Guaranty Trust Bank plc
RC 152321

# March 2018
## Financial Statements

#EnrichingLives

## Introduction

Guaranty Trust Bank's unaudited Interim Financial Statements complies with the applicable legal requirements of the Nigerian Securities and Exchange Commission regarding interim financial statements. These financial statements contain extract of the unaudited financial statements prepared in accordance with IAS 34 'Interim Financial Reporting' its interpretation issued by the International Accounting Standards and adopted by the Financial Reporting Council of Nigeria. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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# Financial statements

## Statements of financial position

***As at 31 March 2018***

| *In thousands of Nigerian Naira* | **Notes** | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 17 | 674,672,022 | 641,973,784 | 478,156,641 | 455,296,196 |
| Financial assets held for trading | 18 | 31,804,437 | 23,945,661 | 17,603,524 | 16,652,356 |
| Derivative financial assets | 19 | 1,807,377 | 2,839,078 | 1,807,377 | 2,839,078 |
| Investment securities: | | | | | |
| – Fair Value through other comprehensive Income | 20 | 656,921,383 | - | 575,445,039 | - |
| – Available for sale | 20 | - | 517,492,733 | - | 453,089,625 |
| – Held at amortised cost | 20 | 103,841,816 | - | 2,080,474 | - |
| – Held to maturity | 20 | - | 96,466,598 | - | 2,007,253 |
| Assets pledged as collateral | 21 | 57,330,044 | 58,976,175 | 57,330,044 | 58,961,722 |
| Loans and advances to banks | 22 | 43,480 | 750,361 | 43,480 | 43,480 |
| Loans and advances to customers | 23 | 1,354,302,544 | 1,448,533,430 | 1,168,989,924 | 1,265,971,688 |
| Restricted deposits & other assets | 27 | 507,441,002 | 444,946,897 | 480,998,286 | 433,528,669 |
| Investment in subsidiaries | 24 | - | - | 46,207,004 | 46,207,004 |
| Property and equipment | 25 | 102,627,553 | 98,669,998 | 88,294,224 | 84,979,798 |
| Intangible assets | 26 | 14,457,795 | 14,834,954 | 4,151,775 | 4,501,296 |
| Deferred tax assets | | 1,554,396 | 1,666,990 | - | - |
| | | 3,506,803,849 | 3,351,096,659 | 2,921,107,792 | 2,824,078,165 |
| Assets classified as held for sale | 27(b) | - | - | 850,820 | 850,820 |
| **Total assets** | | **3,506,803,849** | **3,351,096,659** | **2,921,958,612** | **2,824,928,985** |
| **Liabilities** | | | | | |
| Deposits from banks | 28 | 99,049,721 | 85,430,514 | 34,113 | 42,360 |
| Deposits from customers | 29 | 2,213,750,036 | 2,062,047,633 | 1,815,464,816 | 1,697,560,947 |
| Financial liabilities held for trading | 30 | 4,350,437 | 2,647,469 | 4,350,437 | 2,647,469 |
| Derivative financial liabilities | 19 | 1,710,242 | 2,606,586 | 1,710,242 | 2,606,586 |
| Other liabilities | 32 | 287,738,533 | 218,349,244 | 260,967,597 | 197,251,819 |
| Current income tax liabilities | 15 | 29,119,622 | 24,147,356 | 28,535,172 | 24,009,770 |
| Deferred tax liabilities | 27 | 18,729,352 | 18,076,225 | 11,874,439 | 12,814,766 |
| Debt securities issued | 31 | 94,858,372 | 92,131,923 | 94,858,372 | 92,131,923 |
| Other borrowed funds | 34 | 222,375,029 | 220,491,914 | 212,722,528 | 210,671,384 |
| | | **2,971,681,344** | **2,725,928,864** | **2,430,517,716** | **2,239,737,024** |
| Liabilities included in assets classified as held for sale | 27(b) | - | - | 847,600 | 847,600 |
| **Total liabilities** | | **2,971,681,344** | **2,725,928,864** | **2,431,365,316** | **2,240,584,624** |

**Statements of financial position (Continued)**
**As at 31 March 2018**

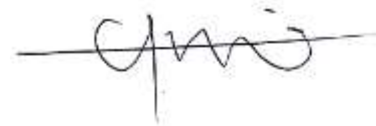
| *In thousands of Nigerian Naira* | ***Notes*** | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| **Capital and reserves attributable to equity holders of the parent entity** | | | | | |
| Share capital | | 14,715,590 | 14,715,590 | 14,715,590 | 14,715,590 |
| Share premium | | 123,471,114 | 123,471,114 | 123,471,114 | 123,471,114 |
| Treasury shares | | (5,291,245) | (5,291,245) | - | - |
| Retained earnings | | 90,622,258 | 128,386,206 | 76,129,027 | 115,361,824 |
| Other components of equity | | 300,330,188 | 352,403,527 | 276,277,565 | 330,795,833 |
| | | **523,847,905** | **613,685,192** | **490,593,296** | **584,344,361** |
| **Non-controlling interests in equity** | | 11,274,600 | 11,482,603 | - | - |
| **Total equity** | | **535,122,505** | **625,167,795** | **490,593,296** | **584,344,361** |
| **Total equity and liabilities** | | **3,506,803,849** | **3,351,096,659** | **2,921,958,612** | **2,824,928,985** |

***Approved by the Board of Directors on 18 Apr 2018:***

Chief Financial Officer

Banji Adeniyi

FRC/2013/ICAN/00000004318



Executive Director

Haruna Musa

FRC/2017/CIBN/00000016515

Group Managing Director

Segun Agbaje

FRC/2013/CIBN/00000001782

*The accompanying notes are an integral part of these financial statements*

## Income statements

***For the period ended 31 March 2018***

| *In thousands of Nigerian Naira* | ***Notes*** | **Group Mar-2018** | Restated[1] **Group Mar-2017** | **Parent Mar-2018** | Restated[1] **Parent Mar-2017** |
|---|---|---|---|---|---|
| Interest income | 4 | 80,772,966 | 84,108,674 | 69,010,918 | 73,950,105 |
| Interest expense | 5 | (21,084,165) | (17,979,526) | (17,378,497) | (14,621,375) |
| **Net interest income** | | **59,688,801** | **66,129,148** | **51,632,421** | **59,328,730** |
| Loan impairment charges | 6 | (1,639,270) | (3,412,378) | (1,190,462) | (3,549,324) |
| **Net interest income after loan impairment charges** | | **58,049,531** | **62,716,770** | **50,441,959** | **55,779,406** |
| Fee and commission income | 7 | 15,224,177 | 13,680,124 | 11,040,690 | 10,379,398 |
| Fee and commission expense | 8 | (736,788) | (585,261) | (450,551) | (366,811) |
| **Net fee and commission income** | | **14,487,389** | **13,094,863** | **10,590,139** | **10,012,587** |
| Net gains on financial instruments held for trading | 9 | 5,153,098 | 4,413,134 | 3,207,282 | 2,898,361 |
| Other income | 10 | 7,820,030 | 1,928,447 | 7,342,485 | 2,008,289 |
| Personnel expenses | 11 | (9,478,301) | (8,192,617) | (6,225,354) | (5,621,332) |
| Operating lease expenses | 12 | (620,794) | (456,637) | (147,764) | (156,578) |
| Depreciation and amortization | 13 | (4,246,418) | (4,142,560) | (3,298,289) | (3,387,575) |
| Other operating expenses | 14 | (18,540,241) | (18,969,325) | (15,225,012) | (15,514,245) |
| **Profit before income tax** | | **52,624,294** | **50,392,075** | **46,685,446** | **46,018,913** |
| Income tax expense | 15 | (7,954,277) | (8,914,666) | (6,246,514) | (7,823,215) |
| **Profit for the year** | | **44,670,017** | **41,477,409** | **40,438,932** | **38,195,698** |
| | | | | | |
| **Profit attributable to:** | | | | | |
| Equity holders of the parent entity | | 44,381,345 | 41,209,606 | 40,438,932 | 38,195,698 |
| Non-controlling interests | | 288,672 | 267,803 | - | - |
| | | **44,670,017** | **41,477,409** | **40,438,932** | **38,195,698** |
| | | | | | |
| **Earnings per share for the profit from continuing operations attributable to the equity holders of the parent entity during the year (expressed in naira per share):** | | | | | |
| – Basic | 16 | 1.58 | 1.47 | 1.37 | 1.30 |
| – Diluted | 16 | 1.58 | 1.47 | 1.37 | 1.30 |

*The accompanying notes are an integral part of these financial statements*

[1]See Note 39

## Statements of other comprehensive income

***For the period ended 31 March 2018***

| *In thousands of Nigerian Naira* | ***Notes*** | **Group Mar-2018** | **Group Mar-2017** | **Parent Mar-2018** | **Parent Mar-2017** |
|---|---|---|---|---|---|
| **Profit for the period** | | 44,670,017 | 41,477,409 | 40,438,932 | 38,195,698 |
| ***Other comprehensive income:*** | | | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | | | |
| Foreign currency translation differences for foreign operations | | 3,742,774 | (1,164,043) | - | - |
| Income tax relating to foreign currency translation differences for foreign operations | 15 | (1,122,832) | 349,213 | - | - |
| Net change in fair value of financial assets FVOCI | | (3,397,967) | - | (3,392,757) | - |
| Income tax relating to Net change in fair value of financial assets FVOCI | 15 | 941,889 | - | 940,326 | - |
| Net change in fair value of available for sale financial assets | | - | 1,975,946 | - | 552,064 |
| Income tax relating to Net change in fair value of available for sale financial assets | 15 | - | (592,784) | - | (165,619) |
| | | 163,864 | 568,332 | (2,452,431) | 386,445 |
| Other comprehensive income for the period, net of tax | | 163,864 | 568,332 | (2,452,431) | 386,445 |
| **Total comprehensive income for the period** | | **44,833,881** | **42,045,741** | **37,986,501** | **38,582,143** |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the parent entity | | 44,373,843 | 41,024,501 | 37,986,501 | 38,582,143 |
| Non-controlling interests | | 460,038 | 1,021,240 | - | - |
| **Total comprehensive income for the period** | | **44,833,881** | **42,045,741** | **37,986,501** | **38,582,143** |

*The accompanying notes are an integral part of these financial statements*

## Consolidated Statement of Changes in Equity
## March 2018
## Group

| *In thousands of Nigerian Naira* | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Treasury shares | Fair value reserve | Foreign currency translation reserve | Retained earnings | Total equity attributable to parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **14,715,590** | **123,471,114** | **71,218,191** | **265,444,886** | **(5,291,245)** | **5,234,178** | **10,506,272** | **128,386,206** | **613,685,192** | **11,482,603** | **625,167,795** |
| Changes on initial application of IFRS 9 (Note 38) | - | - | - | - | - | - | - | (82,145,293) | (82,145,293) | (668,041) | (82,813,334) |
| Changes on initial application of IFRS 9 (Note 38) | - | - | (52,324,173) | - | - | 258,336 | - | - | (52,065,837) | - | (52,065,837) |
| **Restated balance as at 1 January 2018** | **14,715,590** | **123,471,114** | **18,894,018** | **265,444,886** | **(5,291,245)** | **5,492,514** | **10,506,272** | **46,240,913** | **479,474,062** | **10,814,562** | **490,288,624** |
| **Total comprehensive income for the period:** | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 44,381,345 | 44,381,345 | 288,672 | 44,670,017 |
| **Other comprehensive income, net of tax** | | | | | | | | | | | |
| Foreign currency translation difference | - | - | - | - | - | - | 2,455,157 | - | 2,455,157 | 164,785 | 2,619,942 |
| Remeasurements of post-employment benefit obligations (net of tax) | - | - | - | - | - | - | - | - | - | - | - |
| Fair value adjustment | - | - | - | - | - | (2,462,659) | - | - | (2,462,659) | 6,581 | (2,456,078) |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **(2,462,659)** | **2,455,157** | **-** | **(7,502)** | **171,366** | **163,864** |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **(2,462,659)** | **2,455,157** | **44,381,345** | **44,373,843** | **460,038** | **44,833,881** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | | | | | |
| Transfers for the period | - | - | - | - | - | - | - | - | - | - | - |
| Inflow from NCI on acquisition of subsidiary | - | - | - | - | - | - | - | - | - | - | - |
| Dividend to equity holders | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - |
| **Balance at 31 March 2018** | **14,715,590** | **123,471,114** | **18,894,018** | **265,444,886** | **(5,291,245)** | **3,029,855** | **12,961,429** | **90,622,258** | **523,847,905** | **11,274,600** | **535,122,505** |

## Consolidated Statement of Changes in Equity
## Mar-2017
## Group

| *In thousands of Nigerian Naira* | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Treasury shares | Fair value reserve | Foreign currency translation reserve | Retained earnings | Total equity attributable to parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total comprehensive income for the year:** | **14,715,590** | **123,471,114** | **55,734,605** | **209,185,386** | **(5,291,245)** | **(663,687)** | **8,634,790** | **90,273,587** | **496,060,140** | **8,842,695** | **504,902,835** |
| **Total comprehensive income for the year:** | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 41,209,606 | 41,209,606 | 267,803 | 41,477,409 |
| **Other comprehensive income, net of tax** | | | | | | | | | | | |
| Foreign currency translation difference | - | - | - | - | - | - | (690,229) | - | (690,229) | (124,601) | (814,830) |
| Remeasurements of post-employment benefit obligations (net of tax) | - | - | - | - | - | - | - | - | - | - | - |
| Fair value adjustment | - | - | - | - | - | 505,124 | - | - | 505,124 | 878,038 | 1,383,162 |
| **Total other comprehensive income** | - | - | - | - | - | **505,124** | **(690,229)** | - | **(185,105)** | **753,437** | **568,332** |
| **Total comprehensive income** | - | - | - | - | - | **505,124** | **(690,229)** | **41,209,606** | **41,024,501** | **1,021,240** | **42,045,741** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | | | | | |
| Transfers for the period | - | - | - | 11,668,755 | - | - | - | (11,668,755) | - | - | - |
| Inflow from non-controlling interest | - | - | - | - | - | - | - | - | - | - | - |
| (Acquisition)/disposal of own shares | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | (29,216) | (29,216) |
| | **-** | **-** | **-** | **11,668,755** | **-** | **-** | **-** | **(11,668,755)** | **-** | **(29,216)** | **(29,216)** |
| **Balance at 31 March 2017** | **14,715,590** | **123,471,114** | **55,734,605** | **220,854,141** | **(5,291,245)** | **(158,563)** | **7,944,561** | **119,814,438** | **537,084,641** | **9,834,719** | **546,919,360** |

# Statement of Changes in Equity
## March 2018
## Parent

| *In thousands of Nigerian Naira* | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves[1] | Fair value reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **14,715,590** | **123,471,114** | **67,762,679** | **258,145,396** | **4,887,758** | **115,361,824** | **584,344,361** |
| Changes on initial application of IFRS 9 (Note 38) | - | - | - | - | - | (79,671,729) | (79,671,729) |
| Changes on initial application of IFRS 9 (Note 38) | - | - | (52,324,173) | - | 258,336 | - | (52,065,837) |
| **Restated balance as at 1 January 2018** | **14,715,590** | **123,471,114** | **15,438,506** | **258,145,396** | **5,146,094** | **35,690,095** | **452,606,795** |
| **Total comprehensive income for the period:** | | | | | | | |
| Profit for the period | - | - | - | - | - | 40,438,932 | 40,438,932 |
| **Other comprehensive income, net of tax** | | | | | | | |
| Remeasurements of post-employment benefit obligations (net of tax) | - | - | - | - | - | - | - |
| Fair value adjustment | - | - | - | - | (2,452,431) | - | (2,452,431) |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **(2,452,431)** | **-** | **(2,452,431)** |
| **Total comprehensive income** | - | - | - | - | **(2,452,431)** | **40,438,932** | **37,986,501** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | |
| Transfers for the period | - | - | - | - | - | - | - |
| Dividend to equity holders | - | - | - | - | - | - | - |
| | **-** | **-** | **-** | **-** | - | **-** | **-** |
| **Balance at 31 March 2018** | **14,715,590** | **123,471,114** | **15,438,506** | **258,145,396** | **2,693,663** | **76,129,027** | **490,593,296** |

[1] Please refer to Note 35b(ix) for further breakdown

## Statement of Changes in Equity
## Mar-2017
## Parent

| *In thousands of Nigerian Naira* | Share capital | Share premium | Regulatory risk reserve | Other regulatory reserves | Fair value reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Total comprehensive income for the year:** | **14,715,590** | **123,471,114** | **52,324,178** | **203,418,152** | **(1,000,680)** | **83,989,499** | **476,917,853** |
| **Total comprehensive income for the period:** | | | | | | | |
| Profit for the period | - | - | - | - | - | 38,195,698 | 38,195,698 |
| Other comprehensive income, net of tax | | | | | | | |
| Remeasurements of post-employment benefit obligations (net of tax) | - | - | - | - | - | - | - |
| Fair value adjustment | **-** | **-** | **-** | **-** | 386,445 | **-** | **386,445** |
| **Total other comprehensive income** | - | - | - | - | **386,445** | **-** | **386,445** |
| **Total comprehensive income** | - | - | - | - | **386,445** | **38,195,698** | **38,582,143** |
| **Transactions with equity holders, recorded directly in equity:** | | | | | | | |
| Transfers for the period | - | - | - | 11,458,709 | - | (11,458,709) | - |
| Dividend to equity holders | - | - | - | - | - | - | - |
| | **-** | **-** | **-** | **11,458,709** | - | **(11,458,709)** | **-** |
| **Balance at 31 March 2017** | **14,715,590** | **123,471,114** | **52,324,178** | **214,876,861** | **(614,235)** | **110,726,488** | **515,499,996** |

## Statements of cash flows

***For the period ended 31 March 2018***

| *In thousands of Nigerian Naira* | ***Notes*** | **Group Mar-2018** | **Group Mar-2017** | **Parent Mar-2018** | **Parent Mar-2017** |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit for the year | | 44,670,017 | 41,477,409 | 40,438,932 | 38,195,698 |
| Adjustments for: | | | | | |
| Depreciation of property and equipment | 13, 25 | 3,706,687 | 3,678,898 | 2,861,979 | 3,004,173 |
| Amortisation of Intangibles | | 539,731 | 463,662 | 436,310 | 383,402 |
| Gain on disposal of property and equipment | | (53,355) | 18,504 | (26,253) | 23,441 |
| Impairment on financial assets | | 2,126,756 | 3,813,232 | 1,460,518 | 3,613,189 |
| Net interest income | | (59,688,801) | (66,129,148) | (51,632,421) | (59,328,730) |
| Foreign exchange gains | 10 | (5,463,689) | (430,056) | (5,013,246) | (363,380) |
| Fair value changes for FVTPL | | 17,306 | (33,673) | 17,306 | (28,908) |
| Derivatives fair value changes | | 135,357 | 447,555 | 135,357 | 447,555 |
| Dividend income | | (41,168) | - | (41,168) | (156,220) |
| Income tax expense | 15, 27(b) | 7,954,277 | 8,914,666 | 6,246,514 | 7,823,215 |
| Other non-cash items | | (1,212,714) | (3,894,072) | (1,212,714) | (3,894,072) |
| | | (7,309,596) | (11,673,023) | (6,328,886) | (10,280,637) |
| Net changes in: | | | | | |
| Financial assets held for trading | | (7,761,852) | (7,591,249) | (968,474) | (9,914,505) |
| Assets pledged as collateral | | 1,646,784 | 2,075,200 | 1,631,678 | 2,064,255 |
| Loans and advances to banks and placements with banks | | (52,720,221) | (7,211,768) | (57,391,520) | (7,848,970) |
| Loans and advances to customers | | (32,090,447) | 19,967,582 | (31,120,962) | 21,477,777 |
| Restricted deposits and other assets | | (56,357,551) | (36,385,181) | (42,018,412) | (24,789,778) |
| Deposits from banks | | 7,329,168 | (66,546,950) | (8,247) | 8,011 |
| Deposits from customers | | 135,584,831 | 30,607,250 | 111,425,940 | 20,808,810 |
| Financial liabilities held for trading | | 1,702,968 | 2,154,095 | 1,702,968 | 2,154,095 |
| Other liabilities | | 62,899,532 | 27,740,622 | 57,425,999 | 21,282,657 |
| | | 60,233,212 | (35,190,399) | 40,678,970 | 25,242,352 |
| Interest received | | 85,216,161 | 85,663,367 | 73,454,112 | 75,504,799 |
| Interest paid | | (18,918,286) | (14,699,168) | (15,212,618) | (11,341,015) |
| | | 66,297,875 | 70,964,199 | 58,241,494 | 64,163,784 |
| | | 119,221,491 | 24,100,777 | 92,591,578 | 79,125,499 |
| **Net cash provided by operating activities** | | **116,238,705** | **22,491,407** | **90,870,466** | **79,125,499** |

## Statements of cash flows

***For the period ended 31 March 2018***

| *In thousands of Nigerian Naira* | ***Notes*** | **Group Mar-2018** | **Group Mar-2017** | **Parent Mar-2018** | **Parent Mar-2017** |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Redemption of investment securities | | 108,687,229 | 138,789,560 | 129,052,459 | 135,710,054 |
| Purchase of investment securities | | (254,785,000) | (176,400,000) | (254,785,000) | (176,400,000) |
| Dividends received | | 41,168 | - | 41,168 | 156,220 |
| Purchase of property and equipment | 25 | (7,645,187) | (3,727,523) | (6,176,402) | (2,364,255) |
| Proceeds from the sale of property and equipment | | 281,378 | 325,651 | 26,250 | 356 |
| Purchase of intangible assets | 26 | (106,002) | (105,620) | (86,789) | (40,516) |
| **Net cash provided by/(used in) investing activities** | | (153,526,414) | (41,117,932) | (131,928,314) | (42,938,141) |
| **Cash flows from financing activities** | | | | | |
| Repayment of long term borrowings | | (6,832,160) | (441,996) | (6,369,046) | (2,261,024) |
| Increase in long term borrowings | | 7,000,000 | 11,304,034 | 7,000,000 | 11,304,034 |
| Finance lease repayments | | (266,120) | (347,783) | (266,120) | (347,783) |
| Dividends paid to non-controlling interest | | - | (29,216) | - | - |
| **Net cash used in financing activities** | | (98,280) | 10,498,885 | 364,834 | 8,695,227 |
| **Net increase/(decrease) in cash and cash equivalents** | | (37,385,989) | (8,127,640) | (40,693,014) | 44,882,585 |
| Cash and cash equivalents at beginning of the year | | 609,174,896 | 455,863,305 | 426,425,497 | 233,847,233 |
| Effect of exchange rate fluctuations on cash held | | 16,621,406 | 13,994 | 6,162,447 | 659,478 |
| **Cash and cash equivalents at end of the period** | 17(b) | 588,410,313 | 447,749,659 | 391,894,930 | 279,389,296 |

*The accompanying notes are an integral part of these financial statements*

## 1. Reporting entity

Guaranty Trust Bank Plc ("the Bank" or "the Parent") is a company domiciled in Nigeria. The address of the Bank's registered office is Plot 635, Akin Adesola Street, Victoria Island, Lagos. These separate and consolidated financial statements, for the period ended 31 March 2018, are prepared for the Parent and the Group (Bank and its subsidiaries, separately referred to as "Group entities") respectively. The Parent and the Group are primarily involved in investment, corporate, commercial and retail banking.

## 2. Basis of preparation

The Consolidated and separate financial statements of the parent and the Group have been prepared in accordance with International Financial Reporting Standards as issued by the IASB, the requirements of the Companies and Allied Matters Act and with the Banks and Other Financial Institutions Act.

These financial statements were authorised for issue by the directors on 18 of April 2018.

## 3. (a) Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. All entities within the group apply the same accounting policies.

**(a) Functional and presentation currency**

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

**(b) Basis of measurement**

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

- Derivative financial instruments which are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Available-for-sale financial assets are measured at fair value through equity. However, when the fair value of the Available-for-sale financial assets cannot be measured reliably, they are measured at cost less impairment.
- 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 fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.
- Assets and liabilities held for trading are measured at fair value.
- Assets and Liabilities held to maturity are measured at amortised cost.
- Loans and Receivables are measured at amortised cost.

**(c) Use of Estimates and Judgements**

The preparation of the financial statements in conformity with IFRS requires the directors 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.

**(d) Changes to accounting policies**

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial period.

**Standards and interpretations effective during the reporting period**

Amendments to the following standard(s) became effective in the annual period starting from 1st January, 2018. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

**IFRS 15 - Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferror anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognise revenue, and at what amount:

a) Identify the contract(s) with a customer
b) Identify the performance obligations in the contract
c) Determine the transaction price
d) Allocate the transaction price to the performance obligations in the contract
e) Recognise revenue when (or as) the entity satisfies a performance obligation

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. This standard does not have any significant impact on the Group.

**Amendments to IAS 28 - Investment in Associates and Joint ventures**

The amendments allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity's associate or joint venture to its interests in subsidiaries. Furthermore, the amendments also clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS *3 Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of the unrelated investors' interests in the associate or joint venture.

The IASB published an amendment to IAS 28 on 'Long-term interests in associates and joint ventures' in October 2017 to clarify that an entity should apply IFRS 9 (including its impairment requirements) to long-term interests in an associate or joint venture to which it does not apply the equity method.

This amendment does not impact the Group as it does not have long term interests in associates and joint ventures.

**Amendments to IFRS 1 - First time Adoption of IFRS: Deletion of short- term exemptions for first time adopters**

The IASB deleted short term exemptions granted to first time adopters of IFRS as those reliefs are no longer necessary. This amendment does not have any impact on the Group.

**Amendments to IFRS 2 - Share Based Payment - Classification and measurment of share based payment transactions**

This standard clarifies classification and measurement of share based payment transactions with net settlement features for withholding tax obligations (i.e. equity settled share based payment for employees and cash settled share based payment for withholding taxes). It grants an exemption to alleviate operational issues encountered in dividing the share based payment into cash-settled and equity-settled component. The amendments also clarify modifications to terms and conditions that change classifications from cash-settled to equity-settled as well as application of non-market vesting conditions and market non-vesting conditions. These amendments do not have any material impact on the Group.

**Amendments to IAS 40 – Investment Property – Transfers of Investment Property**

The amendment to IAS 40 clarifies the requirements on transfers to, or from, investment property. Transfer into, or out of investment property should be made only when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. That change in use should be supported by evidence. This amendment does not have any impact on the Group.

**IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

The IFRS Interpretation Committee of the IASB issued IFRIC 22 which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in foreign currency. The committee explained that the date of transaction for the purpose of determining exchange rate to use on initial recognition of related asset, expense or income is the date on which an entity initially recognizes the non-monetary assets or non-monetary liabilities arising from the payment or receipt of advance consideration. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. These amendments do not have any material impact on the Group.

**Amendments to IFRS 4 – Insurance Contract, regarding implementation of IFRS 9**

The IASB issued the amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is called the overlay approach;

- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is called the deferral approach.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. This amendment does not have any impact on the Group as it does not issue any insurance contract within the scope of IFRS 4.

**IFRS 9 - Financial instruments**

IFRS 9 introduces a new approach for classification and measurement of financial instruments, a more forward looking Impairment methodology and a new general hedge accounting requirement.

**Classification and Measurement**

IFRS 9 requires financial assets to be classified into one of three measurement categories: fair value through profit or loss, fair value through other comprehensive income and amortised cost. Financial assets will be measured at amortised cost if they are held within a business model with the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.
The Group has undertaken an assessment to determine the potential impact of changes in classification and measurement of financial assets. Our assessment revealed that the adoption of IFRS 9 is unlikely to result in significant changes to existing asset measurement bases.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

**Impairment Methodology**

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees not measured at fair value through profit or loss. IFRS 9 replaces the existing 'incurred loss' impairment approach with an Expected Credit Loss ('ECL') model, resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

The requirement to recognise lifetime ECL for loans which have experienced a significant increase in credit risk since origination, but which are not credit impaired, does not exist under IAS 39. The

assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, not the change in the amount of expected credit losses. Reasonable and supportable forward looking information will also be used in determining the stage allocation. In general, assets more than 30 days past due, but not credit impaired, will be classed as stage 2.

IFRS 9 requires the use of more forward looking information including reasonable and supportable forecasts of future economic conditions. The Group has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process.

An assessment of the ECL in the Group's balance sheet reflects an increase in the provisions for credit losses. However, this increase will not have a significant impact on regulatory capital and invariably the Capital adequacy due to the Group's strong earnings and retention capacity over the years.

**Hedge Accounting**

The application of the hedge accounting requirements in IFRS 9 is optional and can only be applied when certain eligibility and qualification criteria are met. A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; and
- the hedging relationship meets all of the hedge effectiveness requirements

Hedge accounting allows an entity to reflect its risk management activities in the financial statements by matching gains or losses on hedging instruments (e.g. derivatives) with losses or gains on the risk exposures they hedge (e.g. foreign currency sales). The Group does not have any financial instrument that qualifies for measurement in line with the provisions of IFRS 9.

Further amendments to IFRS 9 (Effective 2019) covers prepayment features with negative compensation and modifications of financial liabilities. The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. The amendment also clarifies that when a financial liability measured at amortised cost is modified without this resulting to a derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

The standard has been adopted in the preparation of this financial statement.

The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates.

Commentaries on these new standards/amendments are provided below.

**Standards and interpretations issued/amended but not yet effective**

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2018:

| Standard | Content | Effective Date |
|---|---|---|
| **IFRS 16** | Leases | 1-Jan-19 |
| **IFRS 17** | Insurance Contracts | 1-Jan-21 |

The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

**IFRS 16 – Leases**
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group is currently evaluating the impact of this new Standard on its Financial Statements.

**IFRS 17 - Insurance Contracts**
IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the Group in anyway as the Bank and its subsidiary companies do not engage in insurance business.

## 3. (b) Other Accounting Policies

Other accounting policies that have been applied are:

### (a) Consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the comparative period.

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has:

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

**Acquisition of subsidiaries**

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 Parent. 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 at the acquisition date components of non-controlling interests in the acquiree at its fair value, or at its proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRS. 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.

#### (ii) Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity is consolidated if the Group is exposed, or has rights to variable returns from its involvement with the Structured Entity and has the ability to affect those returns through its power over the Structured Entity. Power is the current ability to direct the activities that significantly influence returns.

The Group established GTB Finance B.V. Netherlands as a Structured Entity to raise funds from the international financial market. The Bank has, however, substituted the liability and the investment in the Entity is now carried as Held For Sale.

**(iii) Accounting method of consolidation**

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The results of the subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the effective acquisition date and or up to the effective date on which control ceases, as appropriate. The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

**(iv) Transactions eliminated on consolidation**

Intra-group balances, 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 gains arising from transactions with subsidiaries, associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Profits and losses resulting from intra-group transactions are also eliminated.

**(v) Non-controlling interest**

The group applies IFRS 10 Consolidated Financial Statements (2011) in accounting for acquisitions of non-controlling interests. Under this accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

**(b) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

**(ii) Transactions and balances**

Foreign currency transactions, that is transactions denominated, or that require settlement in a foreign currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year end translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments.

All foreign exchange gains and losses recognised in the Income statement are presented net in the Income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in equity.

**(iii) Group Entities**

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

- All resulting exchange differences are recognised in other comprehensive income.

  Exchange differences arising from the above process are reported in shareholders' equity as 'Foreign currency translation reserve'.

  On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

  Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(c) Interest**

Interest income and expense for all interest-earning and interest-bearing financial instruments are recognised in the income statement within "interest income" and "interest expense" 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 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 Income statement 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.

- Interest on financial assets measured at fair value through OCI calculated on an effective interest rate basis.

**(d) Fees and commission**

Fees and Commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities.

Other fees and commissions which relates mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognised as the related services are provided / performed.

**(e) Net trading income**

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

**(f) 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.

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 Income statement.

**(g) Dividend income**

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.

**(h) Leases**

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

**(a) The Group is the lessee**

**(i) Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**(ii) Finance lease**

Leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding balance of the finance lease.

The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**(b) The Group is the lessor**

When assets are leased to a third party under finance lease terms, the present value of the lease income is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

**(l) Income Tax**

**(a) Current income tax**

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and it consists of Company Income Tax, Education tax and NITDEF tax. Company Income tax is assessed at a statutory rate of 30% of total profit or Dividend Paid, whichever is higher. Education tax is computed as 2% of assessable profit while NITDEF tax is a 1% levy on Profit before tax of the Bank.

Current income tax is recognised as an expense for the period except to the extent that current tax is related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, deferred tax is charged or credit to other comprehensive income or to equity (for example, current tax on available-for-sale investment).

Where the Group has tax losses that can be relieved only by carrying it forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

The Group evaluates positions stated in tax returns; ensuring information disclosed are in agreement with the underlying tax liability, which has been adequately provided for in the financial statements.

**(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
However, the deferred income tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

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

**(j) Financial assets and liabilities**

**I. Recognition**

The Group on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

**II. Classification and Measurement**

Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss. Financial assets include both debt and equity instruments.

Financial assets are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL) for trading related assets

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

**Business Model Assessment**

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Bank takes into consideration the following factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets

- how the performance of assets in a portfolio is evaluated and reported to Group heads and other key decision makers within the Bank's business lines;
- the risks that affect the performance of assets held within a business model and how those risks are managed;
- how compensation is determined for the Bank's business lines' management that manages the assets; and
- the frequency and volume of sales in prior periods and expectations about future sales activity.

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

- Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows;
- Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and
- Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

The Group may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

- When the Group sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Group considers sale of financial assets that may occur in BM1 to be infrequent if the sales is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
- Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.
- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.
- Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:

    - Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
    - Selling the financial asset to manage credit concentration risk (infrequent).

- Selling the financial assets as a result of changes in tax laws (infrequent).
- Other situations also depends upon the facts and circumstances which need to be judged by the management

**Cash flow characteristics assessment**

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of long-term fixed rate loans for which it has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**a) Financial assets measured at amortised cost**

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this

category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments
or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Consolidated Statement of Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

**b) Financial assets measured at FVOCI**

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship any changes in fair value due to changes in the hedged risk is recognized in Non-interest income in the Consolidated Statement of Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Consolidated Statement of Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Consolidated Statement of Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Consolidated Statement of Income using the effective interest rate method.

**c) Financial assets measured at FVTPL**

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in the Consolidated Statement of Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Consolidated Statement of Income.

**d) Equity Instruments**

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of Non-interest income in the Consolidated Statement of Income. The Bank can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized/sold are

recorded in OCI and are not subsequently reclassified to the Consolidated Statement of Income. Dividends received are recorded in Interest income in the Consolidated Statement of Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Consolidated Statement of Income on sale of the security.

Financial liabilities are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Profit or Loss (FVTPL)

**e) Financial Liabilities at fair value through profit or loss**

Financial liabilities accounted for at fair value through profit or loss fall into two categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss on inception.

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

Financial Liabilities are designated at FVTPL when either the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required. For liabilities designated at fair value through profit or loss, all changes in fair value are recognized in Non-interest income in the Consolidated Statement of Income, except for changes in fair value arising from changes in the Bank's own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in the Bank's own credit risk, which are recognized in OCI, are not subsequently reclassified to the Consolidated Statement of Income upon derecognition/extinguishment of the liabilities.

**f) Financial Liabilities at amortised cost**

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

### III. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. A change in the Group's business model will occurs only when the Group either begins or ceases to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers, this action will constitute changes in business model and subsequent reclassification of the Loan held from BM1 to BM2 Category
- Disposal of a business line i.e. disposal of a business segment
- Any other reason that might warrant a change in the Group's business model as determined by management based on facts and circumstances

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets.
- A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. For example, if the Group decides to shut down the retail business segment on 31st January 2018, the reclassification date will be 1 April, 2018 (i.e. the first day of the entity's next reporting period), the Group shall not engage in activities consistent with its former business model after 31st January, 2018. Gains, losses or interest previously recognised are not be restated when reclassification occurs.

### IV. Modification of financial assets and liabilities

#### a. Financial assets

When the contractual terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortized cost'.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount

arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria.

**Quantitative criteria**

**A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:**

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the bank shall also consider qualitative factors as detailed below.

**Qualitative criteria**

**Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:**

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term
- Conversion of a loan from one currency to another currency

**Other factor to be considered:**

- Extension of maturity dates

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see above) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

**b. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

**De-recognition of financial instruments**

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

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

## V. Impairment of Financial Assets

In line with IFRS 9, the Group assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTL are not subjected to impairment under the standard.

**Expected Credit Loss Impairment Model**

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The

expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Group adopts a three-stage approach for impairment assesment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit risk) include: Risk free and gilt edged debt investment securities that are determined to have low credit risk at the reporting date; and Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

**Measurement of Expected expected credit losses**

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
  - 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

**Forward-looking information**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

**Macroeconomic factors**

The Group relies on a broad range of forward looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

**Multiple forward-looking scenarios**

The Group determines allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Group prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

The Group estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Normal, Upturn and Downturn, which in turn is used in the estimation of the multiple scenario ECLs. The ' normal case' represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an

analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

**Assessment of significant increase in credit risk (SICR)**

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Group adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc.

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 and stage 3 respectively except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

**Definition of Default and Credit Impaired Financial Assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired except for certain specialized loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Nigeria) in which the bank has rebutted the 90 DPD presumptions in line with the CBN Prudential Guidelines.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

**Presentation of allowance for ECL in the statement of financial position**
Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

**VI. Write-off**

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialed by the approving authority.

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

### VII. Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host—with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a *financial instrument* but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument. Where a hybrid contains a host that is a financial asset in the scope of IFRS 9, the entire hybrid contract, including the embedded features, is measured at FVTPL.

### VIII. Offsetting financial instruments

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

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.

### IX. Hedge Accounting

The application of the hedge accounting requirements in IFRS 9 is optional and can only be applied when certain eligibility and qualification criteria are met. A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;

- at inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; and
- the hedging relationship meets all of the hedge effectiveness requirements

Hedge accounting allows an entity to reflect its risk management activities in the financial statements by matching gains or losses on hedging instruments (e.g. derivatives) with losses or gains on the risk exposures they hedge (e.g. foreign currency sales).

**(k) 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 amortised cost, fair value through profit or loss or fair value through other comprehensive income. See description in accounting policy Note J (ii) above.

**(l) Derivatives held for risk management purposes**

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset where there is a legal right of offset of the recognised amounts and the parties intend to settle the cash flows on a net basis, or realise the asset and settle the liability simultaneously.

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.

**(m) Repossessed Collateral**

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

**(n) Investment in subsidiaries**

Investments in subsidiaries are reported at cost less any impairment (if any) in the separate financial statement of the Bank.

A subsidiary not consolidated but is classified as 'held for sale' if it is available for immediate sale in its present condition and its sale is highly probable. A sale is 'highly probable' where: there is evidence of management commitment; there is an active programme to locate a buyer and complete the plan; the asset is actively marketed for sale at a reasonable price compared to its fair value; the sale is expected to be completed within 12 months of the date of classification; and actions required to complete the plan indicate that it is unlikely that there will be significant changes to the plan or that it will be withdrawn.

**(o) Property and equipment**

**(i) Recognition and measurement**

The bank recognizes items of property, plant and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment as well as the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of using the item during a particular period.

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 assets' carrying values and useful lives are reviewed, and written down if appropriate, at each reporting date. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note (p) on impairment of non-financial assets.

**(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 the income statement as incurred.

**(iii) Depreciation**

Depreciation is recognised in the income statement 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.

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

| Item of Property, Plant and Equipment | Estimated Useful Life |
|---|---|
| **Leasehold improvements and buildings:** | |
| Leasehold improvements | Over the shorter of the useful life of the item or lease term |
| Buildings | 50 years |
| **Leasehold Land** | Over the remaining life of the lease |
| **Furniture and equipment:** | |
| Furniture and fittings | 5years |
| Machine and equipment | 5years |
| Computer hardware | 3years |
| **Motor vehicles** | 4years |
| **Aircraft** | 10years |

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.

Cost of leasehold land is amortised over the remaining life of the lease as stated in the certificate of occupancy issued by Government.

**(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 the income statement in the year the asset is derecognised.

**(p) Intangible assets**

**(i) Goodwill**

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 acquired subsidiaries at the date of acquisition. When the excess is negative, it is recognised immediately in profit or loss; Goodwill on acquisition of subsidiaries is included in intangible assets.

***Subsequent measurement***

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(ii) Software**

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. Development costs previously expensed cannot be capitalised. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, 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 since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is five years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**q) Impairment of Non financial assets**

The carrying amounts of the Group's non-financial assets, inclusive of 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.

An impairment loss is recognised in the income statement 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 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 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.

**(r) Deposits, 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.

**(s) Provisions**

A provision is recognized 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. The Group recognizes no provision for future operating losses.
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.

**(t) Financial guarantees and loan commitments**

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, principally consisting of letters of credit are included within other liabilities.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Group recognises a provision in accordance with IAS 37 if the contract was considered to be onerous. =

**(u) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The rate of contribution by the Bank and its employee is 10% and 8% respectively of basic salary, housing and transport allowance. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered Pension Fund Administrators (PFA) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the Statements of Comprehensive Income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(ii) Defined benefit plans**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the Statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the Statements of financial position less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. In determining the appropriate discount rate, the Group considers the market yields on Government Bonds of medium duration as compiled by the Debt Management Organisation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions in excess of the plan assets or of the defined benefit obligation are charged or credited to Other Comprehensive Income in the financial year in which they arise. Past-service costs are recognised immediately in the Income statement.

**(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**

Guaranty Trust Bank operates a cash settled share based compensation scheme managed by a Special Purpose Vehicle (SPV) - Guaranty Trust Bank Staff Investment Trust. The scheme was introduced as a compensation plan for the bank's management personnel to enhance employee retention, by offering the shares acquired by the SPV by way of Share Appreciation Rights (SARs) and Stock Options (hybrid plan) to qualifying members of staff at prevailing net book value.
Acquisition of the bank's shares by the SPV was by means of an overdraft facility extended to the scheme. The hybrid nature (i.e. mix of SARs and Stock Options) entitles the scheme to cash dividend which it uses to defray its obligations on the facility, make dividend payments to members that furnished consideration and extinguish its liability to exiting members. Employees exiting the scheme are granted the right to redeem their holdings for cash at the prevailing market price on fulfilment of specified vesting conditions.

At each reporting period, 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. Any change in the fair value of the liability is recognized as personnel expense in the bank's income statement.

**(v) Discontinued operations**

The Group presents discontinued operations in a separate line in the Income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale

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

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets.

**(w) Share capital and reseves**

**(i) Share issue costs**

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

**(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.

**(iii) Treasury shares**

Where the Bank or any member of the Group purchases the Bank's shares, the consideration paid is deducted from 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.

**(x) 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.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

**(y) 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. All costs that are directly traceable to the operating segments are allocated to the segment concerned, while indirect cost are allocated based on the benefits derived from such costs.

**(z) Levies**

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- Those outflows of resources that are within the scope of other Standards (such as income taxes that are within the scope of IAS 12 Income Taxes); and
- Fines or other penalties that are imposed for breaches of the legislation

The Group recognises a levy when the obligating event that gives rise to a liability as identified by the legislation, occurs. This triggers the obligation to pay the levy and recognise the expense for the period.

## 4 Interest income

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Loans and advances to banks | 84,170 | 39,727 | 5,768 | 1,909 |
| Loans and advances to customers | 48,650,832 | 52,698,066 | 42,751,541 | 46,968,153 |
| | 48,735,002 | 52,737,793 | 42,757,309 | 46,970,062 |
| Cash and cash equivalents | 2,048,963 | 1,701,384 | 1,438,323 | 1,180,225 |
| Financial assets held for trading | 849,374 | 1,870,045 | 582,450 | 1,148,716 |
| Investment securities: | | | | |
| – Investment Securities FVOCI | 22,060,692 | - | 21,579,938 | - |
| – Available for sale | - | 22,490,909 | - | 22,159,089 |
| – Investment securities at amortised cost | 4,507,407 | - | 81,370 | - |
| – Held to maturity | - | 3,001,450 | - | 184,920 |
| Assets pledged as collateral | 2,571,528 | 2,307,093 | 2,571,528 | 2,307,093 |
| | 80,772,966 | 84,108,674 | 69,010,918 | 73,950,105 |

## 5 Interest expense

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Deposit from banks | 12,014 | 145,177 | 46,878 | 890 |
| Deposit from customers | 17,005,325 | 13,373,494 | 13,391,458 | 10,293,023 |
| | 17,017,339 | 13,518,671 | 13,438,336 | 10,293,913 |
| Financial liabilities held for trading | 395,972 | 276,843 | 395,972 | 248,270 |
| Other borrowed funds | 2,254,246 | 2,275,710 | 2,127,581 | 4,079,192 |
| Debt securities | 1,416,608 | 1,908,302 | 1,416,608 | - |
| Total interest expense | 21,084,165 | 17,979,526 | 17,378,497 | 14,621,375 |

## 6 Loan impairment charges

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| 12-month ECL | 1,545,223 | - | 1,500,001 | - |
| Increase/(reversal) in collective impairment | - | 1,774,158 | - | 1,620,212 |
| Lifetime ECL credit impaired | 581,533 | - | (39,483) | - |
| Increase in specific impairment | - | 2,039,074 | - | 1,992,977 |
| Recovery of loan amounts previously written off | (487,486) | (400,854) | (270,056) | (63,865) |
| | **1,639,270** | **3,412,378** | **1,190,462** | **3,549,324** |

## 7 Fee and commission income

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Credit related fees and commissions | 2,373,738 | 3,676,044 | 1,467,202 | 2,841,526 |
| Account Maintenance Charges | 2,744,701 | 2,680,470 | 2,208,461 | 2,212,114 |
| Corporate finance fees | 3,012,937 | 968,404 | 3,012,937 | 968,404 |
| E-business Income | 2,106,931 | 2,053,711 | 1,696,633 | 1,770,597 |
| Commission on foreign exchange deals | 1,756,605 | 1,563,336 | 1,349,647 | 1,351,679 |
| Commission On Touch Points | 247,328 | 211,467 | 247,328 | 211,467 |
| Income from financial guarantee contracts issued | 1,049,446 | 937,458 | 588,575 | 671,953 |
| Account services, maintenance and anciliary banking charges | 1,152,086 | 1,009,121 | 469,907 | 351,658 |
| Transfers related charges | 780,405 | 580,113 | - | - |
| | **15,224,177** | **13,680,124** | **11,040,690** | **10,379,398** |

[1]Non-vatable items have been appropriately reclassified from Fee and Commission to Other Income (see Note 39)

## 8 Fee and commission expense

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Bank charges | 445,332 | 345,324 | 307,065 | 223,285 |
| Loan recovery and brokerage expenses | 291,456 | 239,937 | 143,486 | 143,526 |
| | **736,788** | **585,261** | **450,551** | **366,811** |

## 9 Net gains on financial instruments at FVPL

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Bonds FVPL | 947,435 | - | 153,377 | - |
| Bonds trading | - | 254,509 | - | 67,570 |
| Treasury bills FVPL | 693,537 | - | 693,537 | - |
| Treasury bills trading | - | 510,387 | - | 510,387 |
| Foreign exchange | 3,512,126 | 3,648,238 | 2,360,368 | 2,320,404 |
| **Net trading income** | **5,153,098** | **4,413,134** | **3,207,282** | **2,898,361** |

All unrealised gains on financial instruments held for trading are recognised within Other Income.

## 10 Other income

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Restated[1] Mar-2017 | Parent Mar-2018 | Parent Restated[1] Mar-2017 |
|---|---|---|---|---|
| Mark to market gains on trading investments | (17,306) | 33,673 | (17,306) | 28,908 |
| Foreign exchange revaluation gain | 5,463,689 | (306,419) | 5,013,246 | (373,095) |
| Gain on disposal of fixed assets | 53,355 | (18,504) | 26,253 | (23,441) |
| Discounts And Recoverables (FX) | 1,910,192 | 1,398,616 | 1,910,192 | 1,398,616 |
| Mark - Up Exchange Income | 368,932 | 821,081 | 368,932 | 821,081 |
| Dividends income | 41,168 | - | 41,168 | 156,220 |
| | **7,820,030** | **1,928,447** | **7,342,485** | **2,008,289** |

[1]Non-vatable items have been appropriately reclassified to Other Income from Fee and Commission (see Note 39)

## 11 Personnel expenses

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Wages and salaries | 8,725,284 | 7,912,592 | 5,544,750 | 5,408,201 |
| Contributions to defined contribution plans | 280,517 | 280,025 | 208,104 | 213,131 |
| Defined benefit costs | 472,500 | - | 472,500 | - |
| | **9,478,301** | **8,192,617** | **6,225,354** | **5,621,332** |

## 12 Operating lease expense

| In thousands of Nigerian Naira | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Operating lease expense | 620,794 | 456,637 | 147,764 | 156,578 |
| | **620,794** | **456,637** | **147,764** | **156,578** |

This expense relates to amortised portion of lease rentals on branches leased by the Bank. The umamortised portion is classified as prepayments under Other Assets (please refer to Note 27(ii)). Lease rentals are fully paid in advance with the effect that there are no future minimum lease payments to be made in respect of the leases.

## 13 Depreciation and amortisation

| In thousands of Nigerian Naira | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Amortisation of intangible assets (see note 26) | 539,731 | 463,662 | 436,310 | 383,402 |
| Depreciation of property, plant and equipment (see note 25) | 3,706,687 | 3,678,898 | 2,861,979 | 3,004,173 |
| | **4,246,418** | **4,142,560** | **3,298,289** | **3,387,575** |

## 14 Other operating expenses

| In thousands of Nigerian Naira | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Finance costs | 2,310 | 27,309 | 2,310 | 27,309 |
| Deposit insurance premium | 2,090,628 | 1,848,211 | 2,058,000 | 1,822,772 |
| Other insurance premium | 345,084 | 343,312 | 283,217 | 283,450 |
| Auditors' remuneration | 201,309 | 151,913 | 126,000 | 91,800 |
| Professional fees and other consulting costs | 308,430 | 296,102 | 196,137 | 242,336 |
| AMCON expenses | 4,391,139 | 3,366,139 | 4,391,139 | 3,366,139 |
| Stationery and postage | 281,672 | 406,870 | 189,677 | 318,771 |
| Business travel expenses | 166,176 | 165,969 | 94,277 | 102,763 |
| Advert, promotion and corporate gifts | 1,723,943 | 2,168,830 | 1,316,405 | 1,902,522 |
| Repairs and maintenance | 1,047,332 | 1,540,077 | 863,376 | 1,205,337 |
| Occupancy costs | 2,379,249 | 1,762,025 | 1,933,984 | 1,462,725 |
| Directors' emoluments | 211,918 | 358,673 | 72,836 | 82,848 |
| Outsourcing services | 2,202,652 | 2,116,006 | 1,805,942 | 1,749,416 |
| Administrative expense | 1,566,250 | 1,311,263 | 956,730 | 751,982 |
| Communications and sponsorship related expense | 913,511 | 1,581,490 | 465,628 | 1,018,617 |
| Human capital related expenses | 465,222 | 1,121,613 | 391,435 | 1,012,502 |
| Customer service related expenses | 243,416 | 403,523 | 77,919 | 72,956 |
| | **18,540,241** | **18,969,325** | **15,225,012** | **15,514,245** |

## 15 Income tax expense

**recognised in the Income statement**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| **a) Current tax expense:** | | | | |
| Company income tax | 7,955,488 | 9,586,053 | 6,246,514 | 7,823,215 |
| Education Tax | - | - | - | - |
| NITDA Levy | - | - | - | - |
| | 7,955,488 | 9,586,053 | 6,246,514 | 7,823,215 |
| Prior year's under provision | (14,811,398) | (2,896,852) | (14,811,398) | (2,896,852) |
| Dividend tax | 14,811,398 | 2,896,852 | 14,811,398 | 2,896,852 |
| Provision for taxes | | | | |
| **Deferred tax expense:** | | | | |
| Origination of temporary differences | (1,211) | (671,387) | - | - |
| | 7,954,277 | 8,914,666 | 6,246,514 | 7,823,215 |

**Income tax recognised in other comprehensive income**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Income tax relating to Foreign currency translation differences for foreign operations | 1,122,832 | (349,213) | - | - |
| Income tax relating to Net change in fair value of available for sale financial assets | (941,889) | 592,784 | (940,326) | 165,619 |
| | 180,943 | 243,571 | (940,326) | 165,619 |

(b) *Current income tax payable*

The movement on the current income tax payable account during the period was as follows:

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Balance, beginning of the period | 24,147,356 | 17,928,279 | 24,009,770 | 17,819,039 |
| Exchange difference on translation | (436) | 121,717 | - | - |
| Charge for the period | 7,955,488 | 16,058,977 | 6,246,514 | 11,847,180 |
| Payments during the period | (2,982,786) | (25,001,610) | (1,721,112) | (20,696,442) |
| Prior year's under provision | - | - | - | - |
| Estimated Dividend Tax | - | 15,039,993 | - | 15,039,993 |
| Balance, end of the period | 29,119,622 | 24,147,356 | 28,535,172 | 24,009,770 |

## 16 Basic and Diluted earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

The calculation of basic earnings per share for the reporting period was based on the profit atttributable to ordinary shareholders of N44,381,345,000 and a weighted average number of ordinary shares outstanding of 28,112,933,000 (after adjusting for Treasury shares) and it is calculated as follows:

**Profit attributable to ordinary shareholders**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Net profit attributable to equity holders of the Company | 44,381,345 | 41,209,606 | 40,438,932 | 38,195,698 |
| Net profit used to determine diluted earnings per share | 44,381,345 | 41,209,606 | 40,438,932 | 38,195,698 |

**Number of ordinary shares**

| *In thousands of shares* | Group Mar-2018 | Group Mar-2017 | Parent Mar-2018 | Parent Mar-2017 |
|---|---|---|---|---|
| Weighted average number of ordinary shares in issue | 28,112,933 | 28,112,933 | 29,431,179 | 29,431,179 |
| Basic earnings per share (expressed in naira per share) | 1.58 | 1.47 | 1.37 | 1.30 |

The Group does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS for continuing operations are the same for the Group.

## 17 Cash and cash equivalents

(a)

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Cash in hand | 97,810,521 | 67,303,684 | 53,778,593 | 42,123,376 |
| Balances held with other banks | 205,875,662 | 224,804,904 | 96,981,591 | 113,342,767 |
| Unrestricted balances with central banks | 97,915,556 | 83,203,161 | 73,305,297 | 54,379,661 |
| Money market placements | 273,375,791 | 266,662,035 | 254,396,668 | 245,450,392 |
| | **674,977,530** | **641,973,784** | **478,462,149** | **455,296,196** |
| Impairment on Placements | (305,508) | - | (305,508) | - |
| | **674,672,022** | **641,973,784** | **478,156,641** | **455,296,196** |

(b) Cash and cash equivalents in statement of cash flows includes:

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Cash and cash equivalents | 674,672,022 | 641,973,785 | 478,156,641 | 455,296,196 |
| Cash and cash equivalents above three months | (86,261,709) | (32,798,888) | (86,261,711) | (28,870,700) |
| | **588,410,313** | **609,174,897** | **391,894,930** | **426,425,496** |

## 18 Financial assets held for trading

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| **Financial assets Fair Value through Profit or Loss:** | | | | |
| Bonds - FVPL | 3,817,925 | - | 3,817,925 | - |
| Treasury Bills - FVPL | 27,986,512 | - | 13,785,599 | - |
| | **31,804,437** | **-** | **17,603,524** | **-** |
| **Financial assets held for trading:** | | | | |
| Trading bonds | - | 6,940,582 | - | 4,124,124 |
| Trading treasury bills | - | 17,005,079 | - | 12,528,232 |
| | **-** | **23,945,661** | **-** | **16,652,356** |
| **Total trading assets** | **31,804,437** | **23,945,661** | **17,603,524** | **16,652,356** |

## 19 Derivative financial instruments

**(a) Group**
**Mar-2018**

| *In thousands of Nigerian Naira* | Notional Contract Amount | Fair Value Assets | Fair Value Liability |
|---|---|---|---|
| Foreign Exchange Derivatives: | | | |
| Foreign exchange forward | 61,831,533 | 1,807,377 | (1,710,242) |
| Put and Call options | - | - | - |
| Currency swaps | - | - | - |
| Derivative assets/(liabilities) | 61,831,533 | 1,807,377 | (1,710,242) |

**Group**
**Dec-2017**

| *In thousands of Nigerian Naira* | Notional Contract Amount | Fair Value Assets | Fair Value Liability |
|---|---|---|---|
| Foreign Exchange Derivatives: | | | |
| Foreign exchange forward | 30,688,033 | 638,261 | (592,320) |
| Put and Call options | 33,346,156 | 2,200,817 | (2,014,266) |
| Derivative assets/(liabilities) | 64,034,189 | 2,839,078 | (2,606,586) |

**Parent**
**Mar-2018**

| *In thousands of Nigerian Naira* | **Notional Contract Amount** | **Fair Value Assets** | **Fair Value Liability** |
|---|---|---|---|
| Foreign Exchange Derivatives: | | | |
| Foreign exchange forward | 61,831,533 | 1,807,377 | (1,710,242) |
| Put and Call options | - | - | - |
| Currency swaps | - | - | - |
| Derivative assets/(liabilities) | 61,831,533 | 1,807,377 | (1,710,242) |

**Parent**
**Dec-2017**

| *In thousands of Nigerian Naira* | **Notional Contract Amount** | **Fair Value Assets** | **Fair Value Liability** |
|---|---|---|---|
| Foreign Exchange Derivatives: | | | |
| Foreign exchange forward | 30,688,033 | 638,261 | (592,320) |
| Put and Call options | 33,346,156 | 2,200,817 | (2,014,266) |
| Currency swaps | - | - | - |
| Derivative assets/(liabilities) | 64,034,189 | 2,839,078 | (2,606,586) |

**(b)** All derivatives are settled in less than one year.

**(c) Foreign exchange derivatives and Options**

The Group enters into foreign exchange forward contracts and currency swaps designated as held for trading. A foreign exchange forward contract is an agreement by two counterparties to exchange currencies at a pre-determined rate on some future date. No funds change hands when a typical forward foreign exchange contract originates; a fund flow occurs only at the contract's stated future delivery time. A currency swap is the simultaneous spot sale (or purchase) of currency against a forward purchase (or sale) of approximately an equal amount. In a swap contract, there is an exchange, or notional exchange of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The Group also offered its customers derivatives in connection with their risk management objectives to transfer or reduce market risk (commodity price) for their own trading purpose. The hedge transaction with the customer is backed by visible trade transaction. The foreign currency forward and options contracts are subject to the same risk management policies.

The Group's foreign exchange derivatives do not qualify for hedge accounting; therefore all gains and losses from changes in their fair values are recognised immediately in the income statement and are reported in 'Net gains/(losses) on financial instruments classified as held for trading'.

## 20 Investment securities

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| **(a) (i) Investment securities at FVOCI** | | | | |
| Treasury bills | 631,874,275 | - | 555,449,855 | - |
| Bonds | 15,368,023 | - | 10,325,556 | - |
| Corporate bond | 6,910,911 | - | 6,910,911 | - |
| Equity (See note 20(a)(ii) below | 3,011,648 | - | 3,011,648 | - |
| Unquoted equity securities (see note 20(b) below) | 4,161,115 | - | 4,151,658 | - |
| | 661,325,972 | - | 579,849,628 | - |
| Specific impairment for equities (see note 20(c) below) | (4,151,658) | - | (4,151,658) | - |
| Impairment On Bond - FVOCI | (1,398) | - | (1,398) | - |
| Impairment on Treasury Bills - FVOCI | (58,468) | - | (58,468) | - |
| Impairment On Eurobond - FVOCI | (193,065) | - | (193,065) | - |
| **Total investment securities at FVOCI** | **656,921,383** | **-** | **575,445,039** | **-** |
| **Available for sale investment securities:** | | | | |
| Treasury bills | - | 492,469,374 | - | 433,094,854 |
| Bonds | - | 15,375,680 | - | 10,356,140 |
| Corporate bond | - | 6,626,983 | - | 6,626,983 |
| Equity securities at fair value (See note 20(a)(ii) below | - | 3,011,648 | - | 3,011,648 |
| Unquoted equity securities at cost (see note 20(b) below) | - | 4,160,706 | - | 4,151,658 |
| | - | 521,644,391 | - | 457,241,283 |
| Specific impairment for equities (see note 20(c) below) | - | (4,151,658) | - | (4,151,658) |
| Impairment On Bond - FVOCI | - | - | - | - |
| Impairment on Treasury Bills - FVOCI | - | - | - | - |
| Impairment On Eurobond - FVOCI | - | - | - | - |
| **Total available for sale investment securities** | **-** | **517,492,733** | **-** | **453,089,625** |
| **Investment securities at amortised cost:** | | | | |
| Investment securities measured at amortised cost - Bonds | 25,253,684 | - | 2,089,507 | - |
| Investment securities measured at amortised cost - Treasury bills | 78,597,165 | - | - | - |
| | **103,850,849** | **-** | **2,089,507** | **-** |
| **Impairment on Bonds - Amortised Cost** | (9,033) | - | (9,033) | - |
| **Total Investment securities at amortised cost** | **103,841,816** | **-** | **2,080,474** | **-** |

| | | | | |
|---|---|---|---|---|
| **Held to maturity investment securities:** | | | | |
| Bonds | - | 38,179,228 | - | 2,007,253 |
| Treasury bills | - | 57,931,373 | - | - |
| Corporate bond | - | 355,997 | - | - |
| | **-** | **96,466,598** | **-** | **2,007,253** |
| **Impairment on investments held to maturity** | - | - | - | - |
| **Total held to maturity investment securities** | **-** | **96,466,598** | **-** | **2,007,253** |
| **Total investment securities** | **760,763,199** | **613,959,331** | **577,525,513** | **455,096,878** |

**(a)** (ii) Unquoted equity securities at FVOCI is analysed below:

| *In thousands of Nigerian Naira* | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|
| ***Other unquoted equity investment:*** | | | | |
| - Unified Payment Services Limited[1] | 212,342 | 212,342 | 212,342 | 212,342 |
| - Nigeria Automated Clearing Systems | 700,406 | 700,406 | 700,406 | 700,406 |
| - Afrexim | 84,674 | 84,674 | 84,674 | 84,674 |
| - Africa Finance Corporation | 2,014,226 | 2,014,226 | 2,014,226 | 2,014,226 |
| | **3,011,648** | **3,011,648** | **3,011,648** | **3,011,648** |
| **Total equity securities at FVOCI** | **3,011,648** | **3,011,648** | **3,011,648** | **3,011,648** |
| Specific impairment for equities | - | - | - | - |
| | **3,011,648** | **3,011,648** | **3,011,648** | **3,011,648** |

[1] Unified Payment Services Limited was formerly known as Valucard Nigeria Plc.

**(b) Unquoted equity securities relates to the banks investment in SMEEIS and equity investments:**

Unquoted equity securities is analysed below:

| *In thousands of Nigerian Naira* | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|
| ***SMEEIS investment:*** | | | | |
| - Forrilon Translantic Ltd | 1,080,851 | 1,080,851 | 1,080,851 | 1,080,851 |
| - Iscare Nigeria Ltd | 40,000 | 40,000 | 40,000 | 40,000 |
| - Ruqayya Integrated Farms | 40,500 | 40,500 | 40,500 | 40,500 |
| - National E-Government Strategy | 25,000 | 25,000 | 25,000 | 25,000 |
| - Central Securities Clearing System | 10,500 | 10,500 | 10,500 | 10,500 |
| - Bookcraft Ltd | 20,000 | 20,000 | 20,000 | 20,000 |
| - 3 Peat Investment Ltd | 1,016,032 | 1,016,032 | 1,016,032 | 1,016,032 |
| - Shonga F.H. Nigeria Ltd | 200,000 | 200,000 | 200,000 | 200,000 |
| - Safe Nigeria Ltd | 350,000 | 350,000 | 350,000 | 350,000 |
| - CRC Credit Bureau | 61,111 | 61,111 | 61,111 | 61,111 |
| - Cards Technology Limited | 265,000 | 265,000 | 265,000 | 265,000 |
| - Thisday Events Center | 500,000 | 500,000 | 500,000 | 500,000 |
| - HITV Limited | 500,000 | 500,000 | 500,000 | 500,000 |
| - SCC Algon Ltd | 42,664 | 42,664 | 42,664 | 42,664 |
| **Cost of SMIEES investment** | **4,151,658** | **4,151,658** | **4,151,658** | **4,151,658** |
| Less specific impairment for equities | (4,151,658) | (4,151,658) | (4,151,658) | (4,151,658) |
| **Carrying value of SMIEES investment** | **-** | **-** | **-** | **-** |

| | | | | |
|---|---|---|---|---|
| ***Other unquoted equity investment:*** | | | | |
| - GIM UEMOA | 9,457 | 9,048 | - | - |
| **Cost of other unquoted equity investment** | **9,457** | **9,048** | **-** | **-** |
| **Carrying value of other unquoted equity investment** | **9,457** | **9,048** | **-** | **-** |
| **Total cost of unquoted equity investment** | **4,161,115** | **4,160,706** | **4,151,658** | **4,151,658** |
| Total impairment of unquoted equity investment | (4,151,658) | (4,151,658) | (4,151,658) | (4,151,658) |
| **Total carrying value of unquoted equity investment** | **9,457** | **9,048** | **-** | **-** |

**Movement in unquoted equities at cost:**

| *In thousands of Nigerian Naira* | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|
| Balance at 1 January | 9,048 | 145,576 | - | 138,164 |
| - Exchange difference | 409 | 1,636 | - | - |
| - Disposal | - | (61,288) | - | (61,288) |
| - Additional impairment on equity investment | - | (696,680) | - | (696,680) |
| - Transfer from equity investments at fair value | - | 619,804 | - | 619,804 |
| Balance, end of the year | 9,457 | 9,048 | - | - |

Fair values of certain SMEEIS and Other long term investments which are borne out of regulatory requirement in force as at the time of investment cannot be measured reliably because there are no 'active market for these financial instruments; they have therefore been disclosed at cost less impairment.

Kindly refer to Note 6e for the movement in the value of equity securities at fair value during the year.

Their impairment was based on the observable data from the environment which suggests that the recoverable amount will be much lower than the carrying value of these investments; hence, they are carried at cost less impairment and included in Level 3 of the Fair Value hierarchy table.

The Group is willing to divest from these entities if willing buyers come across and upon obtaining appropriate regulatory approvals since the regulation that led to their creation has been abolished.

The Group does not have power to influence the returns from the investees. Consequently, the Group is of the opinion that it does not have power over the investees investments because of the following:

- There are no material transactions between the Group and the entities and it does not participate in the policy making processes owing to the nature of these entities.
- The Group does not provide essential technical information to the entities.
- There is no inter-change of personnel between the Group and the entities.
- Although the Group is represented in some of the boards, these representations do not connote any form of control or significant influence because most of the entities do not hold regular board meetings and are run like sole proprietorship businesses. Accordingly, the accounts of these businesses have not been consolidated.

**(c) Specific impairment for equities**

Movement in specific impairment for equities during the year is as shown below:

| *In thousands of Nigerian Naira* | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|
| Balance at 1 January | 4,151,658 | 3,454,978 | 4,151,658 | 3,454,978 |
| - Charge for the period | - | 696,680 | - | 696,680 |
| **Balance, end of the year** | **4,151,658** | **4,151,658** | **4,151,658** | **4,151,658** |

The Bank would only lose cost of investment if decline in value is considered significant or prolonged.

Specific impairment for equities is further analysed by classification below:

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Specific impairment on equity securities at fair value | - | - | - | - |
| Specific impairment on equity securities at cost | - | - | - | - |
| | 4,151,658 | 4,151,658 | 4,151,658 | 4,151,658 |
| | **4,151,658** | **4,151,658** | **4,151,658** | **4,151,658** |

## 21 Assets pledged as collateral

(a)

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| **Investment Securities - FVOCI (See note (c) below):** | | | | |
| - Treasury bills | 57,338,004 | - | 57,338,004 | - |
| | **57,338,004** | **-** | **57,338,004** | **-** |
| Impairment On Pledged Assets | (7,960) | - | (7,960) | - |
| **Total investment securities FVOCI** | **57,330,044** | **-** | **57,330,044** | **-** |
| **Financial assets held for trading** | **-** | **14,453** | **-** | **-** |
| - Treasury bills | - | 14,453 | - | - |
| **Investment Securities - available for sale):** | **-** | **58,961,722** | **-** | **58,961,722** |
| - Treasury bills | - | 58,961,722 | - | 58,961,722 |
| **Total pledged assets** | **57,330,044** | **58,976,175** | **57,330,044** | **58,961,722** |

**(b)** Assets pledged as collateral for both periods relate to assets pledged to Federal Inland Revenue Service (FIRS), Nigerian Interbank Settlement System (NIBSS), Interswitch Nigeria Limited, Unified payment Services Ltd and Bank Of Industries Limited for collections and other transactions.

**(c)** Treasury Bills pledged as collateral of N57,338,004,000 (December 2017: N58,961,722,000) have been reclassified from available for sale and investment securities at fair value.

**(d)** Assets pledged as collateral are based on prices in an active market.

## 22 Loans and advances to banks

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Loans and advances to banks | 45,110 | 751,991 | 45,110 | 45,110 |
| Less allowances for impairment | (1,630) | (1,630) | (1,630) | (1,630) |
| | **43,480** | **750,361** | **43,480** | **43,480** |

## 23 Loans and advances to Customers

| *In thousands of Nigerian Naira* | Group Mar-2018 | Parent Mar-2018 |
|---|---|---|
| Loans | 1,261,215,331 | 1,120,706,306 |
| Overdraft | 123,211,315 | 80,261,368 |
| Others[1] | 47,588,272 | 47,588,272 |
| **Performing Loans** | **1,432,014,918** | **1,248,555,946** |
| Non Performing Loans | 93,919,823 | 81,693,706 |
| **Gross Loans** | **1,525,934,741** | **1,330,249,652** |
| Impairment on Stage 1 Loans | (21,342,557) | (20,860,705) |
| Impairment on Stage 2 Loans | (42,125,117) | (41,174,059) |
| Impairment on Stage 3 Loans | (108,164,523) | (99,224,964) |
| **Total Impairment** | **(171,632,197)** | **(161,259,728)** |
| **Net Loans** | **1,354,302,544** | **1,168,989,924** |

[1] Others include Usance and Usance Settlements

| *In thousands of Nigerian Naira* | Group Dec-2017 | Parent Dec-2017 |
|---|---|---|
| Loans | 1,138,743,265 | 1,055,472,513 |
| Overdraft | 214,479,201 | 132,501,493 |
| Others[1] | 46,903,007 | 35,525,974 |
| **Performing Loans** | **1,400,125,473** | **1,223,499,980** |
| Non Performing Loans | 116,197,667 | 102,750,415 |
| **Gross Loans** | **1,516,323,140** | **1,326,250,395** |
| Specific Impairment | (48,914,387) | (42,414,653) |
| Collective Impairment | (18,875,323) | (17,864,054) |
| **Total Impairment** | **(67,789,710)** | **(60,278,707)** |
| **Net Loans** | **1,448,533,430** | **1,265,971,688** |

[1] Others include Usance and Usance Settlements

24 **Investment in subsidiaries**

(a) Investment in subsidiaries comprises:

| | Parent<br>Mar-2018<br>% ownership | Parent<br>Dec-2017<br>% ownership | Parent<br>Mar-2018<br>₦'000 | Parent<br>Mar-2018<br>₦'000 |
|---|---|---|---|---|
| GTB Gambia | 77.81 | 77.81 | 574,278 | 574,278 |
| GTB Sierra Leone | 84.24 | 84.24 | 594,109 | 594,109 |
| GTB Ghana | 97.97 | 97.97 | 9,042,739 | 9,042,739 |
| GTB Finance B.V. | 100.00 | 100.00 | - | - |
| GTB UK Limited | 100.00 | 100.00 | 9,597,924 | 9,597,924 |
| GTB Liberia Limited | 99.43 | 99.43 | 1,947,264 | 1,947,264 |
| GTB Cote D'Ivoire Limited | 100.00 | 100.00 | 5,077,458 | 5,077,458 |
| GTB Kenya Limited | 70.00 | 70.00 | 17,131,482 | 17,131,482 |
| GTB Tanzania | 70.00 | 0.00 | 2,241,750 | 2,241,750 |
| | | | 46,207,004 | 46,207,004 |
| Current | | | - | - |
| Non-current | | | 46,207,004 | 46,207,004 |

(a) (i) The movement in investment in subsidiaries during the period is as follows:

| *In thousands of Nigerian Naira* | Parent<br>Mar-2018 | Parent<br>Dec-2017 |
|---|---|---|
| Balance, beginning of the period | 46,207,004 | 43,968,474 |
| Additions during the period | - | 2,241,750 |
| Transferred to assets classified as held for sale | - | (3,220) |
| Balance, end of the period | 46,207,004 | 46,207,004 |

Condensed results of consolidated entities

(b) Condensed results of the consolidated entities as at 31 March 2018, are as follows:

**Full year profit and loss**

**Mar-2018**

| *In thousands of Nigerian Naira* | ***Staff Investment Trust*** | ***GTB Finance B.V.*** | ***GT Bank Ghana*** | ***GT Bank Sierra Leone*** | ***GT Bank Liberia*** | ***GT Bank UK*** | ***GT Bank Gambia*** | ***GT Bank Cote D'Ivoire*** | ***GT Bank Kenya*** | ***GT Bank Tanzania*** |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income | - | 279,528 | 5,088,524 | 1,653,403 | 1,912,907 | 1,383,418 | 960,945 | 550,612 | 2,806,039 | 21,147 |
| Operating expenses | - | (279,528) | (2,319,349) | (740,293) | (715,377) | (1,068,193) | (610,322) | (399,519) | (1,976,004) | (160,285) |
| Loan impairment charges | - | - | 49,147 | (25,572) | (254,103) | - | (3,451) | 12,065 | (226,892) | - |
| *Profit before tax from continuing operations* | - | - | 2,818,322 | 887,538 | 943,427 | 315,225 | 347,172 | 163,158 | 603,143 | (139,138) |
| Taxation | - | - | (845,496) | (266,261) | (235,857) | (103,058) | (93,736) | - | (163,354) | - |
| *Profit after tax from continuing operations* | - | - | 1,972,826 | 621,277 | 707,570 | 212,167 | 253,436 | 163,158 | 439,789 | (139,138) |
| *Profit after tax* | - | - | 1,972,826 | 621,277 | 707,570 | 212,167 | 253,436 | 163,158 | 439,789 | (139,138) |

**Condensed financial position**
**Mar-2018**

| *In thousands of Nigerian Naira* | ***Staff Investment Trust*** | ***GTB Finance B.V.*** | ***GT Bank Ghana*** | ***GT Bank Sierra Leone*** | ***GT Bank Liberia*** | ***GT Bank UK*** | ***GT Bank Gambia*** | ***GT Bank Cote D'Ivoire*** | ***GT Bank Kenya*** | ***GT Bank Tanzania*** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents | 147,329 | 8,054 | 26,993,061 | 12,318,596 | 6,853,320 | 156,831,959 | 10,990,970 | 3,314,531 | 18,001,908 | 488,856 |
| Loans and advances to banks | - | - | - | - | - | - | - | - | - | - |
| Loans and advances to customers | - | 2,424,304 | 25,985,968 | 15,173,841 | 25,945,546 | 39,717,884 | 5,268,341 | 8,138,459 | 66,500,184 | 11,032 |
| Financial assets held for trading | - | - | 14,200,913 | - | - | - | - | - | - | - |
| Investment securities: | | | | | | | | | | |
| – Available for sale | 53,914,878 | - | - | 11,808,378 | - | 32,993,233 | 17,887,431 | 9,457 | 18,300,431 | 477,414 |
| – Held to maturity | - | - | 74,275,935 | - | 2,886,660 | - | - | 8,714,673 | 15,884,074 | - |
| Assets pledged as collateral | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | 14,772,633 | 1,659,381 | 2,561,357 | 661,052 | 1,913,519 | 646,388 | 3,995,537 | 216,756 |
| Property and equipment | - | - | 2,454,062 | 1,258,087 | 2,034,509 | 764,866 | 2,388,890 | 1,246,907 | 2,408,048 | 1,777,964 |
| Intangible assets | - | - | 147,714 | - | 41,109 | - | 83,569 | 40,141 | 1,387,483 | - |
| Deferred tax assets | - | - | (6,409) | - | - | 407,032 | - | - | 1,153,773 | - |
| *Total assets* | 54,062,207 | 2,432,358 | 158,823,877 | 42,218,283 | 40,322,501 | 231,376,026 | 38,532,720 | 22,110,556 | 127,631,438 | 2,972,022 |
| **Financed by:** | | | | | | | | | | |
| Deposits from banks | - | - | - | - | 1,675,545 | 136,682,754 | - | 464 | 38,034 | - |
| Deposits from customers | - | - | 124,753,818 | 28,461,638 | 27,357,385 | 77,478,525 | 31,907,926 | 14,461,047 | 93,846,201 | 62,641 |
| Current income tax liabilities | - | - | (136,800) | 346,591 | 612,841 | 103,804 | 19,035 | - | (361,021) | - |
| Deferred tax liabilities | - | - | - | 14,349 | - | - | 163,838 | - | 168,826 | - |
| Other liabilities | 8,537,765 | - | 4,879,803 | 5,405,132 | 1,874,598 | 959,312 | 2,018,068 | 1,373,627 | 1,662,309 | 52,277 |
| Other borrowed funds | 1,428,505 | - | 1,683,444 | - | 1,196,422 | - | - | - | 6,772,635 | - |
| | 9,966,270 | - | 131,180,265 | 34,227,710 | 32,716,791 | 215,224,395 | 34,108,867 | 15,835,138 | 102,126,984 | 114,918 |
| Equity and reserve | 44,095,937 | 2,432,358 | 27,643,612 | 7,990,573 | 7,605,710 | 16,151,631 | 4,423,853 | 6,275,418 | 25,504,454 | 2,857,104 |
| | 54,062,207 | 2,432,358 | 158,823,877 | 42,218,283 | 40,322,501 | 231,376,026 | 38,532,720 | 22,110,556 | 127,631,438 | 2,972,022 |

**Condensed cash flow**
**Mar-2018**

| *In thousands of Nigerian Naira* | ***Staff Investment Trust*** | ***GTB Finance B.V.*** | ***GT Bank Ghana*** | ***GT Bank Sierra Leone*** | ***GT Bank Liberia*** | ***GT Bank UK*** | ***GT Bank Gambia*** | ***GT Bank Cote D'Ivoire*** | ***GT Bank Kenya*** | ***GT Bank Tanzania*** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net cash flow:** | | | | | | | | | | |
| - from operating activities | - | - | 2,604,448 | 1,702,999 | 502,087 | 16,924,422 | 4,138,336 | 1,780,854 | (4,286,282) | (218,701) |
| - from investing activities | - | - | (9,643,596) | (3,263,065) | (189,670) | (2,380,574) | (1,391,307) | (1,554,456) | (2,382,381) | (436,425) |
| - from financing activities | - | - | (425,938) | 58,549 | 20,714 | - | - | - | (57,890) | - |
| Increase in cash and cash equivalents | - | - | (7,465,086) | (1,501,517) | 333,131 | 14,543,848 | 2,747,029 | 226,398 | (6,726,553) | (655,126) |
| Cash balance, beginning of period | 147,329 | 7,948 | 33,957,550 | 13,795,410 | 6,459,540 | 135,385,632 | 8,240,527 | 3,007,428 | 23,970,384 | 1,138,938 |
| Effect of exchange difference | - | 107 | 500,598 | 24,703 | 60,650 | 6,902,478 | 3,414 | 80,705 | 758,079 | 5,044 |
| Cash balance, end of year | 147,329 | 8,055 | 26,993,062 | 12,318,596 | 6,853,321 | 156,831,958 | 10,990,970 | 3,314,531 | 18,001,910 | 488,856 |

Condensed results of the consolidated entities as at 31 March 2017, are as follows:

**Mar-2017**

| *In thousands of Nigerian Naira* | ***Staff Investment Trust*** | ***GTB Finance B.V.*** | ***GT Bank Ghana*** | ***GT Bank Sierra Leone*** | ***GT Bank Liberia*** | ***GT Bank UK*** | ***GT Bank Gambia*** | ***GT Bank Cote D'Ivoire*** | ***GT Bank Kenya*** |
|---|---|---|---|---|---|---|---|---|---|
| **Condensed profit and loss** | | | | | | | | | |
| Operating income | - | 1,171,173 | 4,185,681 | 1,287,813 | 1,195,333 | 976,264 | 1,159,753 | 311,628 | 2,368,046 |
| Operating expenses | - | (1,171,173) | (1,971,338) | (706,151) | (542,677) | (819,021) | (638,320) | (306,025) | (2,097,873) |
| Loan impairment charges | - | - | (65,329) | 115,650 | (24,579) | - | 1,838 | - | 98,685 |
| *Profit before tax from continuing operations* | - | - | 2,149,014 | 697,312 | 628,077 | 157,243 | 523,271 | 5,603 | 368,858 |
| Taxation | - | - | (857,198) | (209,194) | (157,001) | - | (156,982) | - | (100,478) |
| *Profit after tax* | - | - | 1,291,816 | 488,118 | 471,076 | 157,243 | 366,289 | 5,603 | 268,380 |

Condensed results of the consolidated entities as at 31 December 2017, are as follows:

**Dec-2017**

| *In thousands of Nigerian Naira* | ***Staff Investment Trust*** | ***GTB Finance B.V.*** | ***GT Bank Ghana*** | ***GT Bank Sierra Leone*** | ***GT Bank Liberia*** | ***GT Bank UK*** | ***GT Bank Gambia*** | ***GT Bank Cote D'Ivoire*** | ***GT Bank Kenya*** |
|---|---|---|---|---|---|---|---|---|---|
| **Condensed financial position** | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | 147,329 | 7,948 | 33,957,550 | 13,795,410 | 6,459,540 | 135,385,632 | 8,240,527 | 3,007,428 | 23,970,384 |
| Loans and advances to banks | - | - | - | - | - | 706,881 | - | - | - |
| Loans and advances to customers | - | 2,392,230 | 29,743,423 | 13,869,985 | 24,565,351 | 37,988,167 | 5,004,774 | 6,923,602 | 65,895,071 |
| Financial assets held for trading | - | - | 7,293,305 | - | - | - | - | - | - |
| Investment securities: | | | | | | | | | |
| – Available for sale | 53,914,878 | - | - | - | - | 29,143,939 | 16,766,463 | 9,048 | 18,483,658 |
| – Held to maturity | - | - | 64,262,504 | 8,588,863 | 2,791,687 | - | - | 6,837,321 | 11,978,970 |
| Assets pledged as collateral | - | - | - | - | - | - | - | 14,453 | - |
| Other assets | - | - | 3,089,533 | 385,461 | 739,780 | 445,432 | 2,691,691 | 331,617 | 3,632,858 |
| Property and equipment | - | - | 1,948,612 | 1,242,819 | 1,922,441 | 714,733 | 2,304,290 | 1,188,378 | 2,558,000 |
| Intangible assets | - | - | 160,233 | - | 44,115 | - | 78,437 | 37,835 | 1,407,052 |
| Deferred tax assets | - | - | 125,991 | - | - | 387,188 | - | - | 1,153,811 |
| ***Total assets*** | **54,062,207** | **2,400,178** | **140,581,151** | **37,882,538** | **36,522,914** | **204,771,972** | **35,086,182** | **18,349,682** | **129,079,804** |
| **Financed by:** | | | | | | | | | |
| Deposits from banks | - | - | 1 | - | 496,740 | 118,020,085 | - | 6,164 | 6,246,352 |
| Deposits from customers | - | - | 110,065,633 | 27,097,040 | 27,482,857 | 70,535,360 | 28,812,264 | 12,052,735 | 88,484,758 |
| Debt securities issued | - | - | - | - | - | - | - | - | - |
| Current income tax liabilities | - | - | 103,954 | 163,791 | 309,605 | - | 41,512 | - | (481,276) |
| Deferred tax liabilities | - | - | 132,255 | 14,321 | - | - | 163,757 | - | 205,664 |
| Other liabilities | 8,537,765 | - | 3,042,083 | 3,341,147 | 1,574,185 | 1,072,533 | 1,721,966 | 456,529 | 1,276,693 |
| Other borrowed funds | 1,428,505 | - | 2,076,854 | - | 1,160,153 | - | - | - | 6,583,523 |
| Total liabilities | 9,966,270 | - | 115,420,780 | 30,616,299 | 31,023,540 | 189,627,978 | 30,739,499 | 12,515,428 | 102,315,714 |
| Equity and reserve | 44,095,937 | 2,400,178 | 25,160,371 | 7,266,239 | 5,499,374 | 15,143,994 | 4,346,683 | 5,834,254 | 26,764,090 |
| | **54,062,207** | **2,400,178** | **140,581,151** | **37,882,538** | **36,522,914** | **204,771,972** | **35,086,182** | **18,349,682** | **129,079,804** |

**Mar-2017**

| *In thousands of Nigerian Naira* | *Staff Investment Trust* | *GTB Finance B.V.* | *GT Bank Ghana* | *GT Bank Sierra Leone* | *GT Bank Liberia* | *GT Bank UK* | *GT Bank Gambia* | *GT Bank Cote D'Ivoire* | *GT Bank Kenya* |
|---|---|---|---|---|---|---|---|---|---|
| **Condensed cash flow** | | | | | | | | | |
| Net cash flow: | | | | | | | | | |
| - from operating activities | - | - | 4,901,913 | (689,536) | (2,028,448) | 372,512 | 173,632 | 1,920,426 | (6,834,681) |
| - from investing activities | - | - | (5,834,670) | 327,779 | (301,387) | (101,402) | 11,848 | (626,823) | 6,920,367 |
| - from financing activities | - | - | (266,926) | (25,769) | 22,239 | - | 950,641 | - | 3,230,233 |
| Increase in cash and cash equivalents | - | - | (1,199,683) | (387,526) | (2,307,596) | 271,110 | 1,136,121 | 1,293,603 | 3,315,919 |
| Cash balance, beginning of period | 113,229 | - | 28,349,278 | 13,270,847 | 11,182,901 | 101,736,739 | 12,289,074 | 1,458,398 | 22,370,681 |
| Effect of exchange difference | - | - | (820,555) | (1,531,406) | 6,531 | 2,029,995 | (156,282) | 8,033 | (77,859) |
| Cash balance, end of year | 113,229 | - | 26,329,040 | 11,351,915 | 8,881,836 | 104,037,844 | 13,268,913 | 2,760,034 | 25,608,741 |

## 25 Property and equipment

### (a) Group

| *In thousands of Nigerian Naira* | Leasehold improvement and buildings | Land | Furniture & equipment | Motor vehicle | Aircraft | Capital work-in - progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 January 2018 | 55,636,100 | 13,963,300 | 76,830,826 | 10,688,278 | 12,603,126 | 14,032,714 | 183,754,344 |
| Exchange difference | 187,534 | 5,338 | 342,070 | 45,029 | - | 25,623 | 605,594 |
| Additions | 1,039,201 | 31,458 | 1,878,120 | 272,045 | 25,980 | 4,398,383 | 7,645,187 |
| Disposals/Reclass | (48,851) | - | (248,736) | (225,695) | - | - | (523,282) |
| Transfers | 152,320 | - | 55,181 | - | - | (207,501) | - |
| **Balance at 31 March 2018** | **56,966,304** | **14,000,096** | **78,857,461** | **10,779,657** | **12,629,106** | **18,249,219** | **191,481,843** |
| | | | | | | | |
| Balance at 1 January 2017 | 52,358,464 | 13,830,084 | 66,952,716 | 9,622,070 | 12,602,476 | 10,195,212 | 165,561,022 |
| Exchange difference | 288,286 | (17,260) | 422,057 | 11,744 | - | 21,211 | 726,038 |
| Additions | 2,161,128 | 11,828 | 9,147,724 | 1,607,854 | 650 | 6,074,334 | 19,003,518 |
| Disposals | (575,333) | - | (301,563) | (553,390) | - | (105,948) | (1,536,234) |
| Transfers | 1,403,555 | 138,648 | 609,892 | - | - | (2,152,095) | - |
| **Balance at 31 December 2017** | **55,636,100** | **13,963,300** | **76,830,826** | **10,688,278** | **12,603,126** | **14,032,714** | **183,754,344** |

## Property and equipment (continued)

**Group**

| **Depreciation**<br>*In thousands of Nigerian Naira* | **Leasehold improvement and buildings** | **Land** | **Furniture & equipment** | **Motor vehicle** | **Aircraft** | **Capital work-in - progress** | **Total** |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 12,917,085 | 1,078,923 | 57,174,036 | 7,219,016 | 6,695,286 | - | 85,084,346 |
| Exchange difference | 67,866 | 421 | 259,514 | 30,715 | - | - | 358,516 |
| Charge for the period | 712,353 | 59,029 | 2,096,904 | 393,994 | 444,407 | - | 3,706,687 |
| Disposal | (48,851) | - | (11,072) | (235,336) | - | - | (295,259) |
| **Balance at 31 March 2018** | **13,648,453** | **1,138,373** | **59,519,382** | **7,408,389** | **7,139,693** | **-** | **88,854,290** |
| | | | | | | | |
| Balance at 1 January 2017 | 11,252,837 | 910,517 | 48,768,107 | 6,218,413 | 4,923,093 | - | 72,072,967 |
| Exchange difference | 81,808 | (2,867) | 342,034 | 6,896 | - | - | 427,871 |
| Charge for the period | 1,629,943 | 171,273 | 8,367,607 | 1,479,607 | 1,772,193 | - | 13,420,623 |
| Disposal | (47,503) | - | (303,712) | (485,900) | - | - | (837,115) |
| **Balance at 31 December 2017** | **12,917,085** | **1,078,923** | **57,174,036** | **7,219,016** | **6,695,286** | **-** | **85,084,346** |
| | | | | | | | |
| Carrying amounts: | | | | | | | |
| **Balance at 31 March 2018** | **43,317,851** | **12,861,723** | **19,338,079** | **3,371,268** | **5,489,413** | **18,249,219** | **102,627,553** |
| **Balance at 31 December 2017** | **42,719,015** | **12,884,377** | **19,656,790** | **3,469,262** | **5,907,840** | **14,032,714** | **98,669,998** |

## Property and equipment (continued)

**(b) Parent**

| *In thousands of Nigerian Naira* | Leasehold improvement and buildings | Land | Furniture & equipment | Motor vehicle | Aircraft | Capital work-in - progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 January 2018 | 47,090,253 | 13,071,574 | 63,179,252 | 8,018,350 | 12,603,126 | 11,490,298 | 155,452,853 |
| Additions | 365,408 | - | 1,584,395 | 60,323 | 25,980 | 4,140,296 | 6,176,402 |
| Disposals/Reclass | - | - | - | (122,834) | - | - | (122,834) |
| Transfers | - | - | - | - | - | - | - |
| **Balance at 31 March 2018** | **47,455,661** | **13,071,574** | **64,763,647** | **7,955,839** | **12,629,106** | **15,630,594** | **161,506,421** |
| | | | | | | | |
| Balance at 1 January 2017 | 44,305,594 | 12,919,926 | 54,990,812 | 7,335,418 | 12,602,476 | 9,257,593 | 141,411,819 |
| Additions | 1,381,103 | 13,000 | 7,985,308 | 1,213,460 | 650 | 4,186,780 | 14,780,301 |
| Disposals | - | - | (203,809) | (530,528) | - | (4,930) | (739,267) |
| Transfers | 1,403,556 | 138,648 | 406,941 | - | - | (1,949,145) | - |
| **Balance at 31 December 2017** | **47,090,253** | **13,071,574** | **63,179,252** | **8,018,350** | **12,603,126** | **11,490,298** | **155,452,853** |

## Property and equipment (continued)

**Parent**

| **Depreciation**<br>*In thousands of Nigerian Naira* | **Leasehold improvement and buildings** | **Land** | **Furniture & equipment** | **Motor vehicle** | **Aircraft** | **Capital work-in - progress** | **Total** |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 10,223,589 | 970,173 | 47,093,776 | 5,490,231 | 6,695,286 | - | 70,473,055 |
| Charge for the period | 326,306 | 42,923 | 1,747,264 | 301,079 | 444,407 | - | 2,861,979 |
| Disposal | - | - | - | (122,837) | - | - | (122,837) |
| **Balance at 31 March 2018** | **10,549,895** | **1,013,096** | **48,841,040** | **5,668,473** | **7,139,693** | **-** | **73,212,197** |
| | | | | | | | |
| Balance at 1 January 2017 | 9,021,001 | 798,540 | 40,269,000 | 4,690,160 | 4,923,093 | - | 59,701,794 |
| Charge for the period | 1,202,588 | 171,633 | 7,028,585 | 1,264,517 | 1,772,193 | - | 11,439,516 |
| Disposal | - | - | (203,809) | (464,446) | - | - | (668,255) |
| **Balance at 31 December 2017** | **10,223,589** | **970,173** | **47,093,776** | **5,490,231** | **6,695,286** | **-** | **70,473,055** |
| | | | | | | | |
| Carrying amounts: | | | | | | | |
| **Balance at 31 March 2018** | **36,905,766** | **12,058,478** | **15,922,607** | **2,287,366** | **5,489,413** | **15,630,594** | **88,294,224** |
| **Balance at 31 December 2017** | **36,866,664** | **12,101,401** | **16,085,476** | **2,528,119** | **5,907,840** | **11,490,298** | **84,979,798** |

## 26 Intangible assets

### (a) Group

| *In thousands of Nigerian Naira* | Goodwill | Purchased Software | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2018 | 8,675,928 | 15,748,774 | 24,424,702 |
| Exchange translation differences | 2,624 | 135,736 | 138,360 |
| Additions | - | 125,613 | 125,613 |
| Disposals | - | (142,673) | (142,673) |
| Reclass from other assets | - | - | - |
| **Balance at 31 March 2018** | **8,678,552** | **15,867,450** | **24,546,002** |
| Balance at 1 January 2017 | 8,672,465 | 12,674,080 | 21,346,545 |
| Exchange translation differences | 3,463 | 222,335 | 225,798 |
| Additions | - | 2,863,251 | 2,863,251 |
| Disposals | - | (10,892) | (10,892) |
| **Balance at 31 December 2017** | **8,675,928** | **15,748,774** | **24,424,702** |
| **Amortization and impairment losses** | | | |
| Balance at 1 January 2018 | - | 9,589,748 | 9,589,748 |
| Exchange translation differences | - | 81,790 | 81,790 |
| Amortization for the period | - | 539,731 | 539,731 |
| Disposals | - | (123,062) | (123,062) |
| **Balance at 31 March 2018** | **-** | **10,088,207** | **10,088,207** |
| Balance at 1 January 2017 | - | 7,487,639 | 7,487,639 |
| Exchange translation differences | - | 149,927 | 149,927 |
| Amortization for the period | - | 1,963,074 | 1,963,074 |
| Disposals | - | (10,892) | (10,892) |
| **Balance at 31 December 2017** | **-** | **9,589,748** | **9,589,748** |
| **Carrying amounts** | | | |
| **Balance at 31 March 2018** | **8,678,552** | **5,779,243** | **14,457,795** |
| **Balance at 31 December 2017** | **8,675,928** | **6,159,026** | **14,834,954** |

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in the period ended March 2018 (2017: nil).

**(b) Parent**

| *In thousands of Nigerian Naira* | **Purchased Software** |
|---|---|
| **Cost** | |
| Balance at 1 January 2018 | 11,593,689 |
| Additions | 86,789 |
| Reclass from other assets | - |
| **Balance at 31 March 2018** | **11,680,478** |
| | |
| Balance at 1 January 2017 | 8,867,445 |
| Additions | 2,726,244 |
| Disposals | - |
| **Balance at 31 December 2017** | **11,593,689** |
| | |
| **Amortization and impairment losses** | |
| Balance at 1 January 2018 | 7,092,393 |
| Amortization for the period | 436,310 |
| **Balance at 31 March 2018** | **7,528,703** |
| | |
| Balance at 1 January 2017 | 5,489,484 |
| Amortization for the period | 1,602,909 |
| Disposals | - |
| **Balance at 31 December 2017** | **7,092,393** |
| | |
| **Carrying amounts** | |
| **Balance at 31 March 2018** | **4,151,775** |
| **Balance at 31 December 2017** | **4,501,296** |

## 27 Restricted deposits and other assets

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Repossessed collaterals | 7,432,608 | 7,398,961 | 7,398,961 | 7,398,961 |
| Prepayments (See note 27(ii) below) | 29,786,116 | 20,819,575 | 17,338,587 | 10,786,689 |
| Accounts Receivable | 7,856,022 | 6,749,165 | 7,856,022 | 6,749,165 |
| Foreign Banks - Cash Collateral | 19,204,192 | 19,228,807 | 19,204,192 | 19,228,807 |
| Restricted deposits with central banks (See note 27(i) below) | 427,395,247 | 374,877,033 | 413,433,707 | 373,491,691 |
| Contribution to AGSMEIS (See note 27(iii) below) | 6,341,840 | 6,341,840 | 6,341,840 | 6,341,840 |
| Recognised assets for defined benefit obligations | 9,658,362 | 9,658,362 | 9,658,362 | 9,658,362 |
| | **507,674,387** | **445,073,743** | **481,231,671** | **433,655,515** |
| Impairment on other assets (See note 27(iv) below) | (233,385) | (126,846) | (233,385) | (126,846) |
| | **507,441,002** | **444,946,897** | **480,998,286** | **433,528,669** |

**(i)** Restricted deposits with central banks are not available for use in the Group’s day-to-day operations. The Bank had restricted balances of N413,433,707,000 with the Central Bank of Nigeria (CBN) as at 31 March 2018 (December 2017:N373,491,691,000).
This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 27.5% (December 2017: 27.5%) of total Naira deposits made up of 22.5% regular CRR and 5% Special Intervention Reserve which should be held with the Central Bank of Nigeria as a regulatory requirement.

**(ii)** Included in Prepayments is an amount of N4,926,766,000 as at 31 March 2018 (December 2017: N4,990,629,000) which relates to prepaid operating lease rentals on branches leased by the Bank.

**(iii)** This represents contribution to Agri-Business/Small and Medium Enterprises Investment Scheme aimed at supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. It is an initiative of the Bankers' Committee in which Banks are required to set aside 5% of their Profit After Tax for investment in qualified players. The fund is domiciled with the Central Bank of Nigeria.

### (iv) Movement in impairment of other assets:

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Opening Balance | 126,846 | 305,556 | 126,846 | 305,556 |
| Charge for the period | 106,539 | - | 106,539 | - |
| Reclassification[1] | - | (178,710) | - | (178,710) |
| Closing Balance | 233,385 | 126,846 | 233,385 | 126,846 |

The impairment charge for the period relates to impairment on Other Assets based on IFRS 9 initial application.

## 27b Assets of disposal group classified as held for sale

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Investment in subsidiaries | - | - | 3,220 | 3,220 |
| Other assets[1] | - | - | 847,600 | 847,600 |
| Total assets of disposal group | - | - | 850,820 | 850,820 |

**Liabilities of disposal group classified as held for sale**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Other borrowed funds[1] | - | - | 847,600 | 847,600 |
| Total liabilities of disposal group | - | - | 847,600 | 847,600 |

[1] This relates to $2.6million loan given by GTB Finance BV to the Parent which was re-invested into GTB Finance BV. These balances were offset in prior period.

| | | | | |
|---|---|---|---|---|
| **Net assets of disposal group** | **-** | **-** | **3,220** | **3,220** |

## 28 Deposits from banks

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Money market deposits | 8,167 | 6,419,514 | - | - |
| Other deposits from banks | 99,041,554 | 79,011,000 | 34,113 | 42,360 |
| | **99,049,721** | **85,430,514** | **34,113** | **42,360** |

## 29 Deposits from customers

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Term deposits | 373,392,535 | 364,931,390 | 274,316,605 | 272,019,658 |
| Current deposits | 1,333,950,376 | 1,217,343,451 | 1,123,432,852 | 1,027,377,607 |
| Savings | 506,407,125 | 479,772,792 | 417,715,359 | 398,163,682 |
| | **2,213,750,036** | **2,062,047,633** | **1,815,464,816** | **1,697,560,947** |

## 30 Financial liabilities held for trading

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| **Financial liabilities Fair Value through Profit or Loss:** | | | | |
| Bond short positions | - | - | - | - |
| Treasury bills short positions | 4,350,437 | - | 4,350,437 | - |
| | **4,350,437** | **-** | **4,350,437** | **-** |
| **Financial liabilities held for trading:** | | | | |
| Bond short positions | - | - | - | - |
| Treasury bills short positions | - | 2,647,469 | - | 2,647,469 |
| | **-** | **2,647,469** | **-** | **2,647,469** |
| **Total financial liabilities** | **4,350,437** | **2,647,469** | **4,350,437** | **2,647,469** |

## 31 Debt securities issued

| In thousands of Nigerian Naira | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Debt securities at amortized cost: | | | | |
| Eurobond debt security | 94,858,372 | 92,131,923 | 94,858,372 | 92,131,923 |
| Corporate bonds | - | - | - | - |
| | **94,858,372** | **92,131,923** | **94,858,372** | **92,131,923** |

Debt securities of N94,858,372,000 (USD 282,653,000) (December 2017: N92,131,923,000 (USD 278,210,000)) represents amortised cost of Dollar guaranteed note originally issued by GTB B.V. Netherlands but the risk was substituted by the Parent during 2017 financial year.
The outstanding note of USD 276,934,000 (principal) was the outstanding balance of the USD400,000,000 issued in November 2013 for a period of 5 years at 6% per annum payable semi-annually.
During 2017 financial year the Bank through a tender offer redeemed USD123,066,000 out of the USD400,000,000 notes, thus reducing the outstanding obligation to USD276,934,000.

## 32 Other liabilities

| In thousands of Nigerian Naira | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Cash settled share based payment liability | 8,537,765 | 8,537,765 | - | - |
| Liability for defined contribution obligations (Note 32(a)) | 118,402 | 58,629 | - | - |
| Deferred income on financial guarantee contracts | 161,908 | 138,636 | 38,663 | 37,337 |
| Certified cheques | 10,845,200 | 10,482,214 | 8,034,823 | 7,660,447 |
| Lease obligation | - | 262,599 | - | 262,599 |
| Customers' deposit for foreign trade (Note 32(b)) | 20,654,861 | 19,938,543 | 20,030,069 | 19,828,369 |
| Customers' escrow balances | 201,292,036 | 156,588,741 | 201,292,036 | 156,588,741 |
| Account Payables | 16,705,384 | 11,183,326 | 14,697,572 | 9,175,514 |
| Creditors and agency services | 21,152,439 | 9,295,176 | 9,146,195 | 1,835,197 |
| Customers deposit for shares of other Corporates | 826,272 | 1,684,905 | 807,571 | 1,684,905 |
| Litigation Claims Provision (Note 32(c)) | 178,710 | 178,710 | 178,710 | 178,710 |
| Impairment On Contingents | 6,741,958 | - | 6,741,958 | - |
| | **287,738,533** | **218,349,244** | **260,967,597** | **197,251,819** |

(a) The Bank and its employees each contribute a minimum of 10% and 8% respectively of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

(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 Foreign Banks - Cash Collateral in other assets.

(c) Provision for litigation arose from the assessment carried out by the Solicitors of the Bank of all the pending litigations the Bank was involved in as at March 31, 2018.

**Movement in provision for litigation claims during the period is as follows:**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Opening Balance | 178,710 | - | 178,710 | - |
| Reclassification[1] | - | 178,710 | - | 178,710 |
| **Closing Balance** | **178,710** | **178,710** | **178,710** | **178,710** |

[1]This relates to provision on pending cases that the bank is currently involved in which was initially recognised under Other Assets.

## 33 Defined benefit obligations

The Bank operates a non-contributory, funded lump sum defined benefit gratuity scheme. Employees are automatically admitted into the scheme after completing 10 consecutive years of service with the Bank. Employees' terminal benefits are calculated based on number of years of continuous service, limited to a maximum of 10 years. The defined benefit obligation valuation was carried out by Alexander Forbes Consulting Actuaries.

**(a)** The amounts recognised in the statement of financial position are as follows:

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Present value of funded obligations | (2,976,569) | (2,976,569) | (2,976,569) | (2,976,569) |
| Total present value of defined benefit obligations | (2,976,569) | (2,976,569) | (2,976,569) | (2,976,569) |
| Fair value of plan assets | 12,634,931 | 12,634,931 | 12,634,931 | 12,634,931 |
| Present value of net asset/(obligations) | 9,658,362 | 9,658,362 | 9,658,362 | 9,658,362 |
| **Recognized asset/(liability) for defined benefit obligations** | **9,658,362** | **9,658,362** | **9,658,362** | **9,658,362** |

The bank has a right to the surplus on its plan assets. There are no unrecognised actuarial gains and losses.

Recognised asset for defined benefit obligations is included within Restricted deposits and other assets in note 34

**(b) Movement in the present value of defined benefit obligations:**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| (Deficit)/surplus on defined benefit obligations, beginning of period | 9,658,362 | 7,506,302 | 9,658,362 | 7,506,302 |
| Net (Expense) / Income recognised in Profit and Loss[1] | - | 1,176,734 | - | 1,176,734 |
| Re-measurements recognised in Other Comprehensive Income[2] | - | 839,010 | - | 839,010 |
| Contributions paid | - | 136,316 | - | 136,316 |
| **(Deficit)/surplus for defined benefit obligations, end of year** | **9,658,362** | **9,658,362** | **9,658,362** | **9,658,362** |

**(c) Plan assets consist of the following:**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| **Equity securities:** | | | | |
| - Quoted | 4,131,173 | 4,131,173 | 4,131,173 | 4,131,173 |
| **Government securities** | | | | |
| - Quoted | 1,295,360 | 1,295,360 | 1,295,360 | 1,295,360 |
| **Offshore investments** | | | | |
| - Quoted | 2,909,629 | 2,909,629 | 2,909,629 | 2,909,629 |
| **Cash and bank balances** | | | | |
| - Unquoted | 4,298,769 | 4,298,769 | 4,298,769 | 4,298,769 |
| | **12,634,931** | **12,634,931** | **12,634,931** | **12,634,931** |

**Group**

| *In thousands of Nigerian Naira* | Mar-2018 | | Dec-2017 | |
|---|---|---|---|---|
| Equity securities | 4,131,173 | 33% | 4,131,173 | 33% |
| Government securities | 1,295,360 | 10% | 1,295,360 | 10% |
| Offshore investments | 2,909,629 | 23% | 2,909,629 | 23% |
| Cash and bank balances | 4,298,769 | 34% | 4,298,769 | 34% |
| | **12,634,931** | **100%** | **12,634,931** | **100%** |

**Parent**

| *In thousands of Nigerian Naira* | Mar-2018 | | Dec-2017 | |
|---|---|---|---|---|
| Equity securities | 4,131,173 | 33% | 4,131,173 | 33% |
| Government securities | 1,295,360 | 10% | 1,295,360 | 10% |
| Offshore investments | 2,909,629 | 23% | 2,909,629 | 23% |
| Cash and bank balances | 4,298,769 | 34% | 4,298,769 | 34% |
| | **12,634,931** | **100%** | **12,634,931** | **100%** |

The defined benefit plan assets are under the management of Pension Fund Custodians - Crusader Sterling Pension Limited

**(d) Movement in plan assets:**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Fair value of plan assets, beginning of the period | 12,634,931 | 9,829,129 | 12,634,931 | 9,829,129 |
| Contributions paid into/(withdrawn from) the plan | - | 136,316 | - | 136,316 |
| Benefits paid by the plan | - | (136,316) | - | (136,316) |
| Actuarial gain | - | 1,193,825 | - | 1,193,825 |
| Return on plan assets | - | 1,611,977 | - | 1,611,977 |
| **Fair value of plan assets, end of the period** | **12,634,931** | **12,634,931** | **12,634,931** | **12,634,931** |

Actual return on plan asset is made up of expected return on plan assets and actuarial gains / losses

**(e) Movement in present value of obligations:**

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Present value of obligation, beginning of the period | 2,976,569 | 2,322,827 | 2,976,569 | 2,322,827 |
| Interest cost | - | 378,991 | - | 378,991 |
| Current service cost | - | 56,252 | - | 56,252 |
| Benefits paid | - | (136,316) | - | (136,316) |
| Actuarial (gain) on obligation | - | 354,815 | - | 354,815 |
| **Present value of obligation at end of the period** | **2,976,569** | **2,976,569** | **2,976,569** | **2,976,569** |

**(f) Actuarial assumptions**

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

| | 2018 | 2017 |
|---|---|---|
| Discount rate | 15.2% | 16.4% |
| Salary increase rate | 10% | 10% |
| Inflation | 12.5% | 12.5% |
| Retirement age for both male and female | 60 years | 60 years |
| Withdrawal Rate: 18 – 29 | 4.5% | 4.5% |
| Withdrawal Rate: 30 – 44 | 6.0% | 6.0% |
| Withdrawal Rate: 45 – 50 | 5.0% | 5.0% |
| Withdrawal Rate: 51 | 4.5% | 4.5% |
| Withdrawal Rate: 52 | 4.0% | 4.0% |
| Withdrawal Rate: 53 | 3.5% | 3.5% |
| Withdrawal Rate: 54 | 3.0% | 3.0% |
| Withdrawal Rate: 55 | 2.5% | 2.5% |
| Withdrawal Rate: 56 | 2.0% | 2.0% |
| Withdrawal Rate: 57 | 1.5% | 1.5% |
| Withdrawal Rate: 58 | 1.0% | 1.0% |
| Withdrawal Rate: 59 | 0.5% | 0.5% |
| Withdrawal Rate: 60 | 100.0% | 100.0% |

Assumptions regarding future mortality before retirement are based on A1949/52 ultimate table published by the Institute of Actuaries of United Kingdom.

The overall expected long-term rate of return on assets is 15.2%. 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 10% per annum. The inflation component has been worked out at 12.5% 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

**(g) Defined Benefit Risk Management**

The Group's exposure to risks through its defined benefit plan is mitigated through a number of strategies. Most important of them is the asset-liability matching strategy. Thus, fluctuations in macro-economic variables have minimal impact on its exposure to the plan.

Over the years, the Group not only ensures that it has sufficient plan assets to fund its defined benefit obligation but also adopts a robust strategy that ensures that the macro-economic variables affecting the obligations are similar to those of the plan assets.
The significant risks inherent in the Group's defined benefit plan are detailed below:

**Asset volatility**

Post employment benefit obligations are calculated using a discount rate determined with reference to market yields on high quality bonds. The Group ensures that the plan assets do not underperform this yield. This is achieved through maintaining an efficient portfolio of investments in plan assets significantly made up of high quality equities and government securities.
Consequently, the yield on the Group's plan assets has consistently outperformed interest cost on plan obligations. The Group also ensures that as tenured investments in plan assets mature, they are replaced with top quality investments which better match the liabilities.

Overall, the Group's defined benefit investment strategy aims at reducing investment risks while maintaining the right mix of investments in high quality equities, debt and near cash instruments void of impairment threats. The choice of investment in equities stems from the long term nature of the Group's defined benefit plan and expected maturity of the plan's liabilities.

**Changes in bond yields**

The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used.
The Group is of the opinion that there is no deep market in Corporate Bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation. A decrease in Nigerian Government Bond yields will increase the plan's liabilities. However, this growth is offset by an increase in the value of the plan assets.

**Inflation risk**

We believe this is less a material risk given the accretion to the Group's plan assets arising from continuous contribution to the plan and improved yield. Growth in inflation, all other things being equal, should lead to increased basic salaries (which is an important determinant of the Group's defined benefit liability) and consequently higher plan liabilities. This growth in liabilities should be offset with increased plan assets.

## 34 Other borrowed funds

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Due to IFC | 80,731,312 | 77,341,263 | 72,762,255 | 70,757,740 |
| Due to ADB | - | 2,946,842 | - | 2,946,842 |
| Due to FMO | 1,683,444 | 2,076,854 | - | - |
| Due to BOI | 39,846,485 | 41,710,002 | 39,846,485 | 41,710,002 |
| Due to CACS | 27,064,938 | 25,429,458 | 27,064,938 | 25,429,458 |
| Due to Proparco | 14,059,469 | 14,834,598 | 14,059,469 | 13,674,445 |
| MSME Development Fund | 266,308 | 284,392 | 266,308 | 284,392 |
| Excess Crude Account -Secured Loans Fund | 14,451,456 | 14,547,930 | 14,451,456 | 14,547,930 |
| Due to DEG | 18,495,690 | 18,546,673 | 18,495,690 | 18,546,673 |
| RSSF on lending | 25,775,927 | 22,773,902 | 25,775,927 | 22,773,902 |
| | **222,375,029** | **220,491,914** | **212,722,528** | **210,671,384** |

## 35 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* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|---|
| (a) | Authorised - | | | | |
| | 50,000,000,000 ordinary shares of 50k each | | | | |
| | (31 December 2017: 50,000,000,000 of 50k each) | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 |

| | *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|---|
| (b) | Issued and fully paid: | | | | |
| | 29,431,179,224 ordinary shares of 50 kobo each (31 December 2017: 29,431,179,224 ordinary shares of 50k each) | 14,715,590 | 14,715,590 | 14,715,590 | 14,715,590 |

The movement on the value of issued and fully paid-up share capital (Non GDR and GDR) account during the year was as follows:

| *In thousands of Nigerian Naira* | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| Balance, beginning of period | 14,715,590 | 14,715,590 | 14,715,590 | 14,715,590 |
| Balance, end of year | **14,715,590** | **14,715,590** | **14,715,590** | **14,715,590** |

**Share capital**

Movement in the components of share capital is as shown below:

| | Number of shares (thousands) | Ordinary shares | Share premium | Treasury shares |
|---|---|---|---|---|
| At January 2017 | 29,431,180 | 14,715,590 | 123,471,114 | (5,291,245) |
| (Purchases)/sales of treasury shares | - | - | - | - |
| **At 31 December 2017/1 January 2018** | **29,431,180** | **14,715,590** | **123,471,114** | **(5,291,245)** |
| (Purchases)/sales of treasury shares | - | - | - | - |
| **At 31 March 2018** | **29,431,180** | **14,715,590** | **123,471,114** | **(5,291,245)** |

**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 enterprises equity investment 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. In the current period, the bank appropriated N12,131,680,000 representing 30% of its Profit after tax to statutory reserve.
Total statutory reserves was N259,702,758,000 at the end of the year.

(ii) **Small and medium enterprises equity investment 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 requirement is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributak
Total SMEEIS reserves was N4,232,478,000 at the end of the year.

(iii) **Treasury shares**

Treasury shares in the sum of N5,291,245,000 (31 December 2017:N5,291,245,000) represents the Bank's shares held by the Staff Investment Trust as at 31 March 2018.

(iv) **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.

(v) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the impairment balance on loans and advances as determined in accordance with the provisions of Prudential guidelines of Central Bank of Nigeria when compared with the assessment in line with the requirement of IAS 39 Incurred loss model. The key component of CBN Prudential Guidelines (PG) is the setting aside of additional 2% provision on all performing loans assessed under the PG. This 2% provision is not required under IFRS. Therefore it has been recognised in Regulatory Risk Reserve.
The Parent's total balance in Regulatory Risk Reserve is N15,438,506,000.

(vi) **Retained earnings**

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

(vii) **Non-controlling interest**

The analysis of non-controlling interest per subsidiary is as shown below:

| | **Group Mar-2018** | **Group Dec-2017** | **Group Mar-2018** | **Group Dec-2017** |
|---|---|---|---|---|
| | % | % | ₦'000 | ₦'000 |
| GTB (Gambia) Limited | 22.19 | 22.19 | 993,472 | 996,493 |
| GTB (Sierra Leone) Limited | 15.76 | 15.76 | 1,254,065 | 1,169,853 |
| GTB (Ghana) Limited | 2.03 | 2.03 | 565,997 | 517,808 |
| GTB Liberia | 0.57 | 0.57 | 40,721 | 32,531 |
| GTB Kenya Limited | 30.00 | 30.00 | 7,565,644 | 7,884,888 |
| GTB Tanzania | 30.00 | 0.00 | 854,701 | 881,030 |
| | | | 11,274,600 | 11,482,603 |

(viii) **Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS):** The AGSMEIS is maintained to support the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises. Effective 2017 all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

(ix) **Other regulatory reserves breakdown**

| | | Mar-2018 | | |
|---|---|---|---|---|
| In thousands of Nigerian Naira | **Statutory Reserves** | **SMEEIS Reserves** | **AGSMEIS Reserves** | **Total** |
| Opening Balance | 247,571,078 | 4,232,478 | 6,341,840 | 258,145,396 |
| **Total comprehensive income for the year:** | | | | |
| Transfers for the year | - | - | - | - |
| Total transactions with equity holders | **-** | **-** | **-** | **-** |
| **Balance as at 31 December 2017** | **247,571,078** | **4,232,478** | **6,341,840** | **258,145,396** |

| | | Dec-2017 | | |
|---|---|---|---|---|
| In thousands of Nigerian Naira | **Statutory Reserves** | **SMEEIS Reserves** | **AGSMEIS Reserves** | **Total** |
| Opening Balance | 199,185,674 | 4,232,478 | - | 203,418,152 |
| **Total comprehensive income for the year:** | | | | |
| Transfers for the year | 48,385,404 | - | 6,341,840 | 54,727,244 |
| Total transactions with equity holders | **48,385,404** | **-** | **6,341,840** | **54,727,244** |
| **Balance as at 31 December 2016** | **247,571,078** | **4,232,478** | **6,341,840** | **258,145,396** |

## 36 Dividends

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

| *In thousands of Nigerian Naira* | **Group Mar-2018** | **Group Dec-2017** | **Parent Mar-2018** | **Parent Dec-2017** |
|---|---|---|---|---|
| Balance, beginning of period | - | - | - | - |
| Final dividend declared[1] | - | 51,504,563 | - | 51,504,563 |
| Interim dividend declared | - | 8,829,354 | - | 8,829,354 |
| Payment during the period | - | (60,333,917) | - | (60,333,917) |
| Balance, end of year | - | - | - | - |

## 37 Contingencies

***Contingent liabilities and commitments***

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

***Nature of instruments***

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 bond and are, generally, commitments to third parties which are not directly dependent on the customer's creditworthiness.
Documentary credits commit the Group to make payments to third parties on production of documents, which is usually reimbursed immediately by customers. The following tables summarise the nominal 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 | Group Mar-2018 | Group Dec-2017 | Parent Mar-2018 | Parent Dec-2017 |
|---|---|---|---|---|
| **Contingent liabilities:** | | | | |
| Transaction related bonds and guarantees | 449,496,443 | 433,620,435 | 434,107,601 | 414,229,702 |
| | 449,496,443 | 433,620,435 | 434,107,601 | 414,229,702 |
| **Commitments:** | | | | |
| Short term foreign currency related transactions | - | - | - | - |
| Clean line facilities and letters of credit | 58,346,653 | 51,861,890 | 31,913,468 | 22,369,921 |
| Other commitments | 5,092,654 | 8,890,842 | - | - |
| | 63,439,307 | 60,752,732 | 31,913,468 | 22,369,921 |
| **Total contingent liabilities** | **512,935,750** | **494,373,167** | **466,021,069** | **436,599,623** |

## 38 Changes on equities on initial application of IFRS 9

The following shows the impact of IFRS 9 opening entries on equity:

| | Impact of IFRS 9 Opening Entries on Equity | | | |
|---|---|---|---|---|
| **Impairment on:** | **Regulatory risk reserve** | **Fair value reserve** | **Retained Earnings** | **Total** |
| Loans and Advances | - | - | (27,940,881) | (27,940,881) |
| Loans and Advances | (51,933,646) | - | - | (51,933,646) |
| Loans, commitments and financial guarantee contracts issued | - | - | (51,441,959) | (51,441,959) |
| Placements | - | - | (305,508) | (305,508) |
| EuroBond | - | 190,510 | (190,510) | - |
| **Treasury Bills:** | | | | |
| - Amortized Cost | - | - | - | - |
| - FVOCI- Pledged | - | - | - | - |
| - FVOCI | - | 66,428 | (66,428) | - |
| **Bonds:** | | | | |
| - Amortized Cost | - | - | (9,033) | (9,033) |
| - FVOCI | - | 1,398 | (1,398) | - |
| Equity Investments | - | - | - | - |
| Other Assets | (390,527) | - | 283,988 | (106,539) |
| Litigation claims provision | - | - | - | - |
| **Total** | **(52,324,173)** | **258,336** | **(79,671,729)** | **(131,737,566)** |

**39 Restatement of comparative financial information**

| *In thousands of Nigerian Naira* | Reported Group Mar-2017 | Restatements Group | Restated Group Mar-2017 | Reported Parent Mar-2017 | Restatements Parent | Restated Parent Mar-2017 |
|---|---|---|---|---|---|---|
| Interest income | 84,108,674 | - | 84,108,674 | 73,950,105 | - | 73,950,105 |
| Interest expense | (17,979,526) | - | (17,979,526) | (14,621,375) | - | (14,621,375) |
| **Net interest income** | **66,129,148** | **-** | **66,129,148** | **59,328,730** | **-** | **59,328,730** |
| Loan impairment charges | (3,813,232) | 400,854 | (3,412,378) | (3,613,189) | 63,865 | (3,549,324) |
| **Net interest income after loan impairment charges** | **62,315,916** | **400,854** | **62,716,770** | **55,715,541** | **63,865** | **55,779,406** |
| Fee and commission income[1] | 16,025,485 | (2,345,361) | 13,680,124 | 12,724,759 | (2,345,361) | 10,379,398 |
| Fee and commission expense | (585,261) | - | (585,261) | (366,811) | - | (366,811) |
| **Net fee and commission income** | **15,440,224** | **(2,345,361)** | **13,094,863** | **12,357,948** | **(2,345,361)** | **10,012,587** |
| Net gains/(losses) on financial instruments held for trading | 3,676,659 | 736,475 | 4,413,134 | 2,161,886 | 736,475 | 2,898,361 |
| Other income[1] | 846,079 | 1,082,368 | 1,928,447 | 588,932 | 1,419,357 | 2,008,289 |
| **Other income** | **4,522,738** | **1,818,843** | **6,341,581** | **2,750,818** | **2,155,832** | **4,906,650** |
| **Total operating income** | **82,278,878** | **(125,664)** | **82,153,214** | **70,824,307** | **(125,664)** | **70,698,643** |
| Personnel expenses | (8,192,617) | - | (8,192,617) | (5,621,332) | - | (5,621,332) |
| Operating lease expenses | (456,637) | - | (456,637) | (156,578) | - | (156,578) |
| Depreciation and amortization | (4,142,560) | - | (4,142,560) | (3,387,575) | - | (3,387,575) |
| Other operating expenses | (19,094,989) | 125,664 | (18,969,325) | (15,639,909) | 125,664 | (15,514,245) |
| **Total expenses** | **(31,886,803)** | **125,664** | **(31,761,139)** | **(24,805,394)** | **125,664** | **(24,679,730)** |
| **Profit before income tax** | **50,392,075** | **-** | **50,392,075** | **46,018,913** | **-** | **46,018,913** |
| Income tax expense | (8,914,666) | - | (8,914,666) | (7,823,215) | - | (7,823,215) |
| **Profit for the year** | **41,477,409** | **-** | **41,477,409** | **38,195,698** | **-** | **38,195,698** |

[1]**Fee and commission income / Other Income:**

The reclassification shown above relates to non-vatable items which have been appropriately reclassified to Other Income line for proper comparison with current year figures.

| Key Financials (N' billion) | Mar-18 | Mar-17 | Δ% |
|---|---|---|---|
| Net Interest Income | 59.7 | 66.1 | -10% |
| Non Interest Income | 28.2 | 20.0 | 41% |
| Operating Income | 85.5 | 82.2 | 4% |
| Operating expense | 32.9 | 31.8 | 3% |
| Profit before tax | 52.6 | 50.4 | 4% |
| Profit after tax | 44.7 | 41.5 | 8% |
| | **Mar-18** | **Dec-17** | |
| Total Assets | 3,506.8 | 3,351.1 | 5% |
| Net Loans | 1,354.3 | 1,449.3 | -7% |
| Total Deposits | 2,312.8 | 2,147.5 | 8% |

| Key Ratios | Mar-18 | Mar-17 |
|---|---|---|
| Net interest margin | 10.09% | 10.60% |
| Cost-to-income ratio | 38.46% | 38.66% |
| | **Mar-18** | **Dec-17** |
| ROE (Post tax) | 30.80% | 31.55% |
| ROA (Post tax) | 5.21% | 5.28% |
| Loans-to-Deposits and Borrowings | 51.50% | 64.34% |
| Liquidity ratio | 55.88% | 47.56% |
| Capital adequacy ratio | 24.57% | 25.68% |
| NPL/Total Loans | 6.15% | 7.66% |
| Cost of risk | 0.11% | 0.76% |
| Coverage (with Reg. Risk Reserves) | 202.90% | 119.63% |