GTBank

Guaranty Trust Bank plc

GUARANTY TRUST BANK PLC

Consolidated financial statements for the year ended 31 December 2010.

Orange Rules

Table of contents

CORPORATE GOVERNANCE

Introduction

At Guaranty Trust Bank plc ("the Bank"), the principles of good corporate governance practices remain one of our core values and an important ingredient in creating and sustaining shareholders' value as well as providing excellent service to our customers, while ensuring that behaviour is ethical, legal and transparent.

Corporate Governance practices in the Bank are codified in a Code of Corporate Governance ("the Code"), which can be summarized as a map indicating how the Bank is governed to ensure compliance with regulatory requirements as well as the core values upon which the Bank was founded. The provisions of the Code are geared towards ensuring accountability of the Board and Management to stakeholders of the Bank.

As a company publicly quoted on the Nigerian Stock Exchange with Global Depositary Receipts (GDRs) listed on the London Stock Exchange, the Bank is mindful of its obligations to remain committed to safeguarding and improving shareholders' value through transparent best practices fashioned along local regulatory standards as well as international best practice. The Bank accordingly ensures compliance with the Code of Corporate Governance issued by the Securities and Exchange Commission ("the SEC Code"), the Code of Corporate Governance for Banks in Nigeria Post Consolidation issued by the Central Bank of Nigeria ("the CBN Code") and the additional disclosure requirements under the Disclosure and Transparency Rules of the Financial Services Authority (FSA), United Kingdom, which are applicable to non-United Kingdom companies with Global Depositary Receipts (GDRs) listed on the London Stock Exchange.

In line with our tradition of being in the forefront of best Corporate Governance practices in our operating environment, the Bank recently undertook a comprehensive review of the Code to ensure that all significant governance issues are included.

In compliance with the requirements of the CBN, the Bank undertakes monthly internal reviews of its compliance with defined corporate governance practices and submits reports on the Bank's compliance status to the CBN. An annual Board Appraisal review is also conducted by an Independent Consultant appointed by the Bank whose report is submitted to the CBN and presented to Shareholders at the Annual General Meeting of the Bank in compliance with the provisions of the CBN Code.

Governance Structure

The Board

The ultimate responsibility for the governance of the Bank resides with the Board of Directors which is accountable to shareholders for creating and delivering sustainable shareholders' value through the management of the Bank's business. The Board is also responsible for the management of the Bank's relationship with its various stakeholders.

The business of the Bank is driven by the Board of Directors which exercises its oversight function through its various Committees, namely, Board Risk Management Committee, Board Credit Committee, Board Human Resources and Remuneration Committee and Audit Committee of the Bank.

Through these Committees, interactive dialogue is employed to set broad policy guidelines, and to ensure the proper management and direction of the Bank on a regular basis.

The Board of Directors comprises fourteen members, eight (8) of whom are Non-Executive Directors (including the Chairman of the Board), while six (6) are Executive Directors (including the Managing Director and Deputy Managing Director). Two (2) of the Non-Executive Directors, are "Independent Directors", appointed based on criteria laid down by the CBN for the appointment of Independent Directors and the core values enshrined in the Bank's Code of Corporate Governance. Both Directors do not have any significant shareholding interest or any special business relationship with the Bank. In line with best practices, the roles of the Chairman and Chief Executive are separate and no one individual combines the two positions.

The Board has delegated the responsibility for the day-to-day management of the Bank to the Managing Director/Chief Executive who is supported by Executive Management, comprising the Deputy Managing Director and Executive Directors. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors. Executive Management is accountable to the Board for the development and implementation of strategies and policies. The Board regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

The effectiveness of the Board derives from the appropriate balance and mix of skills and experience of Directors both Executive and Non-Executive. The Bank's Board is made up of a crop of seasoned professionals who have excelled in their various professions including banking, accounting, oil and gas, as well as law, and possess the requisite integrity, skills and experience to bring to bear independent judgment on the deliberations of the Board.

Responsibilities of the Board

The Board determines the strategic objectives and policies of the Bank to deliver long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board also ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

The Board is the decision making body of all matters of importance to the Bank as a whole because of their strategic, financial or reputational implications or consequences. The Board is responsible for ensuring that there exists an effective risk management policy which is appropriate to the corporate strategy of the Bank, and ensures that Management maintains an appropriate system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.

Powers reserved for the Board include the approval of quarterly, half yearly and full year financial statements, significant changes in accounting policy and practice, review of the performance of the Managing Director, the appointment or removal of Directors and the Company Secretary, change to the Bank's capital structure and major acquisitions, mergers, disposals or capital expenditure, approval of dividend and annual budget.

Executive and Non-Executive Directors share the same responsibilities in relation to the Bank and owe both fiduciary duties and general duties of care and skill to the Bank as a whole.

The Board meets quarterly and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the Articles of Association of the Bank. The Directors are provided with comprehensive group information at each of the quarterly Board meetings and are also briefed on business developments between Board meetings. The Board met six (6) times during the 2010 financial year.

Board Committees

The Board carries out its responsibilities through its Standing Committees, which have clearly defined terms of reference, which set out their roles, responsibilities, functions and scope of authority. The Board's four (4) Standing Committees are Board Risk Management Committee, Board Credit Committee, Board Human Resources and Remuneration Committee and the Audit Committee of the Bank.

Through these Committees, the Board is able to more effectively deal with complex and specialized issues, and to fully utilize their expertise to formulate strategies for the Bank. The Committees make recommendations to the Board, who retains responsibility for final decision making.

All Committees in the exercise of their powers so delegated conform to the regulations laid down by the Board. The Committees render reports to the Board at the Board's quarterly meetings.

The roles, responsibilities, composition, frequency of meetings of each of the Committees are as stated hereunder:

Board Risk Management Committee

This Committee is tasked with the responsibility of setting and reviewing the Bank's risk policies. The coverage of supervision includes the following: credit risk, reputation risk, operations risk, technology risk, market and rate risks, liquidity risk and other pervasive risks as may be posed by the events in the industry at any point in time.

The Committee's major responsibilities are to set policies on the Bank's risk profile and limits, determine the adequacy and completeness of the Bank's risk detection and measurement systems, assess the adequacy of the mitigants to the risks, review and approve the contingency plan for specific risks and ensure that all units in the Bank are fully aware of the risks involved in their functions. The Committee is charged with the quarterly review of the Bank's central liability report and summary of criticized loans with the concurrent power of recommending adequacy of the reserves for loan losses and approving possible charge-offs.

The Committee meets quarterly and additional meetings are convened as required. The Committee met four (4) times during the 2010 financial year.

The Chief Risk Officer of the Bank presents regular briefings to the Committee at its meetings.
The Board Risk Management Committee is made up of the following members:

1.	Mr. Egbert Imomoh	- Non-Executive Director	- Chairman
2.	Mr. Olutayo Aderinokun	- Managing Director	- Member
3.	Mr. Andrew Alli	- Non-Executive Director (Independent Director)	- Member
4.	Mrs. Stella Okoli	- Non-Executive Director	- Member
5.	Mrs. Babajide Ogundare	- Executive Director	- Member
6.	Mrs. Titilayo Osuntoki	- Executive Director	- Member

Board Credit Committee

This Committee is responsible for approval of credit facilities in the Bank. It reviews credits granted by the Bank and approves specific loans above the Management Credit Committee's authority limit as may be defined from time to time by the Board. The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets. In view of the volume of transactions that require Board Credit Committee approvals, there are instances where credits will need to be approved by members expeditiously between Credit Committee Meetings. Such urgent credits are circulated amongst the members for consideration and approval in line with a defined procedure that ensures that all members of the Committee are furnished with full information on such credits. All credits considered as

"Large Exposures" as defined by the Board of Directors from time to time are considered and approved by the Board Credit Committee at a special meeting convened for that purpose.

The Board Credit Committee meets at least once in each quarter. However, additional meetings are convened as required. The Committee met five (5) times during the 2010 financial year.

The Board Credit Committee is made up of the following members:

1.	Mr. Akindele Akintoye	-	Non-Executive (Independent Director)	-	Chairman
2.	Mr. Olusegun Agbaje	-	Deputy Managing Director	-	Member
3.	Mr. Adebayo Adeola	-	Non-Executive Director	-	Member
4.	Mr. Olabode Agusto	-	Non-Executive Director	-	Member
5.	Mr. Ibrahim Hassan	-	Non-Executive Director	-	Member
6.	Mrs. Cathy Echeozo	-	Executive Director	-	Member
7.	Mr. Akinola George-Taylor	-	Executive Director	-	Member

Board Human Resources and Remuneration Committee

The Board Human Resources and Remuneration Committee is responsible for the approval of the remuneration of the Executive Directors (including the Managing Director and Deputy Managing Director). The Committee is also responsible for the oversight of strategic people issues, including employee retention, equality and diversity as well as other significant employee relations matters.

The Board Human Resources and Remuneration Committee is made up of all Non-Executive Directors of the Bank (excluding the Chairman of the Board) as listed below:

1.	Mr. Andrew Alli	-	Chairman
2.	Mr. Egbert Imomoh	-	Member
3.	Mr. Akindele Akintoye	-	Member
4.	Mr. Adebayo Adeola	-	Member
5.	Mr. Olabode Agusto	-	Member
6.	Mr. Ibrahim Hassan	-	Member
7.	Mrs. Stella Okoli	-	Member

Audit Committee of the Bank

This Committee is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid-down by the Board of Directors. Its major functions include: approval of the annual audit plan of the internal auditors, review and approval of the audit scope and plan of the external auditors, review of the audit report on internal weaknesses observed by both the internal and external auditors during their respective examination and to ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices.

The Committee also reviews the Bank's annual and interim financial statements, including reviewing the effectiveness of the Bank's disclosure controls and systems of internal control as well as areas of judgment involved in the compilation of the Bank's results. The Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The Committee has access to external auditors to seek for explanations and additional information, while the internal and external auditors have unrestricted access to the Committee, which ensures that their independence is in no way impaired.

The Committee is made up of three (3) Non-Executive Directors and three (3) shareholders of the Bank appointed at Annual General Meetings, while the Chief Inspector of the Bank serves as the secretary to the Committee. The membership of the Committee at the Board level is based on relevant experience of the Board members, while one of the shareholders serves as the Chairman of the Committee.

Meetings are attended by the internal and external auditors, the Chief Financial Officer and on invitation, appropriate members of Management. The Committee meets at least four (4) times in a year. The Audit Committee of the Bank met four (4) times during the 2010 financial year.

The following members served on the Committee during the 2010 financial year:

Name	Status	Designation	Attendance
Mr. Mohammed Lawal	Shareholders' Representative	Chairman	4
Alhaji Mohammed Usman	Shareholders' Representative	Member	4
Mrs. Sandra Mbagwu-Fagbemi	Shareholders' Representative	Member	4
Alhaji Mohammed Jada*	Non-Executive Director	Member	1
Mr. Adetokunbo Adesanya*	Non-Executive Director	Member	1
Mr. Oluwole Oduyemi*	Non-Executive Director	Member	1
Mr. Andrew Alli**	Non-Executive (Independent) Director	Member	2
Mr. Olabode Agusto**	Non-Executive Director	Member	3
Mr. Ibrahim Hassan**	Non-Executive Director	Member	2

* Ceased to be a member of the Committee with effect from April 22, 2010
** Appointed as a member of the Committee with effect from May 5, 2010

Attendance of Board and Committee Meetings
The table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as members' attendance for the financial year ended December 31, 2010.

Directors	Board	Board Credit Committee	Board Risk Management Committee
Frequency of Meetings	6	5	4
Owelle Gilbert Chikelu*	4	N/A	N/A
Mr. Oluwole Oduyemi**	6	2	N/A
Mr. Olutayo Aderinokun	6	N/A	4
Mr. Olusegun Agbaje	5	5	N/A
Mr. Victor Osibodu♠	3	2	N/A
Alhaji Mohammed Jada♠	3	2	N/A
Mr. Adetokunbo Adesanya♠	3	N/A	2
Mr. Egbert Imomoh	5	N/A	3
Mr. Andrew Alli	6	N/A	4
Mr. Akindele Akintoye	6	5	N/A
Mr. Adebayo Adeola§	3	3	N/A
Mr. Olabode Agusto§	3	1	1
Mrs. Stella Okoli§	3	2	1
Mr. Ibrahim Hassan§	3	3	N/A
Mr. Babajide Ogundare	6	N/A	4
Mrs. Cathy Echeozo	6	5	N/A
Mrs. Titilayo Osuntoki	6	N/A	4
Mr. Akinola George-Taylor	6	5	N/A

* Retired with effect from May 6, 2010
** Appointed Chairman with effect from May 6, 2010
♠ Retired with effect from April 22, 2010
§ Appointed with effect from April 22, 2010
N/A means not applicable

Tenure of Directors
In pursuance of the Bank's drive to continually imbibe best corporate governance practices, the Board of Directors at its meeting held on February 22, 2010, resolved to adopt a maximum tenure of three (3) terms of four (4) years each (i.e. a maximum of twelve (12) years) for Non-Executive Directors.
Consequent upon the above, Non-Executive Directors who had spent a maximum of twelve years on the Board retired and were replaced by new Directors. These changes on the Board which are contained in the Directors' Report became effective on April 22, 2010.

In appointing the new Non-Executive Directors, the Bank took into account the balance and mix of appropriate skills and experience required to bring independent judgment to bear on Board's deliberations, in addition to the core values such as integrity, professionalism, career success, recognition and ability to add value to the Bank, which are imperative in the choice of Non-Executive Directors.

The appointment of the new Directors was approved by the CBN, and by shareholders of the Bank at the 20th Annual General Meeting of the Bank held on May 5, 2010.

In the Bank's usual manner of setting the pace in the area of best practices in corporate governance in its operating environment, this decision by the Board found support when the Central Bank of Nigeria subsequently issued guidelines which made the implementation of the provision of the CBN Code in respect of the tenure of Non-Executive Directors retroactive, and mandated all Non-Executive Directors of banks who had exceeded the maximum tenure of twelve (12) years to resign from their boards.

Board Appraisal

In furtherance of best corporate governance practices, the Board engaged an Independent Consultant, J. K. Randle International, to carry out the annual Board and Directors review/appraisal for the 2010 financial year covering all aspects of the Board's structure, composition, responsibilities, processes, relationships, as well as individual members' competencies and respective roles in the Board performance. The Independent Consultant rated the Board and Directors very high.

Access to Senior Management

There is an open line of communication both formal and informal, between Board members and Senior Management staff. Board members interact with Senior Management and can request for the presence of any member of Senior Management to provide information required in their decision making.

Information Flows

It is the responsibility of Executive Management under the direction of the Board, to ensure that the Board receives adequate information on a timely basis, about the Bank's businesses and operations at appropriate intervals and in an appropriate manner, to enable the Board to carry out its responsibilities.

The Company Secretary

The Company Secretary provides a point of reference and support for all Directors. The Company Secretary also consults regularly with Directors to ensure that they receive required information. The Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly.

The Company Secretary is also responsible for assisting the Board and management in the implementation of the Code of Corporate Governance of the Bank, co-ordinating the orientation and training of new Directors and the continuous education of Non-Executive Directors; assisting the Chairman and Managing Director to formulate an annual Board Plan and with the administration of other strategic issues at the Board level; organizing Board meetings and ensuring that the minutes of Board meetings clearly and properly capture the Board's discussions and decisions.

Independent Advice

Independent professional advice is available, on request, to all Directors at the Bank's expense.

The Bank meets the costs of independent professional advice obtained jointly or severally by a Director or Directors where such advice is necessary to enable the obligations imposed on an individual(s), through membership of the Board, to be properly fulfilled.

Induction and Continuous Training

On appointment to the Board and to Board Committees, all Directors receive a formal induction tailored to their individual requirements.

The induction, which is arranged by the Company Secretary, may include meetings with senior management and key external advisors, to assist Directors in building a detailed understanding of how the Bank operates and the key issues its faces, and to familiarize new Directors with the Bank's operations, its strategic plan, its business environment and to introduce directors to their fiduciary duties and responsibilities.

Directors are also encouraged to make site visits to see the Bank's operations first hand.

Training and education of Directors on issues pertaining to their oversight functions is a continuous process, in order to update their knowledge and skills and keep them informed of new developments in the Bank's business and operating environment.

Insider Trading and price sensitive information

Directors, insiders and their related persons in possession of confidential price sensitive information ("insider information") are prohibited from dealing with the securities of the Bank where such would amount to insider trading. Directors, insiders and related parties are prohibited from disposing, selling, buying or transferring their shares in the Bank for a period commencing from the date of receipt of such insider information until such a period when the information is released to the public or any other period as defined by the Bank from time to time.

Management Committees

These are Committees comprising senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that

recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take action and decisions within the confines of their powers.
The standing Management Committees in the Bank are:

- Management Risk Committee;
- Management Credit Committee;
- Criticized Assets Committee;
- Assets and Liability Management Committee.

Management Risk Committee

This Committee is responsible for regular analysis and consideration of risks in the Bank. The Committee meets from time to time and at least quarterly. The Committee reviews and analyses environmental issues and policies impacting either directly or remotely on the Bank, brainstorms on such issues and recommends steps to be taken by the Bank. The Committee's approach is risk based.

The Committee provides inputs for the Board Risk Committee and also ensures that the decisions and polices emanating from the Committee's meeting are implemented.

Management Credit Committee

This is the Committee responsible for ensuring that the Bank complies fully with the Credit Policy Guide as laid down by the Board of Directors. The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not exceeding in aggregate a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approving all credits that are above the approval level of the Managing Director as determined by the Board. The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of credits/facilities is carried out. The Committee meets weekly depending on the number of credit applications to be considered.

The secretary of the Committee is the Head of the Credit Administration Unit of the Bank.

Criticized Assets Committee

This Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and external regulatory framework, and ensures report that triggers actions are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines. The members of the Committee include the Deputy Managing Director, the Executive Directors, and other relevant Senior Management Staff of the Bank.

Assets and Liability Management Committee

This Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies. The members of the Committee include the Managing Director, Deputy Managing Director, Executive Directors, the Treasurer, the Head of the Financial Control Group, the Group Head of the Risk Management Group as well as a representative of the Assets and Liability Management Unit.

Monitoring Compliance with Corporate Governance

Chief Compliance Officer

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the Corporate Governance Code of the Bank.

The Chief Compliance Officer together with the Chief Executive of the Bank certify each year to the Central Bank of Nigeria that they are not aware of any other violation of the Corporate Governance Code, other than as disclosed to the CBN during the course of the year.

The Company Secretary and the Chief Compliance Officer forward monthly returns to the Central Bank of Nigeria on all whistle-blowing incidences and corporate governance breaches.

Whistle Blowing Procedures

In line with the Bank's commitment to instil the best corporate governance practices, the Bank has established a whistle blowing procedure that ensures anonymity. The Bank has two (2) hotlines and a dedicated e-mail address for whistle-blowing procedures. The hotline numbers are 01-4480905 and 01-4480906, and the email address is hotline@gtbank.com.

Internally, the Bank has a direct link on the Bank's Intranet (internal web page) for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance.

Code of Professional Conduct for Employees

The Bank has an internal Code of Professional Conduct which all members of staff are expected to subscribe to upon assumption of duties and reaffirm their commitment to the Bank's Code annually.

All members of staff are expected to strive to maintain the highest standards of ethical conduct and integrity in all aspects of their professional life as contained in the Code of Professional Conduct which prescribes the common ethical standards, policies and procedures of the Bank relating to employee values.

Shareholders

The General Meeting of the Bank is the highest decision making body of the Bank. The Bank's General Meetings are conducted in a transparent and fair manner. Shareholders have the opportunity to express their opinions on the Bank's financial results and other issues affecting the Bank. The Annual General Meetings are attended by representatives of regulators such as the Central Bank of Nigeria, the Securities and Exchange Commission, The Nigerian Stock Exchange, Corporate Affairs Commission as well as representatives of Shareholders' Associations.

The Board places considerable importance on effective communication with shareholders on developments in the Bank. The Bank has an Investors' Relations Unit, which deals directly with enquiries from shareholders and ensures that shareholders' views are escalated to Management and the Board. In addition, quarterly, half yearly and annual financial results are published in widely read national newspapers. The Bank also dispatches half yearly reports, providing highlights of activities of the Bank, to all its shareholders.

The Bank ensures that institutional investors and international holders of the Global Depositary Receipts get frequent updates on the Bank's progress via interactive conference calls, local and international investor presentations and meetings. These conference calls and investor meetings provide our investors with direct access to senior and executive Management.

Protection of Shareholders Rights

The Board ensures the protection of the statutory and general rights of shareholders at all times, particularly their right to vote at general meetings. All shareholders are treated equally, regardless of volume of shareholding or social status.

KPMG

KPMG Professional Services
22a Gerrard Road, Ikoyi
PMB 40014, Falomo
Lagos, Nigeria

Telephone 234 (1) 271 8955
234 (1) 271 8599
Fax 234 (1) 462 0704
Internet www.ng.kpmg.com

Independent auditor's report

To the members of **Guaranty Trust Bank Plc**

We have audited the accompanying consolidated financial statements of **Guaranty Trust Bank Plc** and its subsidiaries (the" Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 107

Director's responsibility for the consolidated financial statements
The Directors are responsible for the preparation of the consolidated financial statement that gives a true and fair view and in accordance with International Financial Reporting Standards, and for such internal controls as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion.
In our opinion, the consolidated financial statements gives a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters
We draw your attention to the fact that these consolidated financial statements are prepared in addition to the Group's statutory financial statements as described in Note 2 to the consolidated financial statements.

KPMG
21 April 2011
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 094484

Consolidated financial statements

Consolidated statement of financial position
As at 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Assets			
Cash and cash equivalents	5, 8 19	273,074,591	255,944,975
Non pledged trading assets	8, 20	148,872,254	134,926,969
Pledged assets	8, 21	29,481,804	22,112,657
Derivative assets held for risk management	8, 12	-	-
Loans and advances to banks	5, 8, 22	186,480	146,002
Loans and advances to customers	5, 8, 23	603,906,669	574,586,579
Investment securities	5, 8, 24	33,526,342	19,159,408
Trading properties	25	7,349,815	5,070,666
Property and equipment	26	45,381,210	41,281,423
Intangible assets	27	1,956,459	2,337,921
Deferred tax assets	28	587,881	410,864
Other assets	29	23,729,392	23,539,285
Total assets		1,168,052,897	1,079,516,749
Liabilities			
Deposits from banks	5, 8, 30	26,026,980	31,187,065
Deposits from customers	5, 8, 31	753,088,230	666,921,855
Debt securities issued	5, 8, 32	66,886,763	67,373,122
Current tax liabilities		10,082,335	3,483,561
Deferred tax liabilities	28	4,884,484	6,557,821
Other liabilities	33	60,869,620	91,860,354
Liabilities on insurance contracts		2,926,322	1,476,642
Other borrowed funds	5, 8, 35	23,033,947	12,390,288
Total liabilities		947,798,681	881,250,708
Equity			
Share capital and share premium	36	130,735,159	128,403,440
Retained earnings	36	16,660,333	10,215,217
Other components of equity	36	66,828,039	54,505,445
Total equity attributable to owners of the Bank		**214,223,531**	**193,124,102**
Non controlling interest	36	6,030,685	5,141,939
Total equity		**220,254,216**	**198,266,041**
Total liabilities and equity		**1,168,052,897**	**1,079,516,749**

Signed on behalf of the Board of Directors on 21 April 2011 by:

Director	Director
Titi Osuntoki	Segun Agbaje

The notes on pages 20 to 106 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

As at 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Interest income	9	114,005,446	128,605,231
Interest expense	9	(30,152,104)	(44,227,069)
Net interest income		83,853,342	84,378,162
Fee and commission income	10	34,155,421	27,886,901
Fee and commission expense	10	(3,212,332)	(1,616,785)
Net fee and commission income		30,943,089	26,270,116
Net trading income	11	7,944,817	7,443,430
Net loss from other financial instruments at fair value profit or loss	12	-	(140,764)
Other operating income and fair value changes	13	(2,261,461)	4,000,278
		5,683,356	11,302,944
Premium from insurance contracts		4,899,507	5,362,384
Premium ceded to re-insurers		(1,959,458)	(2,199,214)
Net premiums from insurance contracts		2,940,049	3,163,170
Operating income		123,419,836	125,114,392
Net impairment loss on financial assets	14	(10,597,236)	(33,276,125)
Net operating income after net impairment loss on assets		112,822,600	91,838,267
Personnel expenses	15	(17,654,525)	(18,484,414)
Operating lease expenses		(594,272)	(583,036)
Depreciation and amortization	26, 27	(6,740,555)	(5,950,871)
Other operating expenses	16	(40,264,790)	(31,807,412)
Total expenses		(65,254,142)	(56,825,733)
Profit before income tax		47,568,458	35,012,534
Income tax expense	17	(8,248,203)	(6,409,456)
Profit for the year		39,320,255	28,603,078

The notes on pages 20 to 106 are an integral part of these consolidated financial statements.

In thousands of Nigerian Naira	***Notes***	**2010**	**2009**
Other comprehensive income net of income tax:			
Foreign currency translation differences for foreign operations		(469,515)	256,529
Net change in fair value of available for sale financial assets		1,415,413	503,447
Income tax relating to component of other comprehensive income	28	-	94,387
Other comprehensive income for the year, net of tax		945,898	854,363
Total comprehensive income for the year		40,266,153	29,457,441
Profit attributable to:			
Owners of the Bank		38,889,953	28,591,685
Non-controlling interest		430,302	11,393
Profit for the year		39,320,255	28,603,078
Total comprehensive income attributable to:			
Owners of the Bank		39,900,570	29,547,706
Non-controlling interest		365,583	(90,265)
Total comprehensive income for the year		40,266,153	29,457,441
Basic earnings per share (Naira)	18	1.69	1.53
Adjusted earnings per share (Naira)	18	1.69	1.23

The notes on pages 20 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of Nigerian Naira

	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury shares	Bonus reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2010	9,326,875	119,076,565	12,288,268	40,931,358	(1,873,920)	2,331,719	815,820	12,200	10,215,217	5,141,939	198,266,041
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	38,889,953	430,302	39,320,255
Other comprehensive income, net of tax											
Foreign currency translation difference	-	-	-	-	-	-	-	(404,796)	-	(64,719)	(469,515)
Net change in fair value	-	-	-	-	-	-	1,415,413	-	-	-	1,415,413
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1,415,413**	**(404,796)**	**-**	**(64,719)**	**945,898**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1,415,413**	**(404,796)**	**38,889,953**	**365,583**	**40,266,153**
Transactions with equity holders, recorded directly in equity:											
Bonus shares issued during the year	2,331,719	-	-	-	-	(2,331,719)	-	-	-	-	-
Transfers for the year	-	-	(1,328,548)	11,746,279	-	2,914,648	-	-	(13,332,379)	-	-
Increase/Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	638,203	638,203
Diminution in Small & Medium Enterprise investments	-	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	311,317	-	-	-	-	-	311,317
Dividend to equity holders	-	-	-	-	-	-	-	-	(19,819,610)	(115,040)	(19,934,650)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	707,150	-	707,150
Total contributions by and distributions to equity holders	**2,331,719**	**-**	**(1,328,548)**	**11,746,279**	**311,317**	**582,929**	**-**	**-**	**(32,444,839)**	**523,163**	**(18,277,980)**
Balance at 31 December 2010	**11,658,594**	**119,076,565**	**10,959,720**	**52,677,637**	**(1,562,603)**	**2,914,648**	**2,231,233**	**(392,596)**	**16,660,333**	**6,030,685**	**220,254,216**

Consolidated Statement of Changes in Equity

In thousands of Nigerian Naira	**Share capital**	**Share premium**	**Regulatory risk reserve**	**Other regulatory reserves**	**Treasury shares**	**Bonus reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2009	7,461,500	119,076,565	4,917,986	33,010,195	(2,842,918)	1,865,375	218,661	(346,662)	13,635,667	4,042,125	181,038,494
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	28,591,685	11,393	28,603,078
Other comprehensive income, net of tax											
Foreign currency translation difference	-	-	-	-	-	-	-	358,862	-	(101,658)	257,204
Net change in fair value	-	-	-	-	-	-	597,159	-	-	-	597,159
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**597,159**	**358,862**	**-**	**(101,658)**	**854,363**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**597,159**	**358,862**	**28,591,685**	**(90,265)**	**29,457,441**
Transactions with equity holders, recorded directly in equity:											
Bonus shares issued during the year	1,865,375	-	-	-	-	(1,865,375)	-	-	-	-	-
Transfers for the year	-	-	7,370,282	8,986,588	-	2,331,719	-	-	(18,688,589)	-	-
Cash paid by non-controlling interest	-	-	-	-	-	-	-	-	-	1,747,988	1,747,988
Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	(36,634)	(36,634)
Diminution in Small & Medium Enterprise investments	-	-	-	(1,065,425)	-	-	-	-	1,065,425	-	-
Acquisition/disposal of own shares	-	-	-	-	968,998	-	-	-	-	-	968,998
Dividend to equity holders	-	-	-	-	-	-	-	-	(14,922,999)	(521,275)	(15,444,274)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	534,028	-	534,028
Total contributions by and distributions to equity holders	**1,865,375**	**-**	**7,370,282**	**7,921,163**	**968,998**	**466,344**	**-**	**-**	**(32,012,135)**	**1,190,079**	**(12,229,894)**
Balance at 31 December 2009	**9,326,875**	**119,076,565**	**12,288,268**	**40,931,358**	**(1,873,920)**	**2,331,719**	**815,820**	**12,200**	**10,215,217**	**5,141,939**	**198,266,041**

Consolidated statement of cash flows

For the year ended 31 December 2010

In thousands of Nigerian Naira	*Notes*	2010	2009
Cash flows from operating activities			
Profit for the period		39,320,255	28,603,078
Adjustments for:			
Depreciation of property and equipment and amortization	26, 27	6,740,555	5,950,871
Gain on disposal of property and equipment		(118,603)	(81,665)
(Gain)/Loss on disposal of trading properties	11	(174,769)	1,932,177
Profit on disposal of shares in subsidiary		(297,226)	-
Impairment on financial assets		10,597,236	33,276,125
Foreign exchange (gains)/losses	13	(245,344)	329,016
Interest paid on borrowings and finance lease		8,165,211	6,299,029
Dividend received		(192,331)	(358,620)
Income tax expense	17	8,248,203	6,409,456
		72,043,187	82,359,467
Change in trading assets		(13,945,285)	(114,696,185)
Change in pledged assets		(5,953,734)	34,222,993
Change in derivative assets		-	4,617,841
Change in loans and advances to banks and customers		(38,400,670)	(180,104,546)
Change in insurance receivables		(362,857)	(419,891)
Change in other assets		477,113	2,887,977
Change in deposits from banks		(5,160,085)	(31,802,198)
Change in deposits from customers		86,166,375	197,671,953
Change in investment contract liabilities		707,570	528,708
Change in insurance contract liabilities		1,449,680	682,096
Change in other liabilities		(31,076,389)	(82,491,034)
		65,944,905	(86,542,819)
Income tax paid		(3,499,600)	(9,969,873)
Net cash provided/(used in) by operating activities		62,445,305	(96,512,692)

Consolidated statement of cash flows
For the year ended 31 December 2010

In thousands of Nigerian Naira	Notes	2010	2009
Cash flows from investing activities			
Net (purchase)/sale of investment securities		(14,366,934)	89,709,960
Interest and dividends received		192,331	358,620
Purchase of property and equipment	26	(10,932,744)	(11,691,338)
Proceeds from the sale of property and equipment		757,735	218,696
Purchase of intangible assets	27	(401,315)	(806,306)
Purchase of trading properties	25	(2,750,120)	(2,195,080)
Proceeds from disposal of trading properties		645,740	10,278,083
Net (used in)/cash provided investing activities		(26,855,307)	85,872,635
Cash flows from financing activities			
Inflow from debt securities issued		-	13,203,169
Redemption of debt securities issued through buy back		(1,454,189)	-
Repayment of long term borrowings		(2,927,936)	(2,737,048)
Interest paid on long term borrowings		(7,652,450)	(5,912,567)
Proceeds from long term borrowings		12,952,606	-
Finance lease (repayments)/proceeds		(363,501)	85,870
Interest paid on finance lease		(512,761)	(386,462)
Sale of own shares net of dividend received		1,018,467	1,503,026
Dividends paid to owners	37	(19,819,610)	(14,922,999)
Dividends paid to non-controlling interest		(115,040)	(521,275)
Proceeds from sale to non-controlling interest		638,203	1,747,988
Purchase from non-controlling interest		-	(36,634)
Net cash used in financing activities		(18,236,211)	(7,976,932)
Net increase/(decrease) in cash and cash equivalents		17,353,787	(18,616,989)
Cash and cash equivalents at beginning of period		255,944,975	274,633,776
Effect of exchange rate fluctuations on cash held		(224,171)	(71,812)
Cash and cash equivalents at end of period	19	273,074,591	255,944,975

The notes on pages 20 to 106 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity

Guaranty Trust Bank Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Plot 1669, Oyin Jolayemi, Victoria Island, Lagos. The consolidated financial statements for the year ended 31 December 2010 are prepared for the Bank and its subsidiaries (together referred to as "the Group" and separately referred to as "Group entities"). The Group is primarily involved in investment, corporate and retail banking, mortgage finance, insurance and asset management services.

2. Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). They have been prepared in addition to the Group's statutory financial statements (not included herein), which were prepared in accordance with Statements of Accounting Standards applicable in Nigeria (Nigerian GAAP).

These financial statements were authorized for issue by the directors on **21 April 2011**.

3. Basis of preparation

(a) Functional and presentation currency

These consolidated financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(b) Basis of measurement

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

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

(c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 5 and 6.

Notes to the consolidated financial statements

(d) Changes to accounting policies

All new accounting standards and interpretations applicable to annual reporting periods beginning on or after 1 January 2010 have been applied to the group effective from the required date of application. The initial application of these standards and applications has not had a material impact on the financial position or financial results of the Group.

- Amendment to IAS 32 Classification of rights issues applicable 1 February 2010. The Group did not have any rights issue during the year.

- The Group has adopted IFRS 3 Business Combinations (2008). The change in accounting policy is applied prospectively and had no material impact on earnings per share. The new accounting policy in respect to business combinations is presented as follows:

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

  Acquisitions on or after 1 January 2009

  For acquisitions on or after 1 January 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

  Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

  Acquisitions between 1 January 2003 and 1 January 2009

  For acquisitions between 1 January 2003 and 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

  Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

Notes to the consolidated financial statements

Acquisitions prior to 1 January 2003
As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, (Nigerian GAAP)

- Disclosures pertaining to fair values and liquidity risk for financial instruments
  The Group has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

  The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant change between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

  Revised disclosures in respect of fair values of financial instruments are included in note 6 *Use of estimates and judgments*.

  Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

  The amendments require disclosure of a maturity analysis for non- derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

  Revised disclosures in respect of liquidity risk are included in note 5c.

Notes to the consolidated financial statements

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that, presently, are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism; the Group has delegated these decision-making powers.
- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The Group established GTB Finance B.V., Netherlands as a special purpose entity to raise its $350 million Eurobond Guaranteed Notes. Accordingly the financial statements of GTB Finance B.V. have been consolidated.

(iii) Accounting method of consolidation

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See the accounting policy on goodwill.

(v) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements

(b) Foreign currency

(i) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at exchange rates as at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period using the rates prevalent at the beginning, adjusted for effective interest and payments during the period, and the amortised cost in the functional currency at the period end using the rates prevalent at the period end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Nigerian Naira at exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. Since 1 March 2004, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve. However, if the operation is not wholly owned the relevant proportionate share of the difference is allocated instead to the non-controlling interest. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income and foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Notes to the consolidated financial statements

(c) Interest
Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

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

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

- interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in *Other operating income – Mark to market gain/(loss) on trading investments* in the statement of comprehensive income.

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

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

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Insurance premium
Insurance premiums are recognised as revenue when they become payable by the contract holder, proportionally over the period of coverage.

Notes to the consolidated financial statements

(f) Net trading income

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

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

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships.

(h) Dividends

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on long term equity investments is recognised as a component of other operating income.

(i) Lease payments

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

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

(j) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the consolidated financial statements

(k) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

See accounting policies 4(l), (m), (n) and (o).

(iii) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group writes off certain loans and investment securities when they are deemed to be uncollectible (see note 23).

(iv) Offsetting

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

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

Notes to the consolidated financial statements

(v) Sale and repurchase agreements
Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

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

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

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

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.
The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

(viii) Identification and measurement of impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence

Notes to the consolidated financial statements

demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment for loans and advances and held-to-maturity investments at both a specific asset and collective level. Assets showing signs of deterioration are assessed for individual impairment. All individually significant loans and advances and held-to maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ix) Designation at fair value through profit or loss

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Notes to the consolidated financial statements

Note 8 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(l) Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Trading assets and liabilities
Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

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

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and advances.

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

Notes to the consolidated financial statements

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Investment securities
Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held-to-maturity, fair value through profit or loss or available-for-sale.

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

Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a significant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.

- Sales or reclassifications after the Group has collected substantially all the asset's original principal.

- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss
The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss as described in accounting policy (k) (ix).

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

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

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

Notes to the consolidated financial statements

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

(p) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(q) Trading properties

Trading properties (inventory) are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of trading properties is determined on the basis of specific identification of their individual costs.

(r) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

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

Notes to the consolidated financial statements

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer hardware	3 years
Furniture and equipment	5 years
Motor vehicles	4 years
Other transportation equipment	10 years

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

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

(s) Intangible assets

(i) Goodwill
Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests
Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets at the date of acquisition.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

Notes to the consolidated financial statements

(t) Leased assets – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

(u) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(v) Deposits and debt securities issued

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

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

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

Notes to the consolidated financial statements

(w) Provisions

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(x) Financial guarantees

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

(y) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield determined by reference to market yields at the reporting date on high quality government bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Notes to the consolidated financial statements

(iii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

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

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

(z) Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are more significant than the benefits that would be payable if the insured event does not occur. Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39 'Financial Instruments: Recognition and Measurement'.

Long-term insurance contracts
These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding

Notes to the consolidated financial statements

mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

Short-term insurance contracts
Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Deferred acquisition costs (DAC)
Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability
Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Liability adequacy test
Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Any deficiency is immediately recognised in the income statement.

Reinsurance
Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly, resulting in a charge to the income statement.

(aa) Share capital and reserves

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

(ii) Dividend on the Bank's ordinary shares
Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

Notes to the consolidated financial statements

(iii) Treasury shares

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

(ab) Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

(ac) Segment reporting

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

(ad) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which becomes mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- IFRS 9 *Financial Instruments,* published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity, available for sale* and *loans and receivables.* For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment on other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in

Notes to the consolidated financial statements

respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarify the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2011 consolidated financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the consolidated financial statements.

Notes to the consolidated financial statements

5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

credit risk
liquidity risk
market risks
operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management philosophy

The risk management philosophy of the Guaranty Trust Bank Plc Group is drawn from its mission and vision statements and seeks to achieve maximum optimization of the risk – return trade off, while ensuring strong commitment to the following key indices:

- Excellent service delivery across business segments
- Sound performance reporting (financial and non-financial)
- Sound corporate governance
- Consistent appreciation in shareholders' value.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. This policy is subject to review at least once a year. More frequent reviews may be conducted in the opinion of the Board, when changes in laws, market conditions or the Group's activities are material enough to impact on the continued adoption of existing policies. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework via its committees – The Board Risk Committee, Board Credit Committee, and Board Audit Committee. These committees are responsible for developing and monitoring risk policies in their specified areas and report regularly to the Board of Directors on their activities. All Board committees have both executive and non-executive members.

The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Group. These committees are:

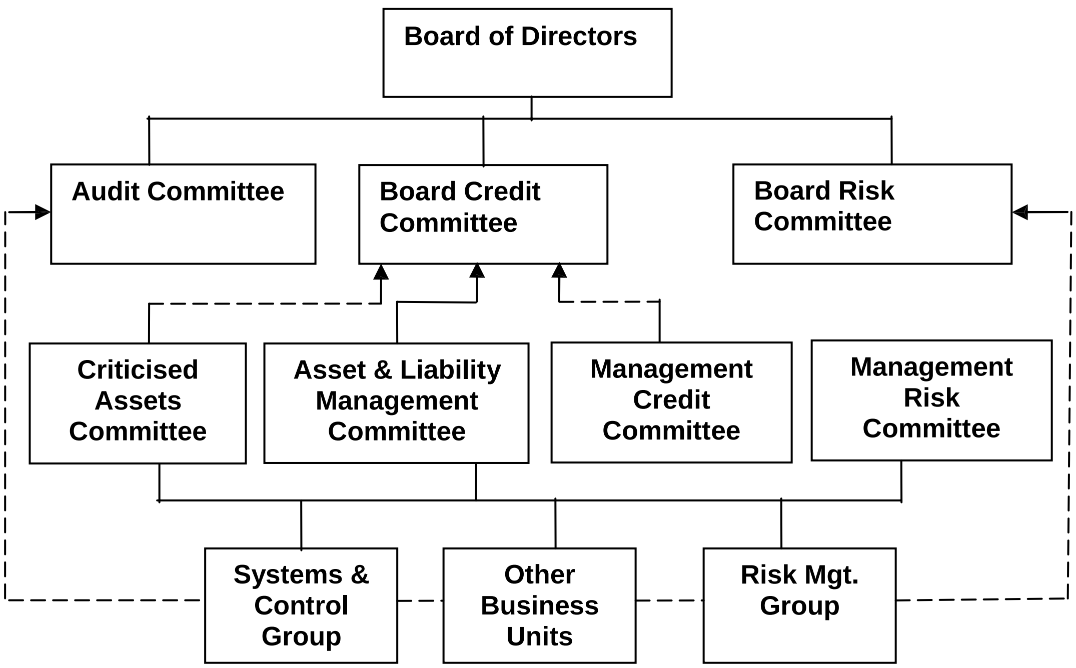
- The Management Credit Committee
- Criticized Assets Committee
- Asset and Liability Management Committee (ALMAC)
- Management Risk Committee
- IT Steering Committee
- Other Ad-hoc Committees

Notes to the consolidated financial statements

These committees meet on a regular basis while others are set up on an ad-hoc basis as dictated by the circumstances.

The **Group's Audit Committee** is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Group. The Audit Committee is assisted by the Internal Audit department, in carrying out these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Risk Management Organogram of the Group is as follows:



The **Risk Committee** at the board and management levels is responsible for reviewing and recommending risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance of the Group. The oversight functions cut across all risk areas. The committee monitors the Bank's plans and progress towards meeting regulatory Risk-Based Supervision requirements and migration to Basel II compliance as well as the overall Regulatory and Economic Capital Adequacy.

The Group's Board of Directors has delegated responsibility for the management of credit risk to the **Board Credit Committee**. The Board Credit Committee considers and approves all lending exposures, including treasury investment exposures, as well as insider-related credits in excess of limits assigned to the **Management Credit Committee** by the Board. Management Credit Committee formulates credit policies in consultation with business units, covering credit assessment, risk grading and reporting, collateral, regulatory and statutory requirements. The committee also assesses and approves all credit exposures in excess of the Managing Director's limit as approved by the Board.

Notes to the consolidated financial statements

The **Asset & Liability Management Committee** establishes the Group's standards and policies covering the various components of Market Risk. This includes issues on Interest Rate Risk, Liquidity Risk, Investment Risk and Trading Risk. It ensures that the authority delegated by the Board and Management Risk Committees with regard to Market Risk is exercised, and that Market Risk exposures are monitored and managed. Furthermore, the Committee limits and monitors the potential impact of specific pre-defined market movements on the comprehensive income of the Bank through stress tests and simulations.

The Credit Risk Management Group is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The Group also serves as the secretariat for the **Management Credit Committee**. Credit risk is the most critical risk for the Group as credit exposures, arising from lending activities account for the major portion of the Group's assets and source of its revenue. Thus, the Group ensures that credit risk related exposures are properly monitored, managed and controlled. The Credit Risk Management Group is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well other unfunded credit exposures that have default probabilities; such as off-financial position financial instruments.

Risk management methodology
The Group recognizes that it is in the business of managing risks to derive optimal satisfaction for all stakeholders. It has therefore, over the years detailed its approach to risk through various policies and procedures, which include the following:

- Credit Policy Guide
- ERM Policy
- Human Resources Policy Manual
- Quality Manual
- Standard Operating Procedures.

To ensure adherence to the policies and procedures, several exception reports on customers and activities of the Group are generated by the various audit control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams
- Monthly Operations Performance Reports (OPR) for the support teams
- Quarterly Business Profitability Review
- Annual Bank-wide performance appraisal systems

Risk management overview
The Group operates a functional Enterprise-wide Risk Management (ERM) Division that manages all aspects of risk – including threats and opportunities. The risk management infrastructure therefore encompasses a comprehensive and integrated approach to identifying, managing and reporting (i) the 3 main inherent risk groups – Credit, Market and Operational; (ii) residual risks such as Settlement and Legal risks; (iii) additional core risks being Reputation and Strategy risks; and (iv) monitoring of the Bank's subsidiaries' risks. In addition to this, in compliance with the Central Bank of Nigeria's 'Risk-based Supervision' guidelines, and also to align with Basel II Capital Accord / best global practices, we are in the process of incorporating a strategic framework for even more efficient measurement and management of the bank's risks and capital. To this end, we have gone through the process of engaging with appropriate solution providers and plan, in the second quarter of 2010, to commence implementation of Basel II recommended capital measurement approaches (and the modeling and data collation required for these), economic capital to cope with unexpected losses, and other qualitative and quantitative measures that will assist us with enhancing our risk management workflows and creating a platform for more risk-adjusted decision-making based on our aggregate

Notes to the consolidated financial statements

exposures.

(b) Credit risk
Lending and other financial activities form the core business of the Group. The Group recognises this and has laid great emphasis on effective management of its exposure to credit risk. The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives, as contained in the designed Credit Risk Management Framework, are:

- maintenance of an efficient loan portfolio
- institutionalization of sound credit culture in the Bank
- adoption of international best practices in credit risk management
- creation of Credit Risk Management professionals and specialists in every industry within which the Bank operates.

Each business unit is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Management Credit Committee's approval.

The Internal Audit and Credit Administration units respectively undertake regular audits of business units and credit quality reviews.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: concentration limits per obligor, industry, sector, rating grade and geographical area. Sector limits reflect the risk appetite of the Group.

The Group drives the credit risk management processes using appropriate technology to achieve global best practices.

For Credit Risk Capital Adequacy computation under Basel ll Pillar l, the Group will commence with the use of the Standardized Approach for Credit Risk Measurement.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk
The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Group's credit risk, including:

Notes to the consolidated financial statements

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Management Credit Committee, Deputy Managing Director, Managing Director and the Board Credit Committee/Board of Directors as appropriate.

- *Reviewing and assessing credit risk.* Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- *Developing and maintaining the Group's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The risk grades are subject to regular reviews by the Risk Management Group.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Risk Management Group on the credit quality of local portfolios and appropriate corrective action is taken.

- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities authorised by the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and credit quality reviews are undertaken by the Internal Audit and Credit Administration units respectively.

Credit risk measurement

Guaranty Trust Bank Group undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry and other factors. The Group acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as a result, applies different parameters to adequately dimension the risks in each business segments.

The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class. In line with international best practices and in compliance with BASEL II requirements, the Bank standardized its rating grades, in the last quarter of 2010, by increasing the rating buckets from 6 to 10. Like the previous rating grades, the new rating grades deals with all credit risk counterparties and this covers all the Bank's credit exposure to corporate, commercial, retail and public sectors. However the new grades reflect more granularities. The rating is handled by Account Officers and Relationship Managers with further check by Credit Risk Analysis Unit in Credit Risk Management Group.

Notes to the consolidated financial statements

The Rating Grid with description is as follows:

RATING GRADE	DESCRIPTION
1	Exceptional Capacity
2	Very Strong Capacity
3	Strong Repayment Capacity
4	Good Credit Quality & Adequate Repayment Capacity
5	Possibility that Credit Risk May Occur
6	Significant Credit Risk May Occur but meet all obligations
7	Default is a real possibility.
8	Default is probable
9	Default is imminent
10	Default/Lost

The first six ratings apply to active credits or newly proposed credits while the last four ratings apply to watch-list and delinquent credits, which are due to be called in or already handed over to solicitors for collection.

Performing (Rating 1–6) – Facility has strong tendency of repayment within approved tenor; interest and principal are being repaid as and when due.

Watch-list (Rating 7) – Facility demonstrates some early warning signal of delinquency and has tendency of default either in respect of the principal or accrued interest. The overdrawn business account has no significant movement for up to 2-month or the account that is permanently in excess of the approved facility.

Substandard & Doubtful (Rating 8 & 9) – This rating is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Interest and principal are past due for 90 days and up to 365 days.

Lost (Rating 10) - Facility is actually in default and principal and or interest overdue remain unpaid for more than 365 days. Legal process does not guarantee full recovery of outstanding debt and borrower might be under receivership or in the process of liquidation.

Risk Limit Control and Mitigation Policies

Guaranty Trust Bank applies limits to control credit risk concentration and ensure proper diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and groups of related borrowers, as well as industries. Obligor limits are set by the regulators and it is currently at 20% of the Bank's shareholders' funds. The obligor limit covers exposures to counterparties and related parties. Although the Bank is guided by this regulatory limit, we apply additional parameters internally in determining the suitable limits that an individual borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc. The Bank imposes industry/economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The industry limits are arrived at after rigorous analysis of the risks inherent in the

Notes to the consolidated financial statements

industry. The limits are usually recommended by the Bank's Portfolio Management Unit under Credit Risk Management Group. The limits set for each industry or economic sector depend on the historical performance of the sector as well as the intelligence report on the outlook of the sector. During the year, limits can be realigned (outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events. The Bank also sets internal credit approval limits for various levels of officers in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities such as Aggregate Large Exposure Limits, Single Obligor Limits, Geographical Limits, Industry/ Sectoral limits etc. The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors as indicated below:

Board of Directors	Up to the single obligor limit as advised by the regulatory authorities from time to time but currently put at 20% of shareholders' funds (total equity)
Management Credit Committee	Up to N500 Million
Managing Director	Up to N200 Million
Deputy Managing Director	Up to N150 Million
Other Approving Officers	as delegated by the managing director

The above limits are subject to the following overriding approvals:

- Except where a facility is cash collateralized, all new facilities below N10million require the approval of the Credit Committee.

- The deposit required for all cash collateralized facilities (with the exception of bonds, guarantees and indemnities) must be 125% of the facility amount to provide a cushion for interest and other charges.

- Totally new facilities require one-up approval i.e. approval at a level higher than that of the person that would ordinarily approve it.

(iv) Credit definitions

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 6 in the Group's internal credit risk grading system.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Notes to the consolidated financial statements

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Notes to the consolidated financial statements

Credit Risk (Continued)

All loans and advances are categorized as either:
- Neither past due nor impaired
- Past due but not impaired
- Individually impaireed

The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.

		Loans and advances to customers		Loans and advances to banks		Investment securities	
31-December *In thousands of Nigerian Naira*	***Note***	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Carrying amount	22, 23, 24	603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408
Assets at amortised cost							
Individually impaired							
Grade 10: Impaired		39,030,866	19,753,409	90,213	90,212	1,870,052	1,870,052
Gross amount		39,030,866	19,753,409	90,213	90,212	1,870,052	1,870,052
Allowance for impairment		(29,968,840)	(19,497,227)	(36,085)	(90,212)	(1,329,627)	(1,329,627)
Carrying amount		9,062,026	256,182	54,128	-	540,425	540,425
Collectively impaired							
Grade 1-6: Low-fair risk		234,126,164	205,352,006	1,203	93,279	-	-
Grade 7-9: Watch list		94,802	1,123,619	-	-	-	-
Gross amount		234,220,966	206,475,625	1,203	93,279	-	-
Allowance for impairment		(2,423,192)	(2,730,098)	(78)	(416)	-	-
Carrying amount		231,797,774	203,745,527	1,125	92,863	-	-
Past due but not impaired							
Grade 1-6: Low-fair risk		3,839,543	3,525,925	-	-	-	-
Carrying amount		3,839,543	3,525,925	-	-	-	-
Past due comprises:							
90 -180 days		3,839,543	3,525,925	-	-	-	-
Carrying amount		3,839,543	3,525,925	-	-	-	-
Neither past due nor impaired							
Grade 1-3: Low-fair risk		359,207,326	367,058,945	131,227	53,140	-	-
Carrying amount		359,207,326	367,058,945	131,227	53,140	-	-
Held to maturity assets (HTM)							
Grade 1-6: Low-fair risk		-	-	-	-	32,985,917	18,618,983
Total carrying amount		603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408

Notes to the consolidated financial statements

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

	Loans and advances to customers		Loans and advances to bank		Investment securities	
In thousands of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
2010						
Grade 10: Individually impaired	39,030,866	9,062,026	90,213	54,128	1,870,052	540,425
Total	39,030,866	9,062,026	90,213	54,128	1,870,052	540,425
2009						
Grade 10: Individually impaired	19,753,409	256,182	90,212	-	1,870,052	540,425
Total	19,753,409	256,182	90,212	-	1,870,052	540,425

(v) Credit collateral

The Group ensures that each credit is reviewed and granted based on the strength of the borrowers' cash flow. However, the Group also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Group's credit policy guide. These include the following policy statements amongst others:

Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate valuer who is acceptable to the Group. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to, the Group. Client's account balances must be within the scope of cover provided by its collateral.

All collateral offered must have the following attributes:

- There must be good legal title
- The title must be easy to transfer
- It should be easy and relatively cheap to value
- The value should be appreciating or at least stable
- The security must be easy to sell.

All collateral must be protected by insurance. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where our interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank. All cash collateralized facilities shall have a 20% margin to provide cushion for interest and other charges i.e. only 80% of the deposit or cash collateral may be availed to an obligor.

The main collateral types acceptable to the Bank for loans and advances include:

- Mortgages over residential properties
- Charges over business premises, fixed and floating assets as well as the inventory.
- Charges over financial instruments such as equities, treasury bills etc.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing

Notes to the consolidated financial statements

activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2010.

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

In thousands of Nigerian Naira	Loans and advances to customers 2010	Loans and advances to customers 2009	Loans and advances to banks 2010	Loans and advances to banks 2009
Against individually impaired	50,856,577	10,461,743	90,212	-
Against collectively impaired	122,280,503	331,603,523	-	100,000
Against past due but not impaired	19,305,947	9,630,919	-	-
Against neither past due nor impaired	895,540,172	639,108,993	503,000	280,547
Total	1,087,983,199	990,805,178	593,212	380,547

	Loans and advances to customers 2010	Loans and advances to customers 2009	Loans and advances to banks 2010	Loans and advances to banks 2009
Against individually impaired:				
Property	5,927,406	972,639	-	-
Debt securities	2,243,800	219,665	-	-
Equities	648,650	7,064,175	-	-
Cash	208,000	147,132	-	-
Guarantees	55,000	20,224	-	-
Negative pledge	2,500,000	-	-	-
ATC, stock hypothecation and ISPO*	440,000	178,978	-	-
Others	38,833,721	1,858,931	90,212	-
Against collectively impaired:				
Property	60,930,439	113,475,631	-	100,000
Debt securities	7,029,910	135,949,413	-	-
Equities	12,854,549	10,466,840	-	-
Cash	2,826,374	11,236,716	-	-
Guarantees	2,852,597	2,542,473	-	-
Negative pledge	2,000,026	-	-	-
ATC, stock hypothecation and ISPO*	91,518	10,940,347	-	-
Others	33,695,090	46,992,103	-	-
Against past due but not impaired:				
Property	5,367,936	600,024	-	-
Debt securities	-	233,333	-	-
Equities	-	8,797,561	-	-
Cash	13,938,011	-	-	-
Against neither past due nor impaired:				
Property	480,139,814	294,544,652	430,000	140,006
Debt securities	162,573,986	167,156,195	-	-
Equities	3,396,252	59,347,862	-	-
Cash	10,699,119	19,793,898	3,000	-
Guarantees	10,011,165	12,259,985	-	-
Negative pledge	87,955,165	-	-	-
ATC, stock hypothecation and ISPO*	1,746,160	50,254,733	-	-
Others	139,018,511	35,751,668	70,000	140,541
	1,087,983,199	990,805,178	593,212	380,547

*ISPO: Irrevocable standing payment order; *ATC: Authority to collect

Notes to the consolidated financial statements

Credit risk (continued)

(vi) Credit concentration

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

		Loans and advances to customers		Loans and advances to banks		Investment securities	
In thousands of Nigerian Naira	*Note*	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Carrying amount	22, 23, 24	603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408
Concentration by sector							
Corporate		326,401,693	294,675,066	-	-	4,954,264	-
Commercial		188,042,864	214,674,806	-	-	10,629,568	7,227,931
Bank		-	-	186,480	146,002	-	-
Retail		65,165,430	65,236,707	-	-	-	-
Government		24,296,682	-	-	-	17,942,510	11,931,477
		603,906,669	574,586,579	186,480	146,002	33,526,342	19,159,408
Concentration by location							
Nigeria		577,974,299	552,736,871	186,480	146,580	33,383,691	19,026,708
Rest of West Africa		21,979,530	19,075,965	-	-	-	-
Europe		3,952,840	2,773,743	-	-	142,651	132,700
		603,906,669	574,586,579	186,480	146,580	33,526,342	19,159,408

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

Notes to the consolidated financial statements

5 (c) Liquidity risk

Liquidity risk is the current and future risk to the Group's earnings and capital arising from its inability to meet its financial obligations and commitments as and when due and at a reasonable price.

Management of liquidity risk

A brief overview of the bank's liquidity management processes includes the following:

- Maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 25%. The Group has set for itself more stringent in-house limit of 35%, to which it adheres.
- Monitoring of its cash flow and financial position trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank.
- Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits
- Regular monitoring of non-earning assets
- Monitoring of deposit concentration
- Ensure diversification of funding sources
- Monitoring of level of un-drawn commitments
- Maintaining a contingency funding plan.

The Group's Asset and Liability Management Committee (ALMAC) is charged with the responsibility of managing the Group's daily liquidity position. A daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALMAC. The Risk Management Group sets limits which are in conformity with the regulatory limits. The limits are monitored regularly and exceptions are reported to ALMAC as appropriate. In addition gap reports are prepared monthly to measure the maturity mismatches between assets and liabilities. The cumulative gap over total assets is not expected to exceed 20%.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2010	**2009**
At end of period	56.11%	51.94%
Average for the period	50.42%	42.61%
Maximum for the period	56.11%	51.94%
Minimum for the period	48.08%	37.25%

Notes to the consolidated financial statements

Financial risk management (continued)

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table in the contractual, undiscounted cash flow on the financial assets and liabilities.

(iii) Gross nominal (undiscounted) maturities of financial assets and liabilities

In thousands of Nigerian Naira	*Note*	Carrying amount	Gross nominal inflow/(outflow)	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2010								
Cash and cash equivalents	19	273,074,591	273,444,983	272,344,165	-	1,100,818	-	-
Trading securities	20	148,872,254	151,734,066	151,734,066	-	-	-	-
Pledged assets	21	29,481,804	32,041,026	14,569,433	1,618,936	690,630	15,162,027	-
Loans and advances to banks	22	186,480	235,192	155,279	32,216	47,698	-	-
Loans and advances to customers	23	603,906,669	758,444,850	295,980,343	106,541,488	92,347,714	227,789,667	35,785,638
Investment securities	24	33,526,342	36,273,293	762,112	402,837	1,069,071	25,238,798	8,800,474
		1,089,048,140	1,252,173,410	735,545,397	108,595,477	95,255,931	268,190,493	44,586,112
Non-derivative liabilities								
Deposits from banks	30	26,026,980	26,140,512	26,140,512	-	-	-	-
Deposits from customers	31	753,088,230	792,472,900	782,811,856	7,636,748	2,004,211	20,086	-
Debt securities issued	32	66,886,763	77,131,767	-	3,150,590	56,372,990	17,608,188	-
Other borrowed funds	35	23,033,947	23,878,795	598,083	1,332,627	1,901,886	20,046,198	-
		869,035,920	919,623,973	809,550,451	12,119,965	60,279,086	37,674,471	-
Gap (asset - liabilities)				(74,005,054)	96,475,512	34,976,845	230,516,022	44,586,112
Cumulative liquidity gap				(74,005,054)	22,470,458	57,447,303	287,963,325	332,549,437

[1] Includes balances with no specific contractual maturities

Notes to the consolidated financial statements

Gross nominal (undiscounted) maturities of financial assets and liabilities

In thousands of Nigerian Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2009								
Cash and cash equivalents	19	255,944,975	256,596,055	254,335,628	2,260,427	-	-	-
Trading securities	20	134,926,969	136,256,974	115,880,936	19,363,639	1,012,399	-	-
Pledged assets	21	22,112,657	22,278,502	22,278,502	-	-	-	-
Loans and advances to banks	22	146,002	148,922	148,922	-	-	-	-
Loans and advances to customers	23	574,586,579	690,894,682	306,276,187	23,264,331	35,386,453	298,008,069	27,959,642
Investment securities	24	19,159,408	19,159,408	-	-	11,931,477	-	7,227,931
		1,006,876,590	1,125,334,543	698,920,175	44,888,397	48,330,329	298,008,069	35,187,573
Non-derivative liabilities								
Deposits from banks	30	31,187,065	31,254,174	19,961,714	11,292,461	-	-	-
Deposits from customers	31	666,921,855	673,566,465	665,894,463	2,373,983	4,110,196	1,187,823	-
Debt securities issued	32	67,373,122	78,505,666	1,887,572	-	-	76,618,094	-
Other borrowed funds	35	12,390,288	13,376,893	57,720	-	-	13,319,173	-
		777,872,330	796,703,198	687,801,469	13,666,444	4,110,196	91,125,090	-
Gap (asset - liabilities)				11,118,706	31,221,953	44,220,133	216,882,979	25,187,573
Cumulative liquidity gap				11,118,706	42,340,659	86,560,792	303,443,771	328,631,344

[1] Includes balances with no specific contractual maturities

Notes to the consolidated financial statements

Financial risk management (continued)

The following table shows the contractual maturities at year end of the Group's financial assets and liabilities and represents actual and in some cases assumed obligation date expected for the assets or liability to be recovered or settled. These figures do not include elements of future incomes or costs.

(iv) Residual contractual maturities of financial assets and liabilities

In thousands of Nigerian Naira	**Note**	**Carrying amount**	**Less than[1] 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
2010							
Cash and cash equivalents	19	273,074,591	272,010,143	-	1,064,448	-	-
Trading securities	20	148,872,254	148,872,254	-	-	-	-
Pledged assets	21	29,481,804	14,071,142	1,410,662	-	14,000,000	-
Loans and advances to banks	22	186,480	114,163	29,366	42,951	-	-
Loans and advances to customers	23	603,906,669	191,329,115	45,670,826	90,573,411	199,107,918	77,225,399
Investment securities	24	33,526,342	608,071	171,452	-	22,117,251	10,629,568
		1,089,048,140	627,004,888	47,282,307	91,680,810	235,225,169	87,854,967
Non-derivative liabilities							
Deposits from banks	30	26,026,980	26,026,980	-	-	-	-
Deposits from customers	31	753,088,230	743,477,430	7,587,211	2,003,563	20,026	-
Debt securities issued	32	66,886,763	-	2,041,094	-	64,845,669	-
Other borrowed funds	35	23,033,947	-	97,680	-	22,936,267	-
		869,035,920	769,504,410	9,725,985	2,003,563	87,801,961	-
Gap (asset - liabilities)			(142,499,522)	37,556,321	89,677,247	147,423,208	87,854,967
Cumulative liquidity gap			(142,499,522)	(104,943,201)	(15,265,954)	132,157,254	220,012,221

[1] Includes balances with no specific contractual maturities

Notes to the consolidated financial statements

Residual contractual maturities of financial assets and liabilities

In thousands of Nigerian Naira	Note	Carrying amount	Less than[1] 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2009							
Cash and cash equivalents	19	255,944,975	253,701,375	2,243,600	-	-	-
Trading securities	20	134,926,969	115,018,299	18,937,544	971,126	-	-
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	299,536,613	21,793,284	31,384,881	212,419,358	9,452,443
Investment securities	24	19,159,408	-	-	11,931,477	-	7,227,931
		1,006,876,590	690,514,946	42,974,428	44,287,484	212,419,358	16,680,374
Non-derivative liabilities							
Deposits from banks	30	31,187,065	19,936,793	11,250,272	-	-	-
Deposits from customers	31	666,921,855	659,709,685	2,309,041	3,902,857	1,000,272	-
Debt securities issued	32	67,373,122	1,887,572	-	-	65485550	-
Other borrowed funds	35	12,390,288	57,720	-	-	12332568	-
		777,872,330	681,591,770	13,559,313	3,902,857	78,818,390	-
Gap (asset - liabilities)			8,923,176	29,415,115	40,384,627	133,600,968	16,680,374
Cumulative liquidity gap			8,923,176	38,338,291	78,722,918	212,323,886	229,004,260

[1] Includes balances with no specific contractual maturities

Notes to the consolidated financial statements

Financial risk management (continued)

5(d) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trade requires transaction specific or counterparty specific approvals from Group Risk.

5(e) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Group, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. With the exception of translation risk arising on the Group's net investment in its foreign operations, all foreign exchange risks within the Group are monitored by the Treasury Group. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

Overall authority for market risk is vested in Market Risk Management Committee. However, the Market Risk Management group within the Enterprise-wide Risk Management Division is responsible for the development of detailed risk management policies (subject to review and approval by the Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed.

Exposure to interest rate risk – Trading and non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on trading and non-trading portfolios is as follows:

Notes to the consolidated financial statements

Market risks

Repricing period

In thousands of Nigerian Naira	*Note*	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
2010							
Cash and cash equivalents	19	273,074,591	272,010,143	-	1,064,448	-	-
Trading securities	20	148,872,254	148,872,254	-	-	-	-
Pledged assets	21	29,481,804	14,071,142	1,410,662	-	14,000,000	-
Derivative assets held for risk management	12	-	-	-	-	-	-
Loans and advances to banks	22	186,480	186,480	-	-	-	-
Loans and advances to customers	23	603,906,669	603,906,669	-	-	-	-
Investment securities	24	33,526,342	608,071	171,452	-	22,117,251	10,629,568
		1,089,048,140	**1,039,654,759**	**1,582,115**	**1,064,448**	**36,117,251**	**10,629,568**
Deposits from banks	30	26,026,980	26,026,980	-	-	-	-
Deposits from customers	31	753,088,230	743,477,429	7,587,211	2,003,563	20,026	-
Debt securities issued	32	66,886,763	-	2,041,094	-	64,845,669	-
Other borrowed funds	35	23,033,947	-	97,680	-	22,936,267	-
		869,035,919	**769,504,409**	**9,725,985**	**2,003,563**	**87,801,961**	**-**
		220,012,221	**270,150,349**	**(8,143,871)**	**(939,115)**	**(51,684,710)**	**-**

In thousands of Nigerian Naira	*Note*	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
2009							
Cash and cash equivalents	19	255,944,975	253,701,375	2,243,600	-	-	-
Trading securities	20	134,926,969	115,018,299	18,937,544	971,126	-	-
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Derivative assets held for risk management	12	-	-	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	488,656,459	-	750,000	64,928,000	20,252,120
Investment securities	24	19,159,408	815,820	-	11,931,477	-	6,412,111
		1,006,876,590	**880,450,612**	**21,181,144**	**13,652,603**	**64,928,000**	**26,664,231**
Deposits from banks	30	31,187,065	19,936,793	11,250,272	-	-	-
Deposits from customers	31	666,921,855	659,709,685	2,309,041	3,902,857	1,000,272	-
Debt securities issued	32	67,373,122	1,887,572	-	-	65,485,550	-
Other borrowed funds	35	12,390,288	57,720	-	-	12,332,568	-
		777,872,330	**681,591,770**	**13,559,313**	**3,902,857**	**78,818,390**	**-**
		229,004,260	**198,858,842**	**7,621,831**	**9,749,746**	**(13,890,390)**	**26,664,231**

Notes to the consolidated financial statements

Exposure to other market risks – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group Management Risk committee, but is not currently significant in relation to the overall results and financial position of the Group.

Interest rate movement affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in equity.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

At 31 December 2010, if interest rates on:

- floating rate assets and liabilities held at amortised cost; and
- assets and liabilities accounted at fair value through profit or loss

had increased or decreased by 200 basis points with all other variables held constant, the impact on profit or loss would have been as set out in the table below:

	2010		2009	
	Pre-tax N'000	Post-tax N'000	Pre-tax N'000	Post-tax N'000
Decrease	(4,400,244)	(3,637,258)	(4,580,085)	(3,741,647)
Increase	4,400,244	3,637,258	4,580,085	3,741,647

Exposure to foreign currency risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. The Group deploys foreign currency debts to foreign currency loans and advances to eliminate exchange exposures on such borrowings.

Notes to the consolidated financial statements

The table below summarise the Group's assets and liabilities at carrying amount, categorised by currency:

Financial instruments by currency *In thousands of Nigerian Naira*	***Note***	**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
2010							
Cash and cash equivalents	19	273,074,591	117,843,914	107,741,280	20,217,205	17,216,638	10,055,554
Trading securities	20	148,872,254	133,356,489	-	-	-	15,515,765
Pledged assets	21	29,481,804	29,481,804	-	-	-	-
Loans and advances to banks	22	186,480	186,480	-	-	-	-
Loans and advances to customers	23	603,906,669	445,374,611	85,785,309	2,864,139	6,541	69,876,069
Investment Securities	24	33,526,342	33,383,691	142,651	-	-	-
		1,089,048,140	**759,626,989**	**193,669,240**	**23,081,344**	**17,223,179**	**95,447,388**
Deposits from banks	30	26,026,980	11,414,798	10,319,969	1,979,585	2,200,908	111,720
Deposits from customers	31	753,088,230	602,900,437	110,483,894	10,205,390	4,740,587	24,757,922
Debt securities issued	32	66,886,763	11,768,663	53,222,400	1,895,700	-	-
Other borrowed funds	35	23,033,947	10,947,680	12,086,267	-	-	-
		869,035,920	**637,031,578**	**186,112,530**	**14,080,675**	**6,941,495**	**24,869,642**

Financial instruments by currency *In thousands of Nigerian Naira*	***Note***	**Total**	**Naira**	**US $**	**GBP**	**Euro**	**Others**
2009							
Cash and cash equivalents	19	255,944,975	120,205,290	98,941,742	8,536,115	18,278,993	9,982,835
Trading securities	20	134,926,969	127,348,071	48,500	-	-	7,530,398
Pledged assets	21	22,112,657	22,112,657	-	-	-	-
Loans and advances to banks	22	146,002	146,002	-	-	-	-
Loans and advances to customers	23	574,586,579	445,065,495	111,020,786	869,675	11	17,630,612
Investment securities	24	19,159,408	19,026,708	-	132,700	-	-
		1,006,876,590	**733,904,223**	**210,011,028**	**9,538,490**	**18,279,004**	**35,143,845**
Deposits from banks	30	31,187,065	6,050,578	22,804,696	1,717,084	511,647	103,060
Deposits from customers	31	666,921,855	587,749,175	41,514,735	8,655,036	2,746,484	26,256,425
Debt securities issued	32	67,373,122	13,271,338	54,101,784	-	-	-
Other borrowed funds	35	12,390,288	-	12,390,288	-	-	-
		777,872,330	607,071,091	130,811,503	10,372,120	3,258,131	26,359,485

Notes to the consolidated financial statements

5(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for reporting operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

5(g) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled. Other subsidiaries are supervised by relevant regulatory authorities

In implementing current capital requirements, Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory

Notes to the consolidated financial statements

adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available- for-sale.

Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 or Tier 2 capital in arriving at the regulatory capital. Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital (1.25% of risk assets and hybrid instruments - convertible bonds). Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

Notes to the consolidated financial statements

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Group and the Group's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

In thousands of Nigerian Naira	*Note*	**2010**	**2009**
Tier 1 capital			
Ordinary share capital	36	11,658,594	9,326,875
Share premium	36	119,076,565	119,076,565
Retained earnings	36	16,660,333	10,215,217
Other reserves	36	66,828,039	54,505,445
Non-controlling interests	36	6,030,685	5,141,939
		220,254,216	**198,266,041**
Add/(Less):			
Fair value reserve for available-for-sale securities	36	(2,231,233)	(815,820)
Intangible assets	27	(1,956,459)	(2,337,921)
Stakeholders' funds		**216,066,524**	**195,112,300**
Tier 2 capital			
Fair value reserve for available-for-sale securities		2,231,233	815,820
Collective allowances for impairment	22, 23	2,423,270	2,730,514
Total		**4,654,503**	**3,546,334**
Total regulatory capital		**220,721,027**	**198,658,634**
Risk-weighted assets		**949,871,787**	**844,751,902**
Capital ratios			
Total regulatory capital expressed as a of total risk-weighted assets		23.24%	23.52%
Total tier 1 capital expressed as a percentage risk-weighted assets		22.11%	23.10%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Group Risk and Group Credit, and is subject to review by the Group Credit Committee or ALMAC as appropriate.

Notes to the consolidated financial statements

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(k)(viii).

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

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

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 4(k)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the consolidated financial statements

Critical accounting judgements in applying the Group's accounting policies
Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification
The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

1. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 4(m).
2. In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 4(k).
3. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(o)(i).

Details of the Group's classification of financial assets and liabilities are given in note 8.

Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

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

Valuation of financial instruments
The Group's accounting policy on fair value measurements is discussed under note 4(k)(vii)

The Group measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price in an active market for an identical instrument.

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

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

Notes to the consolidated financial statements

customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

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

31 December 2010 In thousands of Nigerian Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non pledged trading assets	20	148,872,254	-	-	148,872,254
Pledged assets	21	29,481,804	-	-	29,481,804
Investment securities	24	-	-	10,564,195	10,564,195
		178,354,058	-	10,564,195	188,918,253

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the consolidated financial statements

7. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The Group presents segment information to its Executive Management Committee, which is the Group's Chief Operating Decision Maker, based on Nigerian Generally Acceptable Accounting Practice (GAAP) whose requirements differ from those of International Financial Reporting Standards in certain respects. Some of the key differences include:

1. Interest income on impaired assets is not recognised under Nigerian GAAP while IFRS requires that such interest income be recognised in the income statement.

2. Provision for loan loss is determined based on Central Bank of Nigeria Prudential Guidelines under Nigerian GAAP while an incurred loss model is used in determining the impairment loss under IFRS.

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

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

- **Retail banking** – Incorporates private banking services, private customer current accounts, savings deposits, investment savings products, custody, credit and debit cards, customer loans and mortgages.
- **Corporate banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products offered to large corporate customers.
- **Commercial banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products for small and medium-sized companies.
- **Insurance** – Includes insurance transactions with individuals and corporate customers.
- **Asset management** – Includes portfolio and asset management transactions with individuals and corporate customers.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Notes to the consolidated financial statements

7 Information about operating segments

31-Dec-10

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	Insurance	Asset Management	Total
Revenue:						
Derived from external customers	83,827,084	30,328,245	36,439,891	1,595,374	1,717,433	153,908,027
Derived from other business segments	(16,608,486)	22,838,076	(6,229,590)	-	-	-
Total Revenue	**67,218,598**	**53,166,321**	**30,210,301**	**1,595,374**	**1,717,433**	**153,908,027**
Interest expenses	(14,866,374)	(9,598,499)	(5,628,563)	(2,365)	(56,303)	(30,152,104)
Fee and commission expenses	(3,198,819)	(13,513)	-	-	-	(3,212,332)
Net operating income	**49,153,405**	**43,554,309**	**24,581,738**	**1,593,009**	**1,661,130**	**120,543,591**
Expense:						
Operating expenses	(8,128,398)	(34,463,636)	(13,303,309)	(695,268)	(354,108)	(56,944,719)
Net impairment loss on financial assets	(5,082,485)	(1,702,007)	(1,355,450)	(177,468)	-	(8,317,410)
Depreciation and amortization	(1,709,044)	(3,481,351)	(1,459,818)	(126,759)	(48,640)	(6,825,612)
Total Cost	**(14,919,927)**	**(39,646,994)**	**(16,118,577)**	**999,495**	**(402,748)**	**(72,087,741)**
Profit before income tax	**34,233,478**	**3,907,315**	**8,463,161**	**593,514**	**1,258,382**	**48,455,850**
Assets and liabilities:						
Total assets	662,956,166	181,735,926	282,653,287	19,739,553	4,916,968	1,152,001,900
Total liabilities	(314,717,294)	(437,981,791)	(181,964,412)	(7,520,442)	1,007,728	(941,176,211)
Net Assets/ (Liabilities)	**348,238,872**	**(256,245,865)**	**100,688,875**	**12,219,111**	**5,924,696**	**210,825,689**

Notes to the consolidated financial statements

Information about operating segments

31-Dec-09

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	Insurance	Asset Management	Total
Revenue:						
Derived from external customers	80,783,626	34,375,104	43,930,108	3,044,419	417,161	162,550,418
Derived from other business segments	(10,116,981)	17,667,347	(7,550,366)	-	-	-
Total Revenue	**70,666,645**	**52,042,451**	**36,379,742**	**3,044,419**	**417,161**	**162,550,418**
Interest expenses	(21,993,554)	(11,987,532)	(6,455,657)	(19,689)	(84,033)	(40,540,465)
Fee and commission expenses	(177,587)	(75,567)	(96,572)	0	0	(349,726)
Net operating income	**48,495,504**	**39,979,352**	**29,827,513**	**3,024,730**	**333,128**	**121,660,227**
Expense:						
Operating expenses	(5,747,710)	(29,265,853)	(13,325,120)	(1,492,287)	(325,972)	(50,156,942)
Net impairment loss on financial assets	(20,757,796)	(4,113,874)	(12,503,053)	(151,506)	(500)	(37,526,729)
Depreciation and amortization	(1,347,739)	(3,132,346)	(1,369,811)	(119,286)	(44,371)	(6,013,553)
Total Cost	**(27,853,245)**	**(36,512,073)**	**(27,197,984)**	**(1,763,079)**	**(370,843)**	**(93,697,224)**
Profit before income tax	**20,642,259**	**3,467,279**	**2,629,529**	**1,261,651**	**(37,715)**	**27,963,003**
Assets and liabilities:						
Total assets	579,112,665	201,722,742	266,639,477	16,794,411	2,234,423	1,066,503,718
Total liabilities	(267,940,346)	(376,408,810)	(225,203,464)	(4,123,706)	(582,364)	(874,258,690)
Net Assets/ (Liabilities)	**311,172,319**	**(174,686,068)**	**41,436,013**	**12,670,705**	**1,652,059**	**192,245,028**

7 Information about Operating segments (Continued)

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

In thousands of Nigerian Naira	**2010**	**2009**
Revenues		
Total revenue from reportable segments	153,908,027	162,550,418
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	2,908,957	8,461,326
Unconsolidated amounts	(32,712)	(53,498)
Consolidated revenue	156,784,272	170,958,246
Profit or loss		
Total profit or loss for reportable segments	48,455,850	27,963,003
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	34,066	8,615,224
Unconsolidated amounts	(921,458)	(1,565,693)
Consolidated profit before income tax	47,568,458	35,012,534
Assets		
Total assets for reportable segments	1,152,001,900	1,066,503,718
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	13,722,182	12,518,216
Unconsolidated amounts	(438,971)	(844,349)
Consolidated total assets	1,165,285,111	1,078,177,585
Liabilities		
Total liabilities for reportable segments	941,176,211	874,258,690
Adjustments to reconcile segment results to amounts reported in these IFRS financial statements	(1,118,818)	1,126,598
Unconsolidated amounts	4,973,502	4,526,256
Consolidated total liabilities	945,030,895	879,911,544

Notes to the consolidated financial statements

Geographical segments

The Group operates in three geographic regions, being:

- Nigeria
- Rest of West Africa (comprising Ghana, Gambia, Sierra Leone and Liberia)
- Europe (UK and the Netherlands)

2010 *In thousands of Nigerian Naira*	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Derived from external customers	144,532,473	10,855,822	1,395,977	156,784,272
Derived from other segments	-	-	-	-
Total Revenue	144,532,473	10,855,822	1,395,977	156,784,272
Interest expense	(26,894,479)	(2,954,305)	(303,320)	(30,152,104)
Fee and commission expenses	(3,212,332)	-	-	(3,212,332)
Net interest margin	114,425,662	7,901,517	1,092,657	123,419,836
Profit before income tax	45,688,820	2,095,968	(216,330)	47,568,458
Assets and liabilities:				
Total assets	1,090,199,262	51,860,794	23,225,055	1,165,285,111
Total liabilities	(871,102,711)	(48,672,133)	(25,256,051)	(945,030,895)
Net assets/(liabilities)	219,096,551	3,188,661	(2,030,996)	220,254,216

2009 *In thousands of Nigerian Naira*	**Nigeria**	**Rest of West Africa**	**Europe**	**Total**
Derived from external customers	161,427,576	9,037,167	493,503	170,958,246
Derived from other segments	195,068	-	-	195,068
Total Revenue	161,622,644	9,037,167	493,503	171,153,314
Interest expense	(41,554,711)	(2,338,781)	(333,577)	(44,227,069)
Fee and commission expenses	(349,726)	-	-	(349,726)
Net interest margin	119,718,207	6,698,386	159,926	126,576,519
Profit before income tax	33,636,839	2,492,102	(1,116,407)	35,012,534
Assets and liabilities:				
Total assets	1,042,444,775	36,249,852	(517,042)	1,078,177,585
Total liabilities	(844,393,126)	(33,951,625)	(1,566,793)	(879,911,544)
Net assets/(liabilities)	198,051,649	2,298,227	(2,083,835)	198,266,041

Notes to the consolidated financial statements

8 Financial assets and liabilities

Accounting classification measurement basis and fair values

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

In thousands of Nigerian Naira	*Note*	Trading	Designated at fair value	Held-to-maturity	Loans at amortised cost	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2010									
Cash and cash equivalents	19	-	-	-	-	-	273,074,591	273,074,591	272,420,625
Non pledged trading assets	20	148,872,254	-	-	-	-	-	148,872,254	148,872,254
Pledged assets	21	-	-	-	-	29,481,804	-	29,481,804	29,481,804
Derivative assets held for risk management	12	-	-	-	-	-	-	-	-
Loans and advances to banks	22	-	-	-	186,480	-	-	186,480	226,390
Loans and advances to customers	23	-	-	-	603,906,669	-	-	603,906,669	608,147,912
Investment securities	24	-	-	22,896,774	-	10,629,568	-	33,526,342	33,526,342
		148,872,25	**-**	**22,896,774**	**604,093,149**	**40,111,372**	**273,074,591**	**1,089,048,140**	**1,092,675,327**
Deposits from banks	30	-	-	-	-	-	26,026,980	26,026,980	26,027,795
Deposits from customers	31	-	-	-	-	-	753,088,230	753,088,230	753,111,734
Debt securities issued	32	-	-	-	-	-	66,886,763	66,886,763	66,876,136
Other borrowed funds	35	-	-	-	-	-	23,033,947	23,033,947	23,521,825
		-	**-**	**-**	**-**	**-**	**869,035,920**	**869,035,920**	**869,537,490**
31 December 2009									
Cash and cash equivalents	19	-	-	-	-	-	255,944,975	255,944,975	257,800,998
Non pledged trading assets	20	134,926,969	-	-	-	-	-	134,926,969	134,926,969
Pledged assets	21	-	-	-	-	22,112,657	-	22,112,657	22,112,657
Derivative assets held for risk management	12	-	-	-	-	-	-	-	-
Loans and advances to banks	22	-	-	-	146,002	-	-	146,002	236,743
Loans and advances to customers	23	-	-	-	574,586,579	-	-	574,586,579	596,359,962
Investment securities	24	-	-	7,132,700	-	12,026,708	-	19,159,408	19,159,408
		134,926,969	**-**	**7,132,700**	**574,732,581**	**34,139,365**	**255,944,975**	**1,006,876,590**	**1,030,596,737**
Deposits from banks	30	-	-	-	-	-	31,187,065	31,187,065	31,188,044
Deposits from customers	31	-	-	-	-	-	666,921,855	666,921,855	670,624,103
Debt securities issued	32	-	-	-	-	-	67,373,122	67,373,122	69,010,388
Other borrowed funds	35	-	-	-	-	-	12,390,288	12,390,288	13,335,840
		-	**-**	**-**	**-**	**-**	**777,872,330**	**777,872,330**	**784,158,375**

Notes to the consolidated financial statements

Accounting classification measurement basis and fair values (continued)

Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available-for-sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modeling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

9 Net interest income

In thousands of Nigerian Naira	**2010**	**2009**
Interest income		
Cash and cash equivalents	9,131,453	9,805,634
Trading and pledged assets	15,745,880	14,333,954
Loans and advances to banks	13,202	11,571
Loans and advances to customers	86,938,583	103,415,233
Investment securities	2,176,328	1,038,839
Total interest income	114,005,446	128,605,231
Interest expense		
Deposit from banks	380,917	1,426,391
Deposit from customers	22,118,737	36,888,111
Other borrowed funds	1,200,640	1,289,924
Debt securities	6,451,810	4,662,643
Total interest expense	30,152,104	44,227,069
Net interest income	83,853,342	84,378,162

Interest income for the period ended 31 December 2010 includes N956,999,000 (December 2009: N1,902,997,523) accrued on impaired financial assets.

10 Fee and commission income

In thousands of Nigerian Naira	**2010**	**2009**
Retail banking customer fees and commissions	7,349,064	6,537,166
Corporate banking fees and commissions	21,506,524	14,607,944
Investment banking fees and commissions	905,693	413,006
Brokerage	-	9,995
Income from financial guarantee contracts issued	3,322,279	4,058,457
Other fees and commissions	1,071,861	2,260,333
Total fee and commission income	34,155,421	27,886,901
Fee and commission expense		
Credit card expenses	1,671,772	349,726
Other fees and commission expense	1,540,560	1,267,059
Total fee and commission expense	3,212,332	1,616,785

11 Net trading income

In thousands of Nigerian Naira	**2010**	**2009**
Bonds	3,233,852	2,818,958
Treasury bills	205,751	195,587
Equities	(2,226)	(4,084)
Properties	174,769	(1,932,177)
Foreign exchange	4,332,671	6,365,146
Net trading income	7,944,817	7,443,430

12 Net income from other financial instruments at fair value through profit or loss

The Group uses derivatives not designated in a qualifying hedge relationship to manage its exposure to interest rate risks. The instruments used are interest rate swaps. However for the year ended 31 December 2010 there was no such transaction. During the year ended 31 December 2009 Management closed out the swap contracts with the original counterparties to the swap. The table below shows the details:

In thousands of Nigerian Naira	**2010**	**2009**
Carrying value, beginning of period	-	4,617,841
Net income from derivatives held for risk management	-	(140,764)
Foreign exchange gain	-	431,662
Settlement	-	(4,908,739)
Carrying value, end of year	-	-

Notes to the consolidated financial statements

13 Other operating income

In thousands of Nigerian Naira	**2010**	**2009**
Mark to market (loss)/gain on trading investments	(3,137,308)	3,889,009
Dividends on available for sale equity securities	192,331	358,620
Foreign exchange gain/(loss)	245,344	(329,016)
Gain on disposal of fixed assets	118,603	81,665
Other income	319,569	-
	(2,261,461)	4,000,278

14 Net impairment loss on financial assets

In thousands of Nigerian Naira	**2010**	**2009**
Collective impairment charges on loans and advances	4,405,859	1,715,978
Specific impairment charges on loans and advances	5,962,467	29,987,146
Impairment charges on available for sale equities	-	1,329,627
Impairment charges on other assets	51,442	139,858
Impairment charges on insurance receivable	177,468	103,516
	10,597,236	33,276,125

15 Personnel expenses

In thousands of Nigerian Naira	Note	**2010**	**2009**
Wages and salaries		16,926,320	16,644,158
Contributions to defined contribution plans		618,081	658,175
Cash-settled share-based payment		24,590	41,891
(Decrease)/increase in liability for defined benefit plans	34	(778,622)	(177,419)
Increase in liability for share appreciation rights		201,763	1,266,803
Other staff costs		662,393	50,806
		17,654,525	18,484,414

Notes to the consolidated financial statements

Personnel expenses (continued)

Cash-settled share-based payments

The Group operates a cash-settled share based compensation plan (share appreciation rights (SARs)) for its management personnel. The management personnel are entitled to the share appreciation rights after spending five years in the Bank. The amount of cash payment is determined based on the fair value of the shares of the Bank. The details of SARs granted at the financial position date are provided below:

In thousands	*Number of shares*
SARs granted to senior management employees at 31 December 2010	396,452
SARs granted to senior management employees at 31 December 2009	292,922

Employee expenses for share-based payments

In thousands of Nigerian Naira	Note	2010	2009
Effect of changes in the fair value of SARs		201,763	1,266,803
Expense from rights exercised during the year		24,590	41,891
Dividend payment to members of the scheme		662,393	203,491
Total expense recognized as personnel expenses		888,746	1,512,185
Total carrying amount of liabilities for cash-settled arrangements	33	4,997,014	4,540,285

The carrying amount of liabilities for cash-settled share based payments includes:

In thousands of Nigerian Naira	Note	2010	2009
Balance, beginning of period		4,540,285	2,994,045
Effect of changes in fair value of SAR at year end		201,763	1,266,803
Options exercised during the year		(13,014)	(20,032)
Share rights granted during the year		267,980	299,469
Balance, end of period	33	4,997,014	4,540,285

16 Other operating expenses

In thousands of Nigerian Naira	2010	2009
Lease expenses	512,761	386,684
Other premises and equipment costs	7,220,778	5,425,201
Contract services	4,991,757	4,536,452
Insurance premium	4,546,201	2,401,427
General administrative expenses	21,829,856	17,981,638
Claims and benefits incurred on insurance	1,163,437	1,076,010
	40,264,790	31,807,412

17 Income tax expense recognised in the profit or loss

In thousands of Nigerian Naira	2010	2009
Current tax expense		
Current year	9,302,619	3,036,487
Prior year's under provision	795,938	741,262
	10,098,557	3,777,749
Deferred tax expense		
Origination of temporary differences	4,707,467	3,083,658
Reversal of temporary differences	(6,557,821)	(451,951)
Total income tax expense	8,248,203	6,409,456

Reconciliation of effective tax rate

In thousands of Nigerian Naira	2010	2010	2009	2009
Profit before income tax	47,568,458		35,012,534	
Income tax using the domestic corporation tax rate	14,270,537	30.00%	10,503,760	30.00%
Effect of tax rates in foreign jurisdictions	-	0.00%	(27,347)	-0.08%
Balancing charge	(2,331,116)	-4.90%	1,229	0.00%
Non-deductible expenses	4,086,727	8.59%	1,578,631	4.51%
Education/NITDEF tax levy	989,903	2.08%	295,454	0.84%
Tax exempt income	(7,552,685)	-15.88%	(6,585,178)	-18.81%
Tax losses utilized	(1,850,354)	-3.89%	(98,355)	-0.28%
Under provided in prior years	635,190	1.34%	741,262	2.12%
Total income tax expense in comprehensive income	8,248,203	17.34%	6,409,456	18.31%

Notes to the consolidated financial statements

Income tax recognised
In other comprehensive income

In thousands of Nigerian Naira	2010	2009
Available-for-sale investment securities	-	**94,387**

18 Basic earnings per share

The calculation of basic earnings per share for 2010 was based on the profit attributable to ordinary shareholders of N39,320,255,000 (2009: N28,603,078,000) and a weighted average number of ordinary shares outstanding of 23,317,185,766 (2009: 18,653,748,614), calculated as follows:

Weighted average number of ordinary shares

In millions of shares

	2010	2009
Issued ordinary shares at beginning of year	18,654	14,923
Effect of bonus issue	4,663	3,731
Weighted average number of ordinary shares at end of year	23,317	18,654

Profit attributable to ordinary shareholders

In thousands of Nigerian Naira

	2010	2009
Profit for the period attributable to equity holders of the Bank	47,568,458	28,591,685

Number of ordinary shares

In millions of shares

	2010	2009
Issued ordinary shares	23,317	18,654

Notes to the consolidated financial statements

19 Cash and cash equivalents

In thousands of Nigerian Naira

	2010	2009
Cash and balances with banks	87,202,984	123,310,667
Unrestricted balances with central banks	10,487,258	18,883,307
Money market placements	175,384,349	113,751,001
	273,074,591	255,944,975

20 Non pledged trading assets

In thousands of Nigerian Naira

	2010	2009
Trading bonds	3,215,100	103,866,570
Trading treasury bills	144,237,491	30,262,467
Equities	1,419,663	797,932
	148,872,254	134,926,969

21 Pledged assets

In thousands of Nigerian Naira

	2010	2009
Treasury bills	13,060,941	6,722,047
Government bonds	16,420,863	15,390,610
	29,481,804	22,112,657

Included in pledged assets are treasury bills of nil (31 December 2009: N3,639,133,000) on repurchase agreements to secure inter-bank takings from other banks which have been included in deposits from banks in Note 30. These transactions have been conducted under terms that are usual and customary to standard lending and repurchase activities.

As at 31 December 2010, the Bank held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (31 December 2009: nil).

Notes to the consolidated financial statements

22 Loans and advances to banks

In thousands of Nigerian Naira

	2010	2009
Loans and advances to banks	222,643	236,630
Less specific allowances for impairment	(36,085)	(90,212)
Less collective allowances for impairment	(78)	(416)
	186,480	146,002

Specific impairment allowance on loans and advances to banks

In thousands of Nigerian Naira

	2010	2009
Balance beginning of year	90,212	90,212
Impairment loss for the year:		
- Charge for the year	36,085	-
- Allowance no longer required	(90,212)	-
Balance end of year	36,085	90,212

Collective impairment allowance on loans and advances to banks

In thousands of Nigerian Naira

	2010	2009
Balance at beginning of year	416	118
Impairment loss for the year:		
- Charge for the year	-	298
- Allowance no longer required	(338)	
Balance end of year	78	416

23 Loans and advances to customers

2010 *In thousands of Nigerian Naira*	**Gross amount**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to individuals	17,839,862	(1,856,951)	(41,815)	(1,898,766)	15,941,096
Loans to corporate entities and other organizations	618,458,839	(28,111,889)	(2,381,377)	(30,493,266)	587,965,573
	636,298,701	(29,968,840)	(2,423,192)	(32,392,032)	603,906,669

2009 *In thousands of Nigerian Naira*	**Gross amount**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Carrying amount**
Loans to individuals	16,900,899	(1,027,333)	(64,857)	(1,092,190)	15,808,709
Loans to corporate entities and other organizations	579,913,005	(18,469,894)	(2,665,241)	(21,135,135)	558,777,870
	596,813,904	(19,497,227)	(2,730,098)	(22,227,325)	574,586,579

Specific impairment allowance on loans and advances to customers

In thousands of Nigerian Naira	**2010**	**2009**
Balance beginning of year	19,497,227	3,196,405
Impairment loss for the year		
- Charge for the year	10,723,976	30,250,732
- Recoveries	-	(263,586)
Net impairment for the year	10,723,976	29,987,146
Effect of foreign currency movements	(55,800)	15,765
Write-offs	(196,563)	(13,702,089)
Balance end of year	29,968,840	19,497,227

Collective impairment allowance on loans and advances to customers

In thousands of Nigerian Naira	**2010**	**2009**
Balance beginning of year	2,730,098	1,019,419
Impairment loss for the year:		
- Charge for the year	-	1,715,921
- Allowance no longer required	(301,185)	(241)
Net impairment for the year	(301,185)	1,715,680
Effect of foreign currency movements	(5,721)	(5,001)
Write-offs	-	-
Balance end of year	2,423,192	2,730,098

24 Investment securities

Available-for-sale securities *In thousands of Nigerian Naira*	**2010**	**2009**
Treasury bills	-	-
Bonds	-	4,931,477
Equity securities with readily determinable fair values	10,564,195	5,436,747
Unquoted equity securities at cost	1,395,000	2,988,111
	11,959,195	13,356,335
Specific impairment for equities	(1,329,627)	(1,329,627)
	10,629,568	12,026,708

Held to maturity securities *In thousands of Nigerian Naira*	**2010**	**2009**
Government bonds	17,942,510	7,000,000
Corporate bond (i)	4,954,264	132,700
	22,896,774	7,132,700
Investment securities	33,526,342	19,159,408

Specific impairment for equities *In thousands of Nigerian Naira*	**2010**	**2009**
Balance at 1 January	1,329,627	-
- Charge for the year	-	1,329,627
Balance at 31 December	1,329,627	1,329,627

(i) Include in this balance is AMCON bonds. In 2010, the Bank sold non-performing margin and share backed loans to AMCON which had a gross value of N6,431 million with total provisions against those loans of N5,240 million in exchange for bonds issued by AMCON with a value of N2,323 million. The bank recorded a gain of N536 million, representing the difference between the net amounts (after provisions) of the loans sold to AMCON and the value of the AMCON bonds.

Notes to the consolidated financial statements

25 Trading properties

Trading properties represent the cost of real estate properties designated for resale to customers by group entities trading in properties. The movement on the trading properties account during the year was as follows:

In thousands of Nigerian Naira

	2010	**2009**
Balance, at 1 January	5,070,666	15,085,846
Additions	2,750,120	2,195,080
Disposals	(470,971)	(12,210,260)
Balance at 31 December	7,349,815	5,070,666

Notes to the consolidated financial statements

26 Property and equipment

In thousands of Nigerian Naira	Leasehold improvement and buildings	Furniture & equipment	Motor vehicle	Other transport equipment	Capital work-in - progress	Total
Cost						
Balance at 1 January 2010	17,926,144	21,001,503	5,849,263	2,545,136	13,138,635	60,460,681
Exchange difference on translation of opening balances	(32,243)	(50,291)	(23,844)	-	(172,404)	(278,782)
Additions	1,557,916	3,177,982	1,877,131	-	4,319,715	10,932,744
Disposals	(595,697)	(271,990)	(893,793)	-	-	(1,761,480)
Transfers	1,653,673	363,358	18,249	-	(2,035,280)	-
Balance at 31 December 2010	20,509,793	24,220,562	6,827,006	2,545,136	15,250,666	69,353,163
Balance at 1 January 2009	13,719,394	17,115,380	4,865,053	2,545,136	11,273,863	49,518,826
Exchange difference on translation of opening balances	3,265	(22,223)	21,459	-	(43,708)	(41,207)
Additions	1,369,242	3,005,037	1,581,460	-	5,735,599	11,691,338
Disposals	(28,852)	(47,406)	(632,018)	-	-	(708,276)
Transfers	2,863,095	950,715	13,309	-	(3,827,119)	-
Balance at 31 December 2009	17,926,144	21,001,503	5,849,263	2,545,136	13,138,635	60,460,681

Notes to the consolidated financial statements

Depreciation *In thousands of Nigerian Naira*	**Leasehold improvement and buildings**	**Furniture & equipment**	**Motor vehicle**	**Other transport equipment**	**Capital work-in - progress**	**Total**
Balance at 1 January 2010	2,299,406	13,301,497	2,878,443	699,912	-	19,179,258
Exchange difference on translation of opening balances	(14,553)	2,900	(31,082)	-	-	(42,735)
Charge for the year	804,711	3,480,385	1,418,168	254,514	-	5,957,778
Disposal	(46,157)	(260,784)	(815,407)	-	-	(1,122,348)
Balance at 31 December 2010	3,043,407	16,523,998	3,450,122	954,426	-	23,971,953
Balance at 1 January 2009	1,677,219	10,273,124	2,159,749	445,399	-	14,555,491
Exchange difference on translation of opening balances	(2,190)	(67,869)	15,559	-	-	(54,500)
Charge for the year	629,564	3,137,142	1,228,293	254,513	-	5,249,512
Disposal	(5,187)	(40,900)	(525,158)	-	-	(571,245)
Balance at 31 December 2009	2,299,406	13,301,497	2,878,443	699,912	-	19,179,258
Carrying amounts:						
Balance at 31 December 2010	17,466,386	7,696,564	3,376,884	1,590,710	15,250,666	45,381,210
Balance at 31 December 2009	15,626,738	7,700,006	2,970,820	1,845,224	13,138,635	41,281,423

27 Intangible assets

In thousands of Nigerian Naira	**Goodwill**	**Purchased Software**	**Total**
Cost			
Dec-10			
Balance at 1 January 2010	354,328	4,116,381	4,470,709
Additions	-	401,315	401,315
Exchange translation differences	-	-	-
Balance at 31 December 2010	354,328	4,517,696	4,872,024
Dec-09			
Balance at 1 January 2009	354,328	3,310,075	3,664,403
Additions	-	806,306	806,306
Exchange translation differences	-	-	-
Balance at 31 December 2009	354,328	4,116,381	4,470,709
Amortization and impairment losses			
Balance at 1 January 2010	-	2,132,788	2,132,788
Amortization for the period	-	782,777	782,777
Reclassifications	-	-	-
Balance at 31 December 2010	-	2,915,565	2,915,565
Balance at 1 January 2009	-	1,431,429	1,431,429
Amortization for the period	-	701,359	701,359
Reclassifications	-	-	-
Balance at 31 December 2009	-	2,132,788	2,132,788
Carrying amounts			
Balance at 31 December 2010	354,328	1,602,131	1,956,459
Balance at 31 December 2009	354,328	1,983,593	2,337,921

No impairment losses on goodwill were recognised during the 12 months to 31 December 2010 (12 months to 31 December 2009: nil).

28 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira	2010			2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	13,737	(4,732,122)	(4,718,385)	8,566	(4,473,018)	(4,464,452)
Available-for-sale securities	-	(946,707)	(946,707)	-	(104,865)	(104,865)
Allowances for loan losses	-	276,678	276,678	-	(2,063,834)	(2,063,834)
Tax loss carry forward	574,144	-	574,144	-	-	-
Employee benefits	-	336,942	336,942	-	(349,454)	(349,454)
Other assets	-	180,725	180,725	-	223,620	223,620
Others	-	-	-	402,298	-	402,298
Net deferred tax assets/(liabilities)	587,881	(4,884,484)	(4,296,603)	410,864	(6,557,821)	(6,146,957)

There were no unrecognised deferred tax assets or liabilities as at 31 December 2010 (31 December 2009: nil).

Deferred tax assets and liabilities
Movements in temporary differences during the year

2010		**Recognised in**		
In thousands of Nigerian Naira	**Balance at 1-Jan**	**Profit or loss**	**Other comprehensive income**	**Balance at 31-Dec**
Property and equipment, and software	(4,465,489)	(252,896)	-	(4,718,385)
Available-for-sale securities	507,524	(1,454,231)	-	(946,707)
Allowances for loan losses	(2,419,045)	2,695,723	-	276,678
Tax loss carry forward	-	-	-	0
Employee benefits	(349,454)	686,396	-	336,942
Other assets	236,840	(56,115)	-	180,725
Others	342,667	231,477	-	574,144
	(6,146,957)	1,850,354	-	(4,296,603)

2010		**Recognised in**		
In thousands of Nigerian Naira	**Balance at 1-Jan**	**Profit or loss**	**Other comprehensive income**	**Balance at 31-Dec**
Property and equipment, and software	(3,120,350)	(1,345,139)	-	(4,465,489)
Available-for-sale securities	14,278	399,534	93,712	507,524
Allowances for loan losses	495,306	(2,914,351)	-	(2,419,045)
Tax loss carry forward	-	-	-	-
Employee benefits	713,961	(1,063,415)	-	(349,454)
Other assets	(1,625,081)	1,861,921	-	236,840
Others	(87,751)	429,743	675	342,667
	(3,609,637)	(2,631,707)	94,387	(6,146,957)

29 Other assets

In thousands of Nigerian Naira

		2010	**2009**
Accounts receivable and prepayments		14,360,573	16,543,846
Restricted deposits with central banks		6,689,758	5,760,774
Recognized asset for defined benefit obligation	34	2,767,786	1,339,164
Insurance receivables		1,188,509	1,003,120
		25,006,626	24,646,904
Impairment on other assets		(962,566)	(914,045)
Impairment on insurance receivable		(314,668)	(193,574)
		23,729,392	23,539,285

Restricted deposits with central banks are not available for use in the Group's day-to-day operations. The Bank had restricted balances of N6,689,758,000 with the Central Bank of Nigeria (CBN) as at 31 December 2009 (December 2009: N5,760,774,000). This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory 1% of local deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.

Insurance receivable comprises:

In thousands of Nigerian Naira

	2010	2009
Due from contract holders	1,106,190	236,020
Due from agents and brokers	50,013	553,815
Due from reinsurers	32,306	213,285
	1,188,509	1,003,120

Movement in impairment on other assets:

In thousands of Nigerian Naira

	2010	2009
Balance at 1 January	914,045	774,187
Charge for the year	51,442	139,858
Recoveries	(2,921)	-
Balance at 31 December	962,566	914,045

Movement in impairment on insurance receivables:

In thousands of Nigerian Naira

	2010	2009
Balance at 1 January	193,574	124,058
Charge for the year	177,468	103,516
Recoveries	(56,374)	(34,000)
Balance at 31 December	314,668	193,574

30 Deposits from banks

In thousands of Nigerian Naira

	2010	2009
Money market deposits	-	4,041,988
Other deposits from banks	26,026,980	27,145,077
	26,026,980	31,187,065

31 Deposits from customers

In thousands of Nigerian Naira

	2010	2009
Retail customers:		
Term deposits	116,008,146	136,298,536
Current deposits	145,663,017	87,345,922
Savings	107,124,837	60,053,329
Corporate customers:		
Term deposits	129,327,190	181,866,261
Current deposits	254,965,040	201,357,807
Others	-	-
	753,088,230	666,921,855

32 Debt securities issued

In thousands of Nigerian Naira

	2010	2009
Debt securities at amortized cost:		
Eurobond debt security	55,137,783	54,169,953
Corporate bonds	11,748,980	13,203,169
	66,886,763	67,373,122

Debt securities of N55,137,783,000 (USD350,000,000 measured at amortised cost) represents US Dollar denominated guaranteed notes issued by the Group in January 2007 with tenure of 5 years. Interest on the notes is payable semi-annually at 8.5% per annum plus margin of 10.7 basis points (0.1% per annum).

The amount of N13,203,169,000 represents fixed rate senior unsecured non-convertible bonds issued by the Bank in December 2009. The debt security is redeemable in December 2014 and coupon is payable half yearly at 13.5% per annum. The amount represents the first tranche of a N200 billion debt issuance programme. The sum of N1,454,189,000 worth of GTB Bonds was purchased by a member of the group in 2010 and was therefore eliminated on consolidation. The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during 2010 (2009: nil).

Notes to the consolidated financial statements

33 Other liabilities

In thousands of Nigerian Naira	**2010**	**2009**
Cash settled share based payment liability	4,997,014	4,540,285
Liability for defined contribution	36,699	115,976
Deferred income on financial guarantee	716,148	660,110
Creditors and accruals	-	604,711
Certified cheques	7,589,756	12,594,704
Lease obligation (a)	1,847,629	2,211,130
Customers' deposit for foreign trade (b)	29,635,301	60,283,827
Other current liabilities	14,224,409	9,734,517
Liabilities to customers under investment	1,822,664	1,115,094
	60,869,620	91,860,354

(a) As at 31 December 2010, the Group was obligated under a non-cancellable finance lease for other transportation equipment for which the future minimum lease payments extend over a number of years. This is analysed as follows:

	2010	**2009**
Not more than one year	733,611	721,595
Over one year but less than five years	1,650,626	2,345,184
Over five years	-	-
Less future finance charges	(536,608)	(855,649)
	1,847,629	2,211,130

(b) This represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letters of credit transactions. The corresponding balance is included in cash and balances with banks.

Notes to the consolidated financial statements

34 Defined benefit obligations

The Bank operates a non-contributory, funded lump sum defined benefit gratuity scheme. Employees are entitled to join the scheme after completing 10 full years of service. Employees' terminal benefits are calculated based on number of years of continuous service, limited to a maximum of 10 years

The amounts recognised in the statement of financial position are as follows:

In thousands of Nigerian Naira	**2010**	**2009**
Unfunded obligations	-	-
Present value of funded obligations	(1,826,248)	(1,952,810)
Total present value of defined benefit obligations	(1,826,248)	(1,952,810)
Fair value of plan assets	4,594,034	3,291,974
Present value of net asset/(obligations)	2,767,786	1,339,164
Unrecognized actuarial gains and losses	-	-
Recognized asset/(liability) for defined benefit obligations	2,767,786	1,339,164

Plan assets consist of the following:

In thousands of Nigerian Naira	**2010**	**2009**
Equity securities	1,418,274	1,037,061
Government bonds	211,201	158,788
Offshore investments	1,086,857	398,799
Cash and bank balances	1,877,702	1,697,326
	4,594,034	3,291,974

Movement in the present value of defined benefit obligations:

In thousands of Nigerian Naira	**2010**	**2009**
(Deficit)/surplus on defined benefit obligations at 1 January	1,339,164	(410,125)
Interest costs	(234,177)	(237,696)
Current service costs	(220,692)	(225,287)
Expected return on planned assets	394,766	172,890
Net actuarial gain/(loss) for the year - obligations	574,498	359,019
Net actuarial gain/(loss) for the year - plan Assets	264,227	108,493
Contributions paid	650,000	1,571,870
(Deficit)/surplus for defined benefit obligations at end 31 December	2,767,786	1,339,164

Notes to the consolidated financial statements

Movement in plan assets:

In thousands of Nigerian Naira

	2010	2009
Fair value of plan assets at 1 January	3,291,974	1,441,735
Contributions paid into/(withdrawn from) the plan	650,000	1,571,870
Benefits paid by the plan	(6,933)	(3,014)
Actuarial gain/(loss)	264,227	108,493
Expected return on plan assets	394,766	172,890
Fair value of plan assets at 31 December	4,594,034	3,291,974

Expense recognized in profit or loss:

In thousands of Nigerian Naira	Note	2010	2009
Current service costs		220,692	225,287
Interest on obligation		234,177	237,696
Expected return on planned assets		(394,766)	(172,890)
Net actuarial (gain)/loss recognized in the		(838,725)	(467,512)
To profit or loss	15	(778,622)	(177,419)
Actual return on plan assets		(658,993)	(281,383)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2010	2009
Expected return on plan assets at 1 January	14%	12%
Future salary increases	12%	12%
Retirement age for both male and female	60 years	60 years
Retirement Rate: 50 – 59	2.00%	2.00%
Withdrawal Rate: 18 – 29	4.50%	4.50%
Withdrawal Rate: 30 – 44	6.00%	6.00%
Withdrawal Rate: 45 – 49	2.50%	2.50%

Assumptions regarding future mortality before retirement are based on A49/52 ultimate table published by the Institute of Actuaries of United Kingdom.

Notes to the consolidated financial statements

The overall expected long-term rate of return on assets is 14%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based entirely on current market yields on Nigerian Government Bonds. The component of the rate of remuneration increase based on seniority and promotion is an average of 2% per annum. The inflation component has been worked out at 10% per annum.

For members in active service as at the valuation date, the projected unit credit method of valuation as required under the IFRS has been adopted.

Historical information	**December**	**December**	**December**	**February**	**February**
In thousands of Nigerian Naira	**2010**	**2009**	**2008**	**2008**	**2007**
Present value of the defined benefit obligation	(1,826,248)	(1,952,810)	(1,851,860)	(1,135,223)	(950,210)
Fair value of plan assets	4,594,034	3,291,974	1,441,735	2,636,488	2,390,030
Surplus/(deficit)	2,767,786	1,339,164	(410,125)	1,501,265	1,439,820

35 Other borrowed funds

In thousands of Nigerian Naira

	2010	**2009**
Due to IFC (see note (i) below)	7,207,949	8,507,690
Due to ADB (see note (ii) below)	2,102,606	3,882,598
Due to FMO (see note (iii) below)	2,873,392	-
Due to BOI (see note (iv) below)	6,600,000	-
Due to CAC (see note (v) below)	4,250,000	-
	23,033,947	12,390,288

i). The amount of ₦7,207,949,000 (USD 47,321,000) represents the outstanding balances on various facilities granted by the International Finance Corporation (IFC) between March 2001 and January 2007, repayable over 7 to 10 years at interest rates varying from 3.21% to 7.75% above LIBOR rates.

ii). The amount of ₦2,102,606,000 (USD18,333,000) represents the outstanding balance on a dollar facility of $40,000,000 granted by the African Development Bank (ADB) in May 2006 for a period of 7 years. The principal amount is repayable in 12 equal instalments after a moratorium of 1 year, while interest is payable half yearly at a rate per annum determined by the Bank to be the sum of LIBOR or its successor rate for such interest periods plus 245 basis points per annum.

iii). The amount of ₦2,873,392,000 (USD13,827,000) represents the outstanding balance on the term loan facility of USD15,000,000 granted by FMO (an entrepreneurial development bank of the Netherlands) in December 2009 for a period of 4 years. The principal is repayable at maturity in January 2014 while the interest is repayable quarterly over the tenure of the facility at 4.5% above LIBOR rates.

iv). The amount of ₦6,600,000,000 represents the outstanding balance on a naira facility granted by the Bank of the Industry (BOI) in August 2010 for a period of 15 years. The facility (an on-lending loan) is an initiative of the Central Bank of Nigeria to unlock the credit market in the country through the revamping of power projects and the refinancing of banks. The principal amount is repayable in quarterly instalments as specified against each beneficiary customer's in the schedule attached to the offer letter. There is no interest repayable on the facility

v). The amount of ₦4,250,000 represents the outstanding balance on a facility granted by the Debt Management Office in tranches between April and August 2010 for 7 years. It is an initiative of Central Bank of Nigeria and Federal Ministry of Agriculture and Water resources aimed at the growth and development of commercial agriculture enterprise in Nigeria. The funds are made available to participating banks at zero cost, for on lending to commercial agriculture enterprise at a maximum rate of 9.00% p.a.

Notes to the consolidated financial statements

36 Capital and reserves

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Group. All ordinary shares and GDR shares rank pari-passu with the same rights and benefits at meetings of the Group

In thousands of Nigerian Naira

		2010	2009
(a)	Authorised - 50,000,000,000 Ordinary shares of 50k each (31 December 2009: 30,000,000,000 of 50k each)	25,000,000	15,000,000

In thousands of Nigerian Naira

		2010	2009
(b)	Issued and fully paid-up - 23,317,185,766 Ordinary shares of 50k each (31 December 2009: 18,653,750,000 of 50k each)	11,658,594	9,326,875

The movement on the issued and fully paid-up share capital account during the year was as follows:

In thousands of units

		2010	2009
(c)	Balance, beginning of year	18,653,749	14,922,999
	Bonus shares capitalized	4,663,437	3,730,750
	Balance, end of year	23,317,186	18,653,749

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

Other regulatory reserves

The other regulatory reserve includes movements in the statutory reserves and the small and medium scale industries reserve.

(i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital However, the Bank transferred 30% of its profit after tax to statutory reserves as at year end (2009: 30%).

Notes to the consolidated financial statements

(ii) **Small and Medium Scale Industries Reserve (SMEEIS)**: The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.

(iii) **Treasury shares**

Treasury shares represent the Bank's shares of 929,040,420 (2009: 753,049,097) held by the Staff Investment Trust and two other subsidiary companies as at 31 December 2010.

(iv) **Bonus reserves**

Subsequent to the balance sheet date, the Board of Directors has approved the transfer of ₦2,914,648,000 (2009: N2,331,719,000) from the Group's profit for the year to issue bonus shares in the ratio of 1 new ordinary share for every 4 held, subject to declaration by the shareholders at the Annual General Meeting (2009: 1 new ordinary share for every 4 ordinary shares held).

(v) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(vi) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines compared with the loss incurred model used in calculating the impairment balance under IFRS.

(vii) **Retained earnings**

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(viii) **Non-controlling interest**

The entities accounting for the non-controlling interest balance is shown below:

In thousands of Nigerian Naira

	2010	2009
GTB (Gambia) Limited	316,668	268,899
GTB (Sierra Leone) Limited	199,125	168,317
GT Assurance Plc	4,131,396	3,580,884
GTB (Ghana) Limited	490,069	366,832
GT Homes Limited	893,282	757,007
	6,030,540	5,141,939

Notes to the consolidated financial statements

37 Dividends

The following dividends were declared and paid by the Group during the year ended 31 December:

In thousands of Nigerian Naira	**2010**	**2009**
Balance, beginning of period	-	-
Interim dividend declared	5,829,297	-
Final dividend declared	13,990,313	14,922,999
Payment during the period	(19,819,610)	(14,922,999)
Balance, end of period	-	-

Subsequent to the balance sheet date, the board of directors has proposed a final dividend of ₦0.75 per share subject to the approval of the shareholders at the next annual general meeting. (31 December 2009: ₦0.75 per share on the issued share capital of 18,653,750,000 ordinary shares of 50k each, amount being ₦13,990,313,000)

38 Leasing

As lessor

The Group acts as lessor under operating and finance leases, providing financing for its customers and leasing assets for their own use. In addition, assets leased by the Group may be sublet to other parties. Details of finance lease commitments have been included in other liabilities.

As lessee

Operating lease commitments

The Group leases offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals. There are no contingent rents payable.

39 Contingencies

Claims and litigation

The Bank, in its ordinary course of business, is presently involved in 233 cases as a defendant (2009: 154) and 70 cases as a plaintiff (2009: 35). The total amount claimed in the 233 cases against the Bank is estimated at ₦184,245,033,499 and $124,919,188 (2009: ₦122,746,173,027) and while the total amount claimed in the 70 cases instituted by the Bank is ₦ 24,864,498,703 and $10,477,341 (2009: ₦4,270,189,728 and $16,352,426). However, the solicitors of the Bank are of the view that the probable liability arising from the cases pending against the Bank is not likely to exceed N28,734,053 (2009: ₦21,340,988). The amounts have been fully provided for in the financial statements.

Based on the advice of the solicitors, the Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and they are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

Notes to the consolidated financial statements

Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted. Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk.

Acceptances, bonds, guarantees and other obligations for the account of customers:

a. These comprise:

In thousands of Nigerian Naira

	2010	**2009**
Contingent liabilities:		
Acceptances and guaranteed commercial papers	15,094,944	1,684,681
Transaction related bonds and guarantees	319,570,824	250,006,249
Guaranteed facilities	8,956,030	90,406
	343,621,798	251,781,336
Commitments:		
Short term foreign currency related transactions	6,108,844	14,712,413
Clean line facilities for letters of credit	74,917,884	66,196,010
Other commitments	339,678	130,501
	81,366,406	81,038,924

b. All the transaction related bonds and guarantees are fully collaterised. The cash component out of the balance was ₦ 19,470,930,805 (31 December 2009: ₦16,477,432,157).

c. The Bank granted clean line facilities for letters of credit during the period to guarantee the performance of customers to third parties.

Notes to the consolidated financial statements

40 Group entities

i. Significant subsidiaries

		Country of incorporation	Ownership interest December 2010	Ownership interest December 2009
1	Guaranty Trust Bank Gambia Limited	Gambia	77.8%	77.9%
2	Guaranty Trust Bank Sierra Leone Ltd	Sierra Leone	84.2%	84.3%
3	Guaranty Trust Assurance Plc	Nigeria	67.7%	71.2%
4	Guaranty Trust Bank Ghana Limited	Ghana	95.7%	96.0%
5	Guaranty Trust Registrars Limited	Nigeria	99.9%	99.9%
6	Guaranty Trust Homes Limited	Nigeria	75.1%	75.1%
7	Guaranty Trust Bank UK Limited	United Kingdom	100%	100%
8	GTB Asset Management Limited	Nigeria	100%	100%
9	Guaranty Trust Bank Liberia Limited	Liberia	99.4%	100%
	Special purpose entities:			
	Staff Investment Trust	Nigeria	100%	100%
	Guaranty Trust Bank Finance BV	Netherlands	100%	100%

1 GTB Gambia was incorporated in September 2001 and commenced operations in January 2002.

2 GTB Sierra Leone was incorporated in September 2001 and commenced operations in January 2002.

3 Guaranty Trust Assurance Plc was incorporated on 23 June 1989 as Heritage Assurance Limited. However, GTB Plc acquired a majority shareholding in the Company in September 2004. In January 2010, 5% of the equity holding in the company was ceded for the purpose of listing the shares of the company on the floor of the Nigerian Stock Exchange.

4 Guaranty Trust Bank Ghana was incorporated in October 2004 and commenced operations in March 2006.

5 GTB Registrars was incorporated in February 2006 and commenced operations in September 2006.

6 GT Homes Limited was incorporated in 1992 as Citizens Savings and Loans Limited. Its name was changed to New Patriot Building Society in 1997. However, GTB Plc acquired majority shareholding in August 2007, consequent upon which the name was changed to GT Homes Limited. It commenced operations under this name in January 2008.

7 Guaranty Trust Bank (UK) Limited was incorporated in February 2007 and commenced operations in January 2008.

8 GT Asset Management Company Limited provides security brokerage and asset management services and was incorporated on 14 January 2008 and commenced operations in April 2008.

9 Guaranty Trust Bank (Liberia) Limited was incorporated in September 2008 and commenced operations in March 2009.

10 GTB Finance B.V was incorporated in December 2006 and commenced operations in December 2006. An obligation also exists between the Bank and GTB Finance B.V, for which GTB Finance B.V was expected to lend the Bank the sum of ₦307.87 million ($2,608,000) as a share premium loan. The loan agreement between both parties however permits that the obligation of GTB Finance B.V. to grant the loan be set-off against the obligation of the Bank to repay the loan such that each party's obligation either as a borrower or lender is discharged. In view of this, no loan payable has been recongised in the Bank's financial statements.

Notes to the consolidated financial statements

41 Related parties

(i) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

(ii) Parent

The parent company, which is also the ultimate parent company, is Guaranty Trust Bank Plc (GTB Plc)

(iii) Subsidiaries

Transactions between Guaranty Trust Bank Plc and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

(iv) Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Guaranty Trust Bank Plc and its subsidiaries.

(v) Subsidiaries' deposit account balances

In thousands of Nigerian Naira

Name of company/Individual	*Relationship*	*Type of Deposit*	*2010*	*2009*
			₦	₦
Guaranty Trust Assurance Plc	Subsidiaries	Demand Deposit	98,270	459,383
Guaranty Trust Assurance Plc	Subsidiaries	Domicilliary	131,556	-
Guaranty Trust Assurance Plc	Subsidiaries	Time Deposit	303,635	-
GT Homes Limited	Subsidiaries	Demand Deposit	1,208	13,646
GT Homes Limited	Subsidiaries	Time Deposit	72,901	256,419
GTB Asset Management Ltd	Subsidiaries	Demand Deposit	3,999,530	48,913
GTB Asset Management Ltd	Subsidiaries	Domicilliary	412,772	-
GTB Asset Management Ltd	Subsidiaries	Time Deposit	638,052	695,847
GT Registrars Limited	Subsidiaries	Demand Deposit	835,980	2,913
GT Registrars Limited	Subsidiaries	Domicilliary	11,560	-
GT Registrars Limited	Subsidiaries	Time Deposit	88,177	-
GTB Sierra Leone	Subsidiaries	Domicilliary	563	-
GTB Ghana	Subsidiaries	Demand Deposit	996	-
GTB Ghana	Subsidiaries	Domicilliary	3,650	-
GTB Ghana	Subsidiaries	Time Deposit	11,027	-
			6,609,875	1,477,121

(vi) Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

Loans and advances:

In thousands of Nigerian Naira	**2010**	**2009**
Secured loans	13,028,752	10,016,822

Deposits: *In thousands of Nigerian Naira*	**2010**	**2009**
Total deposits	1,526,189	645,853

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business. The secured loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

(vii) Key management personnel compensation for the period comprises:

In thousands of Nigerian Naira	**2010**	**2009**
Post-employment benefits	169,270	(55,138)
Share-based payments	-	-
Increase /(decrease) in share appreciation rights	111,575	612,789
	280,845	557,651

Directors' remuneration

In thousands of Nigerian Naira	**2010**	**2009**
Fees as directors	144,232	103,712
Other allowances	396,113	132,064
	540,345	235,776
Executive compensation	310,191	406,665
	850,536	642,441

42 The Central Bank of Nigeria's Regulation on the Scope of Banking Activities

Section 6(1) of the Central Bank of Nigeria (CBN) Regulation on the Scope of Banking Activities and Ancillary Matters issued in September 2010 requires every bank currently operating under a universal banking licence to submit to the Central Bank of Nigeria, for approval, a compliance plan duly approved by the Bank's Board of Directors. The regulation requires banks to divest from all non-banking businesses and apply for a new type of banking license based on the decision of the Bank's Board of Directors. The divestment is required to be completed by May 2012.

At an extra-ordinary general meeting (EGM) held in October, 2010, the shareholders authorised the divestment of the Bank's equity interest in its non-banking subsidiaries. The EGM authorised the Board to divest through, but not limited to direct sale, auction, transfer, distribution in specie or such other divestment mechanism; and upon such terms and conditions as the directors may determine to be in the best interest of the Bank.

The subsidiaries of the Bank to be covered under the divestment are **Guaranty Trust Assurance Plc** (Insurance business)**, GTB Asset Management Limited** (Asset management) and **GTB Registrars Limited** (Registrar).

The Bank's compliance plan duly approved by the Board of Directors on 28 October 2010 involves the divestment from non-banking subsidiaries through a competitive process with the ultimate objective of ensuring the selection of credible investors to acquire the Bank's equity interest in the subsidiaries.

In January 2011, the Bank obtained CBN's approval-in-principle ("AIP") of the divestment plan in accordance with the provisions of CBN regulations. Subsequent to year end and upon receipt of approval from CBN, the Bank received bids from interested investors for the subsidiaries and the due diligence process by the prospective bidders commenced. The procedures for obtaining regulatory approvals from other regulators other than the CBN (i.e. from National Insurance Commission and the Securities and Exchange Commission) also commenced.

The Bank, after considering the circumstances post the balance sheet date and before the date of authorisation of these financial statements have assessed and believes that it is highly probable that the divestments from various non-banking subsidiaries will be completed by the regulatory deadline of May 2012 and expects but with no guarantee that this will be completed by 31 December 2011.

The details of assets and liabilities which met the criteria to be classified as held for sale after the balance sheet date but before the date of authorisation of the financial statements are as follows:

Assets classified as held for sale	**N'000**
Cash and cash equivalents	1,155,652
Deferred tax assets	7,478
Goodwill	303,404
Investment securities	7,083,864
Other assets	2,362,129
Property and equipment	485,990
Trading properties under development	4,720,954
Total Non -current assets	**16,119,471**

Liabilities classified as held for sale	*N'000*
Current tax liabilities	669,337
Deferred tax liabilities	114,311
Liabilities on Insurance contracts	2,926,322
Other liabilities	4,135,872
Total non-current liabilities	**7,845,842**

Operating results	*N'000*
Interest income	776,947
Interest expense	(56,303)
Net interest margin	720,644
Fee and commission income	262,912
Other operating income	1,431,629
Operating Income	2,415,185
Net impairment loss on financial assets	(151,331)
Other operating expense	(1,285,119)
Profit before income tax	**978,735**
Taxation	**(361,114)**
Profit after tax	**617,621**

43 Subsequent events

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

44 Prior period corresponding balances

Certain prior period balances have been reclassified in line with current period presentation due to the following reasons:

- Finance Lease expense was reclassified from Operating lease expense to other operating expense to properly state operating lease expense. (a), (c)

- Other fees and commission expense was reclassified from General administrative expense to Fees and commission expense in order to properly categorise it based on its nature. (b), (c)

- Corporate banking fees and commission were reclassified from other fees and commission expenses to reflect the judgement that commercial banking customers be best categorised as corporate customers. (d), (e)

- Recognized asset/liability for defined benefit obligation was reclassified from other liabilities where it was shown as a negative balance to other assets. (f), (g)

- Disclosure on fair value of collaterals and other security enhancements held against loans and advances to customers and banks was changed because the bank standardized its rating grades in the last quarter of 2010, by increasing the rating buckets from 6 to 10, see *page 44 Credit risk management*. (h)

(a) **Operating lease expenses**

In thousands of Nigerian Naira	**2009**
Balance previously reported	969,720
Reclassification to other operating expense (lease expense (see note (c) below))	(386,684)
Balance as restated	583,036

(b) **Fee and commission expenses**

In thousands of Nigerian Naira	**2009**
Balance previously reported	349,726
Reclassification from other operating expense (see note (c) below)	1,267,059
Balance as restated	1,616,785

(c) **Other operating expenses**

In thousands of Nigerian Naira	**2009**
Balance previously reported	32,687,787
Reclassification from operating lease expenses (see note (a) above)	386,684
Reclassification to fee and commission expenses (see note (b) above)	(1,267,059)
Balance as restated	31,807,412

(d) **Fee and commission income – Corporate banking fees and commission**

In thousands of Nigerian Naira	**2009**
Balance previously reported	4,686,494
Reclassification from Other fees and commission (see note (e) below)	9,921,450
Balance as restated	14,607,944

(e) **Fee and commission income – Other fees and commission**

In thousands of Nigerian Naira	**2009**
Balance previously reported	12,181,783
Reclassification to Corporate banking fees and commission (see note (d) above)	(9,921,450)
Balance as restated	2,260,333

(f) **Other liabilities**

In thousands of Nigerian Naira	**2009**
Balance previously reported	90,521,190
Reclassification of assets for defined benefit obligation (see note (g) below)	1,339,164
Balance as restated	91,860,354

(g) **Other assets**

In thousands of Nigerian Naira	**2009**
Balance previously reported	22,200,121
Reclassification of assets for defined benefit obligation (see note (f) above)	1,339,164
Balance as restated	23,539,285

(h) Loans and advances to customers

	2009 Balance previously reported	Reclassification	2009 Balance as reported
Against individually impaired:			
Property	972,639	-	972,639
Debt securities	219,665	-	219,665
Equities	4,211,101	2,853,074	7,064,175
Cash	147,132	-	147,132
Guarantees	33,215	(12,991)	20,224
Negative pledge	-	-	-
ATC, stock hypothecation and ISPO*	3,023,977	(2,844,999)	178,978
Others	1,854,014	4,917	1,858,931
	10,461,743	1	10,461,744
Against collectively impaired:			
Property	334,427,054	(220,951,423)	113,475,631
Debt securities	272,951,535	(137,002,122)	135,949,413
Equities	57,392,203	(46,925,363)	10,466,840
Cash	66,359,645	(55,122,929)	11,236,716
Guarantees	48,653,488	(46,111,015)	2,542,473
Negative pledge	13,803,558	(13,803,558)	-
ATC, stock hypothecation and ISPO*	73,659,029	(62,718,682)	10,940,347
Others	1,345,798	45,646,305	46,992,103
	868,592,310	(536,988,787)	331,603,523
Against neither past due nor impaired:			
Property	65,644,896	228,899,756	294,544,652
Debt securities	26,562,977	140,593,218	167,156,195
Equities	183,778	59,164,084	59,347,862
Cash	7,954,180	11,839,718	19,793,898
Guarantees	147,204	12,112,781	12,259,985
Negative pledge	1,180,000	(1,180,000)	-
ATC, stock hypothecation and ISPO*	-	50,254,733	50,254,733
Others	447,171	35,304,497	35,751,668
	102,120,206	536,988,787	639,108,993

Loans and advances to banks

	2009 Balance previously reported	Reclassification	2009 Balance as reported
Against collectively impaired:			
Property	240,006	(140,006)	100,000
Others	140,541	(140,541)	-
	380,547	(280,547)	100,000
Against neither past due nor impaired:			
Property	-	140,006	140,006
Others	-	140,541	140,541
	-	280,547	280,547