Guaranty Trust Bank plc

GTBANK PILLAR 3 – MARKET DISCIPLINE

(DISCLOSURES)

JUNE 2015

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1. Executive Summary

1.1. Background

The Central Bank of Nigeria (CBN) in 2013 issued a framework on Regulatory Capital Measurement and Management for the Nigerian Banking System for the implementation of Basel II/III in Nigeria. The framework specifies approaches for quantifying the risk weighted assets for credit, market and operational risk for the purpose of determining regulatory capital. Although the guidelines comply significantly with the requirements of the Basel II/III accords, certain sections were adjusted to reflect the peculiarities of the Nigerian Environment.

The Basel II/III framework stipulates a minimum level of capital that banks must maintain to ensure that they can meet their obligations, cover unexpected losses; and can, very importantly, promote public confidence.

Basel II/III is a three-pronged approach relying on three Pillars -Minimum Capital Requirements (Pillar 1), Supervisory Review Process (Pillar 2) and Market Discipline (Pillar 3).

Pillar 1 Minimum Capital Requirements: It prescribes the capital allocation methodology against the core traditional credit, market and operational risks to ensure these are adequately measured and that banks have adequate capital to mitigate these risks.

Pillar 2 Supervisory Review: It requires banks to establish a risk management framework to identify, assess and manage major risks inherent in the institution and allocate adequate capital against those risks. It emphasizes that supervisors should be able to evaluate the soundness of these assessments.

Pillar 3 Market Discipline: It sets out to promote market discipline by requiring a number of disclosure requirements in respect of a bank's risk exposures, risk assessment process and capital adequacy.

Effective October 1 2014, banks were required to commence monthly Capital Adequacy reporting, carry out an Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis and comply with the Basel II Pillar 3 disclosure requirements on a bi-annual basis.

1.2. Regulatory Update

During the year 2015, CBN revised the Capital Adequacy Ratio (CAR) reporting template and existing guidance notes on Regulatory capital, Credit risk, Market risk, Operational risk and Pillar 3 disclosure requirement for Basel II implementation in the Industry.

By revising the guideline, CBN tends towards strict compliance with standardized approach measurement of credit, market and operational risks thereby introducing more stringent measures for calculating Risk weighted assets for the Pillar 1 risks ensuring that banks are adequately capitalised and poised to withstand any threat to their solvency. To buttress the above point, with CAR for Domestic Systemically Important Banks in Nigeria at 16%, it is expected that the capital charge should be reciprocal of 16% i.e. 6.25, however, the new guideline having taken away most of the previously acceptable collateral (credit mitigants) retained the Capital Charge of 12.5 for determination of the Operation and Market Risk under Pillar 1. In addition to this, the revision also sought to simplify and clarify grey areas in the previous guidance notes following the review comments obtained from the industry during the parallel run.

Other changes include a simplified and uniform reporting template for monthly submission of CAR and the requirement by Domestic Systemically Important Banks to publish information on risk exposure and management on a more frequent basis in addition to the bi-annual disclosure of information under Pillar 3 – Market Discipline.

Further to this revision, the Apex bank conducted an industry wide **test** of the revised guidelines directing all Nigerian banks and banking groups to re-compute capital adequacy ratio in line with the revised guidance notes for the months of April, May and June. While we await the Apex bank's decision on the full adoption of the revised guidance, the Bank has taken proactive steps to compute its CAR to reflect some of these changes.

2. Introduction & Background of the risk Assessment Process

2.1. Introduction

This report is produced and published semi-annually as specified by the Central Bank of Nigeria (CBN) and in line with Pillar 3 disclosure requirements under the Basel II framework. The objective is to provide updated information on Guaranty Trust Bank's ('GTBank' or 'the Bank') risk assessment processes in order to increase transparency and confidence about the Bank's exposure to risk and its overall regulatory capital adequacy.

The Bank's risk assessment, management processes and procedures are well documented in the Bank's ICAAP report. ICAAP is the process under which the Board of Directors of Guaranty Trust Bank oversees and regularly assesses the following:

- The Bank's processes, strategies and systems;

- The major sources of risk to the Bank's ability to meet its obligations as they fall due; and

- The amounts and types of financial and capital resources and whether they are adequate to cover the nature and level of the risks to which the Bank is exposed.

The ICAAP is regularly reviewed at the highest levels of Guaranty Trust Bank's organisation structure. As such the Bank's risk management processes and ICAAP assumptions are regularly being challenged. Maintaining and continually reviewing the Bank's ICAAP helps to ensure that the Bank continues to retain its focus on the risks it faces.

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

This document sets out a brief highlights of the risk assessment processes for credit, market and operational risks and the quantitative disclosures.

The results of this assessment trended are summarised below;

Figure 1.1: Summary of Risk Assessment and Capital Adequacy Ratio

	15-Jun	**15-Jun**	**14-Dec**	**14-Dec**
	RCR	IACR	RCR	IACR
	₦'mn	₦'mn	₦'mn	₦'mn
Risk-Weighted Assets (RWA)	**1,506,895**	**1,506,895**	**1,395,662**	**1,395,662**
Credit Risk	173,649	196,803	163,265	195,918
Market Risk	1,449	3,080	1,306	5,881
Operational Risk	26,489	29,502	23,272	27,832
Pillar II Risk		6,118		5,975
Capital Requirement	**201,588**	**235,503**	**187,843**	**235,606**
Tier 1 Capital	303,636	303,636	298,700	298,700
Tier 2 Capital	2,285	2,285	(67)	(67)
Total Eligible/Qualifying Capital	**305,921**	**305,921**	**298,633**	**298,633**
Headroom Against Capital Requirement	104,333	70,418	110,790	63,027
% Capital Headroom (Cap. Headroom/Cap. Required)	52	30	59	27
Tier 1 Capital Adequacy Ratio	**20.15%**	**20.15%**	**21.40%**	**21.40%**
Total Capital Adequacy Ratio	**20.30%**	**20.30%**	**21.40%**	**21.40%**

RCR - Regulatory Capital Requirements

IACR - Internal Assessment of Capital Requirements *Full breakdown of Tier 1 and Tier 2 Capital are provided in Appendix*

Under Basel II, the Bank's internal assessment of its capital requirements amounted to ₦236bn while regulatory capital requirements for credit and non-credit risks amounted to ₦202bn. The eligible capital stands at **₦306bn** following the audit of the June 30, 2015 Financial Statements of the Bank.

The Bank's regulatory capital requirement of ₦202bn is ₦34bn **below** the bank's own overall internal capital assessment. With eligible capital of **₦306bn**, the Bank has enough capital to absorb any shock arising from what continue to be a stressed and challenging financial environment. As at 30th June, 2015, the Bank had headroom against its regulatory capital requirement of ₦104bn (+52 %) after taking into account the audited profit for the half year. Headroom against the Bank's internal capital assessment was ₦70bn (+30 %).

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

Executive management will continue to monitor the capital adequacy position, keeping a close eye on the level of customer deposits and the actual growth in loans and advances against the business plan. Should the capital adequacy headroom fall below the trigger limit of 5% (currently ₦12bn) then a formal review of the Bank's capital position would be undertaken by the Board.

2.2. BACKGROUND OF THE RISK ASSESSMENT PROCESS

2.2.1 ORGANIZATION AND CAPITAL STRUCTURE

2.2.1.1 BUSINESS ORGANIZATION

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

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

I. **CORPORATE BANKING (INSTITUTIONAL BANKING)**

This segment covers corporations with turnover in excess of ₦5bn. The products offered include current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products offered to large corporate customers. The Bank's portfolio in this segment is dominated by the following sectors: manufacturing, telecommunications, construction and energy (upstream, downstream and midstream). The customers in this segment are companies with a strong corporate governance structure and well-structured operating processes.

II. Commercial Banking

This segment covers companies with a turnover between ₦250mn to ₦5bn. The products offered to this segment include current accounts, deposits, overdraft, loans and other credit facilities and foreign currency services. After the Corporate Banking segment, commercial banking represents the second largest segment in terms of Loans & Advances, and deposits.

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

III. Retail Banking

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

IV. SME Banking

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

V. **Public Sector**

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

VI. **Correspondent Banking**

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

2.2.1.2 CAPITAL STRUCTURE

The bank is a quoted registered company owned by 337,845 shareholders with issued shares of 29,431,179,224 as at June 30, 2015.

The composition of capital resources available and growth over the last five years are as detailed hereunder in Table 2:1

Table 2.1: Capital Composition

	Jun-15	Dec-14	Dec-13	Dec-12	Dec-11	Dec-10
	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn
Share capital	14,716	14,716	14,716	14,716	14,716	11,659
Share premium	123,471	123,471	123,471	123,471	123,471	119,077
Retained earnings	49,950	58,442	55,079	45,944	31,561	19,976
Other components of equity	190,534	172,901	136,381	102,409	64,433	65,734
Total	**378,671**	**369,530**	**329,647**	**286,539**	**234,180**	**216,445**
% Increase	2.5	12.1	15	22.4	8.2	8.2

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

2.2.1.1.2.1 REGULATORY CAPITAL DEFINITION

The Pillar1 regulatory capital of the bank is calculated on the basis of IFRS figures and according to the BASEL II guidance on regulatory capital as implemented by the Central Bank of Nigeria.

The available regulatory capital is classified under two main categories: Tier I and *Ti*er II capital.

Tier 1 capital is going concern capital and is available for unrestricted and immediate use to cover risks and losses whilst enabling the organisation to continue in business. Tier I consists of only permanent shareholders' equity and disclosed reserves and it includes the following;

- Paid up share capital which is issued and fully paid; only redeemed on the winding-up of the business.
- Share premium, the excess paid over the par value of the shares.
- General reserves, the earning derived after all distributable allocations have been made.
- SMEEIS reserves
- Statutory reserve, made out of profit after tax

Tier 2 capital consists of capital instruments which are normally of medium to long-term maturity with an original maturity of at least five years. For regulatory purposes, it is a requirement that these instruments be amortised on a straight-line basis in their final five years of maturity. Also considered part of tier 1 capital is other comprehensive income (OCI) items other than fixed asset revaluation reserves created by the adoption of IFRS which are subjected to CBN's limitations. However, Tier 2 items in the Bank only consists of OCI items particularly the fair value reserves used to register the revaluation changes in Available-for-sale financial instruments.

The following table sets the composition of regulatory capital and the regulatory deductions made to capital.

	Jun-15	**Dec-14**
Tier 1 Capital	**=N=MM**	**=N=MM**
Paid-up ordinary shares	14,716	14,716
Share premium	123,471	123,471
General reserves	49,950	58,442
Statutory Reserve	155,667	140,387
SMEEIS Reserve	4,232	4,232
Tier 1 Sub-Total	**348,036**	**341,248**
Regulatory deductions		
Other intangible assets	(2,494)	(2,418)
Unconsolidated banking and financial subsidiary	(41,906)	(40,130)
Net total Tier 1 Capital	**303,636**	**298,700**
Tier 2 Capital		
Other Comprehensive Income (OCI): Fair value gain/ (loss)	2,285	(67)
Total Tier 2 Capital	**2,285**	**(67)**
Total Qualifying Capital	**305,921**	**298,633**

2.3. REGULATORY CAPITAL ADEQUACY RATIOS

As mentioned earlier in this document, the Basel II/III framework uses a "three pillars" concept – (1) Minimum Capital Requirements (2) Supervisory Review and (3) Market Discipline.

The first pillar deals with maintenance of minimum regulatory capital and specifies approaches for the quantification of the three traditional risks that might crystallize on a bank: Credit risk, Operational risk and Market risk. Other risks are not considered fully quantifiable at this stage. Banking regulators define capital requirements for banks and financial services holding companies expressed in the form of a Capital to Risk (Weighted) Assets Ratio (CRAR) or as commonly known Capital Adequacy Ratio (CAR). The current minimum required level for this ratio is 10% or 15% respectively for Nigerian banks or banking groups with regional/national license and international banking license.

Furtherance to this, CBN has urged all banks and banking groups in Nigeria to adopt the Standardized Approach (SA) in determining Credit Risk and Market Risk and Basic Indicator Approach (BIA) for determining Operational Risk. To this end, the CAR for the bank as at June 30, 2015 was 20.30%.

A summary of the composition of regulatory capital and risk weighted assets as at June 30, 2015 is shown in Table 2.2.

Table 2.2: Summary of Risk Assessment and Capital Adequacy Ratio

	Jun-15	Dec-14
	RCR	RCR
	₦'mn	₦'mn
Aggregate Risk-Weighted Assets (RWA)	**1,506,894**	**1,395,662**
Risk Weighted Amount for Credit Risk	1,157,661	1,088,435
Risk Weighted Amount for Market Risk	18,116	16,325
Risk Weighted Amount for Operational Risk	331,116	290,902
Tier 1 Capital	303,636	298,700
Tier 2 Capital	2,285	(67)
Total Eligible/Qualifying Capital	**305,921**	**298,633**
Tier 1 Risk-Based Capital Ratio	**20.15%**	**21.40%**
Total Risk-Weighted Capital Ratio	**20.30%**	**21.40%**

3. INTERNAL CAPITAL ASSESSMENT-METHODOLOGY

3.1 OVERVIEW OF BASEL APPROACH TO CAPITAL ASSESSMENT

3.1.1 INTERNAL CAPITAL ADEQAUCY ASSESSMENT PROCESS

The second pillar is a regulatory response to the first pillar, giving regulators better 'tools' over those previously available. It also provides a framework for dealing with systemic risk, pension risk, concentration risk, strategic risk, reputational risk, liquidity risk, legal risk and compliance risk, all of which are regarded as Pillar 2 risks. Banks are at liberty to continually review their risk management system. The output of this review process is the ICAAP report.

In determining its Internal Assessment of Capital Requirements (IACR), the Bank adopted the Standardized Approach (SA) for determining all of its Pillar 1 Risks with model developed for determining quantifiable Pillar 2 Risks.

The table below summarizes the capital ratios under internal assessment of capital:

Table 3.1: Summary of Internal Risk Assessment and Capital Adequacy Ratio

	Jun-15	Dec-14
	IACR	IACR
	₦'mn	₦'mn
Risk-Weighted Assets (RWA)	**1,506,895**	**1,469,012**
Credit Risk	196,803	195,918
Market Risk	3,080	5,881
Operational Risk	29,502	27,832
Pillar II Risk	6,118	5,975
Capital Requirement	**235,503**	**235,607**
Tier 1 Capital	303,636	298,700
Tier 2 Capital	2,285	(67)
Total Eligible/Qualifying Capital	**305,921**	**298,633**
Headroom Against Capital Requirement	70,418	63,027
% Capital Headroom (Cap. Headroom/Cap. Required)	30	27
Tier 1 Capital Adequacy Ratio	**20.15%**	**20.33%**
Total Capital Adequacy Ratio	**20.30%**	**20.33%**

The third pillar aims to complement the minimum capital requirements and supervisory review process by developing a set of disclosure requirements which allow market participants to gauge the capital adequacy of an institution. Market discipline supplements regulation as sharing of information facilitates assessment of a financial institutions by others, including investors, analysts, customers, banks, and rating agencies, which leads to good corporate governance. The objective is to encourage market discipline by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, and the capital adequacy of the institution. It must be consistent with how the senior management and the board assess and manage the risks of the institution.

When market participants have a sufficient understanding of a bank's activities and the controls it has in place to manage its risks and exposures, they are better able to distinguish between banks so that they can reward those that manage their risks prudently.

3.1.2 CREDIT RISK

Credit risk is the principal source of risk to the bank arising from exposures in form of loans and advances extended to customers under the corporate, commercial, small & medium enterprises and retail business lines. As stipulated in the Basel II implementation document of the Central Bank local regulator, the bank classified its various loan exposures into appropriate Basel II classes – corporate, retail, public sector entities and equity. Because the standardized approach is hinged on assignment of diversified risk weights to the asset classes, based on the ratings provided by the External Rating Agencies; which are not available in the local operating environment, the regulator; CBN thus stipulates that all unrated exposures irrespective of the asset classes shall be assigned a risk weight of 100% with the exception of exposures to the Federal Government of Nigeria, the Central Bank of Nigeria and some Multilateral development banks which a risk weight of 0% is to be applied. The bank has adopted a risk weight of 100% to all of its exposures in the calculation of the credit risk weighted assets with the exception of exposures to the retail segment which is given a regulatory risk weight of 75% and those exempted by the Apex bank as discussed above.

The Bank uses the Standardised Approach to calculate risk-weighted assets for credit risk. Risk Weighted Assets value is calculated as the product of the amount of exposures and regulator-determined risk weights. RWA = E*r where E is the value of the exposure and r is the risk weight of the exposure as determined by the regulators. The table below shows the risk weight by assets classes (Standardized Approach) for on-balance sheet and off-balance sheet.

Table 3.2: CBN Basel Guidelines – Risk Weights (On-Balance Sheet)

CBN BASEL GUIDELINES - RISK WEIGHTS		
S/N	**ASSET CLASSES**	**RISK WEIGHT (%)**
ON-BALANCE SHEET		
1	**Sovereigns/Central Banks**	
	Treasury Bills/Bonds	0
	Claims on OECD countries	20
	Claims on non-OECD countries	50
2	**Banks**	
	Claims on other banks in Nigeria with maturity equal to or less than 3 months	20
	Claims on banks outside Nigeria in OECD countries	20
	Claims on banks outside Nigeria in non-OECD countries	50
	Placements secured with Treasury Bills	0
	Placement unsecured	20
3	**Claims on Public Sector Entities & Regional Government**	
	States Government exposures classified as liquid assets by CBN	20
	LG, States & MDAs	100
	FGN - Ministries, Departments, Parastatals & Agencies	100
4	Claims on corporates	100
5	Claims on Multilateral Development Banks (MDB)	
	All international development banks	0
	Others	50
6	Exposures included in regulatory retail portfolio	75

7	Exposures secured by mortgages on residential property	100
8	Exposures secured by mortgages on commercial real estates	100
9	Claims on cash in the process of collection	20
10	Claims on cash and cash equivalents	0
11	**Past due loans**	
	Specific provisions are less than 20% of the outstanding amount of the loan	150
	Specific provisions are not less than 20% of the outstanding amount of the loan	100
12	Other claims - other financial instruments and assets	100

Table 3.3: CBN Basel Guidelines – Risk Weights (Off-Balance Sheet)

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

3.1.2.1 PAST DUE EXPOSURES AND IMPAIRED LOANS

The following policies guide the Bank's provisioning and impairment:

(1) Loan Categorization

All loans and advances are categorized as follows:

- **Neither past due nor impaired:**
  These are loans and advances where contractual interest or principal payments are not past due. The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank. These are assigned ratings 1-6[1].

- **Past due but not impaired:**
  These are loans and advances where contractual interest or principal payments are past due but individually assessed as not being impaired. The Bank believes that impairment is not appropriate on the basis of the level of receivable/security/collateral available and/or the stage of collection of amounts owed to the Bank. This is assigned rating 7[1].

- **Individually impaired:**
  Individually impaired are loans and advances for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advance agreement(s). These are loans and advances specifically impaired. These are assigned ratings 8-10[1].

- **Collectively impaired:**
  Collectively impaired are portfolios of homogenous loans and advances where contractual interest or principal payments are not past due, but have been assessed for impairment by the Bank. Thus, Loans assessed for collective impairment transverse from ratings 1 to ratings 7[1].

[1] Ratings 1	Exceptional capacity
Ratings 2	Very strong capacity
Ratings 3-5	Strong repayment capacity
Ratings 6	Acceptable Risk
Ratings 1-7	collectively impaired
Ratings 8-10	individually impaired

(2) Allowances for impairment

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

Specific Impairment – This is derived by identifying exposure at default and recoverable cash-flows.

The Cash-flows are then discounted to present value using the original effective interest rate on the exposures. The shortfall between the discounted cash-flows and the exposure at default is recognized as individual impairment.

Collective Impairment - This is arrived at using the incurred loss model under IAS 39 by incorporating emergence period (EP) into the expected loss model under Basel II.

Realizable collaterals are important component of cash flows.

3.1.2.2 CREDIT RISK MANAGEMENT

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

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

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

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

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

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

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

There were no changes in the Bank's risk management policies. Each business unit is required to implement Bank credit policies and procedures, with credit approval authorised by the Board Credit Committee.

3.1.2.3 RISK LIMIT CONTROL AND MITIGATION POLICIES

The Bank applies limits to control credit risk concentration and diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and Banks of related borrowers, business lines, rating grade and geographical area.

The Bank adopts the obligor limits as set by the regulators and it is currently at 20% of the Bank's shareholders' funds. The obligor limit covers exposures to counterparties and related parties.

Although the Bank is guided by this regulatory limit, it applies additional parameters internally to determine the suitable limits that an individual borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc.

The Bank imposes industry/economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The industry limits are arrived at after rigorous analysis of the risks inherent in the industries/economic sectors.

The limits are usually recommended by the Portfolio Management Unit in the Credit Risk Management Bank and approved by the Board. The limits set for each industry or economic sector depend on the historical performance of the sector as well as the intelligence report on the outlook of the sector. During a review period, limits can be realigned (by way of outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events.

The Bank also sets internal credit approval limits for various levels of officers in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the Board or Regulatory authorities such as Aggregate Large Exposure Limits, Single Obligor Limits, and Geographical Limits, Industry / Economic sector limits etc.

The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors as indicated below:

Table 3.4: Management Credit Approval Limits

Designation	**Limit**
Board of Directors	Up to the single obligor limit as advised by the regulatory authorities from time to time but currently put at 20% of shareholders' funds (total equity)
Management Credit Committee	Up to N2 Billion
Managing Director	Up to N500 Million
Deputy Managing Director	Up to N350 Million
Other Approving Officers	as delegated by the Managing Director

The above limits are subject to the following overriding approvals:

- The deposit required for all cash collateralized facilities (with the exception of bonds, guarantees and indemnities) must be 125% of the facility amount to provide a cushion for interest and other charges.
- All new facilities require one-up approval i.e. approval at a level higher than that of the person that would ordinarily approve it

Master Netting Arrangements

The Bank further manages its exposure to credit losses by entering into master netting arrangements, where applicable, with counterparties with which it undertakes a significant volume of transactions. The right to set off is triggered at default. By so doing, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Off-balance sheet engagements

These instruments are contingent in nature and carry the same credit risk as loans and advances. As a policy, the Bank ensures that all its off-balance sheet exposures are subjected to the same rigorous credit analysis, like that of the on-balance sheet exposures, before availment. The major off-balance sheet items in the Bank's books are Bonds and Guarantees, which the Bank will only issue where it has full cash collateral or a counter guarantee from a first class bank, or another acceptable security.

Contingencies

Contingent assets/liabilities which include transaction-related bonds and guarantees, and letters of credit are not recognized in the annual financial statements but are disclosed when, as a result of past events; it is highly likely that economic benefits/settlement will flow to/from the Bank. However this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank's control.

Placements

The Bank has placement lines for its counterparties. The lines cover the settlement risks inherent in the activities with these counterparties. The limits are arrived at after conducting fundamental analysis of the counterparties, presentation of findings to, and approval by the Bank's Management Credit Committee. The lines are monitored by market risk arm of Enterprise Risk Management Division. As a rule, the Bank's placements with local banks are backed with treasury bills.

3.1.2.4 CREDIT RISK MITIGATION

The Bank uses a number of techniques to mitigate the credit risks to which it is exposed. The bank uses eligible financial collaterals to mitigate against the risk of loss arising from its exposures.

Credit Collaterals

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

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

All collateral offered must have the following attributes:

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

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

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

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

The fair values of collaterals are based upon last annual valuation undertaken by independent valuers on behalf of the Bank. The valuation techniques adopted for properties are based upon fair values of similar properties in the neighbourhood taking into cognizance the advantages and disadvantages of the comparatives over the subject property and any other factor which can have effect on the valuation e.g. subsequent movements in house prices, after making allowance for dilapidations. The fair values of non-property collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instrument.

The same Fair value approach is used in determining the collaterals value in the course of sale or realisation. The Bank does not take physical possession of properties or other assets held as collateral and it uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower.

To arrive at the CRM value used to derive the net credit exposure for regulatory capital adequacy purposes, the Bank applies the haircut adjustments on the value of the eligible collaterals to provide a margin of safety in the event of a drop in market prices. These haircuts reflects the Management's loss experience on the different collateral types. The following formula is applied in the calculation of the net credit exposure;

$$E^* = \max \{0, [E \times (1 + He) – C \times (1 – Hc – Hfx)]\}$$

Where:

E^* = the net exposure value after risk mitigation

E = the current value of the exposure

He = haircut appropriate to the exposure

C = the current value of the collateral received

Hc = haircut appropriate to the collateral

Hfx = haircut appropriate for currency mismatch between the collateral and exposure

3.1.3 MARKET RISK

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

Table 3.4: Market Risk Components

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

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

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

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

3.1.4 OPERATIONAL RISK

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

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

Risk Appetite and Acceptance Criteria

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

Table 3.5 – Operational Risk Appetite

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

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

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

Of the eight Basel defined business lines, the bank's operations cover five as depicted in Table 4.6 below:

Table 3.6 – Basel Business Lines

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

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

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

Where:

K_{rq} = Capital charge required

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

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

For regulatory capital assessment, the bank uses the Basic Indicator Approach (BIA) in which the bank calculates its regulatory capital requirement by multiplying an indicator of the bank's volume of business, net income, by a specified regulatory percentage (15%) using the formula below.

K_{BIA} = $[GI_{i\ldots\eta} * \alpha]/\eta$
Where:
K_{BIA} = the capital charge under the Basic Indicator Approach
GI = positive annual gross income for the previous three years
η = number of the previous three years for which gross income is positive
α =15%

i.e. average over the previous three years of a fixed percentage of positive annual gross income.

Gross income is computed in line with the regulatory description as;

Gross income under this guideline includes the sum of a bank's

- Net interest income, and
- Net non-interest income;

All of which shall be gross of:

- Any provisions (example unpaid interest); and write-offs made during the year
- Any operating expenses, including fees paid to outsourcing service providers; in addition to fees paid for services that are outsourced, fees received by banks that provide outsourcing services shall be included in the definition of gross income

But shall exclude;

Realized or unrealized profits/losses from the sale or impairment of securities in the banking book;

- Extraordinary or irregular items;
- Income derived from insurance recoveries.
- exclude reversal during the year in respect of provisions and write-offs made during the previous year(s);
- exclude income from legal settlements in favour of the bank;

4. QUANTITATIVE DISCLOSURE APPENDIXES

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

Appendix 1: Computation of capital requirement charge

CAPITAL REQUIREMENT CHARGE (₦MM)	JUNE 30, 2015								
PILLAR 1 CREDIT RISK BREAKDOWN UNDER STANDARDISED APPROACH BY EXPOSURE CLASSES	**RISK WEIGHT %**	**CCF**	**EXPOSURE**	**CRM**	**EXPOSURE AFTER CRM**	**CREDIT EQUIVALENT**	**RWA**	**REGULATORY CAPITAL**	**INTERNAL CAPITAL**
ON BALANCE SHEET									
EXPOSURE TO SOVEREIGNS									
Exposure to FGN & CBN	0%	1	777,687	0	777,687	777,687	0	0.00	0
Exposures to State & Local Government								0.00	0
State Government Bonds classified as liquid assets by the CBN	20%	1	3,208	0	3,208	3,208	642	96.25	109
Other State and Local Government Bonds & Exposures	100%	1	34,971	0	34,971	34,971	34,971	5,245.63	5,945
Exposures to Supervised Institutions (DMBs, Discount Houses,)								0.00	0
Maturity not more than 3 months	20%	1	12,012	0	12,012	12,012	2,402	360.36	408
Banks outside Nigeria (including Foreign Currencies)	20%	1	39,085	0	39,085	39,085	7,817	1,172.54	1,329
Exposures to Corporates and Other Persons								0.00	0
All Corporate Exposures	100%	1	1,009,319	247,289	762,030	762,030	762,030	114,304.46	129,545
Past Due Exposures where specific provisions < 20%	150%	1	4,124	1,394	2,730	2,730	4,095	614.24	696
Past Due Exposures where specific provisions ≥ 20%	100%	1	5,987	2,398	3,589	3,589	3,589	538.41	610
Exposures included in Regulatory Retail Portfolio								0.00	0
Exposures included in regulatory retail portfolio	75%	1	64,135	6,642	57,494	57,494	43,120	6,468.07	7,330
Past Due Exposures where specific provisions < 20%	150%	1	0	0	0	0	0	0.00	0
Past Due Exposures where specific provisions ≥ 20%	100%	1	0	0	0	0	0	0.00	0
Exposures Secured by Residential Mortgages								0.00	0
Residential Mortgages Loans	100%	1	1,770	1,709	61	61	61	9.10	10
Commercial Mortgages Loans								0.00	0
Exposures Secured by Commercial Mortgages								0.00	0
Commercial Mortgages Loans	100%	1	61,403	51,525	9,879	9,879	9,879	1,481.81	1,679
Past Due Exposures where specific provisions ≥ 20%	100%	1	336	317	19	19	19	2.82	3
Other Balance Sheet Exposures									0
Cash in hand and equivalent cash items	0%	1	115,592	0	115,592	115,592	0	0.00	0

CAPITAL REQUIREMENT CHARGE (₦mn)									
PILLAR 1 CREDIT RISK BREAKDOWN UNDER STANDARDISED APPROACH BY EXPOSURE CLASSES	**RISK WEIGHT %**	**CCF**	**EXPOSURE**	**CRM**	**EXPOSURE AFTER CRM**	**CREDIT EQUIVALENT**	**RWA**	**REGULATORY CAPITAL**	**INTERNAL CAPITAL**
Cheque & Cash items in the course of collection	20%	1	(8,649)	0	0	0	0	(8,649)	0
Property, plant and equipment and other fixed assets	100%	1	69,787	0	69,787	69,787	69,787	69,787	11,684
Equity Investment	100%	1	4,215	0	4,215	4,215	4,215	4,215	717
Any Other Assets	100%	1	34,365	0	34,365	34,365	34,365	34,365	5,842
Sub-Total RWA for Credit Risk			**2,229,347**	**311,272**	**1,926,724**	**1,926,724**	**976,992**		
CR for Credit Risk - On Bal. Sheet								**146,549**	**166,089**
OFF BALANCE SHEET									
DIRECT CREDIT SUBSTITUTES (SBLC, GTEES)									
Sovereign or Central Banks	**0**	**1**	0	0	0	0	0	0	0
Public Sector Entities	50%	**1**	1,870	200	1,670	1,670	835	125	142
MDBs	20%	**1**	0	0	0	0	0	0	0
Supervised Institutions (DMBs, Discount Houses, etc)	20%	**1**	767	400	367	367	184	28	31
Corporates	20%	**1**	190,026	28,658	161,368	161,368	32,274	4,841	5,487
Retail Portfolios	50%	**1**	833	451	382	382	191	29	32
Other Assets	20%	**1**	0	0	0	0	0	0	0
TRANSACTION RELATED CONTINGENTS (BONDS & GTEES)									
Supervised Institutions (DMBs, Discount Houses, etc)	20%	**0.5**	3,327	2,933	395	197	39	6	7
Corporates	100%	**0.5**	329,802	35,511	294,291	147,146	147,146	22,072	25,015
Retail Portfolios	100%	**0.5**	5	0	5	2	2	0	0
Sub-Total RWA for Credit Risk (Off Bal.)			**526,631**	**68,154**	**458,477**	**311,132**	**180,670**	**27,101**	**30,714**
Total RWA for Credit Risk (On & Off Bal.)			**2,755,978**	**379,426**	**2,385,201**		**1,157,662**		
TOTAL CAPITAL REQUIREMENT FOR CREDIT RISK								**173,649**	**196,803**

Appendix 2: Breakdown of Regulatory capital

Regulatory Capital	Jun-15	Dec-14
	₦'mn	₦'mn
Share capital	14,716	14,716
Share premium	123,471	123,471
Retained Earnings	49,950	58,442
Statutory Reserve	159,900	144,619
sub-total	**348,036**	**341,248**
Other Intangible Assets	(2,494)	(2,418)
Unconsolidated Subsidiaries	(41,906)	(40,130)
Net Tier-1 Capital	**303,636**	**298,700**
Other Comprehensive Income (OCI)	2,285	(67)
Tier-2 Capital	**2,285**	**(67)**
Total Qualifying Capital	**305,921**	**298,633**

Appendix 3: Breakdown of core risk-assets exposure

Jun-15					
	Gross amount	Specific impairment	Portfolio Impairment	Total Impairment	Net Amount
	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn
Loans to Banks	18	-	0	0	18
Loans to Individuals	64,517	321	838	1,160	63,358
Loans to Non-individuals	1,169,957	22,874	7,207	30,080	1,139,877
Total	**1,234,493**	**23,195**	**8,045**	**31,240**	**1,203,253**
Dec-14	**Gross amount**	**Specific impairment**	**Portfolio Impairment**	**Total Impairment**	**Net Amount**
	₦'mn	₦'mn	₦'mn	₦'mn	₦'mn
Loans to Banks	31	-	-	-	31
Loans to Individuals	71,133	70	612	681	70,451
Loans to Non-individuals	1,137,319	18,480	6,897	25,377	1,111,943
Total	**1,208,483**	**18,550**	**7,509**	**26,058**	**1,182,425**

Appendix 4: Detailed breakdown of loans and advances to customers

Loans and advances to customers		
	Parent	**Parent**
	Jun-2015	**Dec-2014**
	₦'mn	₦'mn
Loans to individuals:		
Loans	58,467	65,317
Overdrafts	6,051	5,816
Others	-	-
Gross loans	**64,517**	**71,133**
Specific impairment	- 321	-70
Collective impairment	- 838	-612
Total impairment	**- 1,160**	**-682**
Carrying amount	**63,358**	**70,451**
	-	-
Loans to Non-individuals:	-	-
Loans	948,862	907,178
Overdrafts	164,671	142,379
Others	56,424	87,763
Gross loans	**1,169,957**	**1,137,319**
Specific impairment	(22,874)	(18,480)
Collective impairment	(7,207)	(6,897)
Total impairment	**(30,080)**	**(25,377)**
Carrying amount	**1,139,877**	**1,111,943**
Total carrying amount (individual and non-individual)	**1,203,235**	**1,182,393**

Appendix 5: Breakdown of contingencies

	Parent	Parent
	Jun-2015	**Dec-2014**
	₦'mn	**₦'mn**
Contingent liabilities:		
Acceptances and guaranteed commercial papers	-	-
Transaction related bonds and guarantees	445,000	483,566
Agency Transactions		
Sub-total	**445,000**	**483,566**
Commitments:		
Short term foreign currency related transactions	0	20,103
Clean line facilities and letters of credit	81,631	145,470
Other commitments		
Sub-total	**81,631**	**165,573**
Total	**526,631**	**649,140**

Appendix 6a: Breakdown of loans and advances by source

Jun-15				
Classification	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Total**
	₦'mn	**₦'mn**	**₦'mn**	**₦'mn**
Loans to individuals:				
Overdraft	5,232	-	-	5,232
Loans	58,126	-	-	58,126
Others[1]	-	-	-	0
Total	**63,358**	**-**	**-**	**63,358**
				-
Loans to non-individuals:				-
Overdraft	152,855	-	-	152,855
Loans	930,915	-	-	930,915
Others[1]	56,107	-	-	56,107
Total	**1,139,877**	**-**	**-**	**1,139,877**

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

Appendix 6b: Breakdown of contingencies by source

Dec-14				
Classification	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Total**
	₦'mn	**₦'mn**	**₦'mn**	**₦'mn**
Loans to individuals:				
Overdraft	5,478	-	-	5,478
Loans	64,974	-	-	64,974
Others[1]	-	-	-	-
Total	**70,451**	**-**	**-**	**70,451**
	-			-
Loans to non-individuals:	-			-
Overdraft	133,889	-	-	133,889
Loans	890,482	-	-	890,482
Others[1]	87,572	-	-	87,572
Total	**1,111,943**	**-**	**-**	**1,111,943**

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

Appendix 7: Breakdown of contingencies by source

Jun-15				
	Nigeria	**Rest of Africa**	**Outside Africa**	**Total**
	₦'mn	₦'mn	₦'mn	₦'mn
Financial guarantees	445,000			445,000
Other contingents	81,631			81,631
	526,631	**-**	**-**	**526,631**
Dec-14				
	Nigeria	**Rest of Africa**	**Outside Africa**	**Total**
	₦'mn	₦'mn	₦'mn	₦'mn
Financial guarantees	483,566	-	-	483,566
Other contingents	165,573	-	-	165,573
	649,140	**-**	**-**	**649,140**

Appendix 8a: Credit risk exposure to on- and off-balance sheet items

Credit Risk Exposure to on-balance sheet items

Parent
Jun-2015

In thousands of Nigerian naira

Classification	Agriculture	Capital market ıcial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others [1]	Total
Cash and cash equivalents:												
- Unrestricted balances with central ba	-	-	-	-	-	2,388,516	-	-	-	-	-	2,388,516
- Balances held with other banks	-	85,647,996	-	-	-	-	-	-	-	-	-	85,647,996
- Money market placements	-	58,596,577	-	-	-	-	-	-	-	-	-	58,596,577
Loans and advances to banks	-	17,960	-	-	-	-	-	-	-	-	-	17,960
Loans and advances to customers [3] :												
- Loans to individuals	-	-	-	-	-	-	-	-	-	63,357,908	-	63,357,908
- Loans to non-individuals	18,027,167	33,086,057	93,612,483	9,545,377	77,437,532	34,970,390	211,026,375	435,274,205	147,105,547	-	79,792,264	1,139,877,397
Financial assets held for trading												
- Debt securities	-	-	-	-	-	9,380,731	-	-	-	-	-	9,380,731
- Derivative financial instruments	-	-	-	-	-	1,679,868	-	-			-	1,679,868
Financial assets designated at fair value												
- Debt securities	-	-	-	-	-	-	-	-			-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-			-	-
- Loans and advances to customers	-	-	-	-	-	-	-	-			-	-
Hedging derivatives	-	-	-	-	-	-	-	-			-	-
Investment securities:												
- Debt securities	-	6,384,807	-	-	-	337,931,367	755,425	-	-	-	-	345,071,599
Assets pledged as collateral:												
- Debt securities	-	-	-	-	-	57,910,022	-	-	-	-	-	57,910,022
Restricted deposits and other assets [4]	-	-	-	-	-	356,703,857	-	-	-	-	9,835,092	366,538,949
	18,027,167	**183,733,397**	**93,612,483**	**9,545,377**	**77,437,532**	**800,964,751**	**211,781,800**	**435,274,205**	**147,105,547**	**63,357,908**	**89,627,356**	**2,130,467,523**

[1] Includes Engineering Services, Hospitality, Clubs, Cooperative Societies etc.

[2] Logistics, Maritime and Haulage.

[3] Further classification of Loans to Customers along product lines are provided on the next page.

[4] Balances included in Restricted deposits and other assets above are those subject to credit risks. Items not subject to credit risk, which include Recognised assets for defined benefit obligations have been excluded.

Credit Risk Exposure to off-balance sheet items

Parent
Jun-2015

In thousands of Nigerian naira

Classification	Agriculture	Capital market ıcial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others [1]	Total
Financial guarantees	383,972	4,094,762	284,183,618	200,000	10,945,218	1,970,115	9,154,042	96,934,060	3,510,139	-	33,624,164	445,000,090
Other contingents	2,721,637	10,196,983	624,536	-	9,288,807	-	48,148,507	10,007,999	241,470	-	401,040	81,630,979
Total	**3,105,609**	**14,291,745**	**284,808,154**	**200,000**	**20,234,025**	**1,970,115**	**57,302,549**	**106,942,059**	**3,751,609**	**-**	**34,025,204**	**526,631,069**

Appendix 8b: Credit risk exposure to on- and off-balance sheet items

Credit Risk Exposure to on-balance sheet items

Parent
Dec-2014

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Cash and cash equivalents:												
- Unrestricted balances with central ba	-	-	-	-	-	19,823,983	-	-	-	-	-	19,823,983
- Balances held with other banks	-	42,561,912	-	-	-	-	-	-	-	-	-	42,561,912
- Money market placements	-	74,476,317	-	-	-	-	-	-	-	-	-	74,476,317
Loans and advances to banks	-	30,815	-	-	-	-	-	-	-	-	-	30,815
Loans and advances to customers[3]:												
- Loans to individuals	-	-	-	-	-	-	-	-	-	70,451,246	-	70,451,246
- Loans to non-individuals	14,899,728	34,795,170	91,063,471	10,151,955	75,425,582	41,383,657	204,563,663	419,033,691	140,992,488	-	79,633,223	1,111,942,628
Financial assets held for trading												
- Debt securities	-	-	-	-	-	5,675,545	-	-	-	-	-	5,675,545
- Derivative financial instruments	-	-	-	-	-	529,732	-	-			-	529,732
Financial assets designated at fair value												
- Debt securities	-	-	-	-	-	-	-	-			-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-			-	-
- Loans and advances to customers	-	-	-	-	-	-	-	-			-	-
Hedging derivatives	-	-	-	-	-	-	-	-			-	-
Investment securities:												
- Debt securities	-	5,744,582	-	-	-	308,359,706	4,511,342	-	-	-	-	318,615,630
Assets pledged as collateral:												
- Debt securities	-	-	-	-	-	39,173,640	-	-	-	-	-	39,173,640
Restricted deposits and other assets[4]	-	-	-	-	-	257,098,961	-	-	-	-	31,406,543	288,505,504
	14,899,728	157,608,796	91,063,471	10,151,955	75,425,582	672,045,224	209,075,005	419,033,691	140,992,488	70,451,246	111,039,766	1,971,786,952

[1] Includes Engineering Services, Hospitality, Clubs, Cooperative Societies etc.
[2] Logistics, Maritime and Haulage.
[3] Further classification of Loans to Customers along product lines are provided on the next page.
[4] Balances included in Restricted deposits and other assets above are those subject to credit risks. Items not subject to credit risk, which include Recognised assets for defined benefit obligations have been excluded.

Credit Risk Exposure to off-balance sheet items

Parent
Dec-2014

In thousands of Nigerian naira

Classification	Agriculture	Capital market Financial institution	Construction/ real estate	Education	General Commerce	Government	Manufacturing	Mining, oil & gas	Info.Telecoms & Transport.[2]	Individual	Others[1]	Total
Financial guarantees	7,422	4,581,280	300,123,223	200,000	18,804,034	1,970,115	12,303,874	113,746,861	5,027,205	40,830	26,761,394	483,566,238
Other contingents	1,968,379	42,076,324	3,335,029	15,405	15,442,334	-	58,052,146	41,113,331	2,389,991	89,630	1,090,830	165,573,399
Total	1,975,801	46,657,604	303,458,252	215,405	34,246,368	1,970,115	70,356,020	154,860,192	7,417,196	130,460	27,852,224	649,139,637

Appendix 9a: Sectorial Exposure by Products

Sectorial Classification of Gross Loans along product lines								
Jun-2015								
	Loans to individuals				Loans to non-individuals			
	Overdraft	Loans	Others	Total	Overdraft	Loans	Others	Total
	₦'million	**₦'million**	**₦'million**	**₦'million**	**₦'million**	**₦'million**	**₦'million**	**₦'million**
Agriculture	-	-	-	-	6,056	6,505	5,466	18,027
Capital market& Financial institution	-	-	-	-	7,257	25,829	-	33,086
Construction/ real estate	-	-	-	-	18,406	74,519	688	93,612
Education	-	-	-	-	2,923	6,622	-	9,545
General Commerce	-	-	-	-	37,301	31,602	8,535	77,438
Government	-	-	-	-	32	34,938	-	34,970
Manufacturing	-	-	-	-	30,947	165,334	14,745	211,026
Mining, oil & gas	-	-	-	-	33,687	374,938	26,649	435,274
Info.Telecoms& Transport	-	-	-	-	6,143	140,939	24	147,106
Individual	5,232	58,126	-	63,358	-	-	-	-
Others	-	-	-	-	10,103	69,689	0	79,792
Total	**5,232**	**58,126**	**-**	**63,358**	**152,855**	**930,915**	**56,107**	**1,139,877**

Appendix 9b: Sectorial Exposure by Products

Sectorial Classification of Gross Loans along product lines								
Dec-2014								
	Loans to individuals				Loans to non-individuals			
	Overdraft	Loans	Others	Total	Overdraft	Loans	Others	Total
	₦'million	**₦'million**	**₦'million**	**₦'million**	**₦'million**	**₦'million**	**₦'million**	**₦'million**
Agriculture	-	-	-	-	1,604	3,988	9,308	14,900
Capital market& Financial institution	-	-	-	-	9,892	24,603	300	34,795
Construction/ real estate	-	-	-	-	16,215	73,235	1,614	91,063
Education	-	-	-	-	2,769	7,383	-	10,152
General Commerce	-	-	-	-	25,207	37,711	12,508	75,426
Government	-	-	-	-	3	41,381	-	41,384
Manufacturing	-	-	-	-	22,713	157,088	24,763	204,564
Mining, oil & gas	-	-	-	-	35,054	346,882	37,098	419,034
Info.Telecoms& Transport	-	-	-	-	10,665	128,370	1,958	140,992
Individual	5,478	64,974	-	70,451	-	-	-	-
Others	-	-	-	-	9,767	69,843	24	79,633
Total	**5,478**	**64,974**	**-**	**70,451**	**133,889**	**890,482**	**87,572**	**1,111,943**

Appendix 10: Performance analysis of risk assets exposure

Parent - In millions of Nigerian naira	Jun-2015				Dec-14			
	Loans to Individual	Loans to non-Individual	Loans to Banks	Total	Loans to Individual	Loans to non-Individual	Loans to Banks	Total
Neither past due nor impaired	60,641	1,091,857	18	1,152,516	68,049	1,082,431	31	1,150,511
Past due but not impaired	0	1,041	0	1,041	0	1,307	0	1,307
Individually impaired	489	41,170	0	41,660	437	30,872	0	31,309
Collectively Impaired	3,387	35,890	0	39,277	2,646	22,710	0	25,356
Gross Loans and Advances	**64,517**	**1,169,957**	**18**	**1,234,493**	**71,133**	**1,137,319**	**31**	**1,208,483**
Less allowances for impairment:								
Individually impaired	321	22,874	0	23,195	70	18,480	0	18,550
Portfolio allowance	838	7,207	0	8,045	612	6,897	0	7,509
Total allowance	**1,160**	**30,080**	**0**	**31,240**	**681**	**25,377**	**0**	**26,058**
Net Loans and Advances	**63,358**	**1,139,877**	**18**	**1,203,253**	**70,451**	**1,111,943**	**31**	**1,182,425**

Appendix 11: Performance analysis of risk assets exposure by product type

Parent - In millions of Nigerian naira	Jun-2015				Dec-14			
	Loans to Individual	Loans to non-Individual	Loans to Banks	Total	Loans to Individual	Loans to non-Individual	Loans to Banks	Total
Loans	56,804	905,840	0	962,644	63,537	872,751	18	936,305
Overdrafts	3,837	129,610	18	133,465	4,513	121,917	13	126,443
Others[1]	0	56,406	0	56,406	0	87,762	0	87,762
Neither past due nor impaired	**60,641**	**1,091,857**	**18**	**1,152,516**	**68,049**	**1,082,431**	**31**	**1,150,511**
Loans	**0**	**170**	**0**	**170**	**0**	**168**	**0**	**168**
Overdrafts	0	871	0	871	0	1,139	0	1,139
Others[1]	0	0	0	0	0	0	0	0
Past due but not impaired	**0**	**1,041**	**0**	**1,041**	**0**	**1,307**	**0**	**1,307**
Loans	0	24,742	0	24,742	0	18,505	0	18,505
Overdrafts	489	16,429	0	16,918	437	12,367	0	12,804
Others[1]	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Individually impaired	**489**	**41,170**	**0**	**41,660**	**437**	**30,872**	**0**	**31,309**
Loans	1,662	18,110	0	19,772	1,780	15,754	0	17,534
Overdrafts	1,725	17,762	0	19,487	866	6,956	0	7,821
Others[1]	0.00	17.62	0.00	18	0	0	0	0
Collectively Impaired	**3,387**	**35,890**	**0**	**39,277**	**2,646**	**22,710**	**0**	**25,356**

Appendix 12: Risk assets exposure by ratings

Parent
Jun-2015
In thousands of Nigerian naira

	Loans and advances to customers						Loans and advances to banks		
	Individuals			Non-individuals					
Rating	Overdraft	Loans	Others	Overdraft	Loans	Others	Overdraft	Loans	Total
Exceptional capacity	-	-	-	20,165,871	52,261,868	-	-	-	72,427,739
Very strong capacity	1,542,286	48,647,830	-	5,637,847	238,095,276	4,785,160	-	-	298,708,399
Strong repayment capacity	2,294,526	8,156,525	-	103,806,521	615,482,977	51,621,293	17,978	-	781,379,820
Total	**3,836,812**	**56,804,355**	**-**	**129,610,239**	**905,840,121**	**56,406,453**	**17,978**	**-**	**1,152,515,958**

Parent
Dec-2014
In thousands of Nigerian naira

	Loans and advances to customers						Loans and advances to banks		
	Individuals			Non-individuals					
Rating	Overdraft	Loans	Others	Overdraft	Loans	Others	Overdraft	Loans	Total
Exceptional capacity	-	-	-	-	43,774,962	-	-	-	43,774,962
Very strong capacity	759,509	8,548,855	-	25,588,611	195,227,262	10,024,309	-	-	240,148,546
Strong repayment capacity	3,753,197	54,987,865	-	96,328,757	633,748,940	77,738,137	13,314	17,518	866,587,728
Total	**4,512,706**	**63,536,720**	**-**	**121,917,368**	**872,751,164**	**87,762,446**	**13,314**	**17,518**	**1,150,511,236**

Appendix 13a: Age-analysis of identified non-performing loans (i.e. Past Due But Not Impaired –PDBNI)

Parent
Jun-15
In thousands of Nigerian naira

Age	Loans to Individual	Loans to Non-individual	Total
Loans			
0 - 90 days	-	169,980	169,980
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	169,980	169,980
Overdrafts			
0 - 90 days	-	870,648	870,648
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	870,648	870,648
Others			
0 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	-	-
FV of collateral1			
Loans	-	1,538,649	1,538,649
Overdrafts	-	62,201,351	62,201,351
Others	-	-	-
	-	63,740,000	63,740,000
Amount of undercollateralisation:			
Loans	-	-	-
Overdrafts	-	-	-
Others	-	-	-
	-	-	-

1 The nature of fair value of collateral are set out summary of collaterals pledged against loans and advances.

Appendix 13b: Age-analysis of identified non-performing loans (i.e. Past Due But Not Impaired –PDBNI)

Parent
Dec-2014
In thousands of Nigerian naira

Age	Loans to Individual	Loans to Non-individual	Total
Loans			
0 - 90 days	-	168,120	168,120
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	168,120	168,120
Overdrafts			
0 - 90 days	-	1,138,954	1,138,954
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	1,138,954	1,138,954
Others			
0 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 365 days	-	-	-
	-	-	-
FV of collateral[1]			
Loans	-	2,400,595	2,400,595
Overdrafts	-	68,721,405	68,721,405
Others	-	-	-
	-	71,122,000	71,122,000
Amount of undercollateralisation:			
Loans	-	-	-
Overdrafts	-	-	-
Others	-	-	-
	-	-	-

[1] The nature of fair value of collateral are set out summary of collaterals pledged against loans and advances.

Appendix 14a: Residual Contractual Maturities of Financial Assets and Liability

Parent
Jun-2015

In thousands of Nigerian Naira	**Note**	**Carrying amount**	**Less than 3 months1**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Financial assets							
Cash and cash equivalents	23	172,715,917	169,566,337	2,671,849	477,731	-	-
Loans and advances to banks	28	17,960	17,960	-	-	-	-
Loans and advances to customers	29	1,203,235,305	479,597,337	111,869,815	114,287,432	458,484,701	38,996,020
Financial assets held for trading	24	9,380,731	1,189,076	4,910,560	3,224,713	19,350	37,032
Hedging derivatives	25	-	-	-	-	-	-
Derivative financial assets	25	1,679,868	860,471	819,397	-	-	-
Investment securities:							
– Available for sale2	26	345,322,999	89,227,835	109,452,240	135,448,253	2,675,933	8,518,738
– Loans and receivables	26	-	-	-	-	-	-
– Held to maturity	26	3,963,698	-	755,424	-	3,208,274	-
Assets pledged as collateral	27	57,910,022	10,840,250	9,805,140	37,264,632	-	-
Restricted deposits and other assets3	34	372,186,048	366,538,949	-	-	5,647,099	-
		2,166,412,548	**1,117,838,215**	**240,284,425**	**290,702,761**	**470,035,357**	**47,551,790**
Financial liabilities							
Deposits from banks	35	97,024	97,024	-	-	-	-
Deposits from customers	36	1,518,861,493	1,511,679,544	6,237,883	929,851	14,215	-
Financial liabilities held for trading	37	310,296	310,296	-	-	-	-
Derivative financial liabilities	25	-	-	-	-	-	-
Debt securities issued	38	-	-	-	-	-	-
Other borrowed funds	41	319,699,470	3,172,707	5,200,604	107,015,437	152,423,448	51,887,274
Other liabilities4	39	76,966,482	69,595,964	4,058,017	1,207,136	2,003,647	101,718
		1,915,934,765	1,584,855,535	15,496,504	109,152,424	154,441,310	51,988,992
Gap (asset - liabilities)			(467,017,320)	224,787,921	181,550,337	315,594,047	(4,437,202)
Cumulative liquidity gap			(467,017,320)	(242,229,399)	(60,679,062)	254,914,985	250,477,783

1. Includes balances with no specific contractual maturities
2. Included in More than 5 years maturity bucket of Available for Sale are equity securities.
3. Excludes prepayments
4. Excludes Deferred Income

Appendix 14b: Residual Contractual Maturities of Financial Assets and Liability

Parent
Dec-2014

In thousands of Nigerian Naira	***Note***	**Carrying amount**	**Less than 3 months1**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Financial assets							
Cash and cash equivalents	23	161,778,647	159,323,888	2,454,759	-	-	-
Loans and advances to banks	28	30,815	22,690	8,125	-	-	-
Loans and advances to customers	29	1,182,393,874	495,440,463	65,555,647	99,313,431	477,882,804	44,201,529
Financial assets held for trading	24	5,675,545	1,713,686	3,258,724	642,722	19,129	41,284
Hedging derivatives	25	-	-	-	-	-	-
Derivative financial assets	25	529,732	327,473	202,259	-	-	-
Investment securities:							
– Available for sale2	26	317,749,878	145,260,563	158,776,610	4,322,534	2,374,341	7,015,830
– Loans and receivables	26	-	-	-	-	-	-
– Held to maturity	26	4,511,342	-	-	1,511,342	3,000,000	-
Assets pledged as collateral	27	39,173,640	39,173,640	-	-	-	-
Restricted deposits and other assets3	34	294,152,603	288,505,504	-	-	5,647,099	-
		2,005,996,076	1,129,767,907	230,256,124	105,790,029	488,923,373	51,258,643
Financial liabilities							
Deposits from banks	35	143,713	143,713	-	-	-	-
Deposits from customers	36	1,439,522,070	1,436,778,090	2,589,568	153,120	1,292	-
Financial liabilities held for trading	37	-	-	-	-	-	-
Derivative financial liabilities	25	253,374	253,374	-	-	-	-
Debt securities issued	38	-	-	-	-	-	-
Other borrowed funds	41	252,830,895	4,419,486	4,847,122	7,825,608	213,562,403	22,176,276
Other liabilities4	39	47,648,710	19,190,762	2,536,885	2,532,194	22,629,896	758,973
		1,740,398,762	1,460,785,425	9,973,575	10,510,922	236,193,591	22,935,249
Gap (asset - liabilities)			(331,017,518)	220,282,549	95,279,107	252,729,782	28,323,394
Cumulative liquidity gap			(331,017,518)	(110,734,969)	(15,455,862)	237,273,920	265,597,314

1.Includes balances with no specific contractual maturities
2. Included in More than 5 years maturity bucket of Available for Sale are equity securities.
3.Excludes prepayments
4. Excludes Deferred Income

Appendix 15: Residual contractual maturities of contingencies

Parent
Jun-2015

In thousands of Nigerian Naira		Carrying amount	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Transaction related bonds and guarantees	45	445,000,090	31,910,343	11,817,283	44,838,262	41,235,452	315,198,750
Agency Transactions	45	-	-	-	-	-	-
Short term foreign currency related transactions	45	-	-	-	-	-	-
Clean line facilities and letters of credit	45	81,630,979	34,148,021	20,573,137	26,896,185	-	13,636
Bankers' acceptances	45	-	-	-	-	-	-
		526,631,069	**66,058,364**	**32,390,420**	**71,734,447**	**41,235,452**	**315,212,386**

Parent
Dec-2014

In thousands of Nigerian Naira		Carrying amount	Less than 3 months1	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Transaction related bonds and guarantees	45	483,566,238	42,045,909	21,758,181	36,272,765	58,929,116	324,560,267
Agency Transactions	45	-	-	-	-	-	-
Short term foreign currency related transact	45	20,103,363	10,136,363	6,307,500	3,659,500	-	-
Clean line facilities and letters of credit	45	145,470,036	96,198,633	17,212,640	475,088	31,583,675	-
		649,139,637	**148,380,905**	**45,278,321**	**40,407,353**	**90,512,791**	**324,560,267**

1 Includes balances with no specific contractual maturities

END