Guaranty Trust Bank plc

GTBANK PILLAR 3 – MARKET DISCIPLINE

(DISCLOSURES)

DEC 2013

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1. Executive Summary

This Basel Pillar 3 – Market Discipline (Disclosures) report is to be produced twice a year and provides information on the capital adequacy of the bank so as to enable market participants properly assess the bank thus leading to good corporate governance.

The Internal Capital Adequacy Assessment (ICAAP) is the process under which the Board of Directors of Guaranty Trust Bank Plc oversees and regularly assesses the following:

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

The Bank's approach to calculating its own internal capital requirements has been to take the minimum capital required for capitalised risks – credit, market and operational under Pillar I as the starting point, assess whether this is sufficient to cover the risks and then identify other risks and assess the prudent levels of capital to meet them.

This document sets out the framework for background, internal governance, risk appetite & policies, key risks & sensitivities, internal capital assessment, capital allocation and planning. It focuses on the arrangements that have been developed for the oversight and control of risks in the Bank. Where risks are apparent, this document describes the framework under which the bank will carry out its individual assessment of the adequacy of its capital resources. In particular the document will focus on:

- The ways in which the business in capital allocation
- The key risk areas relevant to the bank and the mitigation strategy adopted
- The adequacy and appropriateness of risk management processes and controls in the bank.
- The adequacy of the bank's capital resources in relation to the overall risk profile and hence its overall ability to meet its obligations as they fall due.

The risk assessment has been undertaken using the standardised approach to assess the likelihood of risk occurrence and potential impact while taking into consideration the bank's relatively strong business presence, large scale operations and overall risk profile. The review also takes into account the potential difficulties in the operating environment, frequent changes in monetary policy, economic stresses, over reliant on crude oil as a major source of foreign earnings and the possible consequences for the Bank.

The Pillar II Disclosure has been prepared with reference to the Bank's financial statements as at December 31, 2013. The financial information contained herein relates to these financial statements.

The results of this assessment trended are summarised below:

Table 1.1 - Summary of Risk Assesment and CAR				
	Dec-13	Dec-13	Dec-12	Dec-12
	RCR	IACR	RCR	IACR
	₦'mn	₦'mn	₦'mn	₦'mn
Risk-Weighted Assets (RWA)	1,153,149	1,153,149	1,087,742	1,087,742
Credit Risk	201,372	100,061	161,732	96,246
Market Risk	6,348	16,799	6,077	18,452
Operational Risk	-	56,112	-	48,415
Capital Requirement	**207,720**	**172,972**	**167,809**	**163,113**
Tier 1 Capital	309,856	309,856	287,984	287,984
Tier 2 Capital	-19,431	-19,431	-12,833	-12,833
Total Eligible/Qualifying Capital	**290,424**	**290,424**	**275,151**	**275,151**
Headroom Against Capital Requirement	82,704	117,452	107,342	112,038
% Capital Headroom (Cap. Headroom/Cap. Required)	40	68	64	69
Tier 1 Capital Adequacy Ratio	27%	27%	26%	26%
Total Capital Adequacy Ratio	25%	25%	25%	25%

RCR - Regulatory Capital Requirements

IACR - Internal Assessment of Capital Requirements

Full breakdown of Tier 1 and Tier 2 Capital are provided in Appendix C

Under Basel 2, the bank's internal assessment of its capital requirements amounted to ₦173bn while regulatory capital requirements for credit and non-credit risks amounted to ₦208bn. The eligible capital stands at ₦290bn following the audit of the December 31, 2013 Financial Statement of the Bank.

The Bank's regulatory capital requirement of ₦208bn is ₦35bn above the bank's own overall internal capital assessment. With eligible capital of ₦290bn, the Bank has enough capital to withstand the severe stresses modelled in the regulatory and internal capital assessment and therefore ahead of what continues to be a stressed and challenging financial environment. As at 31st December 2013, the Bank had headroom against its regulatory capital requirement of ₦83bn (+40%)

after taking into account the audited year-end profit. Headroom against the Bank's internal capital assessment was ₦117bn (+68%).

Looking forward, it is not envisaged that additional capital will be required to support the Bank's planned growth in customer deposits and loans & advances over the next three years given the bank's earnings retention policy.

Executive management will continue to monitor the capital adequacy position, keeping a close eye on the level of customer deposits and the actual growth in loans and advances against the business plan. Should the capital adequacy headroom fall below the trigger limit of 15% (currently ₦26bn) then a formal review of the Bank's capital position would be undertaken by the Board.

2. Introduction & Background Of The Risk ASSESSMENT PROCESS

a. Introduction

This document is a summary of the internal risk assessment process that was undertaken for the closing year-end position of December 31, 2013. The report also includes some background information concerning the Bank's organisation structure and the policies that underpin the Bank's risk assessment and risk management systems.

The report serves two key purposes:

1. It informs Guaranty Trust Bank's Board of Directors how the Bank assesses its risks; how the Bank intends to mitigate those risks and how much current and future capital is deemed necessary to support the Bank's operations in light of those risks.

2. The report is also the means by which the Bank evidences its internal capital adequacy assessment processes to the Central Bank of Nigeria.

The risk assessment and management processes and procedures are well documented in the bank's Internal Capital Adequacy Assessment Process (ICAAP) report. The ICAAP is regularly reviewed at the highest levels of Guaranty Trust Bank's organisation structure. As such the Bank's risk management processes and ICAAP assumptions are regularly being challenged. Maintaining and continually reviewing the Bank's ICAAP helps to ensure that the Bank continues to retain its focus on the risks it faces.

b. Background Of The RISK ASSESSMENT Process

i. Organisation & Capital Structure

Guaranty Trust Bank Plc ("also known as **''GTBank"**) is one of the biggest and most profitable bank in Nigeria. It has subsidiaries in Ghana, Gambia, Cote d'Ivoire, Liberia, Sierra Leone, United Kingdom, Kenya with subsidiaries in Rwanda and Uganda; and GTB Finance B.V. Netherlands, the special purpose entity used to raise funds from the international financial market. As part of its expansion strategy, the Bank has identified some leading African countries it intends to operate in, and in the medium term achieve top 3 operating status. To this end, the Bank intends to adopt a focused sub-Saharan expansion plan by growing its footprint across the African continent. The growth will take place through a combination of organic and acquisition.

- **Business Organisation**

The bank will continue to concentrates its efforts and drive growth in the following markets:

1. **Corporate Banking (Institutional Banking)**

This segment covers corporations with turnover in excess of N5Billion. The products offered include current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products offered to large corporate customers. The Bank's portfolio in this segment is dominated by the following sectors: manufacturing, telecommunications, construction and energy (upstream, downstream and midstream). The customers in this segment are companies with a strong corporate governance structure and well structured operating processes.

2. Commercial Banking

This segment covers companies with a turnover ranging from N250Million to N5Billion. The products offered to this segment include current accounts, deposits, overdraft, loans and other credit facilities and foreign currency services. After the Corporate Banking segment, commercial banking represents the second largest segment in terms of Loans & Advances, and deposits.

At GTBank, to further enhance our commercial banking business, we leverage on our relationship with our corporate banking customers to bank their distributors and suppliers that fall within our classification of commercial business.

3. Retail Banking

This segment covers private banking services and the following products: individual customer current accounts, savings deposits, credit and debit cards, consumer loans and mortgages. The Bank focuses on ensuring that all the required resources to facilitate customer acquisition, management and retention are deployed. We plan to strengthen our IT platform, set up new branches and e-branches as well as enhance our alternative channels to create additional ways to serve our growing retail customers.

4. SME Banking

This includes current accounts, deposits, overdrafts, loans and other credit facilities, and foreign currency services for small and medium-size enterprises and ventures.

5. Public Sector

This includes current accounts, deposits, overdrafts, loans and other credit facilities to Local governments, State Governments, Ministries, Departments and Agencies etc.

6. Correspondent Banking

Trade finance facilities, predominantly the confirmation, negotiation and advising of letters of credit, the provision of foreign exchange and funds transfer services to Nigeria, West African banks and off-shore banks.

- **Business Strategy**

The bank's business strategy is to continually leverage on its competitive advantage in the top end of the corporate market, which are mainly multinationals and the commercial market dominated mainly by emerging local corporate. The lending to the top and middle end of the market is supported by low cost deposits generated from the retail market.

The overall business strategy of the bank in the medium term is encapsulated in the Project Corvus covering five years plan from 2012 – 2016. The business strategy, plans and budgets are the responsibility of the MD/CEO in conjunction with Chief Financial Officer and Management Team. These are recommended to the Board for formal approval. The bank updates its plan, incorporating a detailed budget for the next financial year, on an annual basis.

The bank's strategy to concentrate efforts on a couple of important initiatives, including the following:

1. **Liability and Retail Market Growth:** The competition is currently most intense in this segment due to the race for low cost deposits. These deposits represented above 60% of the banking industry deposits. The growth potential is expected to materialize due to the improved financial stability of the banking industry which has boosted customers' confidence in the system.

GTBank considers the deployment of alternative service delivery channels such as self service kiosks (e-branches), ATMs, and Mobile Banking services as critical factors to a sustainable Retail Banking growth strategy. As such, we continue to invest heavily in these channels.

At GTBank we segment our retail customers into tiers to provide customer service appropriate to the respective tiers. We operate a private banking arm catering for the needs of high net worth individuals. These customers are offered personalized services (custody service, preferential rates etc) and we are committed to availing them with an exceptional banking experience. Businesses falling under the Small and Medium Enterprises category have specialized relationship managers allocated to them on a geographical basis and we plan further segmentation on industry basis in the future. Our SME customers are also offered the possibility to carry out transactions on our self-service electronic banking platform (cheque confirmation, transaction monitoring etc).

2. **Dominance of Institutional Banking Market Segment**: GTBank intends to remain the preferred Bank for every leading Multinational and local corporate across all viable market and industry segments in Nigeria. This will enable the Bank continue to have a decent loan /risk assets book with low NPLs and attract profitable trade finance and transactional banking fee income.

3. **Operational efficiency**: To achieve its profitability objectives and rank as the most efficient Nigerian Bank in terms of cost to income ratio and return on equity,

the Bank has implemented a series of cost containment initiatives. In addition to these initiatives, the Bank will pursue investing in its information technology systems with the aim of providing customers with a full-fledged self-service platform delivering seamless transactions at reduced cost. The Bank's card payment platform has recently obtained the PCIDSS (Payment Card Industry Data Security Standards) certification; this certification attests that our Bank has a robust payment card data security process.

4. GTBank trades in two instruments of investments comprising of fixed income portfolio (Treasury Bills and FGN Bonds) and foreign exchange trades (interbank and third party currencies). The majority of assets and liabilities are denominated in naira and US dollar.

- **CAPITAL STRUCTURE**

The bank is a quoted registered company owned by 344,191 shareholders with issued shares of 29,431,179,224 as at December 31st, 2013.

The composition of capital resources available and growth over the last four years are as detailed hereunder:

CAPITAL COMPOSITION	Dec 2013 (₦'mn)	Dec 2012 (₦'mn)	Dec 2011 (₦'mn)	Dec 2010 (₦'mn)	Dec 2009 (₦'mn)
Share Capital	14,716	14,716	14,716	11,659	9,327
Share Premium	123,471	123,471	123,471	119,077	119,077
Retained Earnings	55,079	45,944	31,561	19,976	17,114
Other Components of Equity	136,381	102,409	64,433	65,734	54,535
TOTAL	**329,647**	**286,539**	**234,180**	**216,445**	**200,053**
% Increase	**15.0**	**22.4**	**8.2**	**8.2**	

The available total capital has continued to grow due to improved performance and good earnings retention policy over the years.

ii. Overview of Exposures

The bank has a well diversified customer base with exposures in corporate, commercial, retail, small & medium enterprises and public sector. In addition, the bank trades in FGN TBs & Bonds. See below details of exposures trend details in the last three years.

Exposures	Dec 2013 (=N='000)	%	Dec 2012 (=N='000)	%	Dec 2011 (=N='000)	%
Loans & Advances	926,984,070	49	742,614,929	46	679,517,535	45
Invest. Securities / Trading Assets	445,877,295	23	396,453,860	24	319,478,177	21
Sub-Total	**1,372,861,365**	**72**	**1,139,068,789**	70	**998,995,712**	66
Total	**1,904,365,795**	**100**	**1,620,317,223**	**100**	**1,523,527,545**	**100**

The bank's liquidity is held in the following ways:

- Nostro accounts that are maintained with a number of high street foreign banks.
- Interbank placements with banks operating in Nigeria.
- Treasury Bills and Bonds issued by the Federal Government of Nigeria.
- Deposits with the Central Bank of Nigeria.

iii. OTHERS

The following have been covered extensively in the bank's Internal Capital Adequacy Assessment Process (ICAAP) report. They are:

1. Internal governance
2. Statement of firm's attitude to risk
3. Key risks and sensitivities

3. Internal Capital Assessment – Methodology

a. Overview of Basel approach to Capital Assessment

Basel II uses a "three pillars" concept – (1) Minimum Capital Requirements (2) Supervisory Review (3) Market Discipline.

The first pillar deals with maintenance of regulatory capital calculated for three major components of risk that a bank faces: credit risk, operational risk and market risk. Other risks are not considered fully quantifiable at this stage.

The credit risk component can be calculated in three different ways of varying degree of sophistication, namely standardised approach, foundation Internal Rating Based approach and Advanced Internal Rating Based Approach.

For operational risk, there are three different approaches – Basic Indicator Approach (BIA), Standardised Approach (SA), and the Internal Measurement Approach (AMA)

For market risk, the preferred approach is the Value-At-Risk (VaR)).

As the Basel II recommendations are phased in by the banking industry it will move from standardised requirements to more refined and specific requirements that have been developed for each risk category by each individual bank. The upside for banks that do develop their own bespoke risk measurement systems is that they will be rewarded with potentially lower risk capital requirements. In the future there will be closer links between the concepts of economic and regulatory capital.

The second pillar is a regulatory response to the first pillar, giving regulators better 'tools' over those previously available. It also provides a framework for dealing with systemic risk, pension risk, concentration risk, strategic risk, reputational risk, liquidity risk, legal risk and compliance risk, which the accord combines under the title of residual risk. Banks are at liberty to continually review their risk management system.

It is the Internal Capital Adequacy Assessment Process (ICAAP) that is the result of Pillar II of Basel II accords.

The third pillar aims to complement the minimum capital requirements and supervisory review process by developing a set of disclosure requirements which will allow the market participants to gauge the capital adequacy of an institution.

Market discipline supplements regulation as sharing of information facilitates assessment of the bank by others, including investors, analysts, customers, other banks, and rating agencies, which leads to good corporate governance. The aim of this pillar is to allow market discipline to operate by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, and the capital adequacy of the institution. It must be consistent with how the senior management and the board assess and manage the risks of the institution.

When market participants have a sufficient understanding of a bank's activities and the controls it has in place to manage its exposures, they are better able to distinguish between banking organizations so that they can reward those that manage their risks prudently and penalize those that do not.

These disclosures are required to be made at least twice a year, except qualitative disclosures providing a summary of the general risk management objectives and policies which can be made annually. Institutions are also required to create a formal policy on what will be disclosed and controls around them along with the validation and frequency of these disclosures. In general, the disclosures under Pillar 3 apply to the top consolidated level of the banking group to which the Basel II framework applies.

As a bank, the diagram below illustrates the approach taken to formulate the internal capital requirements:

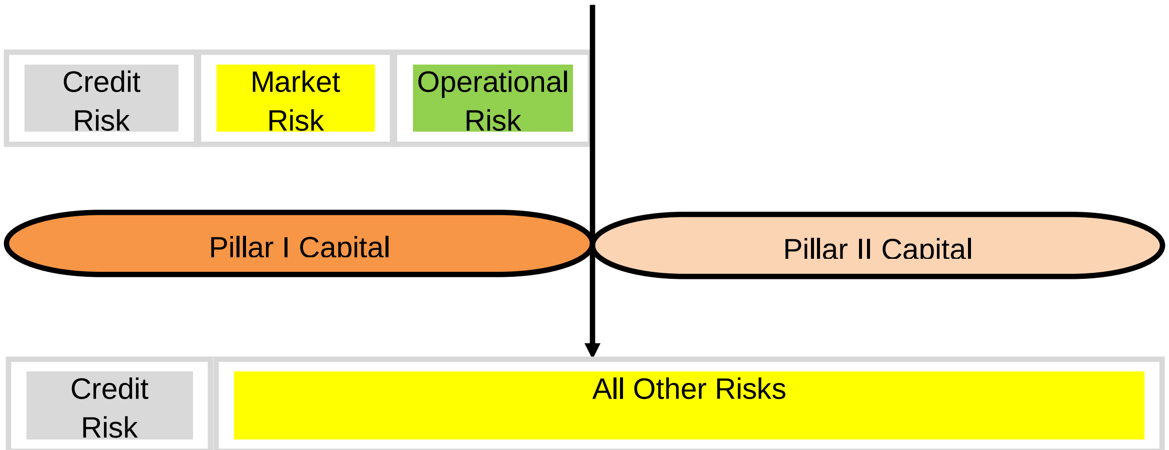

Figure 3.1

Having identified and assessed the different type of risks the bank faces in financial intermediation, the bank is obligated to determine the internal capital required for each of the material risks i.e. Credit risk, Operational risk and Market Risk.

Internal capital requirement refers to the amount of capital needed to cover the bank's exposure to the different material risks in its operations. In determining the capital requirements, the bank adopts the Central Bank of Nigeria Basel Regulatory Framework, which recommends that banks adopt the Standardized Approach (SA) for Credit Risk and Market Risk and Basic Indicator Approach (BIA) or Standard Approach (SA) for Operational Risk under class 3.

i. Pillar 1 – Credit Risk

The Pillar 1 minimum capital requirement for credit risk, based on the CBN regulatory framework under the Standardised Approach, is taken as the starting point in considering what level of internal capital may be required. An assessment is first made as to whether the capital calculation fully captures the credit risk faced by the Bank. Given the Bank's unique risk appetite and its risk management policies, it is deemed that the Pillar 1 calculation of credit risk does fully capture the risk.

Credit risk is the principal source of risk to the bank arising from exposures in form of loans and advances extended to customers under the corporate, commercial, small & medium enterprises and retail business lines.

As stipulated in the Basel II implementation document of the Central Bank local regulator, the bank classified its various loan exposures into appropriate Basel II classes – corporate, retail, public sector entities and equity. Because the standardized approach is hinged on assignment of diversified risk weights to the asset classes, based on the ratings provided by the External Rating Agencies; which are not available in the local operating environment, the regulator; CBN thus stipulates that all unrated exposures irrespective of the asset classes shall be assigned a risk weight of 100%. The bank has adopted a risk weight of 100% to all of its exposures in the calculation of the credit risk weighted assets.

Risk Weighted Assets value is calculated as the product of the amount of exposures and supervisory determined risk weights. RWA = E*r where E is the value of the exposure and r is the risk weight of the exposure as determined by the regulators.

See below the risk weight by assets classes under class 3 (standardized approach) for on-balance sheet and off-balance sheet in Figure 6.2 & 6.3

CBN BASEL GUIDELINES - RISK WEIGHTS		
S/N	**ASSET CLASSES**	**RISK WEIGHT (%)**
ON-BALACE SHEET		
1	SOVEREIGNS	
	TB/BONDS	0
	CLAIMS ON OECD COUNTRIES	20
	CLAIMS ON NON-OECD COUNTRIES	50
2	BANKS	
	CLAIMS ON OTHER BANKS IN NIG	20
	CLAIMS ON BANKS OUTSIDE NIG IN OECD COUNTRIES	20
	CLAIMS ON BANKS OUTSIDE NIG IN NON-OECD COUNTRIES	50
	PLACEMENTS SECURED WITH TB	0
	PLACEMENT UNSECURED	20
3	CLAIMS ON PUBLIC SECTOR ENTITIES & REGIONAL GOVT	
	LG, STATES & MDA	100
	FGN - MINISTRIES, DEPARTMENT, PARASTATALS & AGENCIES	100
4	CLAIMS ON COMPORATES	100
5	CLAIMS ON MULTILATERAL DEV. BANKS (MDB)	
	ALL INTERNATIONATIONAL DEV. BANKS	0
	OTHERS	50
6	CLAIMS INCLUDED IN REGULATORY NON-MORTGAGE RETAIL PORTFOLIO	100
7	CLAIMS SECURED BY RESIDENTIAL PROPERTY	35
8	CLAIMS SECURED BY COMMERCIAL PROPERTY	100
9	CLAIMS ON CASH IN THE PROCESS OF COLLECTION	20
10	CLAIMS ON CASH AND CASH EQUIVALENTS	0
11	PAST DUE LOANS	
	SPECIFIC PROVISIONS ARE LESS THAN 20% OF THE OUTSTANDING AMOUNT OF THE LOAN	150
	SPECIFIC PROVISIONS ARE NOT LESS THAN 20% OF THE OUTSTANDING AMOUNT OF THE LOAN	100
12	OTHER CLAIMS - OTHER FINANCIAL INSTRUMENTS AND ASSETS	100

Figure 3.2 – On-Balance Sheet

CBN BASEL GUIDELINES - RISK WEIGHTS		
S/N	**ASSET CLASSES**	**CCF (%)**
OFF-BALANCE SHEET ITEMS		
1	General guarantees of indebtedness	100
2	Acceptances (including endorsements with the character of acceptances)	
3	Standby Letters of Credit (LCs) serving as financial guarantees for loans and securities	
4	Sale and re-purchase agreements and asset sales with recourse	
5	Commitments with certain draw down such as forward asset purchases, forward deposits and partly-paid shares and securities	
6	Certain transaction-related contingent items (e.g. performance bonds, bid bonds, warranties and standby LCs related to particular transactions)	50
7	Note Issuance Facilities (NIFs)	
8	Revolving Underwriting facilities (RUF)	
9	Commitments with original maturity of over 1 year	
10	Short-term self-liquidating trade LCs arising from the movement of goods (e.g. documentary credits collateralized by the underlying shipment)	20
11	Commitments with original maturity of up to 1 year	
12	Commitments that are unconditionally or automatically cancellable or revocable will be assigned a CCF factor of 0%.	0

Figure 3.3 – Off-Balance Sheet

ii. Pillar 1 – Market Risk

The bank's exposure to market risk comprises of interest rate risk (trading & banking book) and foreign exchange risk as detailed below in Figure 3.4:

Market Risk Components			
Market Risk	**Composition**	**Risk Weight (%)**	**Comments**
A. Interest Rate Risk			
1. Trading Book			
	Interest Rate Risk - General (FGN - TB & Bonds)	Various, defined within the zones based on the maturity bands	Capitalised
	Interest Rate Risk - Specific (FGN - TB & Bonds)	0	Not capitalised
	Interest Rate Risk - Specific (Agency Bonds - LCR)	15	Capitalised
2. Banking Book			
	Earning at Risk (Discounted Earning Impact). To enable mgt ascertain the likely impact on earnings if interest rate changes are not properly managed. In doing this, the gap between the rate sensitive assets and liabilities are multiplied by volatility/interest rate change & roll over periods/intervals of 30days and divided by the period covered/horizon of 365 days. The outcome is multiplied by a discount factor.	0	Not Capitalised
B. Foreign Exchange Risk	It is the higher of foreign currency position (long & short) throughout the Bank.	15	Capitalised

Figure 3.4 – Market Risk Details

To determine the required capital for these risks, the bank employs a building block approach by aggregating the individual capital requirement for each of the risks aforementioned.

Interest Rate Risk: This refers to the risk of losses triggered by movements in the prices of debt securities (Treasury bills and Bonds) held by the bank at a given time due to unfavourable market interest rate. To calculate the capital requirement for the interest rate risk, the bank adopts the maturity method of Basel 2 standardized approach.

Maturity method: The bank classifies its long and short positions in debt securities into different maturity bands. The maturity bands are broadly categorized under three major time zones where zone 1 represents maturities bands within one year tenor, zone 2 represents maturities bands between 2 – 4 year tenor and zone 3 represents maturities bands with tenor above 4 years.

A weighted long and short position for each maturity band is derived by multiplying with applicable risk weights (Basel defined) and an offset is carried out between the two positions to obtain a matched weighted position for each maturity band. The aggregate of the first matched weighted positions across all zones is then multiplied by a vertical disallowance factor of 10% - 1st capital requirement.

The offset process is further applied to each zone to determine the overall weighted long and short position. The smaller of the two becomes the matched weighted position for the zone while the difference is the unmatched long (short) position for the zone. The matched weighted position for the zone is again multiplied by horizontal disallowance factor of 40%, 30% and 30% for Zone 1, 2 and 3 respectively in the order – 2nd capital requirement.

The unmatched weighted positions in the three zones are offset by matching the position in Zone 1 with the position in Zone 2, the result is then matched with the position in Zone 3.

Comparison of zone 1 and 2 can generate two possible outcomes:

(i) The unmatched weighted positions of zones 1 and 2 have the opposite sign;
(ii) The unmatched weighted positions of zones 1 and 2 have the same sign.

For scenario one, the offset process is applied, where the smaller of the unmatched weighted position shall be the matched weighted position between Zone 1 and 2. The difference of unmatched position will then be assigned to either of the Zones depending on which has the largest absolute value. This result is further offset against Zone 3 to attain the 'final unmatched weighted position'

For scenario 2; where the unmatched weighted position of zone 3 has the same sign, the sum of the unmatched weighted positions shall be the final unmatched weighted position.
Where the position of zone 3 has opposite sign; the following is applicable: the result of the unmatched weighted position between zones 2 and 3 after an offset is applied is assigned to the zone with unmatched weighted position with the largest absolute value.

(a) Where the value is assigned to zone 3 and has opposite sign of that for zone 1, the smaller of the amounts shall be the matched weighted position between zone 1 and 3 while the difference shall be the final unmatched weighted position;

(b) Where the value is assigned to zone 2 and has same sign as zone 1, the sum of the two unmatched positions shall be the final unmatched weighted position. However, the matched weighted positions between the three zones will be multiplied by the disallowance factors 40% each and an aggregate is computed. – 3rd capital requirement.

100% weighting is applied to the final unmatched weighted position – 4th capital requirement

All the four capital requirements are summed to achieve the total capital requirement for interest rate using the maturity method approach.

Foreign Exchange Risk: It is the risk that earnings or capital may be negatively affected from the fluctuation of exchange rate, due to a transaction in a foreign currency or from holding an asset or debt in a foreign currency. To calculate the capital requirement, the bank adopts the standardized approach.
This process involves the bank taking the higher of the aggregate position of foreign currency for either long or short and multiplies by 15%.

iii. PILLAR 1 – OPERATIONAL RISK

The bank has defined Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. Operational risk is categorized into the following risk categories:

- People risk
- Process risk
- System risk
- External event risk

The underlying premise of ORM is that all productive business elements being people, processes, systems and management of externally triggered events exist to provide value for stakeholders. Whilst the results of these efforts can be uncertain, the challenge in managing them effectively and efficiently is to determine how much of uncertainty to accept as deployment of each element strives to deliver stakeholders' value.

Risk Appetite and Acceptance Criteria

The bank's operational risk appetite as set for key categories of operational risk event is as defined below:

S/N	Operational Risk Parameter	Threshold
1	Fraud & Forgeries	1% of Gross Income
2	Legal Settlements	1% of Gross Income
3	Damage to Physical Assets -	All other OpsRisk Exposure ≤ 3% of Gross Income
4	Business Disruption Issues -	
5	OHS Issues	
6	Fines & Penalties -	
	Total Operational Risk Loss	**5% of Gross Income**

Figure 3.5 – Operational Risk Appetite

The bank currently adopts the Standardized Approach for estimating capital charge. This involves mapping the business activities into the eight (8) Basel defined business lines as applicable.

Under this approach, the capital requirement for operational risk is an average of the last three years determined sum of gross income for each business line weighted on the basis of the beta percentages applicable to them. The average gross income is multiplied by Basel defined business lines pre-determined beta factors.

Of the eight Basel defined business lines, the bank's operations cover five as depicted in Figure 7.5 below:

BASEL BUSINESS LINES BREAK DOWN		GTBANK	BETA FACTOR (%)
Corporate Finance	Corporate Finance	Corporate Finance	**18**
	Government Finance	PSG	
	Merchant Banking	Energy, Telecoms, Corporate Bank	
	Advisory Services		
Trading and Sales	Sales	Currency Trading	**18**
	Market Making		
	Proprietary Positions		
	Treasury		
Payments and Settlement		Settlement	**18**
Retail Banking	Retail Banking	Retail Banking / ABG / SME / E-Business	**12**
	Private Banking		
	Card Services		
Commercial Banking	Commercial Banking	Commercial Banking Group	**15**

Figure 3.6 – GTBank Basel Business Lines

The bank's capital charge for operational risk is thus expressed as

$K_{rq} = \{\sum_{years1\text{-}3} \max [\sum (GI_{1\text{-}3} * \beta_{1\text{-}3}), 0]\}/3$

Where:

K_{rq} = Capital charge required

$GI_{1\text{-}3}$ = Annual gross income in a given year for three (3) business lines in table above.

$\beta_{1\text{-}3}$ = Fixed Beta factor in percentages for the business lines

iv. All Other Risks & Pillar 2 Capital

In the diagram in Figure 7.1 above, 'All Other Risks' refers to the bank's own identification and assessment of risks that are deemed outside of the scope of credit risk under Pillar 1.

Although the calculation for Pillar 1 operational risk is straightforward, what is less clear is the boundary between operational risk and other risks i.e. what the regulatory capital allocation is meant to cover. In addition, the regulatory assessment of operational risk that is based on income does not necessarily reflect the degree of risk. While operational risk and market risk that have been categorised as part of other risks are easier to quantified and capitalised based on regulatory guidance, others risks including residual risk, legal / regulatory risk, reputational risk, strategic risk on the other hand have not been capitalised. However, as a bank, these are closely monitored and managed.

Pillar 2 capital requirement is internal capital over and above Pillar 1 credit risk, market risk and operational risk requirements. The bank will continue to determine capital requirement using regulatory capital computation guidance and the CBN Basel Regulatory Framework and the difference shall be taken as the Pillar 2 Capital requirement.

b. Capital Allocation Approach

The bank adopts "Allocation of risk-taking approach". This approach entails distribution of bank available capital based on estimation of current and potential risks of each business units. The allocation to the various business operations based on estimates is coordinated by the Financial Control Division and Risk Management Division.

Allocation of capital is predicated on the expected return on the risk being undertaken vis-a-vis the strategic importance of the risk. The bank considers its strategic plan of business growth on short and long term, the projected changes in its risk profile, as well as its risk appetite in capital distribution.

WEIGHTING FOR VOLATILITY

The bank's estimates are based on current and past experience, which are further weighted according to their potential volatility. This is common especially in the management of people; processes, systems and external risk issues, which are subsume under operational risk. These are monitored daily, weekly, monthly and trended with recommendations for management decision. See Figure 6.7 for details of operational risk types.

S/N	OPSRISK TYPE	RISK DIRVER
1	People Risk	Staff Exit, Employees Misconduct & No of internal fraud
2	Process Risk	No of fire incidents, no of fire drills, branches shut down due to security risk
3	System Risk	Link Availability, ATM uptime & BASIS Availability
4	External Risk	No of Court Cases/Litigations Outstanding, Judgment Payouts/Out of Court Settlements

Figure 3.7 – Operational Risk Types

AGGREGATION OF RISK ESTIMATES

In arriving at an overall capital allocation, capital assessments are aggregated for all capital risks in line with the regulatory framework and internal capital usage for planning purposes. It is reasonable to assume that in any one year, not all threats will materialise as every care are taken to recognise the interrelated risks that may trigger one another.

AVOIDANCE OF DOUBLE COUNTING

In aggregating individual risk assessments into a total capital assessment, care has to be taken not to double count the impact of individual risks.

4. CAPITAL ALLOCATION

a. PILLAR 1 ALLOCATION

Appendix A provides a summary of Pillar 1 calculations, including operational risk and market risk.

Assets are broken down into the asset classes as defined in the CBN Basel Regulatory Framework under class 3 as noted above in Figure 6.2 & 6.3 (Credit Risk – On & Off Balance sheet), Figure 6.4 (Market Risk) and Figure 6.6 (Operational Risk). The total Risk-Weighted Assets (RWAs) and capital requirements for Pillar 1 are as shown with comparative figures for previous year in Table 7.1 below:

Pillar 1 Allocation	**DECEMBER 2013**		**DECEMBER 2012**	
Summary (=N=Million)	**RWAs**	**Pillar 1 CRR**	**RWAs**	**Pillar 1 CRR**
Credit Risk	667,074	100,061	641,643	96,294
Market Risk	111,996	16,799	123,012	18,452
Operational Risk	374,079	56,112	322,768	48,415
Total	**1,153,149**	**172,972**	**1,087,743**	**163,161**
Eligible Capital		290,424		275,151
CAR (Capital to RWAs, %)	25.2		25.3	

Figure 4.1
CRR - Capital Resources Requirements
CAR - Capital Adequacy Ratio

It should be noted that the risk weightings under Pillar 1 are prescriptive.

b. Pillar 2 Allocation

Summary (=N=Million)	DECEMBER 2013		DECEMBER 2012	
	Regulatory Capital	Own Capital Assessment	Regulatory Capital	Own Capital Assessment
Pillar 1				
Credit Risk	201,372	100,061	161,732	96,294
Market Risk				
Foreign Exchange	5,788	15,317	5,541	16,843
Interest Rate Risk	560	1,482	536	1,609
Operational Risk	-	56,112	-	48,415
Securitization Risk	-	-	-	-
Commodities Risk	-	-	-	-
Equity Risk	-	-	-	-
Pillar 2: Internal Assessment				
Concentration Risk	-	-	-	-
Pension Risk	-	-	-	-
Reputational Risk	-	-	-	-
Compliance / Regulatory	-	-	-	-
Strategic Risk	-	-	-	-
Business Continuity	-	-	-	-
Fraud Risk	-	-	-	-
IT Security Risk	-	-	-	-
Other Risks	-	-	-	-
Total Capital Required	**207,719**	**172,972**	**167,809**	**163,161**
Capital Base (post y/e audit)	290,424	290,424	275,151	275,151
Capital Headroom	82,705	117,452	107,342	112,038
% Capital Headroom (Cap. Headroom/Cap. Required)	40	68	64	69

Figure 4.2

Though pillar 2 risks as noted above are regularly assessed and monitored as part of the embedded controls measures put in place by management, they are not capitalised. With the exception of concentration risk, some of these other risks can be classified as operational risk. The operational risk capital of N56.1Billion is considered adequate for all the other types of risks.

Under regulatory requirements, the Bank has a capital requirement of N207.7Billion. The Bank's self assessment of its capital needs is lower than this at N173.0Billion. The higher capital requirements of regulatory assessment of capital against self assessment reflects the severe stresses modelled in the regulatory assessment ahead of what continues to be a stressed and challenging financial environment. The bank will continue to take critical approach to assessing the risks it faces in the light of its unique risk appetite, its risk management policies and the effective controls it employs.

The bank has well defined layers of monitoring and reporting mechanism, which provide the senior management and the Board with the necessary information on the risk profile, trends and the capital requirement on a monthly and quarterly basis.

5. QUANTITATIVE DISCLOSURE APPENDIXES

Having provided full qualitative disclosure requirements over and above the minimum required by Basel Pillar 3, the table below (by way of appendixes) set out the quantitative disclosures.

APPENDIX A

APPENDIX A										
CAPITAL REQUIREMENT CHARGE	**DECEMBER 31, 2013**					**DECEMBER 31, 2012**				
PILLAR 1 CREDIT RISK BREAKDOWN UNDER STANDARDISED APPROACH BY EXPOSURE CLASSES	**AVERAGE RISK WEIGHT %**	**CF**	**EXPOSURE (MM)**	**RWA (MM)**	**CAPITAL REQ. (MM)**	**AVERAGE RISK WEIGHT %**	**CF**	**EXPOSURE (MM)**	**RWA (MM)**	**CAPITAL REQ. (MM)**
ON BALANCE SHEET										
Exposures to Sovereigns										
Exposure to FGN & CBN	0%	1	452,859	0	0	0%	1	**421,560.6**	-	0
Exposures to State & Local Goverments								-	-	
State Govt Bonds classified as liquid assets by the CBN	20%	1	9,907	1,981	297	20%	1	**12,612**	**2,522**	378
Other State and Local Government Bonds & Exposures	100%	1	85,136	85,136	12,770	100%	1	**67,064**	**67,064**	10,060
Exposures to Supervised Institutions (DMBs, Discount Houses, etc)					0			-	-	0
Maturity not more than 3 months						20%	1	**22,766**	**4,553**	683
Banks outside Nigeria (including Foreign Currencies) 2	20%	1	128,521	25,704	3,856			**111,762**	**22,352**	3,353
Exposures to Corporates and Other Persons					0			-	-	0
All Corporate Exposures	100%	1	687,375	155,843	23,376	100%	1	**557,363**	**270,073**	40,511
Past Due Exposures where specific provisions < 20%	150%	1	834	0	0	150%	1	**13,947**	-	0
Past Due Exposures where specific provisions ≥ 20%	100%	1	14,674	0	0	100%	1	**5,836**	-	0
Exposures included in Regulatory Retail Portfolio								-	-	0
Exposures included in regulatory retail portfolio	75%	1	101,048	61,728	9,259	75%	1	**68,147**	**42,035**	6,305
Past Due Exposures where specific provisions < 20%	150%	1	1,748	2,229	334	150%	1	**234**	**289**	43
Past Due Exposures where specific provisions ≥ 20%	100%	1	3,586	3,307	496	100%	1	**1,672**	**994**	149
Exposures Secured by Residential Mortgages								-	-	0
Residential Mortgages Loans	100%	1	2,166	-1,540	-231	100%	1	**1,143**	**544**	82
Commercial Mortgages Loans								**27,038**	**7,566**	1,135
Exposures Secured by Commercial Mortgages								-	-	0
Commercial Mortgages Loans	100%	1	30,035	456	68	100%	1	-	-	0
Past Due Exposures where specific provisions < 20%	150%	1	381	-103	-15	150%	1	-	-	0
Other Balance Sheet Exposures								-	-	0
Cash in hand and equivalent cash items	0%	1	81,819	0	0	0%	1	**102,899**	-	0
Cheque & Cash items in the course of collection	20%	1	-736	-147	-22	20%	1	**3,006**	**601**	90
Property, plant and equipment and other fixed assets	100%	1	63,676	63,676	9,551	100%	1	**50,218**	**50,218**	7,533
Equity Investment	100%	1	47,179	47,179	7,077	100%	1	**25,760**	**25,760**	3,864
Any Other Assets 4	100%	1	194,155	194,155	29,123	100%	1	**127,118**	**127,118**	19,068
Sub-Total RWA for Credit Risk			**1,904,366**	**639,605**				**1,620,147**	**621,691**	
CR for Credit Risk @ 15% RWA					**95,941**					**93,254**
OFF BALANCE SHEET										
Soverign or Central Banks		**1**	**1,500**	**0**	-		**1**	**1,550.1**	-	-
Public Sector Entities		**1**	**-94**	**0**	-		**1**	- **600.0**	-	-
MDBs		**1**	**0**	**0**	-		**1**	-	-	-
Supervised Institutions (DMBs, Discount Houses, etc)		**1**	**0**	**0**	-		**1**	-	-	-
Corporates		**1**	**77,895**	**0**	-		**1**	**16,799.5**	-	-
Retail Portfolios		**1**	**-2,003**	**0**	-		**1**	**560.0**		
Other Assets	**100%**	**1**	**27,469**	**27,469**	**4,120.4**	**100%**	**1**	**20,272.2**	**20,272.2**	**3,040.8**
Supervised Institutions (DMBs, Discount Houses, etc)		**0.5**	**0**	**0**	-		**0.5**	-		
Corporates		**0.5**	**74,014**	**0**	-		**0.5**	-		
Retail Portfolios		**0.5**	**-40**	**0**	-		**0.5**	-	-	-
Sub-Total RWA for Credit Risk (Off Bal.)			**178,742**	**27,469**					**20,272**	
CR for Credit Risk @ 15% RWA					**4,120.4**					**3,040.8**
Total RWA for Credit Risk (On & Off Bal.)				**667,074**					**641,963.3**	
TOTAL CAPITAL REQUIREMENT FOR CREDIT RISK					**100,061.2**					**96,294.5**

APPENDIX B

APPENDIX B										
CAPITAL REQUIREMENT CHARGE	DECEMBER 31, 2013					DECEMBER 31, 2012				
PILLAR 1 CREDIT RISK BREAKDOWN UNDER STANDARDISED APPROACH BY EXPOSURE CLASSES	AVERAGE RISK WEIGHT %	CF	EXPOSURE (MM)	RWA (MM)	CAPITAL REQ. (MM)	AVERAGE RISK WEIGHT %	CF	EXPOSURE (MM)	RWA (MM)	CAPITAL REQ. (MM)
APPENDIX B:										
PILLAR 1 MARKET RISK										
Foreign Exchange Risk	100	12.5	8,169	102,114	15,317	100	12.5	8,983	112,287.2	16,843
Interest Rate Risk General (FGN - TB & Bonds)	0.33	12.5	453	5,662	849	0.33	12.5	450	5,625	844
Interest Rate Risk Specific (FGN - TB & Bonds)	0	12.5	338	4,220	633	0	12.5	408	5,099	765
Interest Rate Risk Specific (Agency Bonds)	100	12.5	0	0	-	100	12.5	-	-	-
Earning At Risk (Banking Book)	100	12.5	0	0	-	100	12.5	-	-	-
Total RWA for Market Risk				111,996					123,012	
Capital Requirement for Market Risk (@ 15% of RWAs)					16,799					18,452
PILLAR 1 OPERATIONAL RISK										
BUSINESS LINES	BETA FACTOR %	3-YR GI (MM)	Average GI (MM)	RWA (MM)	CAPITAL REQ. (MM)	BETA FACTOR %	3-YR GI (MM)	Average GI (MM)	RWA (MM)	CAPITAL REQ. (MM)
Retail Banking	15	598,526	199,509	374,079	56,112	15	516,428	172,143	322,768	48,415
Commercial Banking	15	0	0	0	-	15	0	-	-	-
Settlement	18	0	0	0	-	18	0	-	-	-
Treasury	18	0	0	0	-	18	0	-	-	-
Corporate Finance	18	0	0	0	-	18	0	-	-	-
Total RWA for Operational Risk				374,079					322,768	
Capital Requirement for Operational Risk					56,112					48,415
Total Risk Weighted Assets				1,153,149					1,087,742	
Total Pillar 1 Capital Resources Requirement (CRR)					172,972					163,161
Actual Qualifying Capital					290,424					275,151
Headroom Against Capital Requirement					117,452					111,990
% Capital Headroom (Headroom Against Capital to Capital Resources Req.)					67.9					68.6
Capital Adequacy Headroom Fall Trigger Limit (15% of Capital Resource Req.)					25,946					24,474
Capital Adequacy Ratio (Capital to RWAs)					25.2					25.3

APPENDIX C

APPENDIX C		
Regulatory Capital	**DEC. 2013**	**DEC. 2012**
	N'mn	**N'mn**
Share Capital	14,716	14,716
Share Premium	123,471	123,471
Statutory Reserves	112,357	86,694
SME Reserve	4,232	4,232
General Reserve	8,143	6,544
Profit & Loss	46,936	52,327
Total Tier I Capital	**309,856**	**287,984**
Other intangible assets	-2,257	-1,540
Other Comprehensive Income (OCI)	2,891	170
Unconsolidated Subsidiaries	-20,065	-11,463
Total Tier II Capital	**-19,431**	**-12,833**
Total Qualifying Capital	**290,424**	**275,151**

APPENDIX D

APPENDIX D					
Dec-13					
	Gross amount	**Specific impairment**	**Portfolio Impairment**	**Total Impairment**	**Net Amount**
	₦'000	₦'000	₦'000	₦'000	₦'000
Loans to Banks	16,987	-	(11)	(11)	16,976
Loans to Individuals	55,409,550	(180,579)	(880,293)	(1,060,872)	54,348,678
Loans to Non-individuals	891,557,092	(12,947,786)	(5,990,891)	(18,938,677)	872,618,415
Total	**946,983,629**	**(13,128,365)**	**(6,871,195)**	**(19,999,560)**	**926,984,069**
Dec-12	**Gross amount**	**Specific impairment**	**Portfolio Impairment**	**Total Impairment**	**Net Amount**
	₦'000	₦'000	₦'000	₦'000	₦'000
Loans to Banks	178,226	(3)	(238)	(241)	177,985
Loans to Individuals	41,102,736	(594,416)	(128,533)	(722,949)	40,379,787
Loans to Non-individuals	718,154,307	(12,976,805)	(3,120,345)	(16,097,150)	702,057,157
Total	**759,435,269**	**(13,571,224)**	**(3,249,116)**	**(16,820,340)**	**742,614,929**

APPENDIX E

APPENDIX E		
Loans and advances to customers		
	Parent	**Parent**
	Dec-2013	**Dec-2012**
	₦'000	₦'000
Loans to individuals:		
Loans	51,499,866	38,362,957
Overdrafts	3,909,684	2,739,779
Others	-	-
Gross loans	**55,409,550**	**41,102,736**
Specific impairment	(180,579)	(594,416)
Collective impairment	(880,293)	(128,533)
Total impairment	(1,060,872)	(722,949)
Carrying amount	**54,348,678**	**40,379,787**
Loans to Non-individuals:		
Loans	663,015,976	515,449,218
Overdrafts	100,729,164	106,519,148
Others	127,811,952	96,185,941
Gross loans	**891,557,092**	**718,154,307**
Specific impairment	(12,947,786)	(12,976,805)
Collective impairment	(5,990,891)	(3,120,345)
Total impairment	(18,938,677)	(16,097,150)
Carrying amount	**872,618,415**	**702,057,157**
Total carrying amount (individual and non individual)	**926,967,093**	**742,436,944**

APPENDIX F

APPENDIX F		
	Parent	**Parent**
	Dec-2013	**Dec-2012**
	₦'000	₦'000
Contingent liabilities:		
Acceptances and guaranteed commercial papers	-	-
Transaction related bonds and guarantees	431,691,415	355,132,185
Agency Transactions		
	431,691,415	**355,132,185**
Commitments:		
Short term foreign currency related transactions	27,469,212	21,056,857
Clean line facilities and letters of credit	77,388,975	54,726,233
Other commitments	-	-
	104,858,187	**75,783,090**
Total	**536,549,602**	**430,915,275**

APPENDIX G1

APPENDIX G1				
Dec-2013				
Classification	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Total**
	₦'000	₦'000	₦'000	₦'000
Loans to individuals:				
Overdraft	3,330,937	-	-	3,330,937
Loans	51,017,741	-	-	51,017,741
Others[1]	-	-	-	-
	54,348,678	**-**	**-**	**54,348,678**
Loans to non-individuals:				
Overdraft	94,261,465	-	-	94,261,465
Loans	650,729,873	-	-	650,729,873
Others[1]	127,627,077	-	-	127,627,077
	872,618,415	**-**	**-**	**872,618,415**

[1] Others include CBN Commercial Agric Credit Scheme (CACS) loans, Bank of Industry (BOI) and Usance

APPENDIX G2

APPENDIX G2				
Dec-2012				
Classification	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Total**
Loans to individuals:	₦'000	₦'000	₦'000	₦'000
Overdraft	2,736,101	-	-	2,736,101
Loans	37,643,686	-	-	37,643,686
Others[1]	-	-	-	-
	40,379,787	-	-	40,379,787
Loans to non-individuals:				
Overdraft	106,024,097	-	-	106,024,097
Loans	500,319,477	-	-	500,319,477
Others[1]	95,713,583	-	-	95,713,583
	702,057,157	-	-	702,057,157

[1] Others include CBN Commercial Agric Credit Scheme (CACS) loans, Bank of Industry (BOI) and Usance

APPENDIX G3

APPENDIX G3				
Dec-2013				
	Nigeria	**Rest of Africa**	**Outside Africa**	**Total**
	₦'000	₦'000	₦'000	₦'000
Financial guarantees	431,691,415	-	-	431,691,415
Other contingents	104,858,187	-	-	104,858,187
	536,549,602	**-**	**-**	**536,549,602**
APPENDIX G4				
Dec-2012				
	Nigeria	**Rest of Africa**	**Outside Africa**	**Total**
	₦'000	₦'000	₦'000	₦'000
Financial guarantees	355,132,185	-	-	355,132,185
Other contingents	75,783,090	-	-	75,783,090
	430,915,275	**-**	**-**	**430,915,275**

[1] Others include CBN Commercial Agric Credit Scheme (CACS) loans, Bank of Industry (BOI) and Usance

APPENDIX H1

Credit Risk Exposure to on-balance sheet items

Parent

Dec-2013

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Loans and advances to banks	-	16,976	-	-	-	-	-	-	-	-	-	16,976
Loans and advances to customers:												
- Loans to individuals	-	-	-	-	-	-	-	-	-	54,348,678	-	54,348,678
- Loans to non-individuals	4,005,807	4,874,808	57,883,528	10,014,749	56,510,394	85,410,940	165,291,557	288,736,138	141,852,816	-	58,037,678	872,618,415

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Loans to individuals:												
Overdraft	-	-	-	-	-	-	-	-	-	3,330,937	-	3,330,937
Loans	-	-	-	-	-	-	-	-	-	51,017,741	-	51,017,741
Others	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	54,348,678	-	54,348,678
Loans to non-individuals:												
Overdraft	486,599	2,647,832	9,003,694	1,089,043	19,501,338	283,476	19,066,050	19,654,679	13,971,284	-	8,557,470	94,261,465
Loans	1,038,971	2,226,976	45,800,567	8,925,706	19,065,175	84,375,028	67,804,845	246,539,977	125,510,774	-	49,441,854	650,729,873
Others	2,480,237	-	3,079,267	-	17,943,881	752,436	78,420,662	22,541,482	2,370,758	-	38,354	127,627,077
	4,005,807	4,874,808	57,883,528	10,014,749	56,510,394	85,410,940	165,291,557	288,736,138	141,852,816	-	58,037,678	872,618,415

Credit Risk Exposure to off-balance sheet items

Parent

Dec-2013

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Financial guarantees	-	4,118,412	301,772,767	200,000	19,490,645	2,505,835	4,718,291	63,710,143	7,448,136	726,769	27,000,417	431,691,415
Other contingents	-	27,469,212	2,185,818	-	5,666,139	-	52,929,389	16,027,657	229,143	-	350,829	104,858,187
Total	**-**	**31,587,624**	**303,958,585**	**200,000**	**25,156,784**	**2,505,835**	**57,647,680**	**79,737,800**	**7,677,279**	**726,769**	**27,351,246**	**536,549,602**

APPENDIX H2

Credit Risk Exposure to on-balance sheet items

Parent

Dec-2012

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Loans and advances to banks	-	177,985	-	-	-	-	-	-	-	-	-	177,985
Loans and advances to customers:												
- Loans to individuals	-	-	-	-	-	-	-	-	-	40,379,787	-	40,379,787
- Loans to non-individuals	3,174,991	7,677,609	48,722,125	6,818,199	66,155,816	67,064,066	169,177,489	164,358,257	107,489,633	-	61,418,972	702,057,157

Loans and advances to customers is analysed below:

Parent

Dec-2012

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Loans and advances to customers:												
Loans to individuals:												
Overdraft	-	-	-	-	-	-	-	-	-	2,736,101	-	2,736,101
Loans	-	-	-	-	-	-	-	-	-	37,643,686	-	37,643,686
Others	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	40,379,787	-	40,379,787
Loans to non-individuals:												
Overdraft	711,301	3,569,981	7,316,514	412,918	29,391,646	421,188	25,242,601	16,267,347	12,442,610	-	10,247,991	106,024,097
Loans	1,271,073	4,107,628	41,405,611	6,405,281	19,851,316	65,689,761	85,020,435	134,907,640	94,421,905	-	47,238,827	500,319,477
Others	1,192,617	-	-	-	16,912,854	953,117	58,914,453	13,183,270	625,118	-	3,932,154	95,713,583
	3,174,991	7,677,609	48,722,125	6,818,199	66,155,816	67,064,066	169,177,489	164,358,257	107,489,633	-	61,418,972	702,057,157

Credit Risk Exposure to off-balance sheet items

Parent

Dec-2012

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Financial guarantees	148,230	2,571,802	228,159,406	403,666	30,342,248	8,534,342	2,116,662	21,050,612	5,742,892	-	56,062,325	355,132,185
Other contingents	-	21,056,857	894,278	-	6,342,141	-	38,218,544	8,528,520	639,970	-	102,780	75,783,090
Total	**148,230**	**23,628,659**	**229,053,684**	**403,666**	**36,684,389**	**8,534,342**	**40,335,206**	**29,579,132**	**6,382,862**	**-**	**56,165,105**	**430,915,275**

APPENDIX I

Parent

In thousands of Nigerian naira

	Dec-2013 Loans to Individual	Loans to non-Individual	Loans to Banks	Total	Dec-2012 Loans to non-Individual	Loans to non-Individual	Loans to Banks	Total
Neither past due nor impaired	40,120,965	763,276,596	14,917	803,412,478	19,922,981	491,296,008	36,395	511,255,384
Past due but not impaired	135,554	2,694,946	-	2,830,500	18,670	2,893,938	-	2,912,608
Individually impaired	516,579	24,359,475	-	24,876,054	759,351	20,705,518	3	21,464,872
Collectively Impaired	14,636,452	101,226,075	2,070	115,864,597	20,401,734	203,258,843	141,828	223,802,405
Gross	**55,409,550**	**891,557,092**	**16,987**	**946,983,629**	**41,102,736**	**718,154,307**	**178,226**	**759,435,269**
Less allowances for impairment:								
Individually impaired	180,579	12,947,786	-	13,128,365	594,416	12,976,805	3	13,571,224
Portfolio allowance	880,293	5,990,891	11	6,871,195	128,533	3,120,345	238	3,249,116
Total allowance	**1,060,872**	**18,938,677**	**11**	**19,999,560**	**722,949**	**16,097,150**	**241**	**16,820,340**
Net Loans and Advances	**54,348,678**	**872,618,415**	**16,976**	**926,984,069**	**40,379,787**	**702,057,157**	**177,985**	**742,614,929**

Parent

In thousands of Nigerian naira

	Dec-2013 Loans to Individual	Loans to non-Individual	Loans to Banks	Total	Dec-2012 Loans to non-Individual	Loans to non-Individual	Loans to Banks	Total
Loans	39,131,728	583,408,503	10,006	622,550,237	19,276,980	356,772,134	-	376,049,114
Overdrafts	989,237	59,611,935	4,911	60,606,083	646,001	58,011,713	36,395	58,694,109
Others[1]	-	120,256,158	-	120,256,158	-	76,512,161	-	76,512,161
Neither past due nor impaired	40,120,965	763,276,596	14,917	803,412,478	19,922,981	491,296,008	36,395	511,255,384
Loans	25,679	168,853	-	194,532	14,295	1,888,306	-	1,902,601
Overdrafts	109,875	663,524	-	773,399	4,375	989,691	-	994,066
Others[1]	-	1,862,569	-	1,862,569	-	15,941	-	15,941
Past due but not impaired	135,554	2,694,946	-	2,830,500	18,670	2,893,938	-	2,912,608
Loans	355,000	16,443,690	-	16,798,690	759,351	20,705,518	3	21,464,872
Overdrafts	161,579	6,928,263	-	7,089,842	-	-	-	-
Others[1]	-	987,522	-	987,522	-	-	-	-
Individually impaired	516,579	24,359,475	-	24,876,054	759,351	20,705,518	3	21,464,872
Loans	11,987,459	62,994,930	-	74,982,389	18,312,331	136,083,260	116,771	154,512,362
Overdrafts	2,648,993	33,525,442	2,070	36,176,505	2,089,403	47,517,744	25,057	49,632,204
Others[1]	-	4,705,703	-	4,705,703	-	19,657,839	-	19,657,839
Collectively Impaired	14,636,452	101,226,075	2,070	115,864,597	20,401,734	203,258,843	141,828	223,802,405

[1] Others include CBN Commercial Agric Credit Scheme (CACS) loans, Bank of Industry (BOI) and Usances.

APPENDIX J

Parent

Dec-2013

In thousands of Nigerian naira

	Loans and advances to customers						Loans and advances		
	Individuals			Non-individuals					
Rating	**Overdraft**	**Loans**	**Others**	**Overdraft**	**Loans**	**Others**	**Overdraft**	**Loans**	**Total**
Exceptional capacity	-	-	-	7,605,496	50,440,480	2,674,815	-	-	60,720,791
Very strong capacity	493,863	34,574,183	-	2,437,721	160,515,819	36,018,511	-	-	234,040,097
Strong repayment capacity	495,374	4,557,545	-	49,568,718	372,452,204	81,562,832	4,911	10,006	508,651,590
Total	**989,237**	**39,131,728**	-	**59,611,935**	**583,408,503**	**120,256,158**	**4,911**	**10,006**	**803,412,478**

Parent

Dec-2012

In thousands of Nigerian naira

	Loans and advances to customers						Loans and advances		
	Individuals			Non-individuals					
Rating	**Overdraft**	**Loans**	**Others**	**Overdraft**	**Loans**	**Others**	**Overdraft**	**Loans**	**Total**
Exceptional capacity	-	-	-	3,089,120	111,198,024	-	-	-	114,287,144
Very strong capacity	26,930	134,214	-	20,108,792	83,205,486	48,379,464	-	-	151,854,886
Strong repayment capacity	619,071	19,142,766	-	34,813,801	162,368,624	28,132,697	36,395	-	245,113,354
Total	**646,001**	**19,276,980**	-	**58,011,713**	**356,772,134**	**76,512,161**	**36,395**	-	**511,255,384**

APPENDIX K1

Parent
Dec-2013
In thousands of Nigerian naira

Age	Loans to Individual	Loans to Non-individual	Total
0 - 90 days	135,554	2,694,946	2,830,500
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	135,554	**2,694,946**	**2,830,500**
FV of collateral	136,875	4,313,485	4,450,360
Amount of undercollateralisation	-	-	-

Maturity of past due but not impaired loans by type of loan is further analysed below:

Parent
Dec-2013
In thousands of Nigerian naira

Age	Loans to Individual	Loans to Non-individual	Total
Loans			
0 - 90 days	25,679	168,853	194,532
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	25,679	168,853	194,532
Overdrafts			
0 - 90 days	109,875	663,524	773,399
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	109,875	663,524	773,399
Others			
0 - 90 days	-	1,862,569	1,862,569
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	1,862,569	1,862,569
FV of collateral[1]			
Loans	27,000	634,485	661,485
Overdrafts	109,875	1,679,000	1,788,875
Others	-	2,000,000	2,000,000
	136,875	4,313,485	4,450,360
Amount of undercollateralisation:			
Loans	-	-	-
Overdrafts	-	-	-
Others	-	-	-

APPENDIX K2

Parent
Dec-2012
In thousands of Nigerian naira

Age	Loans to Individual	Loans to Non-individual	Total
0 - 90 days	18,670	2,893,938	2,912,608
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	18,670	**2,893,938**	**2,912,608**
FV of collateral	22,000	11,528,712	11,550,712
Amount of undercollateralisation	-	-	-

Maturity of past due but not impaired loans by type of loan is further analysed below:

Parent
Dec-2012
In thousands of Nigerian naira

Age	Loans to Individual	Loans to Non-individual	Total
Loans			
0 - 90 days	14,295	1,888,306	1,902,601
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	14,295	1,888,306	1,902,601
Overdrafts			
0 - 90 days	4,375	989,691	994,066
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	4,375	989,691	994,066
Others			
0 - 90 days	-	15,941	15,941
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	15,941	15,941
FV of collateral[1]			
Loans	17,427	5,982,600	6,000,027
Overdrafts	4,573	4,346,112	4,350,685
Others	-	1,200,000	1,200,000
	22,000	11,528,712	11,550,712
Amount of undercollateralisation:			
Loans	-	-	-
Overdrafts	-	-	-
Others	-	-	-

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