Guaranty Trust Bank Plc and Subsidiary Companies

Condensed Unaudited Group Financial Statements

September 2013

Introduction

Guaranty Trust Bank's interim Financial Statements complies with the applicable legal requirements of the Nigerian Securities and Exchange Commission regarding interim Financial Statements and comprises unaudited Separate and Consolidated Financial Statements of the Bank and the Group for the three quarters ended 30 September, 2013. The consolidated financial statements have been prepared in accordance with IAS 34 issued by the International Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria. In compliance with the provisions of that standard, it also includes the current quarter income statement. 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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Statements of financial position

As at 30 September 2013

In thousands of Nigerian Naira	**Notes**	**Group Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
Assets					
Cash and cash equivalents	4, 6, 21	243,745,929	322,989,480	193,320,478	256,433,560
Loans and advances to banks	4, 6, 22	5,291,730	4,864,824	27,901	177,985
Loans and advances to customers	4, 6, 23	920,255,178	779,050,018	871,327,469	742,436,944
Financial assets held for trading	4, 6, 24	29,815,826	271,073,896	25,860,831	267,417,182
Investment securities:					
– Available for sale	4, 6, 25	262,384,073	15,765,789	255,639,205	10,138,761
– Held to maturity	4, 6, 25	98,623,077	129,490,810	75,261,580	118,897,917
Assets pledged as collateral	4, 6, 26	27,720,509	31,203,230	27,720,509	31,203,230
Investment in subsidiaries	27	-	-	22,998,802	22,925,088
Property and equipment	28	65,172,919	60,886,728	59,329,365	55,496,808
Intangible assets	29	2,541,953	1,772,176	2,104,794	1,539,717
Deferred tax assets		517,608	991,791	-	-
Other assets	30	219,049,116	116,789,118	209,878,529	113,650,031
		1,875,117,918	**1,734,877,860**	**1,743,469,463**	**1,620,317,223**
Assets classified as held for sale and discontinued operations	31	-	-	-	-
Total assets		**1,875,117,918**	**1,734,877,860**	**1,743,469,463**	**1,620,317,223**
Liabilities					
Deposits from banks	4, 6, 32	16,040,497	23,860,259	133,617	7,170,321
Deposits from customers	4, 6, 33	1,270,744,946	1,148,197,165	1,169,684,167	1,054,122,573
Other liabilities	6, 35	71,621,495	80,972,096	59,633,999	69,872,456
Current income tax liabilities	19	10,318,841	15,630,973	10,554,010	15,340,116
Deferred tax liabilities		5,325,692	3,288,196	5,324,288	3,225,418
Debt securities issued	4, 6, 34	95,561,063	86,926,227	13,676,697	13,238,291
Other borrowed funds	4, 6, 37	95,184,999	92,561,824	173,628,712	169,194,418
		1,564,797,533	**1,451,436,740**	**1,432,635,490**	**1,332,163,593**
Liabilities included in assets classified as held for sale and discontinued operations	31	-	-	-	-
Total liabilities		**1,564,797,533**	**1,451,436,740**	**1,432,635,490**	**1,332,163,593**

Statements of financial position (Continued)
As at 30 September 2013

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
Equity	38				
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		(2,046,714)	(2,046,714)	-	-
Retained earnings		41,196,579	41,380,776	46,649,023	47,558,325
Other components of equity		131,673,573	104,651,663	125,998,246	102,408,601
Total equity attributable to owners of the Parent		**309,010,142**	**282,172,429**	**310,833,973**	**288,153,630**
Non-controlling interests in equity		1,310,243	1,268,691	-	-
Total equity		**310,320,385**	**283,441,120**	**310,833,973**	**288,153,630**
Total equity and liabilities		**1,875,117,918**	**1,734,877,860**	**1,743,469,463**	**1,620,317,223**

The accompanying notes are an integral part of these financial statements

Income statements

For the period ended 30 September 2013

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Interest income	8	136,967,392	125,825,597	128,325,836	119,586,813
Interest expense	9	(35,016,543)	(29,029,109)	(32,523,717)	(27,206,370)
Net interest income		**101,950,849**	**96,796,488**	**95,802,119**	**92,380,443**
Loan impairment charges	10	(2,653,599)	(3,074,526)	(2,291,647)	(1,713,233)
Net interest income after loan impairment charges		**99,297,250**	**93,721,962**	**93,510,472**	**90,667,210**
Fee and commission income	11	36,003,903	36,130,086	31,160,245	31,064,674
Fee and commission expense	12	(733,412)	(1,097,270)	(671,532)	(880,790)
Net fee and commission income		**35,270,491**	**35,032,816**	**30,488,713**	**30,183,884**
Net gains/(losses) on financial instruments classified as held for trading	13	5,167,593	2,528,478	3,480,119	2,138,780
Other income	14	3,850,635	2,005,478	4,665,555	2,244,529
Personnel expenses	15	(16,708,010)	(16,882,152)	(14,548,587)	(13,871,486)
General and administrative expenses	16	(16,345,604)	(15,856,434)	(14,821,662)	(15,299,525)
Operating lease expenses		(680,407)	(474,444)	(464,641)	(474,444)
Depreciation and amortization	17	(7,492,384)	(6,440,656)	(6,804,049)	(5,876,876)
Other operating expenses	18	(19,991,615)	(16,742,949)	(17,917,118)	(14,130,251)
Profit before income tax		**82,367,949**	**76,892,099**	**77,588,802**	**75,581,821**
Income tax expense	19	(13,125,994)	(13,157,871)	(12,084,689)	(12,550,061)
Profit for the period from continuing operations		**69,241,955**	**63,734,228**	**65,504,113**	**63,031,760**
Profit for the period from discontinued operations	31	-	609,077	-	-
Profit for the period		**69,241,955**	**64,343,305**	**65,504,113**	**63,031,760**

Income statements (Continued)

For the period ended 30 September 2013

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Profit attributable to:					
Equity holders of the parent entity (total)		**68,949,429**	**64,103,764**	**65,504,113**	**63,031,760**
– Profit for the period from continuing operations		68,949,429	63,543,984	65,504,113	63,031,760
– Profit for the period from discontinued operations	31	-	559,780	-	-
Non-controlling interests (total)		**292,526**	**239,541**	**-**	**-**
– Profit for the period from continuing operations		292,526	190,244	-	-
– Profit for the period from discontinued operations	31	-	49,297	-	-
		69,241,955	**64,343,305**	**65,504,113**	**63,031,760**
Earnings per share for the profit from continuing operations attributable to the equity holders of the parent entity during the period (expressed in naira per share):					
– Basic	20	2.44	2.25	2.23	2.14
– Diluted	20	2.44	2.25	2.23	2.14
Earnings per share for the profit from discontinued operations attributable to the equity holders of the parent entity during the period (expressed in naira per share):					
– Basic		-	0.02	-	-
– Diluted		-	0.02	-	-

The accompanying notes are an integral part of these financial statements

Statement of comprehensive income
For the period ended 30 September 2013

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Profit for the period		69,241,955	64,343,305	65,504,113	63,031,760
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences for foreign operations		993,069	(2,772,775)	-	-
Income tax relating to Foreign currency translation differences for foreign operations		(297,921)	865,482	-	-
Net change in fair value of available for sale financial assets		3,992,231	1,220,887	3,992,230	1,220,887
Income tax relating to component of other comprehensive income		(1,197,669)	(366,266)	(1,197,669)	(306,448)
Other comprehensive income for the period, net of tax		3,489,710	(1,052,672)	2,794,561	914,439
Total comprehensive income for the period		**72,731,665**	**63,290,633**	**68,298,674**	**63,946,199**
Profit attributable to:					
Equity holders of the parent entity (total)		**72,456,044**	**63,223,647**	**68,298,674**	**63,946,199**
– Total comprehensive income for the period from continuing operations		72,456,044	62,663,867	68,298,674	63,946,199
– Total comprehensive income for the period from discontinued operations		-	559,780	-	-
Non-controlling interests (total)		**275,621**	**66,986**	**-**	**-**
– Total comprehensive income for the period from continuing operations		275,621	17,689	-	-
– Total comprehensive income for the period from discontinued operations		-	49,297	-	-
Total comprehensive income for the period		**72,731,665**	**63,290,633**	**68,298,674**	**63,946,199**

The accompanying notes are an integral part of these financial statements

Income statements

For 3 months ended 30 September 2013 (Unaudited)

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Interest income	44,966,997	41,706,768	42,045,498	39,465,177
Interest expense	(11,555,932)	(10,243,659)	(10,724,214)	(9,528,889)
Net interest income	**33,411,065**	**31,463,109**	**31,321,284**	**29,936,288**
Loan impairment charges	(1,336,067)	(964,715)	(1,183,770)	(306,929)
Net interest income after loan impairment charges	**32,074,998**	**30,498,394**	**30,137,514**	**29,629,359**
Fee and commission income	10,955,738	10,763,929	9,545,043	8,494,841
Fee and commission expense	(242,589)	(637,917)	(218,994)	(457,431)
Net fee and commission income	**10,713,149**	**10,126,012**	**9,326,049**	**8,037,410**
Net gains/(losses) on financial instruments classified as held for trading	1,650,468	666,076	768,936	1,187,660
Other income	213,957	(20,419)	111,173	(35,606)
Personnel expenses	(5,731,725)	(5,061,487)	(4,843,203)	(4,237,230)
General and administrative expenses	(4,513,367)	(4,758,923)	(4,097,503)	(5,000,187)
Operating lease expenses	(270,289)	104,034	(158,107)	(151,182)
Depreciation and amortization	(2,589,853)	(2,192,492)	(2,345,365)	(2,049,381)
Other operating expenses	(6,543,876)	(5,557,178)	(5,749,503)	(4,052,363)
Profit before income tax	**25,003,462**	**23,137,941**	**23,149,991**	**22,140,820**
Income tax expense	(3,984,502)	(3,959,393)	(3,605,681)	(3,676,395)
Profit for the period from continuing operations	**21,018,960**	**19,178,548**	**19,544,310**	**18,464,425**
Profit for the period from discontinued operations	-	-	-	-
Profit for the period	**21,018,960**	**19,178,548**	**19,544,310**	**18,464,425**

Income statements
(Continued)

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Profit attributable to:				
Equity holders of the parent entity (total)	**20,922,255**	**19,102,206**	**19,544,310**	**18,464,425**
– Profit for the period from continuing operations	20,922,255	19,102,206	19,544,310	18,464,425
– Profit for the period from discontinued operations	-	-	-	-
Non-controlling interests (total)	**96,705**	**76,342**	**-**	**-**
– Profit for the period from continuing operations	96,705	76,342	-	-
– Profit for the period from discontinued operations	-	-	-	-
	21,018,960	**19,178,548**	**19,544,310**	**18,464,425**
Earnings per share for the profit from continuing operations attributable to the equity holders of the parent entity during the period (expressed in naira per share):				
– Basic	0.74	0.68	0.66	0.63
– Diluted	0.74	0.68	0.66	0.63
Earnings per share for the profit from discontinued operations attributable to the equity holders of the parent entity during the period (expressed in naira per share):				
– Basic	-	-	-	-
– Diluted	-	-	-	-

The accompanying notes are an integral part of these financial statements

Statement of comprehensive income

For 3 months ended 30 September 2013 (Unaudited)

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Profit for the period		21,018,960	19,178,548	19,544,310	18,464,425
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences for foreign operations		(169,941)	(638,828)	-	-
Net change in fair value of available for sale financial assets		942,328	2,554	945,490	-
Income tax relating to component of other comprehensive income		(231,716)	190,882	(283,647)	-
Other comprehensive income for the period, net of tax		540,671	(445,392)	661,843	-
Total comprehensive income for the period		**21,559,631**	**18,733,156**	**20,206,153**	**18,464,425**
Profit attributable to:					
Equity holders of the parent entity (total)		**21,456,728**	**18,670,696**	**20,206,153**	**18,464,425**
– Total comprehensive income for the period from continuing operations		21,456,728	18,670,696	20,206,153	18,464,425
– Total comprehensive income for the period from discontinued operations		-	-	-	-
Non-controlling interests (total)		**102,903**	**62,460**	**-**	**-**
– Total comprehensive income for the period from continuing operations		102,903	62,460	-	-
– Total comprehensive income for the period from discontinued operations		-	-	-	-
Total comprehensive income for the period		**21,559,631**	**18,733,156**	**20,206,153**	**18,464,425**

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Changes in Equity
September 2013
Group

In thousands of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Statutory reserves	Treasury shares	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2013	**14,715,590**	**123,471,114**	**11,312,801**	**95,070,970**	**(2,046,714)**	**169,607**	**(1,901,715)**	**41,380,776**	**1,268,691**	**283,441,120**
Total comprehensive income for the period:										
Profit for the period	-	-	-	-	-	-	-	68,949,429	292,526	69,241,955
Other comprehensive income, net of tax										
Foreign currency translation difference	-	-	-	-	-	-	712,053	-	(16,905)	695,148
Fair value adjustment	-	-	-	-	-	2,794,562	-	-	-	2,794,562
Total other comprehensive income	-	-	-	-	-	**2,794,562**	**712,053**	-	**(16,905)**	**3,489,710**
Total comprehensive income	-	-	-	-	-	**2,794,562**	**712,053**	**68,949,429**	**275,621**	**72,731,665**
Transactions with equity holders, recorded directly in equity:										
Transfers for the period	-	-	2,377,539	21,137,756	-	-	-	(23,515,295)	-	-
Dividend to equity holders 1	-	-	-	-	-	-	-	(45,618,331)	(234,069)	(45,852,400)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-
Non-controlling interest of subsidiaries disposed	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders	**-**	**-**	**2,377,539**	**21,137,756**	**-**	-	-	**(69,133,626)**	**(234,069)**	**(45,852,400)**
Balance at 30 September 2013	**14,715,590**	**123,471,114**	**13,690,340**	**116,208,726**	**(2,046,714)**	**2,964,169**	**(1,189,662)**	**41,196,579**	**1,310,243**	**310,320,385**

Consolidated Statement of Changes in Equity
Sep-2012
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	Non-controlling interest	Total equity
Balance at 1 January 2012	14,715,590	123,471,114	-	68,088,215	(2,046,714)	(854,621)	(112,167)	25,130,520	2,001,217	230,393,154
Total comprehensive income for the period:										
Profit for the period	-	-	-	-	-	-	-	64,103,764	239,541	64,343,305
Other comprehensive income, net of tax										
Foreign currency translation difference	-	-	-	-	-	-	(1,797,198)	-	(110,095)	(1,907,293)
Fair value adjustment	-	-	-	-	-	854,621	-	-	-	854,621
Total other comprehensive income	-	-	-	-	-	**854,621**	**(1,797,198)**	-	**(110,095)**	**(1,052,672)**
Total comprehensive income	-	-	-	-	-	**854,621**	**(1,797,198)**	**64,103,764**	**129,446**	**63,290,633**
Transactions with equity holders, recorded directly in equity:										
Bonus shares issued during the period	-	-	-	-	-	-	-	-	-	-
Transfers for the period	-	-	-	19,546,348	-	-	-	(19,546,348)	-	-
Increase/Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	-	-	-	-	-	-
Reversal in the period	-	-	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	(32,374,297)	(56,746)	(32,431,043)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-
Non-controlling interest of subsidiaries disposed	-	-	-	-	-	-	-	-	(1,023,769)	(1,023,769)
Total transactions with equity holders	**-**	**-**	-	**19,546,348**	**-**	-	-	**(51,920,645)**	**(1,080,515)**	**(33,454,812)**
Balance at 30 September 2012	**14,715,590**	**123,471,114**	-	**87,634,563**	**(2,046,714)**	**-**	**(1,909,365)**	**37,313,639**	**1,050,148**	**260,228,975**

Statement of Changes in Equity
September 2013
Parent

In thousands of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Statutory reserves	Treasury shares	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2013	**14,715,590**	**123,471,114**	**11,312,801**	**90,926,193**	**-**	**169,607**	**-**	**47,558,325**	**-**	**288,153,630**
Total comprehensive income for the period:										
Profit for the period	-	-	-	-	-	-	-	65,504,113	-	65,504,113
Other comprehensive income, net of tax										
Fair value adjustment	-	-	-	-	-	2,794,561	-	-	-	2,794,561
Total other comprehensive income	-	-	-	-	-	**2,794,561**	**-**	-	**-**	**2,794,561**
Total comprehensive income	-	-	-	-	-	**2,794,561**	**-**	**65,504,113**	**-**	**68,298,674**
Transactions with equity holders, recorded directly in equity:										
Transfers for the period	-	-	1,143,850	19,651,234	-	-	-	(20,795,084)	-	-
Dividend to equity holders 1	-	-	-	-	-	-	-	(45,618,331)	-	(45,618,331)
Total transactions with equity holders	**-**	**-**	**1,143,850**	**19,651,234**	**-**	-	-	**(66,413,415)**	**-**	**(45,618,331)**
Balance at 30 September 2013	**14,715,590**	**123,471,114**	12,456,651	**110,577,427**	**-**	**2,964,168**	**-**	**46,649,023**	**-**	**310,833,973**

Statement of Changes in Equity
Sep-2012
Parent

In thousands of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Treasury shares	Bonus reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2012	14,715,590	123,471,114	-	65,347,045	-	-	(914,439)	-	31,560,746	-	234,180,056
Total comprehensive income for the period:											
Profit for the period	-	-	-	-	-	-	-	-	63,031,760	-	63,031,760
Other comprehensive income, net of tax											
Fair value adjustment	-	-	-	-	-	-	914,439	-	-	-	914,439
Total other comprehensive income	-	-	-	-	-	-	**914,439**	-	-	-	**914,439**
Total comprehensive income	-	-	-	-	-	-	**914,439**	-	**63,031,760**	-	**63,946,199**
directly in equity:											
Bonus shares issued during the period	-	-	-	-	-	-	-	-	-	-	-
Transfers for the period	-	-	-	18,909,529	-	-	-	-	(18,909,529)	-	-
Increase/Dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Acquisition/disposal of own shares	-	-	-	-	-	-	-	-	-	-	-
Reversal in the period	-	-	-	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	-	(32,374,297)	-	(32,374,297)
Dividend on own share adjusted	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest of subsidiaries disposec	-	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders	-	-	-	**18,909,529**	-	-	-	-	**(51,283,826)**	-	**(32,374,297)**
Balance at 30 September 2012	**14,715,590**	**123,471,114**	-	**84,256,574**	-	-	-	-	**43,308,680**	-	**265,751,958**

Statements of cash flows

For the period ended 30 September 2013

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Cash flows from operating activities					
Profit for the period		69,241,955	64,343,305	65,504,113	63,031,760
Adjustments for:					
Depreciation of property and equipment	28	6,919,741	6,210,755	6,332,328	5,579,783
Amortisation of Intangibles		572,643	229,901	471,721	297,093
Gain on disposal of property and equipment		(57,917)	(41,100)	(37,431)	(35,459)
Gain from disposal of subsidiaries		-	(411,040)	-	-
Impairment on financial assets		3,016,219	3,375,577	2,420,624	2,014,285
Net interest income		(101,950,849)	(95,854,585)	(95,802,119)	(91,438,540)
Foreign exchange gains	14	(3,426,368)	(866,889)	(3,420,089)	(593,109)
Dividend received		(263,921)	(139,934)	(1,105,606)	(658,406)
Income tax expense	19	13,125,994	13,157,871	12,084,689	12,550,061
Other non-cash items		5,421	644,697	5,421	644,697
		(12,817,082)	(9,351,442)	(13,546,349)	(8,607,835)
Changes in:					
Financial assets held for trading		240,989,002	(37,393,651)	241,556,351	(43,451,576)
Assets pledged as collateral		3,482,721	19,186,198	3,482,721	19,186,198
Loans and advances to banks		(323,448)	(352,784)	150,316	(77,367)
Loans and advances to customers		(141,846,896)	(77,483,674)	(131,311,381)	(57,718,138)
Other assets		(103,216,045)	(41,472,973)	(97,575,331)	(40,715,822)
Deposits from banks		(8,327,108)	(35,273,971)	(7,036,704)	(21,050,010)
Deposits from customers		122,767,314	52,316,204	115,561,594	31,002,616
Other liabilities		(8,996,682)	10,334,959	(9,823,339)	7,757,456
		104,528,858	(110,139,692)	115,004,227	(105,066,643)
Interest received		137,489,822	118,691,425	128,848,268	112,452,642
Interest paid		(35,105,991)	(23,481,537)	(32,613,165)	(21,658,798)
		194,095,607	(24,281,246)	197,692,981	(22,880,634)
Income tax paid		(16,818,319)	(16,006,473)	(15,340,116)	(14,691,709)
Net cash/(used in) provided by operating activities		177,277,288	(40,287,719)	182,352,865	(37,572,343)

Statements of cash flows

For the period ended 30 September 2013

In thousands of Nigerian Naira	***Notes***	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Cash flows from investing activities					
Sale/(purchase) of investment securities		(211,832,804)	25,498,349	(197,871,877)	27,904,495
Dividends received		263,921	139,934	1,105,606	658,406
Purchase of property and equipment	28	(10,561,276)	(11,251,700)	(9,538,363)	(9,095,051)
Proceeds from the sale of property and equipment		147,168	957,260	128,262	873,395
Purchase of intangible assets	29	(1,365,331)	(578,755)	(1,036,798)	(726,239)
Investment in subsidiaries		-	-	(73,714)	(6,307,485)
Purchase of investment properties		-	(31,983)	-	-
Proceeds from disposal of investment properties		-	268,284	-	-
Cash inflow on disposal of subsidiaries	31	-	3,500,000	-	3,500,000
Cash outflow on disposal of subsidiaries	31	-	(3,775,711)	-	-
Net cash provided by/(used in) investing activities		(223,348,322)	14,725,678	(207,286,884)	16,807,521
Cash flows from financing activities					
Increase in debt securities issued		5,518,594	2,546,577	-	446,746
Repayment of debt securities issued		-	(57,389,414)	-	(4,589)
Repayment of long term borrowings		(305,759)	(11,038,623)	1,518,437	(68,621,782)
Increase in long term borrowings		2,915,857	9,061,993	2,915,857	9,061,993
Finance lease repayments		(415,118)	(257,803)	(415,118)	(257,803)
Dividends paid to owners	39	(45,618,331)	(32,374,297)	(45,618,331)	(32,374,297)
Dividends paid to non-controlling interest		(234,069)	(7,449)	-	-
Increase in non-controlling interest		-	-	-	-
Net cash provided by financing activities		(38,138,826)	(89,459,016)	(41,599,155)	(91,749,732)
Net (decrease) /increase in cash and cash equivalents		(84,209,860)	(115,021,057)	(66,533,174)	(112,514,554)
Cash and cash equivalents at beginning of period		322,989,479	369,105,220	256,433,560	330,294,424
Effect of exchange rate fluctuations on cash held		4,966,310	(737,760)	3,420,092	593,112
Cash and cash equivalents at end of the period		243,745,929	253,346,403	193,320,478	218,372,982

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 30 September 2013, 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 and retail banking.

2. Basis of preparation

The interim financial statements of the Parent and the Group have been prepared in accordance with IAS 34 'Interim financial reporting' and with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act.

These financial statements were authorised for issue by the directors on **23 October, 2013**.

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

(b) Interim Financial Statements

The accompanying Statements of Financial Positions as at 30th September, 2013, the Statements of Comprehensive Income for the nine months ended 30th September, 2013 and 2012, the Statements of Changes in Equity for the nine months ended 30th September, 2013 and 2012, the Statements of Cash Flows for the nine months ended 30th September, 2013 and 2012 and the explanatory notes to the financial statements are audited and have been prepared for interim financial information. These Interim Financial Statements are complete (as described in IAS 1) and have been prepared in compliance with the International Financial Reporting Standards.

The unaudited Statements of Comprehensive income for the three months ended 30th September, 2013 and 2012 have also been prepared for third quarter interim financial information.

(c) Functional and presentation currency

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

(d) Basis of measurement

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

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Available-for-sale financial assets are measured at fair value. 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 total 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

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

(f) 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) which became effective in the reporting period did not have any material impact on the accounting policies, financial position or performance of the Group:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: These introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance. The amendments also clarify the requirement for comparative information i.e. the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. The Group does not voluntarily provide additional comparative information.

- Amendment to IAS 19: The standard became effective 1 January, 2013. The amendment introduces changes to recognition of deficit / surplus on defined benefit plans and presentation of defined benefit cost. It also introduces net interest on net defined benefit assets (liability) and more extensive disclosures. The effect of changes to recognition of deficit / surplus on defined benefit plans is the immediate recognition of actuarial gains and losses (now "remeasurements") in Other Comprehensive Income as against the previous practice of immediate recognition in the Group's Profit or Loss. The Group does not expect this to have material impact on its Other Comprehensive Income except there are significant changes in market related assumptions. The concept of net interest on net defined benefit asset (liability) introduced by this amendment is different from the prior practice of separate recognition of interest cost on defined benefit obligation and expected returns on plan assets. This is not expected to have significant impact on the Group because there are no wide margins between interest cost and expected returns on assets. The other changes to termination benefits and 10% corridor do not affect the Group as it neither pays termination benefits nor apply the rule.

- Amendments to IAS 34: IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment). The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group already provides this disclosure in prior period because it is part of the segment information reported to the chief operating decision maker (CODM) and the Group as opted to disclose the information regardless of the materiality for the benefit of the users of the financial statement. As such, this amendment does not have a material impact on the Group.

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements: IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

- Amendments to IFRS 7: The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

- Amendment to IAS 32 Tax effects of distributions to holders of equity instruments: The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements for the Group, as there is no company income tax consequences attached to cash or non-cash distribution.

- IFRS 12 Disclosure of Interests in Other Entities IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The group has made the disclosures relevant to its interest in subsidiaries in these consolidated financial statements.

- IFRS 13 Fair Value Measurement: IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures, and expands them by requiring that all assets, liabilities and equities, including those that are not financial instruments, be measured at fair value. Furthermore, additional extensive disclosures are required in many areas and the extent of these disclosures increase as the Fair value inputs fall significantly within level 2 and 3 of the fair value hierarchy. In accordance with the transitional provisions of IFRS 13, the Group has applied all the requirements provided by the new fair value measurement guidance prospectively, and has not provided comparative information for new disclosures.

- IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group. The Group has not adopted any yet ineffective standard, interpretation or amendment early.

- **Standards and interpretations issued but not yet effective**

Other standards issued by the IASB but are to be effective are outlined below:

Standard	*Content*	*Effective Year*
IFRIC Interpretation 21	Levies	1-Jan-14
IAS 27	Consolidated and Separate Financial Statement	1-Jan-14
IFRS 12	Disclosure of Interests in Other Entities	1-Jan-14
IFRS 10	Consolidated Financial Statement	1-Jan-14
IFRS 9	Financial Instrument	1-Jan-15

These standards, which are effective for annual periods beginning after July 1, 2013, have not been applied in preparing these financial statements.

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 the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed when the parent acquires more than half of the voting rights of the entity. Even when less than half of the voting rights are acquired, control may be evidenced by power:

a. over more than half of the voting rights by virtue of an agreement with other investors, or
b. to govern the financial and operating policies of the entity under a statute or an agreement, or
c. to appoint or remove the majority of the members of the board of directors, or
d. to cast the majority of votes at a meeting of the board of directors

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.

Acquisitions on or after 1 January 2009

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

The Group elects on a transaction-by-transaction basis whether to measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, as at acquisition date. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions between 1 January 2003 and 1 January 2009

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

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

Acquisitions prior to 1 January 2003

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

(ii) Special purpose entities

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

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

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE.

- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.

- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The Group established GTB Finance B.V., Netherlands as a special purpose entity to raise funds for the Bank on the international capital markets. Accordingly, the financial statements of GTB Finance B.V. have been consolidated.

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

(v) Non-controlling interest

The group applies IAS 27 Consolidated and Separate Financial Statements (2008) 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 are 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 translation at year-end exchange rates 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 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 and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the 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.

(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 realised and unrealised 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 finance balance outstanding.

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. The investment properties acquired under finance leases are measured subsequently at their fair value.

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

When assets are held subject to a finance lease, the present value of the lease payments 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.

(i) Income Tax

(a) **Current income tax**

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense for the period except to the extent that current tax 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 carry-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 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 initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

The classification of financial instruments depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. The Group's classification of Financial Assets and Liabilities are in accordance with IAS 39, viz:

(a) Loans and Receivables

The group's loans and receivable comprises loans and advances, cash and cash equivalent and other receivables.

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

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

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

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

a) Available-for-sale investments

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

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

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

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

b) Held-to-maturity

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

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

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

●Sales or reclassifications after the Group have collected substantially all the asset's original Principal.

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

d) Financial assets and liabilities at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

Financial liabilities for which the fair value option is applied are recognised in the Statements of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

-Financial assets and liabilities classified as held for trading

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

- **Designation at fair value through profit or loss**

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consists of debt host and an embedded derivative that must be separated.

To reduce accounting mismatch, the fair value option is applied to certain loans and receivables that are hedged with credit derivatives or interest rate swaps but for which the hedge accounting conditions of IAS 39 are not fulfilled. The loans would have been otherwise accounted for at amortised cost, whereas the derivatives are measured at fair value through profit or loss.

The fair value option is also applied to investment funds that are part of a portfolio managed on a fair value basis. Furthermore, the fair value option is applied to structured instruments that include embedded derivatives.

Financial assets for which the fair value option is applied are recognised in the Statements of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(iii) Measurement

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost are expensed in the income statement.

Financial assets at fair value through profit and loss are subsequently measured at fair value. Held to maturity financial assets and Loans and receivables are subsequently measured at amortised cost using the effective interest rate. Available for sale financial assets are subsequently measured at fair value through equity or profit and loss except where the fair value cannot be reliably measured. See (note o (i-iv)).

Non-trade financial liabilities are measured at amortised cost. Liabilities held for trading are measured at fair value. Subsequent recognition of financial assets and liabilities is at amortised cost or value.

Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in their comprehensive income (OCI). When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statements as “gains or losses from investment securities”.

a) Amortised cost measurement

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

b) Fair value measurement

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

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, NSE, LSE) and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the end of the reporting period.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. For the purpose of disclosure, the fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) De-recognition

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 derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset**.** Any interest in such transferred financial asset that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

In certain transactions the Group retains the obligations to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

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

The Group derecognizes a financial liability other than financial guarantees and loan commitments as measured at amortized cost or fair value through profit and loss

(vi) Pledge of assets as collateral

Financial assets transferred to external parties that do not qualify for de-recognition (see J(iii)) are reclassified in the statement of financial position from financial assets held for trading or investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.

Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated as held for trading, available for sale or held to maturity. Where the assets pledged as collateral are designated as held for trading, subsequent measurement is at fair value through profit and loss, whilst assets pledged as collateral designated as available for sale are measured at fair-value through equity. Assets pledged as collateral designated as held to maturity are measured at amortized cost.

(vii) Sale and repurchase agreements

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

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

(viii) Identification and measurement of impairment

(A) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial re-organisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and

  (ii) national economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity category) are classified in 'Net gains/ (losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Income statement.

(B) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income statement. Impairment losses recognised in the Income statement on equity instruments are not reversed through the Income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Income statement.

Assets classified as available for sale are assessed for impairment in the same manner as assets carried at amortised cost.

Investment securities

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

(l) Derivatives held for risk management purposes

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

(m) Investment in subsidiaries

Investments in subsidiaries are reported at cost less any impairment (if any).

(n) 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. Its cost also includes 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 date of the Statements of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note (s) 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	Over the shorter of the useful life of the item or lease term
Buildings	50years
Land	Over the remaining life of the lease
Furniture and equipment	5years
Computer hardware	3years
Motor vehicles	4years
Other transportation equipment	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 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.

(o) 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. There was no such expenditure during the year.

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.

(p) 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. However, the Group chooses the cost model measurement to reassess investment property after initial recognition i.e. depreciated cost less any accumulated impairment losses.

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

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

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

(q) 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.

(r) 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.

(s) Financial guarantees

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

(t) 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 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. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(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. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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

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

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

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

(u) 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.

(v) Share capital and reserves

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

(w) 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.

(x) 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.

4. Financial risk management

(a) Introduction and overview

Guaranty Trust Bank has a robust and functional Enterprise-wide Risk Management (ERM) Framework that is responsible for identifying and managing the whole universe of inherent and residual risks facing the Bank. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

Other key risks faced by the bank as a result of its existence and operations include operational risks, settlement risks, reputational and strategy risks.

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

Risk management philosophy

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

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

Guaranty Trust Bank will continue to adhere to the following risk principles to perform consistently on the above stated indices:

- The Bank will not take any action that will compromise its integrity. Sound performance reporting (financial and non-financial)
- The Bank will adhere to the risk management practice of identifying, measuring, controlling and reporting risks.
- Risk control will not constitute an impediment to the achievement of the Bank's Strategic objectives.
- The Bank will always comply with all government regulations and embrace global best practices.
- The Bank will only assume risks that fall within its risk appetite with commensurate returns.

Risk management framework

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

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

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

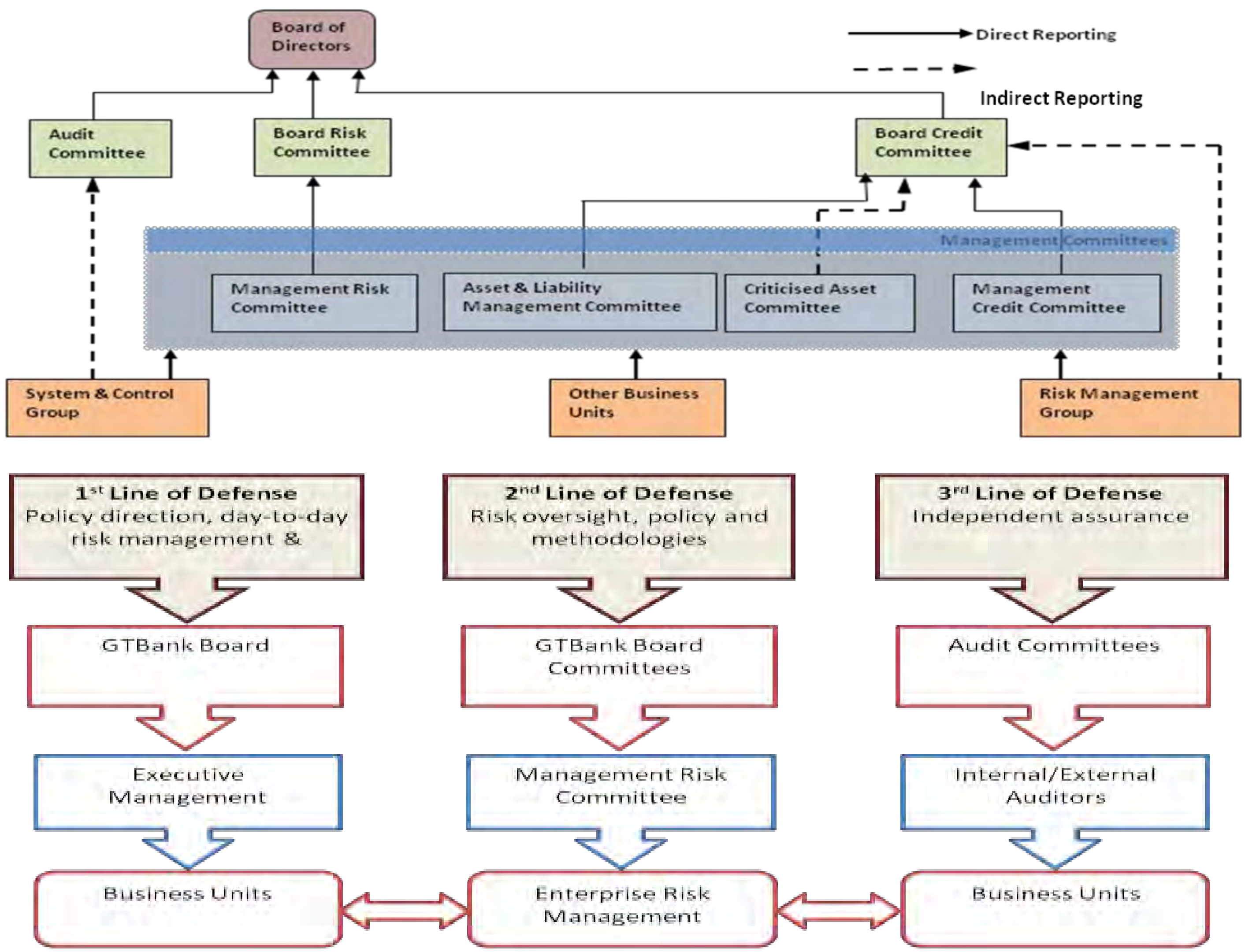
- The Management Credit Committee
- Criticized Assets Committee

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

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

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

The Risk Management Organogram of the Group is as follows:



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

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

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

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

Risk management methodology

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

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

To ensure adherence to the policies and procedures, several exception reports on customers and activities of the

Group are generated by the various audit control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams
- Monthly Operations Performance Reports (OPR) for the support teams
- Quarterly Business Profitability Review
- Annual Bank-wide performance appraisal systems
- Monthly Expense Control Monitoring Report
- Criticized Asset Committee Report

Risk management overview

The Group operates a functional Enterprise-wide Risk Management (ERM) Division that manages all aspects of risk including threats and opportunities. The risk management infrastructure therefore encompasses a comprehensive and integrated approach to identifying, managing and reporting:

(i) the 3 main inherent risk groups –Credit, Market and Operational;
(ii) additional core risks such as Reputation and Strategy risks

In addition to this, in compliance with the Central Bank of Nigeria's 'Risk-based Supervision' guidelines, and also to align with Basel II Capital Accord / best global practices, we are in the process of incorporating a strategic framework for efficient measurement and management of the bank's risks and capital. We have commenced the implementation of Basel II recommended capital measurement approaches for the estimate of the bank's economic capital required to cope with unexpected losses. We are also putting in place other qualitative and quantitative measures that will assist with enhancing risk management processes and creating a platform for more risk-adjusted decision-making.

(b) Credit risk

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

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

- Maintenance of an efficient loan portfolio
- Institutionalization of sound credit culture in the Bank
- Adoption of international best practices in credit risk management
- Development of Credit Risk Management professionals.

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

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

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

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

For Credit Risk Capital Adequacy computation under Basel II Pillar I, the Group has commenced with the use of the Standardized Approach for Credit Risk Measurement, while collating relevant data required for migration to the Internal Rating Based (Foundation) Approach.

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

Management of credit risk

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

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

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

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

- *Developing and maintaining the Group's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of 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 Group.

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

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

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

Credit risk measurement

In line with IAS 39, the bank adopted incurred loss approach and intends to migrate to the expected loss approach outlined under IFRS 9. The incurred loss approach takes into consideration the emergence period (EP) to arrive at losses that have been incurred at the reporting date. To enable the bank migrate to the internal rating based (foundation approach) as well as the expected loss approach as outlined under IFRS 9, the bank has developed its internal rating models.

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

The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class in line with international best practices and in compliance with BASEL II requirements. The grades reflect granularities and are handled by Account Officers and Relationship Managers with further check by Credit Risk Analysis Unit in Credit Risk Management Group.

Rating Grade	Description	Characteristics
1 (AAA)	Exceptional Credit	• Exceptional credit quality • Obligors with overwhelming capacity to meet obligation • Top multinationals / corporations • Good track record • Strong brand name • Strong equity and assets • Strong cash flows • Full cash coverage
2 (AA)	Superior Credit	• Very high credit quality • Exceptionally high cash flow coverage (historical and projected) • Very strong balance sheets with high liquid assets • Excellent asset quality • Access to global capital markets • Typically large national corporate in stable industries and with significant market share
3 (A)	Minimal Risk	• High quality borrowers

		• Good asset quality and liquidity position • Strong debt repayment capacity and coverage • Very good management • Though credit fundamentals are strong, it may suffer some temporary setback if any of them are adversely affected • Typically in stable industries
4 (BBB)	Above Average	• Good asset quality and liquidity • Very good debt capacity but smaller margins of debt service coverage • Good management in key areas • Temporary difficulties can be overcome to meet debt obligations • Good management but depth may be an issue • Good character of owner • Typically good companies in cyclical industries
5 (BB)	Average	• Satisfactory asset quality and liquidity • Good debt capacity but smaller margins of debt service coverage • Reasonable management in key areas • Temporary difficulties can be overcome to meet debt obligations • Good management but depth may be an issue • Satisfactory character of owner • Typically good companies in cyclical industries
6 (B)	Acceptable Risk	• Limited debt capacity and modest debt service coverage • Could be currently performing but susceptible to poor industry conditions and operational difficulties • Declining collateral quality • Management and owners are good or passable • Typically borrowers in declining markets or with small market share and operating in cyclical industries
7 (CCC)	Watch-list	• Eliciting signs of deterioration as a result of well defined weaknesses that may impair repayment • Typically start- ups / declining markets/deteriorating industries with high industry risk • Financial fundamentals below average • Weak management • Poor information disclosure
8 (CC)	Substandard Risk	• Well-defined weaknesses though significant loss unlikely; orderly liquidation of debt under threat • Continued strength is on collateral or residual repayment capacity of obligor • Partial losses of principal and interest possible if weaknesses are not promptly rectified • Questionable management skills
9 (C)	Doubtful Risk	• High probability of partial loss • Very weak credit fundamentals which make full debt repayment in serious doubt • Factors exist that may mitigate the potential loss but awaiting

		appropriate time to determine final status • Demonstrable management weaknesses, poor repayment weaknesses and poor repayment profile
10 (D)	Lost	• A definite loss of principal and interest • Lack of capacity to repay unsecured debt • Bleak economic prospects • Though it is still possible to recover sometime in the future, it is imprudent to defer write - offs

Models have been used to estimate the amount of credit exposures, as the value of a product varies with changes in market variables, expected cash flows and time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between parties.

Ratings and scoring models are in use for all key credit portfolios and form the basis for measuring default risks.

In measuring credit risk of loans and advances at a counterparty level, the Group considers three components:

(i) The 'probability of default' (PD)
(ii) Exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default' (EAD); and
(iii) The likely recovery ratio on the defaulted obligations (the 'loss given default') (LGD).

The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

(i) Probability of Default (PD)

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally. This combines statistical analysis with credit officer judgment.

The rating template combines both qualitative and quantitative factors to arrive at a rating which is comparable to internationally available standards.

The rating methods are subject to an annual validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

ii. Exposure at Default (EAD)

EAD is the amount the Group expects to be owed at the time of default or reporting date. For a loan, this is the face value (principal plus interest). For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

iii Loss Given Default (LGD)

Loss given default represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II.

Risk Limit Control and Mitigation Policies

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

The Bank adopted 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, we apply additional parameters internally in determining the suitable limits that an individual borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc.

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

The limits are usually recommended by the Bank's Portfolio Management Unit under Credit Risk Management Group 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 the 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, 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:

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 N500 Million
Managing Director	Up to N200 Million
Deputy Managing Director	Up to N150 Million

Other Approving Officers	as delegated by the managing director

The above limits are subject to the following overriding approvals:

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

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

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

Master Netting Arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements 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 Group'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 indemnity from a first class bank, or another acceptable security.

Contingencies

Contingent assets which include transaction related bonds and guarantees, letters of credit and short term foreign currency related transactions, 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 will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities include transaction related bonds and guarantees, letters of credit and short term foreign currency related transactions. Contingent liabilities are not recognized in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

Placements

The Bank has placement lines for its Bank counterparties. The lines cover the settlement risks inherent in our 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 Credit Risk Management Group. As a rule, the Bank's placements with local banks are backed with treasury bills.

Impairment and provisioning policies

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 8 to 10 in the Group's internal credit risk grading system.

Past due but not impaired loans

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

Loans with renegotiated terms

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

Allowances for impairment

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

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Management Credit Committee determines that the loans / securities are uncollectible.

This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Loans and advances

All loans and advances are categorized as follows:

- **Performing Loans:**
  These consist of loans that are neither past due nor impaired and loans that are collectively impaired. Neither past due nor impaired loans are loans and advances where contractual interest or principal payments are not past due. These loans and advances belong to the investment grade (i.e. rating grades 1 – 3). Collectively impaired loans 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 Group. These loans are graded 4 to 7 in the Group's internal credit grading system.

- **Non-Performing Loans:**
  These consist of loans that are past due but not impaired and loans that are individually impaired. Past due but not impaired loans are loans and advances where contractual interest or principal payments are past due but individually assessed as not being impaired. The Group 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 Group. Individually impaired loans are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advance agreement(s). These are loans and advances specifically impaired and are graded 8 to 10 in the Group's internal credit risk grading system.

Notes to the financial statements

Loans and advances

Loans and advances are summarised as follows:

In thousands of Nigerian naira	Group	Group	Parent	Parent
	Sep-2013	**Dec-2012**	**Sep-2013**	**Dec-2012**
Performing Loans*	916,362,372	775,606,719	865,665,807	737,575,362
Non Performing Loans**	30,349,828	27,570,649	24,154,034	21,859,907
Gross	**946,712,200**	**803,177,368**	**889,819,841**	**759,435,269**
Less allowances for impairment:				
Individually impaired	14,396,835	15,813,675	12,259,053	13,571,224
Portfolio allowance	6,768,457	3,448,851	6,205,418	3,249,116
Total allowance	**21,165,292**	**19,262,526**	**18,464,471**	**16,820,340**
Net Loans and Advances	**925,546,908**	**783,914,842**	**871,355,370**	**742,614,929**

* Performing Loans consists of Neither past due nor impaired and collectively impaired
**Non-performing Loans consists of Individually impaired and past due but not impaired

5. Use of estimates and judgments

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3b (j)(viii).

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

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

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3b (j)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

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

Financial asset and liability classification

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

1. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3b(j)(i).

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

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

Depreciation and carrying value of property and equipment

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

Determination of impairment of property and equipment, and intangible assets

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

Defined benefits plan

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.
The assumptions used in determining the net cost (income) for pensions include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 3b (j)(vii)

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

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

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

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

Notes to the financial statements

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

Group
Sep-2013

In thousands of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Financial assets held for trading					
-Debt securities	24	29,815,826	-	-	29,815,826
Available-for-sale financial assets:					
-Investment securities-debt	25	250,847,696	4,979,774	-	255,827,470
-Investment securities-equity	25	-	-	4,386,799	4,386,799
Assets pledged as collateral	26	27,720,509	-	-	27,720,509
		308,384,031	4,979,774	**4,386,799**	**317,750,604**

There was no transfer between between levels of the fair value hierarchy used in measuring the fair value of financial instruments

Group
Dec-2012

In thousands of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Financial assets held for trading					
-Debt securities	24	271,073,896	-	-	271,073,896
Available-for-sale financial assets:					
-Investment securities-debt	25	-	12,926,197	-	12,926,197
Assets pledged as collateral	26	16,461,583	-	-	16,461,583
		287,535,479	12,926,197	-	**300,461,676**

Parent
Sep-2013

In thousands of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Financial assets held for trading					
-Debt securities	24	25,860,831	-	-	25,860,831
Available-for-sale financial assets:					
-Investment securities-debt	25	244,107,818	4,979,774		249,087,592
-Investment securities-equity	25	-	-	4,386,799	4,386,799
Assets pledged as collateral	26	27,720,509	-	-	27,720,509
		297,689,158	4,979,774	**4,386,799**	**307,055,731**

Notes to the financial statements

Parent
Dec-2012

In thousands of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Financial assets held for trading					
-Debt securities	24	267,417,182	-	-	267,417,182
Available-for-sale financial assets:					
-Investment securities-debt	25	-	7,303,799	-	7,303,799
Assets pledged as collateral	26	16,461,583	-	-	16,461,583
		283,878,765	7,303,799	**-**	**291,182,564**

6. Operating segments

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

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

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

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

However, with the adoption of IFRS, the segment information are now based on IFRS standards.

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

- **Corporate banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products offered to very large corporate customers and blue chips.

- **Commercial banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products for mid-size and fledgling corporate customers.

- **Retail banking** – Incorporates private banking services, private customer current accounts, savings deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

- **SME banking** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products for small and medium-size enterprises and ventures.

- **Public Sector** – Incorporates current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products for Government Ministries, Departments and Agencies.

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

No single external customer accounts for 10% or more of the Group's revenue.

The measurement policies the Group uses for segment reporting are the same as those used in its financial statements, except that activities of Staff Investment Trust have not been consolidated in arriving at the operating profit, assets and liabilities of the operating segment. There have been no changes from prior years in the measurement methods used to determine reported segment profit or loss.

Reclassifications done in prior year has not been reflected in the operating segment. However, the new segments carved out of retail segment have been separately disclosed.

Operating segments (Continued)

Information about operating segments

Group
Sep-2013

	In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	SME Banking	Public Sector Banking	Total Continuing Operations	Discontinued Operations	Total
	Revenue:								
	Derived from external customers	85,176,548	33,978,470	37,883,464	9,667,727	11,837,566	178,543,774	-	178,543,774
	Derived from other business segments	(9,034,528)	7,821,909	(914,431)	1,352,984	774,066	(0)	-	(0)
	Total revenue	**76,142,020**	**41,800,378**	**36,969,033**	**11,020,712**	**12,611,631**	**178,543,774**	**-**	**178,543,774**
	Interest expenses	(17,698,292)	(5,742,618)	(6,889,616)	(1,685,909)	(3,000,108)	(35,016,543)	-	(35,016,543)
	Fee and commission expenses	(408,404)	(137,013)	(134,761)	(39,164)	(14,070)	(733,412)	-	(733,412)
	Net operating income	**58,035,324**	**35,920,747**	**29,944,655**	**9,295,639**	**9,597,453**	**142,793,819**	**-**	**142,793,819**
	Expense:								
	Operating expenses	(10,684,214)	(21,344,295)	(12,919,518)	(5,361,630)	(3,868,812)	(54,178,469)	-	(54,178,469)
	Net impairment loss on financial assets	(386,898)	(731,176)	(1,045,139)	(122,235)	(368,151)	(2,653,599)	-	(2,653,599)
	Depreciation and amortization	(2,219,851)	(2,736,721)	(1,530,828)	(613,080)	(391,903)	(7,492,384)	-	(7,492,384)
	Total cost	**(13,290,963)**	**(24,812,192)**	**(15,495,486)**	**(6,096,945)**	**(4,628,866)**	**(64,324,452)**	**-**	**(64,324,452)**
	Profit before income tax from reportable segments	**44,744,361**	**11,108,555**	**14,449,170**	**3,198,694**	**4,968,587**	**78,469,366**	**-**	**78,469,366**
	Tax	**(7,405,762)**	**(1,756,036)**	**(2,505,728)**	**(574,271)**	**(884,196)**	**(13,125,994)**	**-**	**(13,125,994)**
	Profit after income tax from reportable segments	**37,338,598**	**9,352,518**	**11,943,441**	**2,624,423**	**4,084,391**	**65,343,372**	**-**	**65,343,372**
	Assets and liabilities:								
	Total assets	1,066,903,616	201,862,427	405,167,247	64,659,166	137,932,794	1,876,525,249	-	1,876,525,249
	Total liabilities	(527,454,137)	(494,344,452)	(263,121,186)	(127,779,092)	(144,972,567)	(1,557,671,434)	-	(1,557,671,434)
	Net assets/ (liabilities)	**539,449,479**	**(292,482,025)**	**142,046,061**	**(63,119,926)**	**(7,039,773)**	**318,853,815**	**-**	**318,853,815**
	Additions to Non-Current Assets								
A	**Additions to Non-Current Assets**	**6,780,906**	**2,418,687**	**1,439,403**	**410,953**	**876,658**	**11,926,607**	**-**	**11,926,607**
	Assets:								
	Loans and advances to banks	15,421	2,169,607	84,291	3,019,048	3,364	5,291,730	-	5,291,730
	Loans and advances to customers	538,965,862	66,907,275	220,733,679	23,236,778	70,411,584	920,255,178	-	920,255,178
	Others	528,252,165	131,876,820	184,982,687	38,710,664	67,156,005	950,978,341	-	950,978,341
		1,067,233,448	200,953,701	405,800,657	64,966,490	137,570,953	1,876,525,249	-	1,876,525,249
	Liabilities:								
	Deposits from banks	16,040,497	-	-	-	-	16,040,497	-	16,040,497
	Deposits from customers	314,079,907	508,194,183	239,944,929	95,150,686	113,375,241	1,270,744,946	-	1,270,744,946
C	Others	213,445,714	14,710,114	24,786,059	8,546,010	9,398,094	270,885,991	-	270,885,991
		543,566,118	522,904,297	264,730,988	103,696,697	122,773,335	1,557,671,434	-	1,557,671,434

Notes to the financial statements

Group
Sep-2012

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	SME Banking	Public Sector Banking	Total Continuing Operations	Discontinued Operations	Total
Revenue:								
Derived from external customers	87,174,299	26,929,414	29,488,627	8,109,777	11,863,162	163,565,278	653,126	164,218,404
Derived from other business segments	(9,911,853)	8,723,410	(2,104,001)	953,433	2,339,011	-	-	-
Total revenue	**77,262,446**	**35,652,824**	**27,384,626**	**9,063,210**	**14,202,173**	**163,565,278**	**653,126**	**164,218,404**
Interest expenses	(20,255,469)	(2,201,636)	(4,513,649)	(852,453)	(1,205,902)	(29,029,109)	(288,992)	(29,318,101)
Fee and commission expenses	(425,598)	(202,986)	(319,724)	(60,512)	(88,450)	(1,097,270)	(2,006)	(1,099,276)
Net operating income	**56,581,379**	**33,248,201**	**22,551,253**	**8,150,245**	**12,907,821**	**133,438,899**	**362,128**	**133,801,027**
Expense:								
Operating expenses	(11,154,785)	(20,087,757)	(10,592,172)	(4,321,558)	(3,024,283)	(49,180,555)	(155,568)	(49,336,123)
Net impairment loss on financial assets	(2,663,399)	(82,005)	(139,238)	(31,043)	(158,843)	(3,074,526)	-	(3,074,526)
Depreciation and amortization	(1,116,580)	(2,766,158)	(1,565,299)	(583,476)	(409,143)	(6,440,656)	(8,523)	(6,449,179)
Total cost	**(14,934,764)**	**(22,935,920)**	**(12,296,709)**	**(4,936,076)**	**(3,592,268)**	**(58,695,737)**	**(164,091)**	**(58,859,828)**
Profit before income tax from reportable segments	**41,646,615**	**10,312,281**	**10,254,544**	**3,214,169**	**9,315,553**	**74,743,162**	**198,037**	**74,941,199**
Tax	**(6,083,331)**	**(2,914,158)**	**(1,778,607)**	**(691,872)**	**(1,689,903)**	**(13,157,871)**	**-**	**(13,157,871)**
Profit after income tax from reportable segments	**35,563,284**	**7,398,123**	**8,475,937**	**2,522,297**	**7,625,650**	**61,585,291**	**198,037**	**61,783,328**
Assets and liabilities:								
Total assets	991,384,065	178,190,557	374,446,451	62,594,207	129,850,297	1,736,465,577	-	1,736,465,577
Total liabilities	(508,102,645)	(436,388,172)	(247,900,907)	(122,559,624)	(129,145,333)	(1,444,096,681)	-	(1,444,096,681)
Net assets/ (liabilities)	**483,281,420**	**(258,197,615)**	**126,545,544**	**(59,965,417)**	**704,964**	**292,368,896**	**-**	**292,368,896**
Additions to Non-Current Assets								
Additions to Non-Current Assets	**3,917,023**	**1,431,024**	**752,480**	**247,314**	**513,047**	**6,860,888**	**-**	**6,860,888**
Dec-2012								
Assets:								
Loans and advances to banks	2,454,039	1,073,311	780,930	556,059	485	4,864,824	-	4,864,824
Loans and advances to customers	453,452,114	49,339,741	192,055,075	20,304,310	63,898,778	779,050,018	-	779,050,018
Others	535,477,912	127,777,505	181,610,446	41,733,838	65,951,034	952,550,735	-	952,550,735
	991,384,065	**178,190,557**	**374,446,451**	**62,594,207**	**129,850,297**	**1,736,465,577**	**-**	**1,736,465,577**
Liabilities:								
Deposits from banks	23,860,259	-	-	-	-	23,860,259	-	23,860,259
Deposits from customers	241,553,566	437,105,581	230,036,702	116,678,208	122,823,108	1,148,197,165	-	1,148,197,165
Others	242,726,042	(586,177)	17,826,983	5,750,184	6,322,225	272,039,257	-	272,039,257
	508,139,867	**436,519,404**	**247,863,685**	**122,428,392**	**129,145,333**	**1,444,096,681**	**-**	**1,444,096,681**

Operating segments (Continued)

Information about operating segments

Parent
Sep-2013

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	SME Banking	Public Sector Banking	Total Continuing Operations	Discontinued Operations	Total
Revenue:								
Derived from external customers	77,478,099	30,891,169	34,497,827	9,538,282	11,768,859	164,174,235	-	164,174,235
Derived from other business segments	(8,243,632)	6,489,614	(503,423)	1,491,841	765,600	-	-	-
Total revenue	**69,234,467**	**37,380,783**	**33,994,404**	**11,030,123**	**12,534,459**	**164,174,235**	**-**	**164,174,235**
Interest expenses	(16,297,508)	(5,098,805)	(6,456,963)	(1,671,579)	(2,998,862)	(32,523,717)	-	(32,523,717)
Fee and commission expenses	(381,407)	(122,817)	(114,755)	(38,580)	(13,973)	(671,532)	-	(671,532)
Net operating income	**52,555,552**	**32,159,160**	**27,422,686**	**9,319,964**	**9,521,624**	**130,978,986**	**-**	**130,978,986**
Expense:								
Operating expenses	(7,317,202)	(19,604,858)	(11,685,734)	(5,297,440)	(3,846,773)	(47,752,008)	-	(47,752,008)
Net impairment loss on financial assets	(27,142)	(726,933)	(1,036,317)	(123,153)	(378,102)	(2,291,647)	-	(2,291,647)
Depreciation and amortization	(1,824,915)	(2,577,500)	(1,401,853)	(608,454)	(391,327)	(6,804,049)	-	(6,804,049)
Total cost	**(9,169,260)**	**(22,909,292)**	**(14,123,904)**	**(6,029,047)**	**(4,616,202)**	**(56,847,704)**	**-**	**(56,847,704)**
Profit before income tax from reportable segments	**43,386,293**	**9,249,869**	**13,298,783**	**3,290,916**	**4,905,422**	**74,131,282**	**-**	**74,131,282**
Tax	**(6,859,752)**	**(1,625,391)**	**(2,194,223)**	**(551,371)**	**(853,952)**	**(12,084,689)**	**-**	**(12,084,689)**
Profit after income tax from reportable segments	**36,526,541**	**7,624,478**	**11,104,559**	**2,739,546**	**4,051,469**	**62,046,593**	**-**	**62,046,593**
Assets and liabilities:								
Total assets	940,851,003	198,929,835	402,567,343	63,718,545	137,402,737	1,743,469,463	-	1,743,469,463
Total liabilities	(402,748,075)	(501,544,364)	(257,369,817)	(126,599,209)	(144,374,025)	(1,432,635,490)	-	(1,432,635,490)
Net assets/ (liabilities)	**538,102,928**	**(302,614,529)**	**145,197,526**	**(62,880,664)**	**(6,971,287)**	**310,833,973**	**-**	**1,505,643,304**
Additions to Non-Current Assets								
A **Additions to Non-Current Assets**	**5,706,810**	**2,367,146**	**1,281,286**	**386,490**	**833,427**	**10,575,160**	**-**	**10,575,160**
Assets:								
Loans and advances to banks	16,253	6,467	2,269	775	2,137	27,901	-	27,901
Loans and advances to customers	508,272,176	71,038,590	206,022,751	19,773,703	66,220,249	871,327,469	-	871,327,469
Others	434,888,909	132,693,770	194,766,553	39,189,502	70,575,359	872,114,093	-	872,114,093
	943,177,339	203,738,826	400,791,573	58,963,979	136,797,745	1,743,469,463	**-**	**1,743,469,463**
Liabilities:								
Deposits from banks	133,617	-	-	-	-	133,617	-	133,617
Deposits from customers	303,323,588	457,617,501	220,862,405	85,380,672	102,500,001	1,169,684,167	-	1,169,684,167
Others	131,743,528	58,002,722	37,392,722	16,554,656	19,124,079	262,817,706	-	262,817,706
	435,200,733	515,620,223	258,255,126	101,935,328	121,624,080	1,432,635,490	**-**	**1,432,635,490**

Notes to the financial statements

Parent
Sep-2012

In thousands of Nigerian Naira	Corporate Banking	Retail Banking	Commercial Banking	SME Banking	Public Sector Banking	Total Continuing Operations	Discontinued Operations	Total
Revenue:								
Derived from external customers	81,756,500	23,822,570	27,402,611	7,992,276	11,767,780	152,741,738	-	152,741,738
Derived from other business segments	(9,010,775)	7,930,373	(1,912,729)	866,757	2,126,374	-	-	-
Total revenue	**72,745,725**	**31,752,943**	**25,489,882**	**8,859,033**	**13,894,154**	**152,741,738**	**-**	**152,741,738**
Interest expenses	(18,983,629)	(1,951,863)	(4,230,236)	(839,623)	(1,201,020)	(27,206,370)	-	(27,206,370)
Fee and commission expenses	(341,632)	(157,411)	(256,645)	(50,681)	(74,421)	(880,790)	-	(880,790)
Net operating income	**53,420,464**	**29,643,669**	**21,003,001**	**7,968,730**	**12,618,714**	**124,654,578**	**-**	**124,654,578**
Expense:								
Operating expenses	(9,078,427)	(17,685,373)	(9,692,482)	(4,293,727)	(3,025,698)	(43,775,706)	-	(43,775,706)
Net impairment loss on financial assets	(1,474,919)	(12,149)	(80,638)	(20,543)	(124,984)	(1,713,233)	-	(1,713,233)
Depreciation and amortization	(1,018,841)	(2,426,496)	(1,428,281)	(588,242)	(415,016)	(5,876,876)	-	(5,876,876)
Total cost	**(11,572,187)**	**(20,124,018)**	**(11,201,401)**	**(4,902,512)**	**(3,565,697)**	**(51,365,815)**	**-**	**(51,365,815)**
Profit before income tax from reportable segments	**41,848,277**	**9,519,651**	**9,801,600**	**3,066,218**	**9,053,017**	**73,288,763**	**-**	**73,288,763**
Tax	**(6,889,862)**	**(1,374,573)**	**(1,864,491)**	**(699,984)**	**(1,721,150)**	**(12,550,061)**	**-**	**(12,550,061)**
Profit after income tax from reportable segments	**34,958,415**	**8,145,078**	**7,937,109**	**2,366,234**	**7,331,866**	**60,738,702**	**-**	**60,738,702**
Assets and liabilities:								
Total assets	872,994,901	177,959,742	377,556,892	61,955,391	129,850,297	1,620,317,223	-	1,620,317,223
Total liabilities	(388,895,605)	(448,303,380)	(243,875,283)	(121,943,992)	(129,145,333)	(1,332,163,593)	-	(1,332,163,593)
Net assets/ (liabilities)	**484,099,296**	**(270,343,638)**	**133,681,609**	**(59,988,601)**	**704,964**	**288,153,630**	**-**	**288,153,630**
Additions to Non-Current Assets								
A **Additions to Non-Current Assets**	**7,728,140**	**1,634,008**	**3,306,684**	**523,383**	**1,128,625**	**14,320,840**	**-**	**14,320,840**
Dec-2012								
Assets:								
Loans and advances to banks	89,784	39,268	28,572	20,343	18	177,985	-	177,985
Loans and advances to customers	431,797,325	47,717,814	182,648,027	19,741,012	60,532,766	742,436,944	-	742,436,944
Others	441,107,791	130,202,660	194,880,294	42,194,036	69,317,513	877,702,294	-	877,702,294
	872,994,901	177,959,742	377,556,892	61,955,391	129,850,297	1,620,317,223	**-**	**1,620,317,223**
Liabilities:								
Deposits from banks	7,170,321	-	-	-	-	7,170,321	-	7,170,321
Deposits from customers	221,762,495	401,292,455	211,189,234	107,118,478	112,759,911	1,054,122,573	-	1,054,122,573
Others	159,973,975	47,050,362	32,674,863	14,786,077	16,385,422	270,870,699	-	270,870,699
	388,906,790	448,342,817	243,864,098	121,904,555	129,145,333	1,332,163,593	**-**	**1,332,163,593**

7 Operating segments (Continued)

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

Reconciliation of revenues

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Continuing Operations:				
Total revenue from reportable segments	178,543,774	163,565,278	164,174,235	152,741,738
Consolidation and adjustments:				
- Interest income	(41,093)	(38,829)	-	-
- Other operating income	2,558	1,013	-	-
Revenue from continuing operations	178,505,238	163,527,462	164,174,235	152,741,738
Discontinued Operations:				
Total revenue from reportable segments (See note 31)	-	653,126	-	-
Consolidation and adjustments	-	-	-	-
Revenue from discontinued operations	-	653,126	-	-

Notes to the financial statements

Revenue from continuing operations as shown above is made up of:

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Interest income	136,967,392	125,825,597	128,325,836	119,586,813
Fee and commission income	36,003,903	36,130,086	31,160,245	31,064,674
Net gains/(losses) on financial instruments classified as held for trading	5,167,593	2,528,478	3,480,119	2,138,780
Lease Finance Income	-	-	-	-
Other operating income	3,850,635	2,005,478	4,665,555	2,244,529
Revenue and gains from continuing operations	181,989,523	166,489,639	167,631,755	155,034,796
Less gains:				
- Foreign exchange gain/(loss)	(3,426,368)	(866,889)	(3,420,089)	(593,109)
- Gain on disposal of fixed assets	(57,917)	(41,100)	(37,431)	(35,459)
- Net gains/(losses) on financial instruments classified as held for trading	-	(2,528,478)	-	(2,138,780)
- Profit on part-disposal of subsidiaries	-	-	-	-
- Net portfolio (loss)/gain on SMEEIS investments	-	474,290	-	474,290
Revenue from continuing operations	178,505,238	163,527,462	164,174,235	152,741,738

Reconciliation of operating expenses

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Continuing Operations:				
Total operating expense from reportable segments	54,178,469	49,180,555	47,752,008	43,775,706
Gains:				
Consolidation and adjustments:				
- Personnel expenses[1]	(452,833)	775,424	-	-
Operating expense from continuing operations	53,725,636	49,955,979	47,752,008	43,775,706
Discontinued Operations:				
Total Expense from reportable segments	-	155,568	-	-
Interest expense	-	288,992		
Fee and commission expense	-	2,006		
Net impairment loss on financial assets	-	-		
Depreciation expense	-	8,523	-	-
Expense from discontinued operations (See Note 31)	-	455,089	-	-

[1] relates to share based payments during the period

Notes to the financial statements

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Personnel expenses (See Note 15)	16,708,010	16,882,152	14,548,587	13,871,486
General and administrative expenses (See Note18)	16,345,604	15,856,434	14,821,662	15,299,525
Operating lease expenses	680,407	474,444	464,641	474,444
Other operating expenses (See Note 18)	19,991,615	16,742,949	17,917,118	14,130,251
	53,725,636	49,955,979	47,752,008	43,775,706

Reconciliation of profit or loss

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Continuing Operations:				
Total profit or loss for reportable segments	78,469,366	74,743,162	74,131,282	73,288,763
Consolidation and adjustments:				
- Interest income	(41,093)	(38,829)	-	-
- Personnel expenses	452,833	(775,424)	-	-
- Other operating income	2,558	1,013		
Gains:				
- Foreign exchange gain/(loss)	3,426,368	866,889	3,420,089	593,109
- Gain on disposal of fixed assets	57,917	41,100	37,431	35,459
- Net gains/(losses) on financial instruments classified as held for trading	-	2,528,478	-	2,138,780
- Profit on part-disposal of subsidiaries	-	-	-	-
- Net portfolio (loss)/gain on SMEEIS investments	-	(474,290)	-	(474,290)
Profit before income tax from continuing operations	82,367,949	76,892,099	77,588,802	75,581,821

Reconciliation of profit or loss (Continued)

Discontinued Operations:

	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Total profit or loss for reportable segments (See note 31)	-	198,037	-	-
Gains on disposal of disposal group (See note 34)	-	411,040	-	-
Tax (See note 31)	-	-	-	-
Profit for the period from discontinued operations	-	609,077	-	-

Notes to the financial statements

Reconciliation of assets

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Continuing Operations:				
Total assets for reportable segments	1,876,525,249	1,736,465,577	1,743,469,463	1,620,317,223
Consolidation and adjustments	(1,407,331)	(1,587,717)	-	-
Total assets	1,875,117,918	1,734,877,860	1,743,469,463	1,620,317,223
Discontinued Operations:				
Total assets for reportable segments (See note 31)	-	-	-	-
Consolidation and adjustments	-	-	-	-
Total assets	-	-	-	-

Reconciliation of liabilities

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Continuing Operations:				
Total liabilities for reportable segments	1,557,671,434	1,444,096,681	1,433,362,069	1,332,163,593
Consolidation and adjustments	7,126,099	7,340,059	-	-
Total liabilities	1,564,797,533	1,451,436,740	1,433,362,069	1,332,163,593
Discontinued Operations:				
Total liabilities for reportable segments (See note 31)	-	-	-	-
Consolidation and adjustments	-	-	-	-
Total liabilities	-	-	-	-

Geographical segments

The Group operates in three geographic regions, being:

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

Sep-2013

In thousands of Nigerian Naira	**Nigeria**	**Rest of West Africa**	**Europe**	**Total Continuing Operations**	**Discontinued Operations Nigeria**	**Total**
Derived from external customers	163,250,366	13,637,396	1,617,475	178,505,237	-	178,505,237
Derived from other segments	-	-	-	-	-	-
Total Revenue	163,250,366	13,637,396	1,617,475	178,505,237	-	178,505,237
Interest expense	(32,523,719)	(2,402,391)	(90,435)	(35,016,545)	-	(35,016,545)
Fee and commission expenses	(671,528)	(61,885)	-	(733,413)	-	(733,413)
Net revenue	130,055,119	11,173,120	1,527,040	142,755,279	-	142,755,279
Profit before income tax	77,161,416	5,123,933	82,600	82,367,949	-	82,803,534
Assets and liabilities:						
Total assets	1,622,127,550	107,177,248	145,813,120	1,875,117,918	-	1,875,117,918
Total liabilities	(1,341,784,358)	(84,457,495)	(138,555,680)	(1,564,797,533)	-	(1,564,797,533)
Net assets/(liabilities)	280,343,192	22,719,753	7,257,440	310,320,385	-	310,320,385

Notes to the financial statements

Sep-2012

In thousands of Nigerian Naira	Nigeria	Rest of West Africa	Europe	Total Continuing Operations	Discontinued Operations Nigeria	Total
Derived from external customers	153,525,218	8,781,370	1,220,874	163,527,462	653,126	164,180,588
Derived from other segments	-	-	-	-	-	-
Total Revenue	153,525,218	8,781,370	1,220,874	163,527,462	653,126	164,180,588
Interest expense	(33,120,675)	(1,767,280)	(128,588)	(35,016,543)	(288,992)	(35,305,535)
Fee and commission expenses	(516,929)	(216,483)	-	(733,412)	(2,006)	(735,418)
Net revenue	119,887,615	6,797,607	1,092,286	127,777,507	362,128	128,139,635
Profit before income tax	74,219,779	2,639,715	32,605	76,892,099	198,037	77,090,136

Dec-2012

Assets and liabilities:						
Total assets	1,646,656,189	28,343,442	59,878,229	1,734,877,860	-	1,734,877,860
Total liabilities	(1,356,994,614)	(37,564,804)	(56,877,322)	(1,451,436,740)	-	(1,451,436,740)
Net assets/(liabilities)	289,661,575	(9,221,362)	3,000,907	283,441,120	-	283,441,120

Notes to the financial statements

7 Financial assets and liabilities

Accounting classification measurement basis and fair values

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

Group

Sep-2013

In thousands of Nigerian Naira	***Note***	**Held for trading**	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities at amortized cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	21	-	-	-	243,745,929	-	-	243,745,929	271,702,877
Loans and advances to banks	22	-	-	-	5,291,730	-	-	5,291,730	5,294,335
Loans and advances to customers	23	-	-	-	920,255,178	-	-	920,255,178	942,216,598
Financial assets held for trading	24	29,815,826	-	-	-	-	-	29,815,826	29,815,826
Assets pledged as collateral	26	-	-	-	-	27,720,509	-	27,720,509	27,720,509
Investment securities	25	-	-	98,623,077	-	262,384,073	-	361,007,150	361,007,150
Other assets	30	-	-	-	198,757,193	-	-	198,757,193	198,757,193
		29,815,826	**-**	**98,623,077**	**1,368,050,030**	**290,104,582**	**-**	**1,786,593,515**	**1,836,514,488**
Deposits from banks	32	-	-	-	-	-	16,040,497	16,040,497	16,200,902
Deposits from customers	33	-	-	-	-	-	1,270,744,946	1,270,744,946	1,271,003,219
Debt securities issued	34	-	-	-	-	-	95,561,063	95,561,063	95,488,533
Other borrowed funds	37	-	-	-	-	-	95,184,999	95,184,999	93,048,159
Other liabilities	35	-	-	-	-	-	71,621,495	71,621,495	71,621,495
		-	**-**	**-**	**-**	**-**	**1,549,153,000**	**1,549,153,000**	**1,552,808,072**

Notes to the financial statements

Group
Dec-2012

In thousands of Nigerian Naira	***Note***	**Held for trading**	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities at amortized cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	21	-	-	-	322,989,480	-	-	322,989,480	322,989,428
Loans and advances to banks	22	-	-	-	4,864,824	-	-	4,864,824	5,072,973
Loans and advances to customers	23	-	-	-	779,050,018	-	-	779,050,018	799,108,444
Financial assets held for trading	24	271,073,896	-	-	-	-	-	271,073,896	271,073,896
Assets pledged as collateral	26	16,461,583	-	14,741,647	-	-	-	31,203,230	31,203,230
Investment securities	25	-	-	129,490,810	-	15,765,789	-	145,256,599	125,310,630
Other assets	30	-	-	-	102,889,644	-	-	102,889,644	102,889,644
		287,535,479	**-**	**144,232,457**	**1,209,793,966**	**15,765,789**	**-**	**1,657,327,691**	**1,657,648,245**
Deposits from banks	32	-	-	-	-	-	23,860,259	23,860,259	24,360,329
Deposits from customers	33	-	-	-	-	-	1,148,197,165	1,148,197,165	1,148,432,653
Debt securities issued	34	-	-	-	-	-	86,926,227	86,926,227	86,037,028
Other borrowed funds	37	-	-	-	-	-	92,561,824	92,561,824	90,784,791
Other liabilities	35	-	-	-	-	-	80,972,096	80,972,096	80,972,096
		-	**-**	**-**	**-**	**-**	**1,432,517,571**	**1,432,517,571**	**1,430,586,897**

Notes to the financial statements

Parent
Sep-2013

In thousands of Nigerian Naira	*Note*	Held for trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	21	-	-	-	193,320,478	-	-	193,320,478	193,320,478
Loans and advances to banks	22	-	-	-	27,901	-	-	27,901	28,060
Loans and advances to customers	23	-	-	-	871,327,469	-	-	871,327,469	879,082,205
Financial assets held for trading	24	25,860,831	-	-	-	-	-	25,860,831	25,860,831
Assets pledged as collateral	26	-	-	-	-	27,720,509	-	27,720,509	27,720,509
Investment securities	25	-	-	75,261,580	-	255,639,205	-	330,900,785	336,051,812
Other assets	30	-	-	-	193,608,319	-	-	193,608,319	193,608,319
		25,860,831	**-**	**75,261,580**	**1,258,284,167**	**283,359,714**	**-**	**1,642,766,292**	**1,655,672,214**
Deposits from banks	32	-	-	-	-	-	133,617	133,617	135,139
Deposits from customers	33	-	-	-	-	-	1,169,684,167	1,169,684,167	1,170,051,900
Debt securities issued	34	-	-	-	-	-	13,676,697	13,676,697	13,668,006
Other borrowed funds	37	-	-	-	-	-	173,628,712	173,628,712	169,749,850
Other liabilities	35	-	-	-	-	-	59,633,999	59,633,999	59,633,999
		-	**-**	**-**	**-**	**-**	**1,416,757,192**	**1,416,757,192**	**1,413,238,893**

Notes to the financial statements

Parent
Dec-2012

In thousands of Nigerian Naira	*Note*	Held for trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	21	-	-	-	256,433,560	-	-	256,433,560	256,433,560
Loans and advances to banks	22	-	-	-	177,985	-	-	177,985	178,001
Loans and advances to customers	23	-	-	-	742,436,944	-	-	742,436,944	762,681,419
Financial assets held for trading	24	267,417,182	-	-	-	-	-	267,417,182	267,417,182
Assets pledged as collateral	26	16,461,583	-	14,741,647	-	-	-	31,203,230	31,203,230
Investment securities	25	-	-	118,897,917	-	10,138,761	-	129,036,678	113,036,678
Other assets	30	-	-	-	101,660,574	-	-	101,660,574	101,660,574
		283,878,765	**-**	**133,639,564**	**1,100,709,063**	**10,138,761**	**-**	**1,528,366,153**	**1,532,610,644**
Deposits from banks	32	-	-	-	-	-	7,170,321	7,170,321	7,670,445
Deposits from customers	33	-	-	-	-	-	1,054,122,573	1,054,122,573	1,054,358,017
Debt securities issued	34	-	-	-	-	-	13,238,291	13,238,291	12,349,074
Other borrowed funds	37	-	-	-	-	-	169,194,418	169,194,418	169,005,105
Other liabilities	35	-	-	-	-	-	69,872,456	69,872,456	69,872,456
		-	**-**	**-**	**-**	**-**	**1,313,598,059**	**1,313,598,059**	**1,313,255,097**

Notes to the financial statements

Accounting classification measurement basis and

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

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8 Interest income

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Loans and advances to banks	223,232	21,842	3,985	21,571
Loans and advances to customers	85,843,280	84,326,846	81,005,624	80,287,741
	86,066,512	84,348,688	81,009,609	80,309,312
Cash and cash equivalents	2,601,723	3,707,945	2,378,306	3,640,949
Financial assets held for trading	2,961,869	3,644,828	2,698,150	1,935,585
Investment securities:				
– Available for sale - Bonds	591,813	-	591,813	-
– Available for sale - Treasury Bills	28,900,173	20,795,383	28,900,173	20,372,214
– Held to maturity	14,318,130	12,197,982	11,220,613	12,197,982
Assets pledged as collateral	1,527,172	1,130,771	1,527,172	1,130,771
	136,967,392	125,825,597	128,325,836	119,586,813

Geographical location				
Interest income earned in Nigeria	126,921,836	122,309,549	126,962,929	116,764,930
Interest income earned outside Nigeria	10,045,556	3,516,048	1,362,907	2,821,883
	136,967,392	125,825,597	128,325,836	119,586,813

Interest income for the period ended 30 September 2013 includes N1,919,553,000 (September 2012: N3,180,369,000) accrued on impaired financial assets.

Notes to the financial statements

9 Interest expense

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Deposit from banks	358,687	283,020	350,870	332,451
Deposit from customers	26,570,999	20,172,070	24,127,271	18,299,900
	26,929,686	20,455,090	24,478,141	18,632,351
Other borrowed funds	2,205,279	2,269,086	6,716,285	7,243,052
Debt securities	5,881,578	6,304,933	1,329,291	1,330,967
Total interest expense	35,016,543	29,029,109	32,523,717	27,206,370
Geographical location				
Interest expense paid in Nigeria	26,208,553	20,368,404	26,208,549	20,374,048
Interest expense paid outside Nigeria	8,807,990	8,660,705	6,315,168	6,832,322
	35,016,543	29,029,109	32,523,717	27,206,370

10 Loan impairment charges

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Loans and advances to banks	**(232)**	**172,830**	**(232)**	**(38,408)**
Collective impairment	(229)	954	(229)	954
Specific impairment	(3)	171,876	(3)	(39,362)
Amounts written off during the period as uncollectible	-	-	-	-
Income received on claims previously written off	-	-	-	-
Loans and advances to customers	**2,653,831**	**2,901,696**	**2,291,879**	**1,751,641**
Collective impairment	3,176,125	(5,432,054)	2,956,531	(6,521,179)
Specific impairment	(160,917)	8,331,335	(536,918)	8,270,405
Amounts written off during the period as uncollectible	1,243	2,415	1,243	2,415
Income received on claims previously written off	(362,620)	-	(128,977)	-
Impairment charges on loans and advances transferred to discontinued operations	-	-	-	-
	2,653,599	3,074,526	2,291,647	1,713,233

Notes to the financial statements

11 Fee and commission income

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Credit related fees and commissions	10,372,273	7,009,351	8,904,289	6,390,080
Commission on turnover	10,382,323	12,783,407	9,909,661	11,318,313
Corporate finance fees	1,235,910	267,791	1,235,910	267,791
Commission on foreign exchange deals	3,355,722	4,409,614	3,077,963	3,514,699
Income from financial guarantee contracts issued	3,581,262	4,620,198	3,581,262	4,064,899
Other fees and commissions[1]	7,076,413	7,039,725	4,451,160	5,508,892
	36,003,903	36,130,086	31,160,245	31,064,674

[1] Other fees and commissions include card related income and other e-channel income.

12 Fee and commission expense

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Bank charges	619,653	616,548	618,827	455,793
Other fees and commission expense[1]	113,759	480,722	52,705	424,997
	733,412	1,097,270	671,532	880,790

[1] Largely comprises of loan recovery expenses

13 Net gains/(losses) on financial instruments classified as held for trading

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**	**Parent Sep-2013**	**Parent Sep-2012**
Bonds trading	462,972	47,218	462,972	47,218
Treasury bills trading	970,009	223,378	970,009	223,119
Foreign exchange	3,734,612	2,257,882	2,047,138	1,868,443
Net trading income	5,167,593	2,528,478	3,480,119	2,138,780

Notes to the financial statements

14 Other income

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Mark to market gains on trading investments	102,429	1,431,845	102,429	1,431,845
Foreign exchange gain/(loss)	3,426,368	866,889	3,420,089	593,109
Gain on disposal of fixed assets	57,917	41,100	37,431	35,459
Net portfolio (loss)/gain on SMEEIS investments	-	(474,290)	-	(474,290)
Dividends income	263,921	139,934	1,105,606	658,406
	3,850,635	2,005,478	4,665,555	2,244,529

15 Personnel expenses

(a)

In thousands of Nigerian Naira	Note	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Wages and salaries		16,317,646	15,447,956	13,849,113	13,212,715
Contributions to defined contribution plans		555,975	541,153	513,821	541,152
Cash-settled share-based payments		(452,833)	775,424	-	-
Other staff cost		287,222	117,619	185,653	117,619
		16,708,010	16,882,152	14,548,587	13,871,486

Staff loans

Staff received loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the PV of cash flows discounted at the contractual rate and PV of cash flows discounted at market rate has been recognised as prepaid employee benefit which is amortised to personnel expense (other staff cost) over the life of the loan.

16 General and administrative expenses

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Stationery and postage	1,679,215	1,706,195	1,538,912	1,674,505
Business travel expenses	642,502	631,618	579,509	615,476
Advert, promotion and corporate gifts	3,546,077	3,391,269	3,363,595	3,354,475
Repairs and maintenance	2,659,830	2,548,861	2,434,371	2,506,626
Occupancy costs	2,425,284	2,783,582	1,933,463	2,432,750
Directors' emoluments	272,043	340,636	179,655	322,233
Contract services	5,120,653	4,454,273	4,792,157	4,393,460
	16,345,604	15,856,434	14,821,662	15,299,525

Notes to the financial statements

17 Depreciation and amortisation

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Amortisation of intangible assets (see note 29)	572,643	229,901	471,721	297,093
Depreciation of property, plant and equipment (see note 28)	6,919,741	6,210,755	6,332,328	5,579,783
	7,492,384	6,440,656	6,804,049	5,876,876

18 Other operating expenses

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Finance costs	163,922	298,010	163,922	191,794
Deposit insurance premium	3,736,907	3,352,509	3,736,907	3,352,509
Other insurance premium	1,198,889	1,287,163	1,174,093	1,246,851
Auditors' remuneration	288,649	191,519	230,391	179,171
Professional fees and other consulting costs	861,196	943,717	807,773	770,015
AMCON expenses	6,442,284	2,012,666	6,442,284	2,012,666
Others[1]	7,299,768	8,657,365	5,361,748	6,377,245
	19,991,615	16,742,949	17,917,118	14,130,251

[1] Included in others are communication expenditures, training, transportation and allowances paid to Interns.

19 Income tax expense

recognised in the Income statement

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Current tax expense:				
Company income tax	10,427,403	12,088,577	9,386,098	11,480,767
Education Tax	613,524	540,816	613,524	540,816
NITDA Levy	554,388	528,478	554,388	528,478
	11,595,315	13,157,871	10,554,010	12,550,061

Notes to the financial statements

Prior year's under provision	-	-	-	-
Deferred tax expense:				
Origination of temporary differences- Prior Year	1,530,679	-	1,530,679	-
Reversal of temporary differences	-	-	-	-
Deferred tax expense transferred to disposal group	-	-	-	-
	13,125,994	13,157,871	12,084,689	12,550,061

(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 Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
Balance, beginning of the period	15,630,973	14,062,596	15,340,116	13,760,343
Exchange difference on translation	(89,128)	(174,364)	-	-
Charge for the period	11,595,315	15,498,904	10,554,010	13,883,947
Payments during the period	(16,818,319)	(15,212,334)	(15,340,116)	(13,760,345)
Prior year under-provision	-	1,456,171	-	1,456,171
Balance, end of the period	10,318,841	15,630,973	10,554,010	15,340,116

20 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 N68,949,429,000 and a weighted average number of ordinary shares outstanding of 28,260,504,993 and it is calculated as follows:

Profit attributable to ordinary shareholders

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Sep-2012**
Net profit attributable to equity holders of the Company	68,949,429	63,543,984
Interest expense on convertible debt (net of tax)	-	-
Net profit used to determine diluted earnings per share	68,949,429	63,543,984

Notes to the financial statements

Number of ordinary shares

In thousands of shares	**Group Sep-2013**	**Group Sep-2012**
Weighted average number of ordinary shares in issue	28,260,505	28,260,505
Basic earnings per share (expressed in naira per share)	2.44	2.25

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.

Weighted average number of ordinary shares in issue	28,260,505	28,260,505
Adjustment for:		
Weighted average number of ordinary shares for diluted earnings per share	28,260,505	28,260,505
Diluted earnings per share (expressed in naira per share)	2.44	2.25

Basic Earnings Per Share (Basic EPS) - Discontinued operations

Weighted average number of ordinary shares in issue	28,260,505	28,260,505
Profit for the period from discontinued operations	-	559,780
Basic earnings per share (expressed in naira per share)	0.00	0.02

Weighted average number of ordinary shares in issue	28,260,505	28,260,505
Adjustment for:		
-Bonus element on conversion of convertible debt	-	-
-Share options (millions)	-	-
Weighted average number of ordinary shares for diluted earnings per share	28,260,505	28,260,505
Profit for the period from discontinued operations	-	559,780
Diluted earnings per share (expressed in naira per share)	0.00	0.02

Profit attributable to:

In millions of shares	**Group Sep-2013**	**Group Sep-2012**
Equity holders of the parent entity (total)	68,949,429	64,103,764
– Profit for the period from continuing operations	68,949,429	63,543,984
– Profit for the period from discontinued operations	-	559,780

21 Cash and cash equivalents

(a)

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Cash in hand	30,034,075	40,740,209	20,145,137	23,406,726
Balances held with other banks	43,783,719	120,706,024	47,596,388	74,806,177
Unrestricted balances with central banks	3,356,087	14,116,151	-	7,691,952
Money market placements	166,572,048	147,427,096	125,578,953	150,528,705
	243,745,929	322,989,480	193,320,478	256,433,560

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

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Cash and cash equivalents of continuing operations	243,745,929	322,989,480	193,320,478	256,433,560
Cash and cash equivalents classified as held for sale	-	-	-	-
	243,745,929	322,989,480	193,320,478	256,433,560

22 Loans and advances to banks

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Loans and advances to banks	5,291,739	4,865,065	27,910	178,226
Less specific allowances for impairment	-	(3)	-	(3)
Less collective allowances for impairment	(9)	(238)	(9)	(238)
	5,291,730	4,864,824	27,901	177,985
Current	5,283,748	4,864,824	22,535	177,985
Non-current	7,982	-	5,366	-

Notes to financial statements

23 Loans and advances to customers

Group
Sep-2013

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	65,121,867	(273,975)	(902,836)	(1,176,811)	63,945,056
Loans to Non-individuals	876,298,594	(14,122,860)	(5,865,612)	(19,988,472)	856,310,122
	941,420,461	(14,396,835)	(6,768,448)	(21,165,283)	920,255,178

Group
Dec-2012

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	54,567,237	(901,973)	(151,058)	(1,053,031)	53,514,206
Loans to Non-individuals	743,745,066	(14,911,699)	(3,297,555)	(18,209,254)	725,535,812
	798,312,303	(15,813,672)	(3,448,613)	(19,262,285)	779,050,018

Parent
Sep-2013

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	50,678,718	-	(724,757)	(724,757)	49,953,961
Loans to Non-individuals	839,113,213	(12,259,053)	(5,480,652)	(17,739,705)	821,373,508
	889,791,931	(12,259,053)	(6,205,409)	(18,464,462)	871,327,469

Parent
Dec-2012

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	41,102,736	(594,416)	(128,533)	(722,949)	40,379,787
Loans to Non-individuals[1]	718,154,307	(12,976,805)	(3,120,345)	(16,097,150)	702,057,157
	759,257,043	(13,571,221)	(3,248,878)	(16,820,099)	742,436,944

[1] Includes loans to corporate entities and other organisations

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Current	445,192,323	424,018,577	422,518,941	407,313,799
Non-current	475,062,855	355,031,441	448,808,528	335,123,145

24 Financial assets held for trading

(a) *In thousands of Nigerian Naira*	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Trading bonds	184,605	4,550,387	184,605	4,550,387
Trading treasury bills	29,631,221	266,523,509	25,676,226	262,866,795
	29,815,826	271,073,896	25,860,831	267,417,182
Current	21,503,176	271,019,064	17,673,549	267,362,350
Non-current	8,312,650	54,832	8,187,282	54,832

25 Investment securities

(a) *In thousands of Nigerian Naira*	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Available for sale investment securities				
Treasury bills	250,847,696	5,622,398	244,107,818	-
Bonds	4,979,774	7,303,799	4,979,774	7,303,799
Equity securities (See note 25(a)(ii) below	4,386,799	-	4,386,799	-
Unquoted equity securities at cost (see note 25(c) below)	5,633,967	6,303,755	5,628,977	6,299,125
	265,848,236	19,229,952	259,103,368	13,602,924
Specific impairment for equities (see note 25(b) below)	(3,464,163)	(3,464,163)	(3,464,163)	(3,464,163)
Total available for sale investment securities	**262,384,073**	**15,765,789**	**255,639,205**	**10,138,761**
Held to maturity investment securities				
Bonds	7,724,784	7,896,407	5,143,468	5,308,197
Treasury bills	20,780,181	50,347,387	-	38,412,656
AMCON bond (see note 25(e) below)	67,628,953	68,527,540	67,628,953	68,527,540
Corporate bond (See note 25(a)(iii) below	2,489,159	2,719,476	2,489,159	6,649,524
Total held to maturity investment securities	**98,623,077**	**129,490,810**	**75,261,580**	**118,897,917**
Total investment securities	**361,007,150**	**145,256,599**	**330,900,785**	**129,036,678**
Current	310,965,740	93,189,851	284,463,819	77,049,643
Non-current	50,041,410	52,066,748	46,436,966	51,987,035

Equity securities represents fair value of the Parent's investments in Kakawa and African Finance Corporation.

The amount represents the total value of investment in corporate bonds. Of this amount, the sum of N2,400,000,000 (December 2012: 2,700,000,000) represents face value of a 5 year 12% Fixed Rate Senior Unsecured Bonds issued by Flour Mills of Nigeria Plc to the Bank. Included in parent's investment in corporate bonds for the comparative period is investment in Eurobond issued by GTBV in the sum of N3,930,048,000 (USD 25,162,375).

(b) Specific impairment for equities

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
Balance at 1 January	3,464,163	2,694,626	3,464,163	2,694,626
- Charge for the period	-	769,537	-	769,537
- Recoveries	-	-	-	-
Balance, end of the period	3,464,163	3,464,163	3,464,163	3,464,163
			-	

(c) Unquoted equity securities at cost relates to the banks investment in SMEEIS and equity investments:

Unquoted equity securities is analysed below:

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
SMEEIS investment:				
- Forrilon Translantic Ltd	1,080,851	1,080,851	1,080,851	1,080,851
- Sokoa Chair Centre	61,288	61,288	61,288	61,288
- TerraKulture ltd	469,999	469,999	469,999	469,999
- Tinapa Business Resort	500,000	500,000	500,000	500,000
- 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
- Interswitch Nigeria	-	-	-	-
- Central Securities Clearing System	10,500	10,500	10,500	10,500
- Patrick Speech & Language Centre Ltd	30,000	30,000	30,000	30,000
- 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

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- 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
- Thai Farm International Limited	-	-	-	-
Cost of SMIEES investment	5,212,945	5,212,945	5,212,945	5,212,945
Less specific impairment for equities	(3,199,962)	(3,199,962)	(3,199,962)	(3,199,962)
Carrying value of SMIEES investment	**2,012,983**	**2,012,983**	**2,012,983**	**2,012,983**
Other unquoted equity investment:				
- Kakawa Discount House Limited[1]	-	34,100	-	34,100
- Unified Payment Services Limited[2]	90,153	90,153	90,153	90,153
- Nigeria Automated Clearing Systems	47,547	47,547	47,547	47,547
- Afrexim	14,131	14,131	14,131	14,131
- ICHL Nigeria Limited	264,201	264,201	264,201	264,201
- GIM UEMOA	4,990	4,630	-	-
- Africa Finance Corporation[1]	-	636,048	-	636,048
Cost of other unquoted equity investment	**421,022**	**1,090,810**	**416,032**	**1,086,180**
Less specific impairment for equities	(264,201)	(264,201)	(264,201)	(264,201)
Carrying value of other unquoted equity investmen	**156,821**	**826,609**	**151,831**	**821,979**
Total cost of unquoted equity investment	**5,633,967**	**6,303,755**	**5,628,977**	**6,299,125**
Total impairment of unquoted equity investment	(3,464,163)	(3,464,163)	(3,464,163)	(3,464,163)
Total carrying value of unquoted equity investment	**2,169,804**	**2,839,592**	**2,164,814**	**2,834,962**

[1] Kakawa Discount House Limited and Africa Finance Corporation recognised as unquoted investments as unquoted equity securities in prior year have been recognised as equity securities at fair value in current period.

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

Fair value information for SMEEIS and Other long term investments has not been disclosed because their fair values cannot be measured reliably. They have been disclosed at cost less impairment. The carrying amount thus disclosed is the expected recoverable amounts on these investments

There are no active market for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Group to fair value these investments. The Group investments in these entities are borne out of regulatory requirement in force as at the time of investment, this regulatory requirement however has been abolished. The Group is willing to divest from these entities if willing buyers come across and upon obtaining appropriate regulatory approvals; in the meantime, the Group would continue to carry these investments at Cost less impairment value.

The Group neither controls nor significantly influences the above SMEEIS and other long term investments because of the following:

- There are no material transactions between the Group and the 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.
- Owing to the nature of the entities business, the Group does not participate in their policy making processes.

(e) The AMCON bonds comprise:

	Group	Group	Parent	Parent
In thousands of Nigerian Naira	**Sep-2013**	**Dec-2012**	**Sep-2013**	**Dec-2012**
Face value	73,328,376	81,484,586	73,328,376	81,484,586
Unearned interest	(5,699,423)	(12,957,046)	(5,699,423)	(12,957,046)
	67,628,953	68,527,540	67,628,953	68,527,540

This represents consideration bonds issued by the Asset Management Corporation of Nigeria (AMCON) and fully guaranteed by the Federal Government of Nigeria. The Consideration bonds were issued to banks in exchange for non-performing loans.

26 Assets pledged as collateral

(a)

	Group	Group	Parent	Parent
In thousands of Nigerian Naira	**Sep-2013**	**Dec-2012**	**Sep-2013**	**Dec-2012**
Financial assets held for trading (See note 28(c) below):	**-**	**16,461,583**	**-**	**16,461,583**
- Treasury bills	-	12,668,211	-	12,668,211
- Bonds	-	3,793,372	-	3,793,372
Investment Securities - available for sale (See note (d) below):	**27,720,509**	**-**	**27,720,509**	**-**
- Treasury bills	27,720,509	-	27,720,509	-
Investment Securities - held to maturity (See note 28(e) below):	**-**	**14,741,647**	**-**	**14,741,647**
- Treasury bills	-	14,741,647	-	14,741,647
	27,720,509	31,203,230	27,720,509	31,203,230
Current	27,720,509	31,203,230	27,720,509	31,203,230
Non-current	-	-	-	-

27 Investment in subsidiaries

(a) Investment in subsidiaries comprises:

In thousands of Nigerian Naira	Parent Sep-2013	Parent Dec-2012
GTB Gambia	574,278	574,278
GTB Sierra Leone	594,109	594,109
GTB Ghana	8,572,446	8,498,732
GTB Finance B.V.	3,220	3,220
GTB UK Limited	7,822,427	7,822,427
GTB Liberia Limited	1,947,264	1,947,264
GTB Cote D'Ivoire Limited	3,485,058	3,485,058
	22,998,802	22,925,088
Current	-	-
Non-current	22,998,802	22,925,088

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

In thousands of Nigerian Naira	Parent Sep-2013	Parent Dec-2012
Balance, beginning of the period	22,925,088	16,233,581
Disposal during the period	-	-
Additions during the period	73,714	6,691,507
Transferred to assets classified as held for sale and discontinued operations	-	-
Balance, end of the period	22,998,802	22,925,088

Notes to the financial statements

28 Property and equipment

(a) Group

In thousands of Nigerian Naira	Leasehold improvement and buildings	Land	Furniture & equipment	Motor vehicle	Other transport equipment	Capital work-in - progress	Total
Cost							
Balance at 1 January 2013	30,944,183	8,041,110	36,223,462	6,791,431	4,113,773	8,295,478	94,409,437
Exchange difference	46,447	(36,313)	(2,696)	(7,810)	-	972	600
Additions	1,544,805	158,308	2,400,724	1,380,844	33,255	5,043,340	10,561,276
Disposals	(40)	(107,374)	(161,853)	(671,599)	-	-	(940,866)
Transfers	706,076	60,900	969,492	-	-	(1,736,468)	-
Reclassifications from other assets	-	-	-	-	-	717,353	717,353
Balance at 30 September 2013	33,241,471	8,116,631	39,429,129	7,492,866	4,147,028	12,320,675	104,747,800
Balance at 1 January 2012	29,379,263	6,353,602	30,036,502	6,831,294	4,113,773	7,975,592	84,690,026
Exchange difference	(242,927)	(85,569)	(202,312)	(54,339)	-	(16,460)	(601,607)
Additions	2,356,335	182,036	5,970,589	1,123,912	-	5,296,576	14,929,448
Disposals	(1,742,815)	-	(82,382)	(1,109,436)	-	(1,673,797)	(4,608,430)
Transfers	1,194,327	1,591,041	501,065	-	-	(3,286,433)	-
Balance at 31 December 2012	30,944,183	8,041,110	36,223,462	6,791,431	4,113,773	8,295,478	94,409,437

Capital work in progess refers to capital expenditure incurred on items of Property, Plant and Equipment which are however not ready for use and as such are not being depreciated.

Notes to the financial statements

Property and equipment (continued)

Group

Depreciation *In thousands of Nigerian Naira*	**Leasehold improvement and buildings**	**Land**	**Furniture & equipment**	**Motor vehicle**	**Other transport equipment**	**Capital work-in - progress**	**Total**
Balance at 1 January 2013	4,022,731	538,069	22,939,717	4,389,515	1,632,677	-	33,522,709
Exchange difference	8,472	(4,424)	(18,765)	(1,237)	-	-	(15,954)
Charge for the period	1,263,106	71,712	4,372,257	844,789	367,877	-	6,919,741
Disposal	(122,644)	(107,374)	(36,477)	(585,120)	-	-	(851,615)
Balance at 30 September 2013	5,171,665	497,983	27,256,732	4,647,947	2,000,554	-	39,574,881
Balance at 1 January 2012	3,768,627	445,252	17,595,423	4,065,390	1,304,712	-	27,179,404
Exchange difference	(22,651)	(5,370)	(117,500)	(26,530)	-	-	(172,051)
Charge for the period	1,227,299	98,187	5,523,068	1,362,758	327,965	-	8,539,277
Disposal	(950,544)	-	(61,274)	(1,012,103)	-	-	(2,023,921)
Balance at 31 December 2012	4,022,731	538,069	22,939,717	4,389,515	1,632,677	-	33,522,709
Carrying amounts:							
Balance at 30 September 2013	28,069,806	7,618,648	12,172,397	2,844,919	2,146,474	12,320,675	65,172,919
Balance at 31 December 2012	26,921,452	7,503,041	13,283,745	2,401,916	2,481,096	8,295,478	60,886,728

Property and equipment (continued)

(b) Parent

In thousands of Nigerian Naira	Leasehold improvement and buildings	Land	Furniture & equipment	Motor vehicle	Other transport equipment	Capital work-in - progress	Total
Cost							
Balance at 1 January 2013	27,597,533	7,270,014	33,145,124	5,963,590	4,113,773	7,919,999	86,010,033
Exchange difference	-	-	-	-	-	-	-
Additions	1,273,610	160,000	2,279,544	1,162,428	33,255	4,629,526	9,538,363
Disposals	(40)	(107,374)	(22,377)	(640,310)	-	-	(770,101)
Transfers	706,076	60,900	969,492	-	-	(1,736,468)	-
Reclassifications from other assets	-	-	-	-	-	717,353	717,353
Balance at 30 September 2013	29,577,179	7,383,540	36,371,783	6,485,708	4,147,028	11,530,410	95,495,648
Balance at 1 January 2012	26,221,821	5,519,923	27,688,280	6,097,340	4,113,773	7,702,835	77,343,972
Exchange difference	-	-	-	-	-	-	-
Additions	1,924,200	159,050	5,021,799	917,424	-	5,103,598	13,126,071
Disposals	(1,742,815)	-	(66,022)	(1,051,174)	-	(1,600,000)	(4,460,011)
Transfers	1,194,327	1,591,041	501,065	-	-	(3,286,433)	-
Balance at 31 December 2012	27,597,533	7,270,014	33,145,122	5,963,590	4,113,773	7,920,000	86,010,032

Notes to the financial statements

Property and equipment (continued)

Parent

Depreciation *In thousands of Nigerian Naira*	**Leasehold improvement and buildings**	**Land**	**Furniture & equipment**	**Motor vehicle**	**Other transport equipment**	**Capital work-in - progress**	**Total**
Balance at 1 January 2013	3,503,993	451,917	21,050,097	3,874,541	1,632,677	-	30,513,225
Exchange difference	-	-	-	-	-	-	-
Charge for the period	998,260	72,582	4,053,692	839,917	367,877	-	6,332,328
Disposal	-	(107,374)	(21,719)	(550,177)	-	-	(679,270)
Balance at 30 September 2013	4,502,253	417,125	25,082,070	4,164,281	2,000,554	-	36,166,283
Balance at 1 January 2012	3,374,470	367,885	16,178,138	3,624,537	1,304,712	-	24,849,742
Exchange difference	-	-	-	-	-	-	-
Charge for the period	1,080,068	84,032	4,922,446	1,220,471	327,965	-	7,634,982
Disposal	(950,544)	-	(50,488)	(970,468)	-	-	(1,971,500)
Balance at 31 December 2012	3,503,994	451,917	21,050,096	3,874,540	1,632,677	-	30,513,224
Carrying amounts:							
Balance at 30 September 2013	25,074,926	6,966,415	11,289,713	2,321,427	2,146,474	11,530,410	59,329,365
Balance at 31 December 2012	24,093,539	6,818,097	12,095,026	2,089,050	2,481,096	7,920,000	55,496,808

Notes to the financial statements

29 Intangible assets

(a) Group

In thousands of Nigerian Naira	**Goodwill**	**Purchased Software**	**Total**
Cost			
Balance at 1 January 2013	50,923	5,608,778	5,659,701
Exchange translation differences	-	12,453	12,453
Additions	-	1,365,331	1,365,331
Balance at 30 September 2013	50,923	6,986,562	7,037,485
Balance at 1 January 2012	50,923	4,499,395	4,550,318
Exchange translation differences	-	(31,599)	(31,599)
Additions	-	1,140,982	1,140,982
Balance at 31 December 2012	50,923	5,608,778	5,659,701
Amortization and impairment losses			
Balance at 1 January 2013	-	3,887,525	3,887,525
Exchange translation differences	-	35,364	35,364
Amortization for the period	-	572,643	572,643
Balance at 30 September 2013	-	4,495,532	4,495,532
Balance at 1 January 2012	-	3,543,848	3,543,848
Exchange translation differences	-	(8,842)	(8,842)
Amortization for the period	-	352,519	352,519
Balance at 31 December 2012	-	3,887,525	3,887,525
Carrying amounts			
Balance at 30 September 2013	50,923	2,491,030	2,541,953
Balance at 31 December 2012	50,923	1,721,253	1,772,176

Goodwill is revised annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in the period ended September 2013 (2012: nil).

Notes to the financial statements

(b) Parent

In thousands of Nigerian Naira	**Purchased Software**
Cost	
Balance at 1 January 2013	5,277,464
Exchange translation differences	-
Additions	1,036,798
Balance at 30 September 2013	6,314,262
Balance at 1 January 2012	4,082,695
Exchange translation differences	-
Additions	1,194,769
Balance at 31 December 2012	5,277,464
Amortization and impairment losses	
Balance at 1 January 2013	3,737,747
Amortization for the period	471,721
Balance at 30 September 2013	4,209,468
Balance at 1 January 2012	3,319,986
Amortization for the period	417,761
Balance at 31 December 2012	3,737,747
Carrying amounts	
Balance at 30 September 2013	2,104,794
Balance at 31 December 2012	1,539,717

Notes to the financial statements

30 Other assets

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Prepayments	20,291,923	13,899,474	16,270,210	11,989,457
Foreign Banks - Cash Collateral	42,935,799	-	42,909,583	-
Restricted deposits with central banks	151,454,322	99,198,633	146,331,664	97,969,563
Recognised assets for defined benefit obligations (See note 36)	4,672,628	4,672,628	4,672,628	4,672,628
	219,354,672	**117,770,735**	**210,184,085**	**114,631,648**
Impairment on other assets	(305,556)	(981,617)	(305,556)	(981,617)
Impairment on insurance receivable	-	-	-	-
	219,049,116	116,789,118	209,878,529	113,650,031
Current	156,560,355	98,170,212	155,433,485	97,012,091
Non-current	62,488,761	18,618,906	54,445,044	16,637,940

Restricted deposits with central banks are not available for use in the Group's day-to-day operations. The Bank had restricted balances of N146,331,664,000 with the Central Bank of Nigeria (CBN) as at 30th September 2013 (December 2012: N97,969,563,000). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 12% (December 2012: 12%) of non-public sector deposit and 50% of public-sector deposits which should be held with the Central Bank of Nigeria as a regulatory requirement. GTB Liberia and Cote d'ivoire had restricted balances of N1,402,103,000 and N72,187,000 respectively with the Central Bank of Liberia and the BCEAO as at September 2013 (December 2012: N1,198,511,00(in Liberia N30,558,000). The Cash Reserve and Cote divoire represents a mandatory 22% and 5% (December 2012: 22% and 5%) of local deposit which should be held with the Central Bank of Liberia and the BCEAO as a regulatory requirement.

Movement in impairment of other assets:

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Opening Balance	981,617	960,671	981,617	960,671
Charge for the period	-	20,946	-	20,946
Recoveries	-	-	-	-
Write off	(676,061)	-	(676,061)	-
Closing Balance	305,556	981,617	305,556	981,617

Notes to the financial statements

31 Assets classified as held for sale and discontinued operations

In thousands of Nigerian Naira	Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Net cash flow from operating activities	-	2,249,804	-	-
Net cash flow from investing activities	-	244,473	-	-
Net cash flow from financing activities	-	-	-	-
	-	2,494,277	-	-

Included in cash flow from investment activities for 2012 is cash inflow and outflow in the sum of N268,284,000 and N31,983,00(disposal and purchase of investment properties respectively.

(a) Assets of disposal group classified as held for sale

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Cash and cash equivalents	-	-	-	-
Financial assets held for trading	-	-	-	-
Assets pledged as collateral	-	-	-	-
Loans and Advances to Banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investment Securities:				
– Available for sale	-	-	-	-
– Held to maturity	-	-	-	-
Investment in subsidiaries	-	-	-	-
Investment properties	-	-	-	-
Property and equipment	-	-	-	-
Intangible assets	-	-	-	-
Deferred tax assets	-	-	-	-
Other assets	-	-	-	-
Total assets of disposal group	-	-	-	-

Notes to the financial statements

(b) Liabilities of disposal group classified as held for sale

In thousands of Nigerian Naira		Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Deposits from banks		-	-	-	-
Deposits from customers		-	-	-	-
Debt securities issued		-	-	-	-
Current income tax liabilities		-	-	-	-
Deferred tax liabilities		-	-	-	-
Other liabilities		-	-	-	-
Total liabilities of disposal group		-	-	-	-
Net assets of disposal group		-	-	-	-

Profit from discontinued operations

In thousands of Nigerian Naira		Group Sep-2013	Group Sep-2012	Parent Sep-2013	Parent Sep-2012
Revenues		-	653,126	-	-
Expenses		-	(455,089)	-	-
Profit before tax of discontinued operations		-	198,037	-	-
Tax		-	-	-	-
Profit from discontinued operations after tax		**-**	**198,037**	**-**	**-**
Gains on disposal of disposal group	31(c)	-	411,040	-	-
Gains from discontinued operations		**-**	**609,077**	**-**	**-**
Pre–tax loss recognised on the remeasurement of assets of disposal group		-	-	-	-
Tax		-	-	-	-
After tax loss recognised on the remeasurement of assets of disposal group		**-**	**-**	**-**	**-**
Profit from discontinued operations		**-**	**609,077**	**-**	**-**
Profit attributable to:					
Equity holders of the parent entity (total)		-	559,780	-	-
Non-controlling interests (total)		-	49,297	-	-
		-	**609,077**	**-**	**-**

(c) Disposal of Businesses

(i) The Group disposed of its investment in GTHomes Limited in May 2012. This disposal is in line with the Central Bank of Nigeria Regulation on the Scope of Banking Activities and Ancillary Matters. The regulation requires banks to either set up a holding company structure or divest from all non-banking businesses and apply for a new type of banking license.

In thousands of Nigerian Naira	**GTHomes Limited** May-2012
Cash and cash equivalents	3,775,711
Loans and advances to customers	5,078,168
Investment properties	2,601,153
Property and equipment	40,730
Deferred tax assets	386,018
Other assets	173,606
Total assets	**12,055,386**
Deposits from customers	7,567,216
Current income tax liabilities	65,947
Other liabilities	309,494
Total liabilities	**7,942,657**
Net assets	**4,112,729**
Non controlling interest disposed of	1,023,769
Net assets less non-controlling interests disposed of	**3,088,960**
Net sale proceeds on disposal	3,500,000
Profit on Sale	**411,040**
Net cash inflow arising on disposal:	
Cash consideration received	3,500,000
Cash paid to sell subsidiaries	-
Net sale proceeds on disposal	3,500,000
Cash and cash equivalents disposed	(3,775,711)
	(275,711)
Cash flow:	
- Cash inflow on disposal of subsidiaries	3,500,000
- Cash outflow on disposal of subsidiaries	(3,775,711)

32 Deposits from banks

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Money market deposits	3,377,441	7,009,720	276	3,687,535
Other deposits from banks	12,663,056	16,850,539	133,341	3,482,786
	16,040,497	23,860,259	133,617	7,170,321
Current	16,040,497	23,860,259	133,617	7,170,321
Non-current	-	-	-	-

33 Deposits from customers

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Retail customers:				
Term deposits	146,159,062	172,773,521	141,677,529	170,674,252
Current deposits	236,781,203	270,059,731	211,283,271	255,484,673
Savings	215,882,604	187,845,990	193,607,560	160,880,989
Corporate customers:				
Term deposits	182,751,419	156,401,620	169,587,189	136,191,195
Current deposits	489,170,658	361,116,303	453,528,618	330,891,464
	1,270,744,946	1,148,197,165	1,169,684,167	1,054,122,573
Current	1,265,989,520	1,143,820,898	1,169,684,167	1,054,021,631
Non-current	4,755,426	4,376,267	-	100,942

34 Debt securities issued

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Debt securities at amortized cost:				
Eurobond debt security	81,884,366	73,687,936	-	-
Corporate bonds	13,676,697	13,238,291	13,676,697	13,238,291
	95,561,063	86,926,227	13,676,697	13,238,291
Current	64,779	73,291	65,884	73,291
Non-current	95,496,284	86,852,936	13,610,813	13,165,000

Debt securities of N81,884,366,000 (USD 506,785,000) represents amortised cost of dollar guaranteed note issued by GTB B.V., Netherlands. The balance reported in comparative period is net of N3,930,048,000 invested by members of the Group in its Eurobond . The note of USD 500,000,000 (principal) was issued in May 2011 for a period of 5 years at 7.5% per annum payable semi-annually.

The amount of N13,676,697,000 represents fixed rate senior unsecured non-convertible bonds issued by the Bank in December 2009. The debt security is redeemable in December 2014 and coupon is payable half yearly at 13.5% per annum. The amount represents the first tranche of a N200 billion debt issuance programme.

35 Other liabilities

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Cash settled share based payment liability	7,126,099	7,340,059	-	-
Liability for defined contribution obligations Note 36(a)	114,880	7,314	104,131	-
Deferred income on financial guarantee contracts	203,094	304,746	152,408	214,752
Certified cheques	9,405,339	8,882,330	8,658,181	8,464,554
Lease obligation (b)	2,938,867	3,242,131	2,938,867	3,242,131
Customers' deposit for foreign trade (c)	43,236,100	46,133,172	43,236,100	46,133,211
Other current liabilities	8,576,094	15,041,995	4,523,343	11,803,521
Deposit for shares	21,022	20,349	20,969	14,287
	71,621,495	80,972,096	59,633,999	69,872,456
Current	63,326,901	44,972,496	57,135,672	41,367,519
Non-current	8,294,594	35,999,600	2,498,327	28,504,937

Notes to the financial statements

(a) The Bank and its employees each contributes a minimum of 7.5% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominal pension fund administrators. The amount not yet transferred as at period end of N104,131,000(December 2012: nil) was settled subsequent to that date.

(b) The lease obligation relates to other transportation equipment held under a finance lease arrangement. The net carrying amount of the assets, included within property, plant and equipment is N2,146,474,000 (December 2012: N2,481,096,000)

The lease agreement includes fixed lease payments and a purchase option at the end of the 10 year lease term. The agreement is non-cancellable but does not contain any further restrictions. No contingent rents were recognised as an expense in the period (September 2012:Nil)

36 Defined benefit obligations

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

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

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Unfunded obligations	-	-	-	-
Present value of funded obligations	(1,940,855)	(1,940,855)	(1,940,855)	(1,940,855)
Total present value of defined benefit obligations	(1,940,855)	(1,940,855)	(1,940,855)	(1,940,855)
Fair value of plan assets	6,613,483	6,613,483	6,613,483	6,613,483
Present value of net asset/(obligations)	4,672,628	4,672,628	4,672,628	4,672,628
Unrecognized actuarial gains and losses	-	-	-	-
Recognized asset/(liability) for defined benefit obligations	4,672,628	4,672,628	4,672,628	4,672,628

The bank's surplus in defined benefit plan is the same as figure determined using asset ceiling.

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

Movement in the present value of defined benefit obligations:

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
(Deficit)/surplus on defined benefit obligations, beginning of period	4,672,628	4,385,199	4,672,628	4,385,199
Interest costs	-	(92,819)	-	(92,819)
Current service costs	-	(137,915)	-	(137,915)
Expected return on plan assets	-	827,223	-	827,223
Net actuarial gain/(loss) for the period - Obligations	-	(2,363,524)	-	(2,363,524)
Net actuarial gain/(loss) for the period - Plan Assets	-	57,554	-	57,554
Contributions paid	-	1,996,910	-	1,996,910
(Deficit)/surplus for defined benefit obligations, end of period	4,672,628	4,672,628	4,672,628	4,672,628

Notes to the financial statements

Plan assets consist of the following:

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Equity securities	1,874,101	1,874,101	1,874,101	1,874,101
Government securities	293,428	293,428	293,428	293,428
Offshore investments	1,269,899	1,269,899	1,269,899	1,269,899
Cash and bank balances	3,176,055	3,176,055	3,176,055	3,176,055
	6,613,483	6,613,483	6,613,483	6,613,483

Group

In thousands of Nigerian Naira	Sep-2013		Dec-2012	
Equity securities	1,874,101	27%	1,874,101	27%
Government bonds	293,428	4%	293,428	4%
Offshore investments	1,269,899	19%	1,269,899	19%
Cash and bank balances	3,176,055	48%	3,176,055	48%
	6,613,483	100%	6,613,483	100%

Parent

In thousands of Nigerian Naira	Sep-2013		Dec-2012	
Equity securities	1,874,101	27%	1,874,101	27%
Government bonds	293,428	4%	293,428	4%
Offshore investments	1,269,899	19%	1,269,899	19%
Cash and bank balances	3,176,055	48%	3,176,055	48%
	6,613,483	100%	6,613,483	100%

The defined benefit plan assets are under the management of custodians - Crusader Sterling Pension Limited and First Pension Custodian Nigeria Limited.

Plan assets include the Group’s ordinary shares with a fair value of N1,758,172,00 (2012: N1,758,172,000).

Expected contributions to post-employment benefit plans for the year ending 31 December 2014 are N1,200,000,000

Plan assets are valued at current market value. The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the date of the consolidated statement of financial position. Expected returns on equity reflect long-term real rates of return experienced in the respective markets.

Notes to the financial statements

Movement in plan assets:

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Fair value of plan assets, beginning of the period	6,613,483	6,088,763	6,613,483	6,088,763
Contributions paid into/(withdrawn from) the plan	-	1,996,910	-	1,996,910
Benefits paid by the plan	-	(2,356,967)	-	(2,356,967)
Actuarial gain/(loss)	-	57,554	-	57,554
Expected return on plan assets	-	827,223	-	827,223
Fair value of plan assets, end of the period	6,613,483	6,613,483	6,613,483	6,613,483

Movement in present value of obligations:

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Present value of obligation, beginning of the period	1,940,855	1,703,564	1,940,855	1,703,564
Interest cost	-	92,819	-	92,819
Current service cost	-	137,915	-	137,915
Benefits paid	-	(2,356,967)	-	(2,356,967)
Actuarial (gain)/loss on obligation	-	2,363,524	-	2,363,524
Present value of obligation at end of the period	1,940,855	1,940,855	1,940,855	1,940,855

Notes to the financial statements

Actuarial assumptions

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

	2013	2012
Expected return on plan assets at 1 January	14%	14%
Future salary increases	12%	12%
Retirement age for both male and female	60 years	60 years
Retirement Rate: 50 – 59	2%	2%
Withdrawal Rate: 18 – 29	5%	5%
Withdrawal Rate: 30 – 44	6%	6%
Withdrawal Rate: 45 – 49	5%	5%

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

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

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

Historical information

In thousands of Nigerian Naira	Sep-2013	Dec-2012	Dec-2011	Dec-2010	Dec-2009
Present value of the defined benefit obligation	(1,940,855)	422,669	(2,065,771)	(2,400,746)	(2,311,829)
Fair value of plan assets	6,613,483	6,555,929	6,403,690	4,329,807	3,183,481
Experience adjustments on plan liabilities	-	(2,363,524)	362,207	574,498	359,019
Experience adjustments on plan assets	-	57,554	(314,927)	264,227	108,493
Surplus/(deficit)	4,672,628	4,672,628	4,385,199	2,767,786	1,339,164

Notes to the financial statements

37 Other borrowed funds

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Due to IFC (see note (i) below)	30,294,059	29,633,112	30,294,059	29,633,112
Due to ADB (see note (ii) below)	12,898,533	14,640,013	12,898,533	14,640,013
Due to FMO (see note (iii) below)	2,971,155	985,390	-	-
Due to BOI (see note (iv) below)	38,569,905	35,654,048	38,569,905	35,654,048
Due to GTBV (see note (v) below)	-	-	81,884,366	77,617,984
Due to CAC (see note (vi) below)	5,500,000	5,500,000	5,500,000	5,500,000
Due to Proparco (see note (vii) below)	4,481,849	6,149,261	4,481,849	6,149,261
Due to EDIF (see note (viii) below)	469,498	-	-	-
	95,184,999	92,561,824	173,628,712	169,194,418
Current	15,625,054	11,835,103	12,401,943	10,849,713
Non-current	79,559,945	80,726,721	161,226,769	158,344,705

i). The amount of N30,294,059,000 (USD 187,491,000) (December 2012: N29,633,112,000 ; USD 189,728,000) represents the balances on various facilities granted by the International Finance Corporation (IFC) between January 2007 and December 2011, repayable over 7 to 9 years at interest rates varying from 2.75% to 3.5% above LIBOR rates.

ii). The amount of N12,898,533,000 (USD79,830,000) (December 2012: N14,640,013,000; USD93,734,000) represents the outstanding balance on a dollar facility of $130,000,000 by the Bank of Industry granted by the African Development Bank (ADB) between September 2007 and December 2011 repayable over 7 years. Interest is payable half yearly at a rate per annum determined by the Bank to range between the sum of LIBOR or its successor rate for such interest periods plus 245 basis points per annum and 5.157%.

iii). The amount of N2,971,155,000 (USD18,389,000) (December 2012: N985,390,000; USD6,309,000) represents the outstanding balance on the term loan facility of USD15,000,000 granted by FMO (an entrepreneurial development bank of the Netherlands) in December 2009 for a period of 4 years. The principal is repayable at maturity in January 2014 while the interest is repayable quarterly over the tenure of the facility at 4.5% above LIBOR rates.

iv). The amount of N38,569,905,000 (December 2012: N35,654,048,000) represents the outstanding balance on a naira facility granted (BOI) in August 2010 for a period of 15 years. The facility (an on-lending loan) is an initiative of the Central Bank of Nigeria to unlock the credit market in the country through the revamping of power projects and the refinancing and restructuring of bank loans. The principal amount is repayable in quarterly instalments as specified against each beneficiary customer in the schedule attached to the offer letter. There is no interest repayable on the facility.

v). The amount of N81,884,366,000 (USD 506,785,000) represents amortised cost of dollar guaranteed notes issued by GTB Finance B Netherlands. It represents the 2nd tranche of $500,000,000 issued in May 2011 for a period of 5 years with the principal amount repayable at the end of the tenor while interest on the notes is payable semi-annually at 7.5% per annum.

vi). The amount of N5,500,000,000 (December 2012: N5,500,000,000) represents the outstanding balance on a facility granted by the Debt Management Office in tranches between April and August 2010 for 7 years. It is an initiative of Central Bank of Nigeria and Federal Ministry of Agriculture and Water resources aimed at the growth and development of commercial agriculture enterprise in Nigeria. The funds are made available to participating banks at zero cost, for on lending to commercial agriculture enterprise at a maximum rate of 9.00% p.a.

vii). The amount of N4,481,849,000 (USD 27,738,000) represents the outstanding balance on a dollar term loan facility granted by Proparco in December 2011 for a period of 5 years. Interest is payable half yearly at 4.46% over the tenure of the facility.

viii). The amount of N469,498,000 (USD2,906,000) represents borrowing from Export Development and Investment Fund .

38 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 Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
(a)	Authorised -				
	50,000,000,000 ordinary shares of 50k each				
	(31 December 2012: 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 Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
(b)	Issued and fully paid:				
	29,431,179,224 ordinary shares of 50 kobo each (31 December 2012: 29,431,179,224 ordinary shares of 50k each)	14,715,590	14,715,590	14,715,590	14,715,590

Notes to the financial statements

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

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Balance, beginning of period	14,715,590	14,715,590	14,715,590	14,715,590
Increase in the period	-	-	-	-
Bonus shares capitalized	-	-	-	-
Balance, end of period	14,715,590	14,715,590	14,715,590	14,715,590

Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Treasury shares
At January 2012	29,431,180	14,715,590	123,471,114	(2,046,714)
Proceeds from shares issued	-	-	-	-
Bonus capitalised	-	-	-	-
(Purchases)/sales of treasury shares	-	-	-	-
At 31 December 2012/1 January 2013	**29,431,180**	**14,715,590**	**123,471,114**	**(2,046,714)**
Bonus capitalised	-	-	-	-
Proceeds from shares issued	-	-	-	-
(Purchases)/sales of treasury shares	-	-	-	-
At 30 September 2013	**29,431,180**	**14,715,590**	**123,471,114**	**(2,046,714)**

September

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. The bank appropriated N19,433,261,000 representing 30% of its Profit after tax to statutory reserve.

(ii) **Small and medium enterprises equity investment reserve (SMEEIS):** The SMEEIS reserve is maintained to comply with the Centra of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable. The bank did not make any appropriation to this reserve during the period.

(iii) **Treasury shares**

Treasury shares represent the Bank's shares of 1,170,674,231 (31 December 2012 : 1,170,674,231) held by the Staff Investment Trust as at 30 September 2013.

(iv) **Bonus reserves**

Subsequent to the balance sheet date, the Board of Directors has approved the transfer of Nil (2012: Nil) bonus shares.

(v) **Fair value reserve**

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

(vi) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the impairment balance on loans and advances as determined in accordance with the provisions of Prudential guidelines of Central Bank of Nigeria as opposed to the requirement of IAS 39 Incurred loss model. The key component of CBN Prudential Guidelines is the inclusion of 1% General Loan Loss provisioning of performing loans in the entity impairment figures, this 1% provision amounting to N8.43 billion (Bank: N8.43 billion) is not required by IAS 39. The total Parent's balance in regulatory risk reserve is N13.69 billion. (Bank: N12.46 billion)

(vii) **Retained earnings**

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

(viii) **Non-controlling interest**

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

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
GTB (Gambia) Limited	377,253	375,242	-	-
GTB (Sierra Leone) Limited	363,950	282,664	-	-
GTB (Ghana) Limited	555,670	598,480	-	-
GTB Liberia	13,370	12,305	-	-
	1,310,243	1,268,691	-	-

39 Dividends

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

In thousands of Nigerian Naira	Group Sep-2013	Group Dec-2012	Parent Sep-2013	Parent Dec-2012
Balance, beginning of period	-	-	-	-
Final dividend declared	45,618,331	25,016,504	45,618,331	25,016,504
Interim dividend declared	7,357,795	7,357,794	7,357,795	7,357,794
Payment during the period	(52,976,126)	(32,374,298)	(52,976,126)	(32,374,298)
Balance, end of period	-	-	-	-

Notes to the financial statements

Contingent liabilities and commitments

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

Nature of instruments

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

Other contingent liabilities include transaction related customs and performances 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, are on production of documents, which usually reimbursed immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk.

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

a. These comprise:

In thousands of Nigerian Naira	**Group Sep-2013**	**Group Dec-2012**	**Parent Sep-2013**	**Parent Dec-2012**
Contingent liabilities:				
Acceptances and guaranteed commercial papers	-	83,847	-	-
Transaction related bonds and guarantees	415,799,719	363,927,051	397,638,958	355,132,185
Guaranteed facilities	138,787,992	64,123,627	138,787,992	64,055,852
	554,587,711	428,134,525	536,426,950	419,188,037
Commitments:				
Short term foreign currency related transactions	44,899,267	21,056,857	44,899,267	21,056,857
Clean line facilities and letters of credit	83,520,278	77,094,340	58,400,436	54,726,233
Other commitments	1,627,550	1,167,439	-	-
	130,047,095	99,318,636	103,299,703	75,783,090

46. Group entities

The Group is controlled by Guaranty Trust Bank Plc "the ultimate Parent" (incorporated in Nigeria). The controlling interest of Guaranty Trust Bank Plc in the Group entities is disclosed in the table below:

i. **Significant subsidiaries**

		Country of incorporation	Ownership interest September 2013	Ownership interest December 2012
1	Guaranty Trust Bank Gambia Limited	Gambia	77.81%	77.81%
2	Guaranty Trust Bank Sierra Leone Ltd	Sierra Leone	84.24%	84.24%
3	Guaranty Trust Bank Ghana Limited	Ghana	95.33%	95.33%
4	Guaranty Trust Bank UK Limited	United Kingdom	100.00%	100.00%
5	Guaranty Trust Bank Liberia Limited	Liberia	99.43%	99.43%
7	Guaranty Trust Bank Cote D'Ivoire Limited	Cote D'Ivoire	100.00%	100.00%
	Special purpose entities:			
	Staff Investment Trust	Nigeria	100.00%	100.00%
	Guaranty Trust Bank Finance BV	Netherlands	100.00%	100.00%

The remaining interests in the Group are held by minority shareholders.

(a) GTB Gambia was incorporated in September 2001 and commenced operations in January 2002.

(b) GTB Sierra Leone was incorporated in September 2001 and commenced operations in January 2002.

(c) Guaranty Trust Bank Ghana was incorporated in October 2004 and commenced operations in March 2006.

(d) Guaranty Trust Bank (UK) Limited was incorporated in February 2007 and commenced operations in January 2008. During the year, the Bank invested the sum of N2,822,427,000 in Guaranty Trust Bank UK Limited.

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

(f) Guaranty Trust Bank Cote D'Ivoire is Guaranty Trust Bank Plc's first subsidiary in Francophone West Africa. The Bank has been licensed by the Central Bank of Cote D'Ivoire to offer banking services to the Ivorian public and is situated at an ultra-modern office at 11, Rue du Senateur, LAGAROSSE, Abidjan-Plateau. Banking operations commenced at the new subsidiary on April 16, 2012.

The Bank's primary business involves the provision of a full range of financial services to corporate and individual clients. These include investment, advisory, retail, commercial, corporate and institutional banking services. The bank also offers medium to long-term financing, fund management services and various credit products to meet the needs of its preferred clientele.

(g) GTB Finance B.V was incorporated in December 2006 and commenced operations in December 2006. An obligation also exists between the Bank and GTB Finance B.V, for which GTB Finance B.V was expected to lend the Bank the sum of N307.87 million ($2,608,000) as a share premium loan. The loan agreement between both parties however permits that the obligation of GTB Finance B.V. to grant the loan be set-off against the obligation of the Bank to repay the loan such that each party's obligation either as a borrower or lender is discharged. In view of this, no loan payable has been recognised in the Bank's financial statements.

47. Related parties

(a) Related party transactions

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

(b) Subsidiaries

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

(c) Transactions with key management personnel

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

Notes to the financial statements

(d) Risk assets outstanding as at 30 September 2013

During the period the Bank granted various credit facilities to companies whose directors are also directors of Guaranty Trust Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N5,764,298,000 (31 December 2012:N6,336,282,000) was outstanding on these facilities at the end of the period. The status of performance of each facility is also shown below:

Name of company /individual	Relationship	Facility type	Status	Nature of Security	Insider related **Parent** **Sep-2013**	 **Parent** **Dec-2012**
In thousands of Nigerian Naira						
Jaykay Pharmacy Ltd	Director Related	Term Loan/Overdraft	Performing	Asset Debenture/Real Estate	47,835	54,298
Comprehensive Project Mgt.Ser	Director Related	Advance Payment Guarantee	Performing	-	-	8,000
Touchdown Travels Limited	Director Related	Performance Bond	Performing	Cash	1,875	1,500
Kresta Laurel Ltd.	Director Related	Bond Line	Performing	Personal Guarantee, Cash	66,353	77,782
Afren Resources Limited	Director Related	Custom Duty Bond	Performing	Corporate Guarantee / Cash	831,674	831,674
Yewande Ogundare	Ex-Director Related	GT Auto	Performing	-	-	-
Jumoke Ogundare	Ex-Director Related	GT Auto	Performing	-	-	-
Mr. & Mrs. E. U. Imomoh	Director Related	Overdraft	Performing	-	-	11,033
International Travel Express Ltd	Director Related	Overdraft	Performing	Personal Guarantee, Domiciliati	158,182	187,411
Oduyemi Oluwole Sunday	Director Related	Overdraft	Performing	-	-	1,536
Richardson Logistics Ltd	Ex-Director Related	Overdraft	Performing	-	-	-
Fola Adeola	Director Related	Overdraft	Performing	Equitable Mortgage	928,403	108,284
Richardson Oil And Gas	Ex-Director Related	Term Loan/Overdraft	Performing	-	-	-
Augusto Enterprises	Director Related	Term Loan	Performing	Equitable Mortgage	6,167	7,666
Shade Ogundare & Co.	Ex-Director Related	Overdraft/Term Loan	Performing	-	-	-
Richard Oladipo Ogundare	Ex-Director Related	GT Mortgage/Overdraft	Performing	-	-	-
Omobolanle Kalejaiye	Insider Related	Overdraft/Term Loan	Performing	-	-	-
Enwereji Nneka Stella	Director Related	Gt Mortgage	Performing	Legal Mortgage	21,600	23,753
Olanrewaju Kalejaiye	Insider Related	Gt Mortgage / Max Advance	Performing	Legal Mortgage, Domiciliation	56,499	63,260
Main One Cable Ltd.	Director Related	Term Loan	Performing	Mortgage Debenture/Shares Mortgage	2,224	4,001,037
Polystyrene Industries Ltd	Director Related	Term Loan	Performing	Debenture/Corporate Guarantee	19,167	26,795
Mediabloc Consulting Nigeria Ltd.	Insider Related	Term Loan / Overdraft	Performing	Personal Guarantee	20,356	18,934
Jegede Fehintola O.	Insider Related	Max Advance	Performing	-	-	-
Broadway Loteza Enterprises	Insider Related	Overdraft/Term Loan	Performing	-	-	633
Adam And Eve Nigeria Ltd.	Insider Related	Overdraft	Performing	Tripartite Legal Mortgage	7,049	4,322
Payless Butchers And Supermart	Director Related	Term Loan / Overdraft	Performing	Tripartite Legal Mortgage	20,189	1,651
Emzor Pharmaceuticals	Director Related	Terrm Loan/Overdraft/Lette	Performing	Tripartite Legal Mortgage, Cour	597,158	906,713
Sleeves Limited	Ex-Director Related	Overdraft/Term Loan	Performing	-	-	-

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IBFC Agusto Training Limited	Director related	Overdraft	Performing	All Asset Debenture	8,831	-
Ademola Kuye & Company	Insider related	Term Loan	Performing	Equitable Mortgage	50,000	-
Discovery House Mont.Sch. Ltd	Insider related	Term Loan	Performing	Tripartite Legal Mortgage	41,667	-
Agbaje Femi O.	Director Related		Performing	Domiciliation	19,312	-
Cubic Contractors Limited	Director related	Advance Payment Guarantee	Performing	Mortgage Debenture, Personal	123,886	-
					3,028,427	6,336,282

Notes to the financial statements

(e) Director/insiders related deposit liabiilties as at 30 September 2013

Name of company/Individual *In thousands of Nigerian Naira*	Relationship	Type of Deposit	***Parent*** **Sep-2013**	***Parent*** **Dec-2012**
Adam And Eve Nigeria Limited	Insider Related	Demand Deposits	70	-
Afren Onshore Ltd	Director related	Demand Deposits	-	1
Afren Resources Limited	Director related	Demand and Time Deposits	12,185	11,784
Agusto & Co. Limited	Director related	Demand and Time Deposits	29,865	8,280
Alliance Consulting	Director related	Demand Deposits	220	2,023
Augusto Enterprises Nig. Ltd	Director related	Demand Deposits	434	-
Comprehensive Project Mgt. Services	Director related	Demand Deposits	-	29,139
Cubic Contractors Limited	Director related	Demand Deposits	6,549	25,978
Enwereji Nneka Stella	Director related	Demand Deposits	-	-
Eterna Plc	Director related	Demand and Time Deposits	2,534	7,088
F & C Securities Limited	Director related	Demand and Time Deposits	30,536	955
IBFC Agusto Training	Director related	Demand Deposits	137	1,753
IBFC Limited	Director related	Demand and Time Deposits	6	55
International Travel Express Ltd	Director related	Demand Deposits	9	9
Jaykay Pharmacy Limited	Director related	Demand and Time Deposits	34	48
Kresta Laurel Limited	Director related	Demand and Time Deposits	2,813	9,256
Main One Cable Company Ltd	Director related	Demand Deposits	155,162	145,773
Mayfield Finance Company	Director related	Demand Deposits	38	558
Mayfield Ventures Limited	Director related	Demand Deposits	11	11
Jegede Fehintola O.	Insider Related	Demand Deposits	-	-
Payless Butchers & Supermart Ltd	Director related	Demand Deposits	1,692	1,496
Sikilu Petroleum & Gas Co Ltd	Director related	Demand Deposits	3	3
WSTC Financial Services Ltd	Director related	Demand and Time Deposits	323,366	308,397
WSTC Nominee Limited	Director related	Demand Deposits	431	431
Zito Phranzlo Int'L Limited	Director related	Demand Deposits	53	382
			566,150	553,420

Notes to the financial statements

(f) Subsidiaries' deposit account balances

In thousands of Nigerian Naira

Name of company/Individual	*Relationship*	*Type of Deposit*	**Sep-2013**	**Dec-2012**
			₦	₦
GTB Sierra Leone	Subsidiaries	Domicilliary	597,999	578,056
GTB Ghana	Subsidiaries	Demand Deposit	3,909,859	3,072,683
GTB Ghana	Subsidiaries	Domicilliary	280,945	31,431
			4,788,803	3,682,170