimum vesting period. Should any employee within the scheme leave the Bank within the vesting period, the shares may be forfeited.

3. Critical accounting judgements and key sources of estimation uncertainty
The Bank's principal accounting policies are set out above. UK Company Law and IFRS require the Directors to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to choose a policy, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires them to adopt policies that will result in information that is relevant, reliable, free from bias, prudent and complete in all material respects. The Directors consider that the critical accounting judgements and estimates which have the most significance for the financial statements are in relation to the valuation of Level 2 financial instruments.

Notes to the financial statements continued

For the year ended 31 December 2016

4. Interest income

	2016 £	2015 £
Derived from		
Cash and cash equivalents	3,903	4,820
Loans and advances to banks	10,690,764	6,791,909
Loans and advances to customers	9,512,099	6,601,702
Investment securities	427,510	675,103
Total interest income	20,634,276	14,073,534

5. Fee and commission income and expense

	2016 £	2015 £
Derived from		
Trade finance	9,769,921	7,264,077
Funds transfer	171,880	159,061
Other	507,107	823,989
Total fees and commission income	10,448,908	8,247,127
Fee and commission expense on trade finance	–	(116,353)
Net fees and commission income	10,448,908	8,130,774

6. Business and geographical segments

The Bank has one main activity, banking, which is carried out in the United Kingdom.

7. Information regarding Directors and employees

Employment costs are as follows:

Personnel expenses	2016 £	2015 £
Wages and salaries	7,116,953	6,280,412
Pension costs – defined contribution scheme	484,966	456,726
Social security costs	672,207	672,801
Other personnel expenses	374,972	272,238
Total personnel expenses	8,649,098	7,682,177

Included in wages and salaries is the sum of £378,000 (2015: £300,000) in respect of bonuses that have been deferred for three years.

A share based payments scheme was launched in 2014 for eligible Directors and employees. Shares of Access Bank Plc, the ultimate parent, are acquired and allotted to the Directors and employees. The minimum vesting period is three years from award date and staff may elect for the shares to vest at any time up from the date to the tenth anniversary of the award date. On vesting the shares are settled in cash. 26,054,000 shares with an initial value of £238,824 were granted in 2016 (2015: 12,908,532 shares with an initial value of £302,872). 752,666 shares were forfeited in the year (2015: 258,039 shares).

	2016	2015
Number of employees at year end	108	102
Average number of employees during the year	106	100

During the year, there were an average of 47 (2015: 44) employees involved in fee-earning roles and 59 (2015: 56) in administration.

7. Information regarding Directors and employees (continued)

Included within employment costs are:

Directors' remuneration and fees	**2016 £**	2015 £
Fees	140,269	140,000
Other emoluments	1,149,039	1,013,401
Pension contributions	29,520	63,151
	1,318,828	1,216,552

The highest paid Director received emoluments excluding pension contribution totalling of £775,563 (2015: £685,091) and pension contributions of £3,172 (2015: £37,320). Retirement benefits are accrued under defined contribution schemes.

8. Operating profit before tax

	2016 £	2015 £
Operating profit before tax is stated after charging		
Depreciation	124,375	85,166
Amortisation	205,731	45,835

9. Auditor's remuneration

	2016 £	2015 £
Fees payable to company's auditor for the audit of the financial statements		
Audit of these financial statements	77,372	67,200
Audit of the year end Group reporting package	32,000	28,000
Audit of the half year Group reporting package	43,228	35,000
Other advisory services	3,500	–
Total auditor's remuneration	156,100	130,200

The costs of the audit of the half year reporting package were incurred by the Bank and recharged to Access Bank Plc.

10. Taxation

	2016 £	2015 £
Current tax		
Analysis of tax charge on the profit for the year:		
UK Corporation tax at 20.00% (2015: 20.25%)		
UK Corporation tax based on profit for the year	2,505,722	1,643,075
Prior Year adjustment to current tax charge/(Credit)	87	(354)
	2,505,809	1,642,721
Deferred tax:		
Effect of tax rate change	–	21,609
Temporary difference, origination and reversal	122,439	–
Tax charge on profits on ordinary activities	**2,628,248**	**1,664,330**
Effective tax rate	21.04%	19.43%

Notes to the financial statements continued

For the year ended 31 December 2016

10. Taxation (continued)

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows:

	2016 £	2015 £
Reconciliation of tax charge on profit for the year		
Profit on ordinary activities before taxation	12,492,890	8,567,346
Profit on ordinary activities multiplied by the rate of UK	2,498,578	1,734,888
Corporation tax at 20.00% (2015: 20.25%)		
Effect of:		
Expenses not deductible for tax purposes	7,144	1,512
Capital allowances less than depreciation	–	(93,325)
Adjustment to tax charge in respect of previous periods	87	(354)
Temporary difference, origination and reversal	122,439	–
Effect of tax rate change	–	21,609
Current tax expense	**2,628,248**	**1,664,330**

Deferred tax asset	2016 £	2015 £
Balance as at 1 January	–	85,101
Effect of tax rate change	–	(21,609)
Utilised in period	–	(63,492)
Balance as at 31 December	–	–

Deferred tax liability	2016 £	2015 £
Balance as at 1 January	–	–
Credited/(Charged) to comprehensive income	122,439	–
Balance as at 31 December	122,439	–

The main rate of corporation tax for the tax year beginning 1 April 2016 was maintained at 20% and this resulted in a weighted average rate of 20.00% for 2016 (2015: 20.25%). The deferred tax liability as at 31 December has been calculated based on the rate of 20%.

11. Loans and advances to banks

	2016 £	2015 £
Loans to Group undertakings		
Parent Bank	184,853,764	159,458,314
Fellow Subsidiaries	527,426	3,742,384
Loans to other banks	88,953,448	132,760,471
	274,334,638	295,961,169

Loans and advances to customers are categorised as 'loans and receivables' in accordance with IAS 39. See note 2 for definition.

As at 31 December 2016 there were no impaired loans (2015: nil). The fair value of the cash collateral held and the maturity profile of these loans is discussed in note 23.

12. Loans and advances to customers

	2016 £	2015 £
Loans and advances to Corporates	166,990,426	81,462,971
Loans secured on property	63,430,619	59,245,543
Other secured personal loans	5,891,667	5,508,894
	236,312,712	**146,217,408**

Loans and advances to customers are categorised as 'loans and receivables' in accordance with IAS 39. See note 2 for definition.

As at 31 December 2016 there were no impaired loans (2015: nil). The maturity profile of these loans is disclosed in note 23

13. Available for sale investments

	2016 £	2015 £
Treasury bills and government bonds	58,183,188	5,739,338
Bank securities	2,668,361	2,074,088
	60,851,549	7,813,426

As at 31 December 2016 there were no impaired investments (2015: nil).

The maturity analysis of these available for sale investments is disclosed in note 23.

The Treasury bills and government bonds are held as part of the Bank's liquidity buffer.

14. Held to maturity investments

	2016 £	2015 £
Bank Securities	–	6,484,638
	–	6,484,638

No held to maturity investments were purchased in the year (2015: nil). As at 31 December 2016 there were no impaired investments (2015 – nil).

The maturity analysis of these held to maturity investments is disclosed in note 23.

Notes to the financial statements continued

For the year ended 31 December 2016

15. Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Motor vehicles £	Furniture, fixtures and fittings £	Capital work in progress £	Total £
Cost						
Balance at 1 January 2016	321,406	301,856	88,123	194,622	825,061	1,731,068
Additions	–	20,335	–	18,563	–	38,898
Disposals	–	–	–	–	(4,571)	(4,571)
Transfers	–	161,279	–	–	(813,363)	(652,084)
Balance at 31 December 2016	321,406	483,470	88,123	213,185	7,127	1,113,311
Balance at 1 January 2015	321,406	294,717	88,123	191,214	373,611	1,269,071
Additions	–	7,139	–	3,408	451,450	461,997
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Balance at 31 December 2015	321,406	301,856	88,123	194,622	825,061	1,731,068

	Leasehold improvements £	Computer equipment £	Motor vehicles £	Furniture, fixtures and fittings £	Capital work in progress £	Total £
Accumulated depreciation						
Balance at 1 January 2016	(228,543)	(275,361)	(55,608)	(172,641)	–	(732,153)
Depreciation for the year	(26,779)	(73,638)	(10,446)	(13,512)	–	(124,375)
Disposals	–	–	–	–		–
Balance at 31 December 2016	(255,322)	(348,999)	(66,054)	(186,153)	–	(856,528)
Balance at 1 January 2015	(201,649)	(252,966)	(36,016)	(156,356)	–	(646,987)
Depreciation for the year	(26,894)	(22,395)	(19,592)	(16,285)	–	(85,166)
Disposals	–	–	–	–	–	–
Balance at 31 December 2015	(228,543)	(275,361)	(55,608)	(172,641)	–	(732,153)
Net book value						
At 31 December 2016	66,084	134,471	22,069	27,032	7,127	256,783
At 31 December 2015	92,863	26,495	32,515	21,981	825,061	998,915

Capital work in progress in 2015 represents costs incurred in the upgrade of the Bank's IT infrastructure. This was brought into use during 2016 and therefore the costs incurred have been transferred to either computer equipment or intangibles (note 16) and are being depreciated/amortised accordingly.

16. Intangible assets

	2016 £	2015 £
Cost		
Balance at the beginning of the year	1,159,120	1,120,507
Additions	288,001	38,613
Transfers	652,084	–
Balance at the end of the year	2,099,205	1,159,120
Accumulated Amortisation		
Balance at the beginning of the year	(1,057,756)	(1,011,921)
Amortisation for the year	(205,731)	(45,835)
Balance at the end of the year	(1,263,487)	(1,057,756)
Net book value		
Balance at the end of the year	835,718	101,364

The intangible assets relate to software applications and licences purchased and consultancy fees relating to their implementation.

17. Other assets

	2016 £	2015 £
Financial assets		
Derivative financial instruments (see note 21)	307,795	217,225
Accrued income	1,926,025	1,292,765
Amounts due from fellow Group undertakings	1,264,735	2,061,926
Other receivables	441,581	443,512
	3,940,136	4,015,428
Non-financial assets		
Prepayments	722,845	708,001
	4,662,981	4,723,429

18. Deposits from banks

	2016 £	2015 £
Amounts due to Group undertakings		
Parent Bank	354,475,330	215,851,602
Fellow Subsidiaries	39,673,519	27,426,046
Amounts due to other banks	288,271,604	111,591,889
	682,420,453	354,869,538

The maturity profile of these deposits is disclosed in note 23.

Notes to the financial statements continued

For the year ended 31 December 2016

19. Deposits from customers

	2016 £	2015 £
Current accounts	105,602,581	65,944,476
Deposit accounts	205,612,447	105,167,699
	311,215,028	171,112,175

The maturity profile of these deposits is disclosed in note 23.

20. Other liabilities

	2016 £	2015 £
Financial liabilities		
Trade creditors	2,339	157,418
Derivative financial instruments (see note 21)	441,895	2,299,202
Amounts due to fellow Group undertakings	21,675	21,744
Social security and other taxes	231,298	1,868
Provision for corporation tax	1,592,024	1,579,229
Other financial creditors	630,062	466,164
Deferred income	2,270,162	3,633,907
	5,189,455	8,159,532
Non-financial liabilities		
Other creditors including accrued expenses	2,588,327	2,002,090
	7,777,782	10,161,622

21. Derivative financial instruments

Forward foreign currency contracts	2016 £	2015 £
Receivables	307,795	217,225
Payables	(441,895)	(2,299,202)

Derivative financial instruments consist of short term forward foreign exchange contracts. Forwards are held for day to day cash management rather than for trading purposes and are held at fair value. These foreign exchange contracts have intended settlement dates within twelve months. This is the only category of derivative instruments held by the Bank as at 31 December 2016. All forward contracts are considered to be level 2 (i.e. are priced with reference to observable market data).

22. Commitments and contingencies

a) Pension commitments

The Bank provides a defined pension contribution scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the year, pension costs of £484,966 (2015: £456,726) were charged to the income statement. As at balance sheet date there was a pension payable balance of £2,196 (2015: £3,406).

b) Trade finance – contingent liabilities

	2016 £	2015 £
Letters of credit (including cash-backed)	215,290,715	97,629,582
Other commitments	7,232,000	–
Guarantees	4,352,800	3,043,776
	226,875,515	100,673,358

22. Commitments and contingencies (continued)

b) Trade finance – contingent liabilities continued

Included in letters of credit and guarantees are cash collateralised transactions amounting to £131,485,562 (2015: £67,315,913). Other Commitments relates to undrawn property commitments (2015: £3,764,125).

c) Operating lease commitments

Non-cancellable operating lease payables	2016 £	2015 £
Less than 1 year	663,823	620,783
1 – 5 years	1,584,078	377,699
Above 5 years	482,233	553,675
	2,730,134	1,552,157

The above table shows the total of future minimum lease payments under non-cancellable operation leases including value added tax. Significant lease payables relate to the Bank's leased properties. During the year, £629,385 (2015: £611,084) was recognised as an expense in the income statement in respect of operating leases.

23. Financial instruments

a) Classifications and fair value

The accounting policies in note 2 describe how different classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

Financial instruments classification

2016	Loans & receivables £	Financial assets at fair value through profit or loss £	Held to maturity investments £	Available for sale financial assets £	Total £
Assets					
Cash and cash equivalents	537,882,278	–	–	–	537,882,278
Loans and advances to banks	274,334,638	–	–	–	274,334,638
Loans and advances to customers	236,312,712	–	–	–	236,312,712
Derivatives	–	307,795	–	–	307,795
Investment securities	–	–	–	60,851,549	60,851,549
Other financial assets	3,632,341	–	–	–	3,632,341
Total assets	1,052,161,969	307,795	-	60,851,549	1,113,321,313

	Other financial liabilities at amortised cost £	Financial liabilities at fair value through profit or loss £	Total £
Liabilities			
Deposits from banks	682,420,453	–	682,420,453
Deposits from customers	311,215,028	–	311,215,028
Derivatives	–	441,895	441,895
Other financial liabilities	4,869,999	–	4,869,999
Total liabilities	998,505,480	441,895	998,947,375

Notes to the financial statements continued

For the year ended 31 December 2016

23. Financial instruments (continued)

2015	Loans & receivables £	Financial assets at fair value through profit or loss £	Held to maturity investments £	Available for sale financial assets £	Total £
Assets					
Cash and cash equivalents	152,649,045	–	–	–	152,649,045
Loans and advances to banks	295,961,169	–	–	–	295,961,169
Loans and advances to customers	146,217,408	–	–	–	146,217,408
Derivatives	–	217,225	–	–	217,225
Investment securities	–	–	6,484,638	7,813,426	14,298,064
Other financial assets	3,798,203	–	–	–	3,798,203
Total assets	598,625,825	217,225	6,484,638	7,813,426	613,141,114

	Other financial liabilities at amortised cost £	Financial liabilities at fair value through profit or loss £	Total £
Liabilities			
Deposits from banks	354,869,538	–	354,869,538
Deposits from customers	171,112,175	–	171,112,175
Derivatives	–	2,299,202	2,299,202
Other financial liabilities	5,860,330	–	5,860,330
Total liabilities	531,842,043	2,299,202	534,141,245

Valuation hierarchy

Financial assets and liabilities carried at fair value

The table below analyses the financial assets and liabilities of the Bank which are carried at fair value. They are categorised into levels 1 to 3 based on the degree to which their fair value is observable. The fair value measurement approach is recurring in nature.

2016	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Financial assets at fair value through profit or loss				
Derivatives	–	307,795	–	307,795
Available for sale financial assets:				
Investment securities	60,276,054	575,495	–	60,851,549
	60,276,054	883,290	–	61,159,344
Financial liabilities at fair value through profit or loss				
Derivatives	–	441,895	–	441,895
	–	441,895	–	441,895

23. Financial instruments (continued)

2015	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Derivatives	–	217,225	–	217,225
Available for sale financial assets:				
Investment securities	7,476,755	336,671	–	7,813,426
	7,476,755	553,896	–	8,030,651
Financial liabilities at fair value through profit or loss				
Derivatives	–	2,299,202	–	2,299,202
	–	2,299,202	–	2,299,202

b) Risk Management

The Bank's Risk Management function is the responsibility of the Risk and Compliance Director. The Risk and Compliance Department is delegated responsibility for the day-to-day monitoring of the individual risks by the Chief Executive Officer/Managing Director. The purpose of each of the areas is to ensure that market, credit, liquidity and operational risk in the Bank is kept within the guidelines set by the Board.

The Chief Executive Officer/Managing Director is responsible for providing an oversight function that will consider all the risks on a consolidated basis and in this respect, chairs the main management risk committees. The credit and market risk and operational risk functions report to the Risk and Compliance Director.

In order to manage its risks, the Bank has adopted a Three Lines of Defence model:

- The First Line of Defence is the framework for policies and procedures put in place by the Board, covering all the Bank's operations. Policies are developed covering all operational areas, as well as credit risk, liquidity risk, concentration risk, trading book risk and provisioning.
- The Second Line of Defence consists of the Risk and Compliance Department which is in place to establish and oversee appropriate systems for the Bank in proportion to its scale, nature and complexity. Systems are in place to address credit risk, market risk, liquidity risk and operational risk.
- The Third Line of Defence is the review of all the Bank's operations and Risk Management operations by the Risk and Audit Committee and the Internal Audit function.

c) Credit risk

The credit risk that the Bank faces arises mainly from trade finance, treasury activities and lending.

The credit risk function encompasses both strategic and operational areas of focus: strategic in the sense that it works closely with the Bank's executive in managing the risk appetite agreed by the Board, researching target markets and clients, reviewing the credit risk dimension of products and having overall responsibility for portfolio credit quality, monitoring and control; and operational in the sense that credit risk works closely with the front office relationship and sales teams, supporting the analysis of credit risk for business written, handling the overall risk assessment for transactions and approving or otherwise the writing and marking of credit exposure.
Several control frameworks are in place; examples include:

- maximum exposure guidelines relating to the exposures to any individual customer or counterparty;
- country risk policy specifying risk appetite by country and avoiding excessive concentration of credit risk in individual countries; and
- policies that limit financing to certain industrial sectors.

Multiple methodologies are used to inform the decision on individual large credits, including internal analysis, rating agency ratings and for wholesale assets market information such as credit spreads. For smaller credits, a single source may suffice such as the result from a rating agency. The Basel III approach is used to implement the Standardised model.

Notes to the financial statements continued

For the year ended 31 December 2016

23. Financial instruments (continued)

Age analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired risk assets. These relate to a number of customers for whom there is no recent history of default.

	2016 £	2015 £
Less than three months	27,713	21,418
Between three to six months	–	134,381
Over six months but less than one year	–	–
Over one year	–	–
	27,713	155,799

The table below shows the Bank's exposure based on the markets and countries in which the Bank's customers conduct their business. The location for debt securities is measured based on the location of the issuer of the security.

	2016 £	2015 £
Concentration by sector		
Banks	818,541,910	460,208,276
Corporate	181,472,910	95,715,865
Government/Multilateral Development Banks	58,321,297	5,894,223
Retail	54,985,196	51,322,750
	1,113,321,313	613,141,114
Concentration by location		
Africa	509,301,982	378,550,436
Europe	470,317,737	168,460,154
Other	133,701,594	66,130,524
	1,113,321,313	613,141,114

The above sector and geographical analysis only includes cash at bank and in hand, loans and advances to banks and to customers, financial assets held-to-maturity, financial assets available-for-sale and financial assets- derivatives.

The Bank extends credit facilities for international trades to quality rated and unrated counterparties. In respect of placements with banks, all must have a Fitch (or equivalent) rating of no less than BBB-. In respect of banks for which correspondent banking services are provided, all rated counterparties must have a Fitch (or equivalent) rating of no less than B-. As at 31 December 2016 84% of the Bank's cash and cash equivalents were held with financial institutions, with ratings of A- or above (2015: 79%).

As at 31 December 2016, the Bank's maximum exposure to credit before allowing for collateral held was £1,340m (2015: £716m), none of which was deemed to be impaired or doubtful (2015: nil). These amounts include all financial assets and contingent commitments.

Total trade related exposure was £661m (2015: £478m) against which the Bank held cash collateral of £346m (2015: £246m).

Included in loans and advances to banks and customers are collateralised transactions amounting to £357m (December 2015: £317m).

d) Market risk

The market risk that the Bank faces is in changes in market prices, such as interest rates, foreign exchange rates and credit spreads have an effect on Bank's income and the value of debt securities.

Management is managing and controlling market risk exposures and ensures that it is within acceptable parameters, while optimising the return on risk.

Foreign exchange risk

The Bank is exposed to foreign exchange risk to the extent of its open position in each non-sterling currency. The Bank has stipulated an internal limit for the maximum open position that can be taken and it is measuring and monitoring this open position on a daily basis. The Bank does not intend to hold securities for trading or undertake any other trading activity and the only other source of foreign exchange risk to which it is exposed relates to its fulfilling of customer foreign exchange orders.

23. Financial instruments (continued)

Assets and liabilities in foreign currency

The Bank manages its exposure to foreign exchange rate fluctuations by matching assets with liabilities in the same currency as far as possible.

2016	**Sterling £**	**US Dollars £**	**Euro £**	**Other currencies £**	**Total £**
Assets	331,045,453	766,622,224	15,200,765	452,871	1,113,321,313
Liabilities	245,695,548	738,678,096	14,465,829	107,902	998,947,375
Foreign exchange forward contracts	29,533,240	(28,498,717)	(721,528)	(312,995)	–
Net financial assets/(liabilities)	115,012,729	(554,589)	13,408	31,974	114,503,522

2015	Sterling £	US Dollars £	Euro £	Other currencies £	Total £
Assets	148,573,750	448,100,049	16,197,965	269,350	613,141,114
Liabilities	123,548,256	403,470,657	6,977,779	144,553	534,141,245
Foreign exchange forward contracts	54,086,660	(44,687,966)	(9,285,279)	(113,415)	–
Net financial assets/(liabilities)	79,112,154	(58,574)	(65,093)	11,382	78,999,869

A sensitivity analysis has been carried out on the foreign currency open position as at year end using a 10% increase / (decrease) in exchange rates and the foreign currency risk is considered to be immaterial.

Interest rate risk

Interest rate risk represents the sensitivity of the Bank to changes in interest rates. The principal risk to which non-trading assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The Bank's Asset and Liability Committee is the monitoring body for compliance with the Bank's policies and is assisted by Treasury in its day-to-day monitoring activities.

The overall non-trading interest rate risk position is managed by the Treasury department, which uses advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

A sensitivity analysis carried out on floating rate assets and liabilities as at the Statement of Financial Position date using a 100 basis points increase/(decrease) in interest rates would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the changes occurred at the Statement of Financial Position date and had been applied to risk exposures existing at that date.

Profit or loss 2015	**31 Dec 2016 £**	31 Dec 2015 £
Increase	1,937,000	750,000
Decrease	(1,967,000)	(770,000)

e) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. The Bank has documented a Liquidity Risk and funding Policy and Liquidity Risk Appetite and Funding Risk Appetite Statement, within the guidelines issued by the Prudential Regulation Authority. The Directors are primarily responsible for overseeing the implementation of the Liquidity Risk Policy of the Bank and ensuring that the Bank has appropriate procedures to ensure that the Bank's Liquidity Risk Appetite and Funding Risk Appetite are met. The Bank measures and monitors the liquidity position on a daily basis. The Bank considers its funding ability before committing to additional credit facilities and closely monitors upcoming payment obligations.

The Bank undertakes stress tests on its liquidity position which are incorporated into the Bank's Individual Liquidity Adequacy Assessment Process ("ILAAP"). The Bank has also put in place contingency plans to meet its liquidity obligations under stressed scenarios. Aside from any Eligible Liquidity Buffer required by the Bank's ILAA, the Bank's policy is to hold cash and near liquid assets (including marketable assets) equivalent to at least 10% of its deposit liabilities to meet its liquidity obligations. The liquidity positions are reported to the Board and the policy is reviewed periodically to meet the changing needs.

Notes to the financial statements continued

For the year ended 31 December 2016

23. Financial instruments (continued)

This table shows the liquidity analysis of financial assets and liabilities analysed based on their contractual maturity date. The figures are shown on an undiscounted basis, there is no significant difference between the contractual amounts of financial liabilities and their carrying amount.

2016	Less than 3 months £	Between 3 & 12 months £	More than 12 months £	Carrying amount £
Assets				
Cash and cash equivalents	533,283,205	4,599,073	–	537,882,278
Loans and advances to banks	233,272,485	28,700,086	12,362,067	274,334,638
Loans and advances to customers	62,126,779	85,038,667	89,147,266	236,312,712
Financial derivatives	304,317	3,478	–	307,795
Investment securities	37,175,595	21,007,593	2,668,361	60,851,549
Other financial assets	3,280,756	23,201	328,384	3,632,341
Total assets	869,443,137	139,372,098	104,506,078	1,113,321,313
Liabilities				
Customer deposits	153,048,752	58,093,917	100,072,359	311,215,028
Deposits from banks	499,633,675	182,786,778	–	682,420,453
Financial derivatives	439,775	2,120	–	441,895
Other financial liabilities	2,633,112	1,075,506	1,161,381	4,869,999
Total liabilities	655,755,314	241,958,321	101,233,740	998,947,375

Included in the Cash and Cash equivalents is an amount of £220m held in a reserve account with the Bank of England (2015:£55m) and included in Investment Securities are £58mm (2015:£8m) of Treasury bills and government bonds held on an available for sale basis. Both amounts are held to meet liquidity buffer requirements, which can be drawn upon on demand.

2015	Less than 3 months £	Between 3 & 12 months £	More than 12 months £	Carrying amount £
Assets				
Cash and cash equivalents	152,649,045	–	–	152,649,045
Loans and advances to banks	234,289,801	20,486,654	41,184,714	295,961,169
Loans and advances to customers	55,031,875	12,575,526	78,610,007	146,217,408
Financial derivatives	217,225	–	–	217,225
Investment securities	5,739,338	6,484,638	2,074,088	14,298,064
Other financial assets	3,288,335	285,818	224,050	3,798,203
Total assets	451,215,619	39,832,636	122,092,859	613,141,114
Liabilities				
Customer deposits	110,979,565	15,221,231	44,911,379	171,112,175
Deposits from banks	203,334,813	151,534,725	–	354,869,538
Financial derivatives	2,116,150	183,052	–	2,299,202
Other financial liabilities	1,970,892	367,091	3,522,347	5,860,330
Total liabilities	318,401,420	167,306,099	48,433,726	534,141,245

23. Financial instruments (continued)

f) Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2016 was £113,600,957 (2015: £78,806,059). Regulatory capital is determined in accordance with the requirements of the PRA in the UK. Total Regulatory Capital as at 31 December 2016 was £112,763,844 (2015: £78,700,370).

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the PRA in the UK, for supervisory purposes. The PRA requires each bank to maintain a ratio of total regulatory capital to risk-weighted assets at or above a level determined for each institution.

Currently the Bank's regulatory capital consists solely of Tier 1 capital, which is the total issued share capital and retained earnings of the Bank, less intangible assets, deferred tax assets and unrealised gains on investment securities.

The Bank has calculated its regulatory capital as at 31 December 2016 in accordance with these definitions as laid out in the table below:

Capital resources	2016 £	2015 £
Tier 1 capital		
Shareholders' funds	113,600,957	78,806,059
Less:		
Intangible assets	(835,718)	(101,364)
CRD IV adjustments:		
Deferred tax	–	–
Unrealised gains	(1,395)	(4,325)
Total Tier 1 capital	112,763,844	78,700,370
Total regulatory capital	112,763,844	78,700,370

The Bank complied with its regulatory capital requirements throughout the year.

The Bank publishes its set of disclosures in accordance with Pillar 3 of the Basel III Capital measurement requirements on its website: www.theaccessbankukltd.co.uk/about-us/financial-reports/

24. Share capital

	Ordinary shares	
	No. of shares	Amount £
As at 1 January 2016	73,000,000	73,000,000
Proceeds from shares issued	25,000,000	25,000,000
As at 31 December 2016	98,000,000	98,000,000

	Ordinary shares	
	No. of shares	Amount £
As at 1 January 2015	58,000,000	58,000,000
Proceeds from shares issued	15,000,000	15,000,000
As at 31 December 2015	73,000,000	73,000,000

On 30 August 2016, Access Bank Plc purchased a further 25,000,000 shares at par. At 31 December 2016 the issued share capital comprised 98,000,000 ordinary shares (2015: 73,000,000) with a par value of £1. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Bank. All shares rank equally with regards to the Bank's residual assets.

Notes to the financial statements continued

For the year ended 31 December 2016

25. Related party transactions

Key management personnel are considered to be the Directors. Disclosures regarding Directors' emoluments and other transactions are given in note 7.

A number of banking transactions were entered into with related parties within the Access Bank Plc Group in the normal course of business. These include loans and deposits and foreign currency transactions. Outstanding balances at the end of the year and related party income for the year are as follows:

	2016 £	2015 £
Assets		
Amounts due from parent bank	250,662,078	161,563,668
Amounts from fellow subsidiaries	527,651	3,742,384
	251,189,729	165,306,052
Liabilities		
Amounts due to parent bank	354,497,006	216,210,018
Amounts due to fellow subsidiaries	39,673,519	27,426,046
	394,170,525	243,636,064
Fees and commission income		
Parent bank	2,029,988	1,205,219
Fellow subsidiaries	493,544	622,829
	2,523,532	1,828,048
Interest income		
Parent bank	5,176,235	3,446,561
Fellow subsidiaries	98,562	105,170
	5,274,797	3,551,731
Interest expense		
Parent bank	2,173,333	1,185,845
Fellow subsidiaries	275,240	191,635
	2,448,573	1,377,480

There are four mortgages approved and advanced, to directors of the parent company for £2,939,179 (2015: £2,979,651). As at 31 December 2016, the outstanding amounts for the mortgage were £2,894,401 in respect of the directors of the parent company (2015: £2,983,257).

Deposits by Directors as at 31 December 2016 were £201,567 (2015: £94,751) with the largest deposit as at year end being £86,232 (2015: £33,782).

There were no other related party transactions or balances requiring disclosure.

26. Fair values of financial instruments

Set out below is the year end comparison of book and fair values of all the Bank's financial instruments by category. The fair values are determined as stated below:

Cash and cash equivalents

These consist of cash held in hand, balances held in nostro accounts with other banks and short-term placement with banks. The carrying amount of the cash balances and placements are deemed to be a reasonable representation and reasonable approximation of fair value respectively.

Loans and advances to banks

These consist of loans granted to financial institutions. The carrying amount is deemed a reasonable approximation of their fair value.

Loans and advances to customers

These consist of loans granted to non bank customers. The carrying amount is deemed a reasonable approximation of their fair value.

26. Fair values of financial instruments (continued)

Financial assets – derivatives
These consist mainly of forward foreign exchange contracts. The book value is determined using the market spot rates as at the balance sheet date.

Investment securities
These comprise available for sale and held to maturity debt securities. The basis of estimating the fair value of these assets is by ascertaining the market value as at balance sheet date. The book value of the held to maturity debt securities represents the total amortised costs of the asset as at the balance sheet date.

Deposits from customers
These comprise mainly deposits taken from non bank customers and the carrying amount of these deposits is based on reasonable approximation of market value, in the absence of which the Directors' estimation is used.

Deposits from other banks
These comprise mainly deposits taken from financial institutions and the carrying amount of these deposits is based on reasonable approximation of market value, in the absence of which the Directors' estimation is used.

Financial liabilities – derivatives
These consist mainly of forward foreign exchange contracts. The book value is determined using the market spot rates as at the balance sheet date.

	2016 Book value £	**2016 Fair value £**	2015 Book value £	2015 Fair value £
Assets				
Cash and cash equivalents	537,882,278	537,882,278	152,649,045	152,649,045
Loans and advances to banks	274,334,638	274,334,638	295,961,169	295,961,169
Loans and advances to customers	236,312,712	236,312,712	146,217,408	146,217,408
Derivative financial instruments	307,795	307,795	217,225	217,225
Investment securities	60,851,549	60,851,549	14,298,064	14,260,245
Other financial assets	3,632,341	3,632,341	3,798,203	3,798,203
	1,113,321,313	1,113,321,313	613,141,114	613,103,295
Liabilities				
Deposits from customers	311,215,028	311,215,028	171,112,175	171,112,175
Deposits from banks	682,420,453	682,420,453	354,869,538	354,869,538
Derivative financial instruments	441,895	441,895	2,299,202	2,299,202
Other financial liabilities	4,869,999	4,869,999	5,860,330	5,860,330
	998,947,375	998,947,375	534,141,245	534,141,245

27. Subsidiary undertaking
The Bank has established two wholly owned subsidiaries, The Access Bank UK Nominees Ltd, to facilitate the Bank's private banking and asset management business and The AB EBT Ltd to serve as trustee for the Bank's employee share scheme. The subsidiaries are not operating companies and have both been incorporated in England and Wales with a share capital of £1 each.

28. Ultimate parent company and controlling party
The Bank's immediate and ultimate parent and controlling party is Access Bank Plc, a bank incorporated in Nigeria. Group financial statements into which the Bank is consolidated are available from the Head Office, at Plot 999c, Danmole Street, Off Adeola Odeku/Idejo Street, Victoria Island, Lagos, Nigeria.

29. Events subsequent to the balance sheet date
There were no events subsequent to the balance sheet date that require disclosure.

Five-year record

Statement of financial position	31 December 2012 £	31 December 2013 £	31 December 2014 £	31 December 2015 £	**31 December 2016 £**
Assets					
Placements and cash at bank	355,632,879	385,250,051	69,001,078	152,649,045	537,882,278
Loans and advances to banks	23,397,055	85,397,214	223,036,626	295,961,169	274,334,638
Loans and advances to customers	46,754,465	25,766,240	94,704,132	146,217,408	236,312,712
Investment securities	27,083,656	84,990,046	75,941,211	14,298,064	60,851,549
Other assets	4,247,534	4,756,185	3,714,561	5,823,708	5,755,482
Total assets	457,115,589	586,159,736	466,397,608	614,949,394	1,115,136,659
Liabilities					
Deposits from banks	323,558,254	406,144,327	324,355,083	354,869,538	682,420,453
Deposits from customers	97,485,685	125,201,842	81,587,463	171,112,175	311,215,028
Other liabilities	1,684,887	1,308,791	3,275,850	10,161,622	7,900,221
Total liabilities	422,728,826	532,654,960	409,218,396	536,143,335	1,001,535,702
Shareholders' funds inc. subordinated liabilities	34,386,763	53,504,776	57,179,212	78,806,059	113,600,957
Total liabilities and equity	457,115,589	586,159,736	466,397,608	614,949,394	1,115,136,659

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