Guaranty Trust Bank Plc and Subsidiary Companies

Group Financial Statements
Condensed Unaudited Group Financial Statements

September 2014

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. These financial statements contain extract of the unaudited financial statements prepared in accordance with IAS 34 'Interim Financial Reporting' its interpretation issued by the International Accounting Standards and adopted by the Financial Reporting Council of Nigeria. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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Statements of financial position

As at 30 September 2014

In thousands of Nigerian Naira	***Notes***	**Group Sept-2014**	**Group Dec-2013**	**Parent Sept-2014**	**Parent Dec-2013**
Assets					
Cash and cash equivalents	18	279,828,362	307,395,676	203,286,458	228,609,551
Loans and advances to banks	19	4,288,763	5,596,476	16,976	16,976
Loans and advances to customers	20	1,157,236,170	1,002,370,638	1,073,986,970	926,967,093
Financial assets held for trading	21	17,356,557	17,223,667	13,590,329	13,746,682
Derivative financial assets	22	-	170,101	-	170,101
Investment securities:					
– Available for sale	23	309,928,971	374,673,147	287,485,338	364,056,362
– Held to maturity	23	69,134,469	84,741,890	47,744,141	46,682,498
Assets pledged as collateral	24	42,506,793	28,442,629	42,506,793	28,440,947
Investment in subsidiaries	25	-	-	40,130,284	40,130,284
Property and equipment	26	74,227,754	68,306,197	67,101,535	61,419,683
Intangible assets	27	11,477,523	11,214,274	2,452,274	2,256,768
Deferred tax assets	27	3,228,827	1,945,629	-	-
Restricted deposits and other assets	28	266,017,932	200,766,091	252,349,302	191,868,850
Total assets		**2,235,232,121**	**2,102,846,415**	**2,030,650,400**	**1,904,365,795**
Liabilities					
Deposits from banks	29	29,983,547	15,208,300	36,950	88,729
Deposits from customers	30	1,548,164,326	1,427,493,697	1,394,028,822	1,261,927,035
Derivative financial liabilities	22	-	3,883	-	3,883
Other liabilities	32	46,142,767	61,014,954	31,352,985	49,008,466
Current income tax liabilities	16	10,136,249	13,073,847	9,536,588	12,632,975
Deferred tax liabilities	27	7,138,736	5,065,625	7,001,154	4,784,323
Debt securities issued	31	163,257,097	156,498,167	13,676,697	13,233,595
Other borrowed funds	34	87,735,120	92,134,872	230,995,305	233,040,108
Total liabilities		**1,892,557,842**	**1,770,493,345**	**1,686,628,501**	**1,574,719,114**

Statements of financial position (Continued)
As at 30 September 2014

In thousands of Nigerian Naira	***Notes***	**Group Sept-2014**	**Group Dec-2013**	**Parent Sept-2014**	**Parent Dec-2013**
Equity	35				
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		(3,987,575)	(2,046,714)	-	-
Retained earnings		50,587,475	55,205,142	50,584,287	55,079,117
Other components of equity		152,920,185	135,924,361	155,250,908	136,380,860
		337,706,789	**327,269,493**	**344,021,899**	**329,646,681**
Non-controlling interests in equity		4,967,490	5,083,577	-	-
Total equity		**342,674,279**	**332,353,070**	**344,021,899**	**329,646,681**
Total equity and liabilities		**2,235,232,121**	**2,102,846,415**	**2,030,650,400**	**1,904,365,795**

Income statements

For the period ended 30 September 2014

In thousands of Nigerian Naira	***Notes***	**Group Sept-2014**	**Group Sept-2013**	**Parent Sept-2014**	**Parent Sept-2013**
Interest income	4	148,187,142	136,967,392	134,007,150	128,325,836
Interest expense	5	(42,851,363)	(35,016,543)	(38,111,951)	(32,523,717)
Net interest income		**105,335,779**	**101,950,849**	**95,895,199**	**95,802,119**
Loan impairment charges	6	(6,287,360)	(2,653,599)	(5,748,717)	(2,291,647)
Net interest income after loan impairment charges		**99,048,419**	**99,297,250**	**90,146,482**	**93,510,472**
Fee and commission income	7	38,296,047	36,003,903	33,379,828	31,160,245
Fee and commission expense	8	(1,498,928)	(733,412)	(1,242,583)	(671,532)
Net fee and commission income		**36,797,119**	**35,270,491**	**32,137,245**	**30,488,713**
Net gains/(losses) on financial instruments classified as held for trading	9	9,380,985	5,167,593	6,931,480	3,480,119
Other income	10	3,373,926	3,850,635	5,173,150	4,665,555
Net impairment reversal on other financial assets	11	234,201	-	234,201	-
Personnel expenses	12	(20,363,793)	(16,708,010)	(15,813,946)	(14,548,587)
General and administrative expenses	13	(17,382,044)	(16,345,604)	(15,282,022)	(14,821,662)
Operating lease expenses		(884,687)	(680,407)	(388,033)	(464,641)
Depreciation and amortization	14	(8,548,840)	(7,492,384)	(7,882,314)	(6,804,049)
Other operating expenses	15	(20,955,377)	(19,991,615)	(18,171,291)	(17,917,118)
Profit before income tax		**80,699,909**	**82,367,949**	**77,084,952**	**77,588,802**
Income tax expense	16	(13,956,711)	(13,125,994)	(12,030,412)	(12,084,689)
Profit for the period		**66,743,198**	**69,241,955**	**65,054,540**	**65,504,113**
Profit attributable to:					
Equity holders of the parent entity (total)		**66,273,996**	**68,949,429**	**65,054,540**	**65,504,113**
– Profit for the period from continuing operations		66,273,996	68,949,429	65,054,540	65,504,113
– Profit for the period from discontinued operations	28	-	-	-	-
Non-controlling interests (total)		**469,202**	**292,526**	**-**	**-**
– Profit for the period from continuing operations		469,202	292,526	-	-
– Profit for the period from discontinued operations	28	-	-	-	-
		66,743,198	**69,241,955**	**65,054,540**	**65,504,113**
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	17	2.35	2.44	2.21	2.23
– Diluted	17	2.35	2.44	2.21	2.23

The accompanying notes are an integral part of these financial statements

Statements of comprehensive income

For the period ended 30 September 2014

In thousands of Nigerian Naira	**Notes**	**Group Sept-2014**	**Group Sept-2013**	**Parent Sept-2014**	**Parent Sept-2013**
Profit for the period		66,743,198	69,241,955	65,054,540	65,504,113
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences for foreign operations		(4,663,901)	993,069	-	-
Income tax relating to Foreign currency translation differences for foreign operations	16	1,399,170	(297,921)	-	-
Net change in fair value of available for sale financial assets		(1,116,573)	3,992,231	(923,306)	3,992,230
Income tax relating to Net change in fair value of available for sale financial assets	16	334,972	(1,197,669)	276,992	(1,197,669)
		(4,046,332)	3,489,710	(646,314)	2,794,561
Other comprehensive income for the period, net of tax		(4,046,332)	3,489,710	(646,314)	2,794,561
Total comprehensive income for the period		**62,696,866**	**72,731,665**	**64,408,226**	**68,298,674**
Profit attributable to:					
Equity holders of the parent entity (total)		**62,411,165**	**72,456,044**	**64,408,226**	**68,298,674**
– Total comprehensive income for the period from continuing operations		62,411,165	72,456,044	64,408,226	68,298,674
– Total comprehensive income for the period from discontinued operations		-	-	-	-
Non-controlling interests (total)		**285,701**	**275,621**	**-**	**-**
– Total comprehensive income for the period from continuing operations		285,701	275,621	-	-
– Total comprehensive income for the period from discontinued operations		-	-	-	-
Total comprehensive income for the period		**62,696,866**	**72,731,665**	**64,408,226**	**68,298,674**

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Changes in Equity
September 2014
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 2014	**14,715,590**	**123,471,114**	**17,075,575**	**118,309,456**	**(2,046,714)**	**3,025,907**	**(2,486,577)**	**55,205,142**	**5,083,577**	**332,353,070**
Total comprehensive income for the period:										
Profit for the period	-	-	-	-	-	-	-	66,273,996	469,202	66,743,198
Other comprehensive income, net of tax										
Foreign currency translation difference	-	-	-	-	-	-	(3,081,230)	-	(183,501)	(3,264,731)
Fair value adjustment	-	-	-	-	-	(781,601)	-	-	-	(781,601)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(781,601)**	**(3,081,230)**	**-**	**(183,501)**	**(4,046,332)**
Total comprehensive income	-	-	-	-	-	**(781,601)**	**(3,081,230)**	**66,273,996**	**285,701**	**62,696,866**
Transactions with equity holders, recorded directly in equity:										
Transfers for the period	-	-	398,763	20,459,892	-	-	-	(20,858,655)	-	-
Acquisition/disposal of own shares	-	-	-	-	(1,940,861)	-	-	-	-	(1,940,861)
Dividend to equity holders	-	-	-	-	-	-	-	(50,033,008)	(401,788)	(50,434,796)
Total transactions with equity holders	**-**	**-**	**398,763**	**20,459,892**	**(1,940,861)**	-	-	**(70,891,663)**	**(401,788)**	**(52,375,657)**
Balance at 30 September 2014	**14,715,590**	**123,471,114**	**17,474,338**	**138,769,348**	**(3,987,575)**	**2,244,306**	**(5,567,807)**	**50,587,475**	**4,967,490**	**342,674,279**

Consolidated Statement of Changes in Equity
Sept-2013
Group

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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)	39,766,597	1,268,691	281,826,941
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
Actuarial losses	-	-	-	-	-	-	-	-	-	-
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)	-	-
Inflow from non-controlling interest	-	-	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	(45,618,331)	(234,069)	(45,852,400)
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)**	**39,582,400**	**1,310,243**	**308,706,206**

Statement of Changes in Equity
September 2014
Parent

In thousands of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Statutory reserves	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2014	**14,715,590**	**123,471,114**	**16,900,397**	**116,589,846**	**2,890,617**	**-**	**55,079,117**	**329,646,681**
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	-	-	65,054,540	65,054,540
Other comprehensive income, net of tax								
Fair value adjustment	-	-	-	-	(646,314)	-	-	(646,314)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(646,314)**	**-**	**-**	**(646,314)**
Total comprehensive income	-	-	-	-	**(646,314)**	**-**	**65,054,540**	**64,408,226**
Transactions with equity holders, recorded directly in equity:								
Bonus shares issued during the period	-	-	-	-	-	-	-	-
Transfers for the period	-	-	-	19,516,362	-	-	(19,516,362)	-
Dividend to equity holders [1]	-	-	-	-	-	-	(50,033,008)	(50,033,008)
Dividend on own share adjusted	-	-	-	-	-	-	-	-
Non-controlling interest of subsidiaries disposed	-	-	-	-	-	-	-	-
Total transactions with equity holders	**-**	**-**	**-**	**19,516,362**	-	-	**(69,549,370)**	**(50,033,008)**
Balance at 30 September 2014	**14,715,590**	**123,471,114**	16,900,397	**136,106,208**	**2,244,303**	**-**	**50,584,287**	**344,021,899**

Statement of Changes in Equity
Sept-2013
Parent

In thousands of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Other regulatory reserves	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2013	14,715,590	123,471,114	11,312,801	90,926,193	169,607	45,944,146	286,539,451
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	-	-	-	-	-	(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**	**45,034,844**	**309,219,794**

Statements of cash flows

For the period ended 30 September 2014

In thousands of Nigerian Naira	***Notes***	**Group Sept-2014**	**Group Sept-2013**	**Parent Sept-2014**	**Parent Sept-2013**
Cash flows from operating activities					
Profit for the period		66,743,198	69,241,955	65,054,540	65,504,113
Adjustments for:					
Depreciation of property and equipment	14, 26	7,772,191	6,919,741	7,271,743	6,332,328
Amortisation of Intangibles		776,649	572,643	610,571	471,721
Gain on disposal of property and equipment		(82,280)	(57,917)	(73,547)	(37,431)
Impairment on financial assets		6,399,997	3,016,219	5,778,717	2,420,624
Net interest income		(105,335,779)	(101,950,849)	(95,895,199)	(95,802,119)
Foreign exchange gains	10	(1,792,401)	(3,426,368)	(1,314,959)	(3,420,089)
Derivatives fair value changes		166,218	-	166,218	-
Dividend received		(62,531)	(263,921)	(2,415,799)	(1,105,606)
Income tax expense	16, 28	13,956,711	13,125,994	12,030,412	12,084,689
Other non-cash items		(4,485,065)	5,421	(4,476,880)	5,421
		(15,943,092)	(12,817,082)	(13,264,183)	(13,546,349)
Changes in:					
Financial assets held for trading		(226,093)	240,989,002	156,353	241,556,351
Assets pledged as collateral		(14,064,276)	3,482,721	(14,065,846)	3,482,721
Loans and advances to banks		1,305,979	(323,448)	-	150,316
Loans and advances to customers		(165,475,107)	(141,846,896)	(152,768,594)	(131,311,381)
Other assets		(128,754,185)	(103,216,045)	(123,577,978)	(97,575,331)
Deposits from banks		16,028,377	(8,327,108)	(51,779)	(7,036,704)
Deposits from customers		137,351,220	122,767,314	132,101,787	115,561,594
Other liabilities		45,295,291	(8,996,682)	42,218,129	(9,823,339)
		(108,538,794)	104,528,858	(115,987,928)	115,004,227
Interest received		149,893,763	137,489,822	135,713,771	128,848,268
Interest paid		(39,638,001)	(35,105,991)	(34,898,590)	(32,613,165)
		(14,226,124)	194,095,607	(28,436,930)	197,692,981
Income tax paid		(14,333,501)	(16,818,319)	(12,632,976)	(15,340,116)
Net cash/(used in) provided by operating activities		(28,559,625)	177,277,288	(41,069,906)	182,352,865

Statements of cash flows

For the period ended 30 September 2014

In thousands of Nigerian Naira	***Notes***	**Group Sept-2014**	**Group Sept-2013**	**Parent Sept-2014**	**Parent Sept-2013**
Cash flows from investing activities					
Net sale/(purchase) of investment securities		71,270,319	(211,832,804)	74,586,075	(197,871,877)
Dividends received		62,531	263,921	2,415,799	1,105,606
Purchase of property and equipment	26	(11,954,886)	(10,561,276)	(9,368,636)	(9,538,363)
Proceeds from the sale of property and equipment		1,230,916	147,168	133,619	128,262
Purchase of intangible assets	27	(1,074,183)	(1,365,331)	(806,077)	(1,036,798)
Investment in subsidiaries		-	-	-	(73,714)
Net cash provided by/(used in) investing activities		59,534,697	(223,348,322)	66,960,780	(207,286,884)
Cash flows from financing activities					
Increase in debt securities issued		3,028,811	5,518,594	-	-
Repayment of long term borrowings		(1,415,306)	(305,759)	358,485	1,518,437
Increase in long term borrowings		(2,403,288)	2,915,857	(2,403,288)	2,915,857
Finance lease repayments		(451,116)	(415,118)	(451,116)	(415,118)
Purchase of treasury shares		(1,940,861)	-	-	-
Dividends paid to owners	36	(50,033,008)	(45,618,331)	(50,033,008)	(45,618,331)
Dividends paid to non-controlling interest		(401,788)	(234,069)	-	-
Net cash provided by financing activities		(53,616,556)	(38,138,826)	(52,528,927)	(41,599,155)
Net (decrease) /increase in cash and cash equivalents		(22,641,484)	(84,209,860)	(26,638,053)	(66,533,174)
Cash and cash equivalents at beginning of period		307,395,676	322,989,479	228,609,551	256,433,560
Effect of exchange rate fluctuations on cash held		(4,925,830)	4,966,310	1,314,960	3,420,092
Cash and cash equivalents at end of the period		279,828,362	243,745,929	203,286,458	193,320,478

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 2014, 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 **22 October, 2014**.

3. (a) Significant Accounting Policies

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

(a) Functional and presentation currency

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

(b) Interim Financial Statements

The accompanying Statements of Financial Positions as at 30th September, 2014, the Statements of Comprehensive Income for the nine months ended 30 September 2014, and 2013, the Statements of Changes in Equity for the nine months ended 30th September, 2014 and 2013, the Statements of Cash Flows for the nine months ended 30th September, 2014 and 2013 and the explanatory notes to the financial statements are audited and have been prepared for interim financial information. These Interim Financial Statements have been prepared in compliance with the International Financial Reporting Standards.

(c) Basis of measurement

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

- Derivative financial instruments which are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Available-for-sale financial assets are measured at fair value through equity. However, when the fair value of the Available-for-sale financial assets cannot be measured reliably,

they are measured at cost less impairment.

- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.
- Assets and liabilities held for trading are measured at fair value
- Assets and Liabilities held to maturity are measured at amortised cost
- Loans and Receivables are measured at amortised cost

(d) 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.

(e) Changes to accounting policies

New and amended standards and interpretations

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

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

Amendments to the following standard(s) became effective in the reporting period from 1st January, 2014. They do not have any material impact on the accounting policies, financial position or performance of the Group.

- **IFRIC 21- Levies:** IFRIC 21 provides guidance on when to recognise liabilities for levies imposed by the Government including government agencies and similar bodies in accordance with rules and regulations. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. It clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The Group has been recognising liabilities arising from regulations appropriately e.g. AMCON levy imposed on Banks. Therefore this amendment will not have material impact on the Group.

- **Amendments IAS 32 – Financial Instruments;** This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Group has been applying the right of set off if it is available at the date of preparation of statement of financial position (SOFP).

  We do not apply this Right of set off to contingent / future transactions in the preparation of the Statement Of Financial Position.

  Also, the Group already complies with the legally enforceable criterion contained in these amendments by ensuring that the contractual terms and laws governing contracts give backing (support) to the right to set off financial assets and liabilities where necessary.

  Lastly, the Group's settlement process entails settlement of financial assets and liabilities on a net basis, Therefore , a single net amount is already being reported in the financial statements in accordance with IASB clarifications.

  Based on the above, we submit that these amendments would have no material impact on the Group.

- **Amendments to IFRS 10 Consolidated Financial Statements:** IFRS 10 defines an investment entity and introduces an exception from consolidation. This will particularly benefit private equity funds, as those that qualify will fair value all of their investments, including those that are controlled. The amendment to IFRS 10 was also accompanied by amendments to IFRS 12 and IAS 27. No member of the Group is an Investment entity thus this amendment does not have impact on the Group.

- **Amendments to IAS 36 - Impairment of assets**: This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment has an insignificant impact on the Group. The bulk of impairment of non-financial assets reported in the Group's financial statements are those related to prepaid fixed assets. These are constantly tested for impairment and recoverable amount determined using either the Value in Use Approach or Fair Value less Cost to Sell Approach depending on the availability of information. The recoverable amounts are also disclosed should there be an increase or reversal in these impairments. The appropriate fair values less cost to sell disclosures are also included in the financial statements. It is noteworthy to state that there were no events which warranted the Group to impair its non-financial assets such as Goodwill , Purchased software and Property and Equipment.

- **IFRS 9-Financial instruments (Classification and measurement)**: IFRS 9 includes requirements for the recognition and measurement of all financial instruments with emphasis on the accounting for hedging transactions. The standard is a replacement for the current IAS 39. Although the standard's effective date is yet to be decided it is available for early adoption. The Group will be impacted significantly by the adoption of IFRS 9 as all financial assets designated as Available for sale (AFS) would have to be classified as either Fair Value Through Profit or Loss or measured at amortised cost. However, the Group would continue to adopt IAS 39 (Financial Instrument: Recognition and Measurement) given that the standard will be for annual periods beginning on or after 1 January, 2018.

- **IFRS 14- Regulatory deferral accounts:** IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities. This standard does not have an impact on the Group as it is not a first time preparer of IFRS financial statements. This is in addition to the fact that the regulators of the countries where we operate do not allow creation of any regulatory deferral account.

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

  IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  The five steps in the model are Identification of the contract with the customer, Identification of the performance obligations in the contract, Determination of the transaction price, Allocation of the transaction price to the performance obligations in the contracts, and Recognition of revenue when (or as) the entity satisfies a performance obligation.

- **Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions**

  Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

- **Amendments to IFRS 2 – Share Based Payment**

  It amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

- **Amendments to IFRS 3 – Business Combination**

  Amendments to the standard requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. It also clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- **Amendments to IFRS 8 – Operating Segment**

  Amendments to the standard requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

- **Amendments to IFRS 13 – Fair Value Measurement**

  Amendments to the standard provide clarification that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). It also clarifies the scope of the portfolio exception in paragraph 52.

- **Amendments to IAS 16 and IAS 38 - Property, Plant and Equipment**

  Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount

- **Amendments to IAS 24 - Related Party Disclosures**

  Amendments to the standard provides clarification as to how payments to entities providing management services are to be disclosed

- **Amendments to IAS 40 - Investment Property**

  The amendments clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

- **Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations**

  Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3Business Combinations) to:

  - apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
  - disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Standards and interpretations issued/amended but not yet effective

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

Standard	*Content*	*Effective Year*
Amendments to IAS 16	Property, Plant and Equipment	1-Jan-16
Amendments to IAS 38	Intangible Assets	1-Jan-16
Amendments to IFRS 11	Joint Arrangements	1-Jan-16
Amendments to IAS 41	Agriculture	1-Jan-16
IFRS 15	Revenue from Contracts with Customers	1-Jan-17
IFRS 9	Financial Instrument	1-Jan-18

Other standards and interpretations issued that are effective for annual periods beginning after October 1, 2014, as shown in the table above, have not been applied in preparing these financial statements and the group is yet to assess the full impact of the amendments arising from these standards.

3.(b)Other Accounting Policies

Other accounting policies that have been applied are:

(a) Consolidation

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

(i) Subsidiaries

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

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

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

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) Structured entity

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

The Group established GTB Finance B.V., Netherlands as a Structured Entity to raise funds from the international financial market. 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, income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with subsidiaries, associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Profits and losses resulting from intra-group transactions are also eliminated.

(v) Non-controlling interest

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

(b) Foreign currency translation

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Interest

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

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

The calculation of the effective interest rate includes contractual fees 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.

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

(d) Fees and commission

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

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

(e) Net trading income

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

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

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

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

(g) Dividend income

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

(h) Leases

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

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

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

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

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

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

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

(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 it consists of Company Income Tax, Education tax and NITDEF tax.
Company Income tax is assessed at 30% statutory rate of total profit whereas Education tax is computed as 2% of assessable profit while NITDEF tax is a 1% levy on Profit Before Tax of the Bank.

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

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

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

(b) **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

However, the deferred income tax is not recognised for:

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

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

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

(j) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances. Deposits, debt securities issued and subordinated liabilities on the date that they are booked on the system. 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, Balances held with other banks , Money market placements 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.

b) **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 (iii)).

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 in 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.

c) 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 except where the fair value cannot be reliably measured.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 it is traded in a market with sufficient frequency and volume to provide pricing information on an ongoing basis on the instrument. Otherwise, the market is to be regarded as inactive.

For financial instruments with no readily available quoted market price , 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.

Derecognition of a financial liability occurs only when the obligation is extinguished. A financial liability is said to be extinguished when the obligation is discharged, cancelled or expired.

(vi) Pledge of assets as collateral

Financial assets transferred to external parties that do not qualify for de-recognition (see J(v)) are reclassified in the statement of financial position from 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 available for sale or held to maturity. Where the assets pledged as collateral are designated as available for sale, subsequent measurement is 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.

(k) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as 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 as well as the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of using the item during a particular period.

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each reporting date. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note (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	50 years
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.

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

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

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

(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.

(iii)Termination Benefits

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

(iv)Short-term employee benefits

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

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

(v) Share-based payment transactions

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

Notes to the financial statements

Accounting classification measurement basis

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.

4 Interest income

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Loans and advances to banks	136,539	223,232	4,368	3,985
Loans and advances to customers	101,872,437	85,843,280	92,779,464	81,005,624
	102,008,976	86,066,512	92,783,832	81,009,609
Cash and cash equivalents	3,744,666	2,601,723	3,384,716	2,378,306
Financial assets held for trading	1,941,087	2,961,869	1,306,281	2,698,150
Investment securities:				
– Available for sale	29,606,168	29,491,986	28,930,731	29,491,986
– Held to maturity	7,224,586	14,318,130	3,939,931	11,220,613
Assets pledged as collateral	3,661,659	1,527,172	3,661,659	1,527,172
	148,187,142	136,967,392	134,007,150	128,325,836

Notes to the financial statements

5 **Interest expense**

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Deposit from banks	175,719	358,687	54,996	350,870
Deposit from customers	31,373,944	26,570,999	26,788,752	24,127,271
	31,549,663	26,929,686	26,843,748	24,478,141
Other borrowed funds	2,150,591	2,205,279	9,938,899	6,716,285
Debt securities	9,151,109	5,881,578	1,329,304	1,329,291
Total interest expense	42,851,363	35,016,543	38,111,951	32,523,717

6 **Loan impairment charges**

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Collective impairment	(764,849)	3,175,896	(923,482)	2,956,302
Specific impairment	7,134,846	(160,920)	6,672,199	(536,921)
Amounts written off during the period as uncollectible	-	1,243	-	1,243
Income received on claims previously written off	(82,637)	(362,620)	-	(128,977)
	6,287,360	**2,653,599**	**5,748,717**	**2,291,647**

Notes to the financial statements

7 Fee and commission income

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Credit related fees and commissions	10,917,882	10,372,273	9,275,317	8,904,289
Commission on turnover	10,253,734	10,382,323	9,690,667	9,909,661
Corporate finance fees	1,170,002	1,235,910	1,170,002	1,235,910
Commission on foreign exchange deals	3,043,970	3,355,722	2,843,921	3,077,963
Income from financial guarantee contracts issued	4,409,083	3,581,262	4,321,573	3,581,262
Other fees and commissions	8,501,376	7,076,413	6,078,348	4,451,160
	38,296,047	36,003,903	33,379,828	31,160,245

8 Fee and commission expense

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Bank charges	788,173	619,653	730,016	618,827
Other fees and commission expense[1]	710,755	113,759	512,567	52,705
	1,498,928	733,412	1,242,583	671,532

[1] Largely comprises of loan recovery expenses

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

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Bonds trading	91,719	462,972	91,719	462,972
Treasury bills trading	1,649,933	970,009	1,650,180	970,009
Foreign exchange	7,639,333	3,734,612	5,189,581	2,047,138
Net trading income	9,380,985	5,167,593	6,931,480	3,480,119

Notes to the financial statements

10 Other income

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Mark to market gains on trading investments	20,582	102,429	20,582	102,429
Foreign exchange gain/(loss)	1,792,401	3,426,368	1,314,959	3,420,089
Gain on disposal of fixed assets	82,280	57,917	73,547	37,431
Net portfolio (loss)/gain on SMEEIS investments	1,348,263	-	1,348,263	-
Dividends income	62,531	263,921	2,415,799	1,105,606
Other income	67,869	-	-	-
	3,373,926	3,850,635	5,173,150	4,665,555

11 Net impairment reversal on other financial assets

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Written off charges on equities	30,000	-	30,000	-
Reversal of specific impairment for equities	(264,201)	-	(264,201)	-
	(234,201)	-	(234,201)	-

12 Personnel expenses

(a)

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Wages and salaries	19,505,801	16,503,299	15,295,681	14,034,766
Contributions to defined contribution plans	626,085	555,975	518,265	513,821
Cash-settled share-based payments	137,267	(452,833)	-	-
Other staff cost	94,640	101,569	-	-
	20,363,793	16,708,010	15,813,946	14,548,587

13 General and administrative expenses

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Stationery and postage	1,817,548	1,679,215	1,639,970	1,538,912
Business travel expenses	647,602	642,502	526,219	579,509
Advert, promotion and corporate gifts	3,680,337	3,546,077	3,377,434	3,363,595
Repairs and maintenance	2,897,453	2,659,830	2,546,532	2,434,371
Occupancy costs	2,648,453	2,425,284	2,103,182	1,933,463
Directors' emoluments	391,476	272,043	192,429	179,655
Contract services	5,299,175	5,120,653	4,896,256	4,792,157
	17,382,044	16,345,604	15,282,022	14,821,662

14 Depreciation and amortisation

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Amortisation of intangible assets (see note 27)	776,649	572,643	610,571	471,721
Depreciation of property, plant and equipment (see note 26)	7,772,191	6,919,741	7,271,743	6,332,328
	8,548,840	7,492,384	7,882,314	6,804,049

15 Other operating expenses

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Finance costs	137,395	163,922	137,395	163,922
Deposit insurance premium	3,731,230	3,736,907	3,731,230	3,736,907
Other insurance premium	472,755	1,197,633	359,087	1,174,093
Auditors' remuneration	321,967	288,649	232,500	230,391
Professional fees and other consulting costs	600,641	861,196	514,249	807,773
AMCON expenses	7,086,134	6,442,284	7,086,134	6,442,284
Others[2]	8,605,255	7,301,024	6,110,696	5,361,748
	20,955,377	19,991,615	18,171,291	17,917,118

[2] Included in Others are Communication expenditures, training, transportation and allowances to interns.

16 Income tax expense

recognised in the Income statement

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Current tax expense:				
Company income tax	10,310,197	10,427,403	8,383,898	9,386,098
Education Tax	641,857	613,524	641,857	613,524
NITDA Levy	510,834	554,388	510,834	554,388
	11,462,888	11,595,315	9,536,589	10,554,010
Deferred tax expense:				
Origination of temporary differences	2,493,823	1,530,679	2,493,823	1,530,679
	13,956,711	13,125,994	12,030,412	12,084,689

Notes to the financial statements

(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 Sept-2014**	**Group Dec-2013**	**Parent Sept-2014**	**Parent Dec-2013**
Balance, beginning of the period	13,073,847	15,630,973	12,632,975	15,340,116
Exchange difference on translation	(66,985)	(159,848)	-	-
Charge for the period	11,462,888	14,742,185	9,536,589	12,632,978
Payments during the period	(14,333,501)	(17,198,130)	(12,632,976)	(15,340,119)
Liabilities on acquisition of subsidiaries	-	58,667	-	-
Balance, end of the period	10,136,249	13,073,847	9,536,588	12,632,975

17 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 N66,273,996,000 and a weighted average number of ordinary shares outstanding of 28,190,505,000 and it calculated as follows:

Profit attributable to ordinary shareholders

In thousands of Nigerian Naira	**Group Sept-2014**	**Group Sept-2013**
Net profit attributable to equity holders of the Company	66,273,996	68,949,429
Interest expense on convertible debt (net of tax)	-	-
Net profit used to determine diluted earnings per share	66,273,996	68,949,429

Number of ordinary shares

In thousands of shares	**Group Sept-2014**	**Group Sept-2013**
Weighted average number of ordinary shares in issue	28,190,505	28,260,505
Basic earnings per share (expressed in naira per share)	2.35	2.44

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	28,190,505	28,260,505
Adjustment for:		
-Bonus element on conversion of convertible debt	-	-
-Share options	-	-
Weighted average number of ordinary shares for diluted earnings per share	28,190,505	28,260,505
Diluted earnings per share (expressed in naira per share)	2.35	2.45

Profit attributable to:

In millions of shares	**Group Sept-2014**	**Group Sept-2013**
Equity holders of the parent entity (total)	66,273,996	68,949,429
– Profit for the period from continuing operations	66,273,996	68,949,429
– Profit for the period from discontinued operations	-	-

18 Cash and cash equivalents

(a)

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Cash in hand	30,338,150	30,448,221	22,177,043	24,612,167
Balances held with other banks	35,242,070	85,154,356	35,788,613	32,508,143
Unrestricted balances with central banks	6,721,544	32,260,765	(696,811)	23,962,746
Money market placements	207,526,598	159,532,334	146,017,613	147,526,495
	279,828,362	307,395,676	203,286,458	228,609,551

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

In thousands of Nigerian Naira	Group Sept-2014	Group Sept-2013	Parent Sept-2014	Parent Sept-2013
Cash and cash equivalents of continuing operations	279,828,362	307,395,676	203,286,458	228,609,551
Cash and cash equivalents classified as held for sale	-	-	-	-
	279,828,362	307,395,676	203,286,458	228,609,551

19 Loans and advances to banks

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Loans and advances to banks	4,288,774	5,596,487	16,987	16,987
Less specific allowances for impairment	-	-	-	-
Less collective allowances for impairment	(11)	(11)	(11)	(11)
	4,288,763	5,596,476	16,976	16,976

20 Loans and advances to customers

(a) Group

Sept-2014

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
	1,186,522,977	(22,734,274)	(6,552,533)	(29,286,807)	1,157,236,170

Group

Dec-2013

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
	1,026,187,143	(16,422,726)	(7,393,779)	(23,816,505)	1,002,370,638

Parent

Sept-2014

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
	1,099,705,270	(19,770,597)	(5,947,703)	(25,718,300)	1,073,986,970

Parent

Dec-2013

In thousands of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
	946,966,642	(13,128,365)	(6,871,184)	(19,999,549)	926,967,093

Notes to financial statements

20 Loans and advances

(b) Group

In thousands of Nigerian naira	Sept-2014 Loans to Customer	Sept-2014 Loans to Bank	Sept-2014 Total	Dec-2013 Loans to Customer	Dec-2013 Loans to Bank	Dec-2013 Total
Performing	1,147,825,601	4,288,774	1,152,114,375	989,198,088	5,596,487	994,794,575
Non-Performing	38,697,376	-	38,697,376	36,989,055	-	36,989,055
Gross loans	1,186,522,977	4,288,774	1,190,811,751	1,026,187,143	5,596,487	1,031,783,630
Specific impairment	(22,734,274)	-	(22,734,274)	(16,422,726)	-	(16,422,726)
Collective impairment	(6,552,533)	(11)	(6,552,544)	(7,393,779)	(11)	(7,393,790)
	1,157,236,170	**4,288,763**	**1,161,524,933**	**1,002,370,638**	**5,596,476**	1,007,967,114

Parent

In thousands of Nigerian naira	Sept-2014 Loans to Customer	Sept-2014 Loans to Bank	Sept-2014 Total	Dec-2013 Loans to Customer	Dec-2013 Loans to Bank	Dec-2013 Total
Performing	1,068,404,139	16,987	1,068,421,126	919,260,088	16,987	919,277,075
Non-Performing	31,301,131	-	31,301,131	27,706,554	-	27,706,554
Gross loans	1,099,705,270	16,987	1,099,722,257	946,966,642	16,987	946,983,629
Specific impairment	(19,770,597)	-	(19,770,597)	(13,128,365)	-	(13,128,365)
Collective impairment	(5,947,703)	(11)	(5,947,714)	(6,871,184)	(11)	(6,871,195)
	1,073,986,970	16,976	1,074,003,946	**926,967,093**	**16,976**	926,984,069

Notes to the financial statements

21 Financial assets held for trading

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Trading bonds	2,588,558	5,143,554	2,588,558	5,143,554
Trading treasury bills	14,767,999	12,080,113	11,001,771	8,603,128
	17,356,557	17,223,667	13,590,329	13,746,682

22 Derivative financial instruments

(a) **Group**
Sept-2014

In thousands of Nigerian Naira	Notional Contract Amount	Fair Value Assets	Fair Value Liability
Foreign Exchange Derivatives:			
Foreign exchange forward	-	-	-
Currency swaps	-	-	-
Derivative assets/(liabilities)	-	-	-

Group
Dec-2013

In thousands of Nigerian Naira	Notional Contract Amount	Fair Value Assets	Fair Value Liability
Foreign Exchange Derivatives:			
Foreign exchange forward	7,171,967	169,677	(3,475)
Currency swaps	7,238,083	424	(408)
Derivative assets/(liabilities)	14,410,050	170,101	(3,883)

Parent
Sept-2014

In thousands of Nigerian Naira	Notional Contract Amount	Fair Value Assets	Fair Value Liability
Foreign Exchange Derivatives:			
Foreign exchange forward	-	-	-
Currency swaps	-	-	-
Derivative assets/(liabilities)	-	-	-

Parent
Dec-2013

In thousands of Nigerian Naira	Notional Contract Amount	Fair Value Assets	Fair Value Liability
Foreign Exchange Derivatives:			
Foreign exchange forward	7,171,967	169,677	(3,475)
Currency swaps	7,238,083	424	(408)
Derivative assets/(liabilities)	14,410,050	170,101	(3,883)

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

(c) Foreign currencies and contracts derivatives

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

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

23 Investment securities

(a)	*In thousands of Nigerian Naira*	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
(i)	**Available for sale investment securities**				
	Treasury bills	296,989,717	360,883,227	275,983,366	352,204,680
	Bonds	1,432,570	6,735,679	-	4,802,488
	Corporate bond	5,620,372	-	5,620,372	-
	Equity securities	5,807,547	6,975,141	5,807,547	6,975,141
	Unquoted equity securities at cost	3,028,727	3,293,263	3,024,015	3,288,216
		312,878,933	377,887,310	290,435,300	367,270,525
	Specific impairment for equities	(2,949,962)	(3,214,163)	(2,949,962)	(3,214,163)
	Total available for sale investment securities	**309,928,971**	**374,673,147**	**287,485,338**	**364,056,362**
	Held to maturity investment securities				
	Bonds	11,971,460	15,879,968	3,104,137	5,207,273
	Treasury bills	12,523,005	26,744,008	-	-
	AMCON bond	42,772,541	39,359,346	42,772,541	39,359,346
	Corporate bond	1,867,463	2,758,568	1,867,463	2,115,879
	Total held to maturity investment securities	**69,134,469**	**84,741,890**	**47,744,141**	**46,682,498**
	Total investment securities	**379,063,440**	**459,415,037**	**335,229,479**	**410,738,860**

24 Assets pledged as collateral

(a)

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Financial assets held for trading	**-**	**1,682**	**-**	**-**
- Treasury bills	-	1,682	-	-
Investment Securities - available for sale	**42,506,793**	**28,440,947**	**42,506,793**	**28,440,947**
- Treasury bills	42,506,793	28,440,947	42,506,793	28,440,947
	42,506,793	28,442,629	42,506,793	28,440,947

25 Investment in subsidiaries

(a) Investment in subsidiaries comprises:

In thousands of Nigerian Naira	Parent Sept-2014	Parent Dec-2013
GTB Gambia	574,278	574,278
GTB Sierra Leone	594,109	594,109
GTB Ghana	8,572,446	8,572,446
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
GTB Kenya Limited	17,131,482	17,131,482
	40,130,284	40,130,284
Current	-	-
Non-current	40,130,284	40,130,284

Notes to the financial statements

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

In thousands of Nigerian Naira	**Parent Sept-2014**	**Parent Dec-2013**
Balance, beginning of the period	40,130,284	22,925,088
Disposal during the period	-	-
Additions during the period	-	17,205,196
Balance, end of the period	40,130,284	40,130,284

(a) (ii) Additions during the comparative year relate to acquisition of FINA Bank Kenyam an East African Bank with subsidiarie in Uganda and Rwanda in the sum of N17,131,482,000 and additional investment of N73,714,000 in GTBank Ghana.

26 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 2014	34,833,609	8,126,719	42,536,773	7,777,945	4,182,276	13,589,956	111,047,278
Exchange difference	(376,561)	(106,484)	(346,516)	(88,366)	-	(55,182)	(973,109)
Additions	2,062,037	(486)	4,577,644	1,088,072	25,771	4,201,848	11,954,886
Disposals	2,595	-	(2,145,779)	(896,767)	-	-	(3,039,951)
Transfers	2,632,328	573,301	4,632,818	69,153	-	(7,907,600)	-
Reclassifications from other assets	-	-	-	-	-	3,645,031	3,645,031
Balance at 30 September 2014	39,154,008	8,593,050	49,254,940	7,950,037	4,208,047	13,474,053	122,634,135
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	(22,807)	(119,825)	(108,577)	(61,083)	-	(11,672)	(323,964)
Additions	1,849,537	155,133	3,753,852	1,862,312	68,503	7,130,321	14,819,658
Disposals	(11,347)	(107,374)	(483,615)	(908,669)	-	-	(1,511,005)
Transfers	1,402,835	157,675	1,379,648	243	-	(2,940,401)	-
Reclassifications from other assets	-	-	48,540	-	-	978,572	1,027,112
Assets of subsidiaries acquired	671,208	-	1,723,463	93,711	-	137,658	2,626,040
Balance at 31 December 2013	34,833,609	8,126,719	42,536,773	7,777,945	4,182,276	13,589,956	111,047,278

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.

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 2014	5,608,145	511,759	29,649,935	4,845,724	2,125,518	-	42,741,081
Exchange difference	(61,278)	(5,672)	(95,187)	(53,439)	-	-	(215,576)
Charge for the period	1,382,300	75,496	4,936,355	998,665	379,375	-	7,772,191
Disposal	-	-	(1,382,308)	(509,007)	-	-	(1,891,315)
Balance at 30 September 2014	6,929,167	581,583	33,108,795	5,281,943	2,504,893	-	48,406,381
Balance at 1 January 2013	4,022,731	538,069	22,939,717	4,389,515	1,632,677	-	33,522,709
Exchange difference	(5,866)	(15,025)	(122,744)	(32,414)	-	-	(176,049)
Charge for the period	1,506,792	96,089	6,021,577	1,215,291	492,841	-	9,332,590
Disposal	(80,302)	(107,374)	(361,408)	(789,437)	-	-	(1,338,521)
Assets of subsidiaries acquired	164,790	-	1,172,793	62,769	-	-	1,400,352
Balance at 31 December 2013	5,608,145	511,759	29,649,935	4,845,724	2,125,518	-	42,741,081
Carrying amounts:							
Balance at 30 September 2014	32,224,841	8,011,467	16,146,145	2,668,094	1,703,154	13,474,053	74,227,754
Balance at 31 December 2013	29,225,464	7,614,960	12,886,838	2,932,221	2,056,758	13,589,956	68,306,197

Notes to the financial statements

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 2014	30,619,466	7,480,315	37,731,140	6,778,445	4,182,276	12,947,373	99,739,015
Exchange difference	-	-	-	-	-	-	-
Additions	1,376,315	-	2,911,433	934,520	25,771	4,120,597	9,368,636
Disposals	-	-	(1,402,532)	(894,791)	-	-	(2,297,323)
Transfers	2,632,329	573,301	4,632,817	69,153	-	(7,907,600)	-
Reclassifications from other assets	-	-	-	-	-	3,645,031	3,645,031
Balance at 30 September 2014	34,628,110	8,053,616	43,872,858	6,887,327	4,208,047	12,805,401	110,455,359
Balance at 1 January 2013	27,597,533	7,270,014	33,145,122	5,963,590	4,113,773	7,920,000	86,010,032
Exchange difference	-	-	-	-	-	-	-
Additions	1,862,876	160,000	3,298,246	1,608,653	68,503	6,676,561	13,674,839
Disposals	(40)	(107,374)	(23,216)	(793,798)	-	-	(924,428)
Transfers	1,159,097	157,675	1,310,988	-	-	(2,627,760)	-
Reclassifications from other assets	-	-	-	-	-	978,572	978,572
Balance at 31 December 2013	30,619,466	7,480,315	37,731,140	6,778,445	4,182,276	12,947,373	99,739,015

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 2014	4,839,268	441,695	26,585,393	4,327,458	2,125,518	-	38,319,332
Exchange difference	-	-	-	-	-	-	-
Charge for the period	1,179,263	76,704	4,730,763	905,638	379,375	-	7,271,743
Disposal	-	-	(1,402,517)	(834,734)	-	-	(2,237,251)
Balance at 30 September 2014	6,018,531	518,399	29,913,639	4,398,362	2,504,893	-	43,353,824
Balance at 1 January 2013	3,503,994	451,917	21,050,096	3,874,540	1,632,677	-	30,513,224
Exchange difference	-	-	-	-	-	-	-
Charge for the period	1,335,274	97,152	5,557,663	1,145,012	492,841	-	8,627,942
Disposal	-	(107,374)	(22,366)	(692,094)	-	-	(821,834)
Balance at 31 December 2013	4,839,268	441,695	26,585,393	4,327,458	2,125,518	-	38,319,332
Carrying amounts:							
Balance at 30 September 2014	28,609,579	7,535,217	13,959,219	2,488,965	1,703,154	12,805,401	67,101,535
Balance at 31 December 2013	25,780,198	7,038,620	11,145,747	2,450,987	2,056,758	12,947,373	61,419,683

27 Intangible assets

(a) Group

In thousands of Nigerian Naira	Goodwill	Purchased Software	Total
Cost			
Balance at 1 January 2014	8,646,631	7,529,614	16,176,245
Exchange translation differences	(671)	(59,960)	(60,631)
Additions	-	1,074,183	1,074,183
Balance at 30 September 2014	8,645,960	8,543,837	17,189,797
Balance at 1 January 2013	50,923	5,608,778	5,659,701
Exchange translation differences	(50)	(2,675)	(2,725)
Additions	-	1,589,242	1,589,242
Goodwill on subsidiaries acquired	8,555,062	-	8,555,062
Assets of subsidiaries acquired	40,696	334,269	374,965
Balance at 31 December 2013	8,646,631	7,529,614	16,176,245
Amortization and impairment losses			
Balance at 1 January 2014	-	4,961,971	4,961,971
Exchange translation differences	-	(26,346)	(26,346)
Amortization for the period	-	776,649	776,649
Balance at 30 September 2014	-	5,712,274	5,712,274
Balance at 1 January 2013	-	3,887,525	3,887,525
Exchange translation differences	-	(3,550)	(3,550)
Amortization for the period	-	783,270	783,270
Disposals	-	-	-
Assets classified as held for sale	-	-	-
Assets of subsidiaries acquired	-	294,726	294,726
Balance at 31 December 2013	-	4,961,971	4,961,971
Carrying amounts			
Balance at 30 September 2014	8,645,960	2,831,563	11,477,523
Balance at 31 December 2013	8,646,631	2,567,643	11,214,274

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 2014 (2013: nil).

(b) Parent

In thousands of Nigerian Naira	**Purchased Software**
Cost	
Balance at 1 January 2014	6,639,769
Additions	806,077
Balance at 30 September 2014	7,445,846
Balance at 1 January 2013	5,277,464
Additions	1,362,305
Balance at 31 December 2013	6,639,769
Amortization and impairment losses	
Balance at 1 January 2014	4,383,001
Amortization for the period	610,571
Balance at 30 September 2014	4,993,572
Balance at 1 January 2013	3,737,747
Amortization for the period	645,254
Balance at 31 December 2013	4,383,001
Carrying amounts	
Balance at 30 September 2014	2,452,274
Balance at 31 December 2013	2,256,768

28 Restricted deposits and other assets

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Prepayments	21,949,693	16,627,738	16,006,389	11,550,186
Foreign Banks - Cash Collateral	30,375,888	30,071,679	30,310,586	30,071,679
Restricted deposits with central banks	208,218,465	148,592,788	200,558,441	144,773,099
Recognised assets for defined benefit obligations (See note 33)	5,779,442	5,779,442	5,779,442	5,779,442
	266,323,488	**201,071,647**	**252,654,858**	**192,174,406**
Impairment on other assets	(305,556)	(305,556)	(305,556)	(305,556)
	266,017,932	200,766,091	252,349,302	191,868,850

29 Deposits from banks

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Money market deposits	11,750,098	5,463,518	206	294
Other deposits from banks	18,233,449	9,744,782	36,744	88,435
	29,983,547	15,208,300	36,950	88,729

30 Deposits from customers

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Term deposits	403,214,151	358,043,029	364,946,460	313,362,507
Current deposits	877,519,594	826,302,272	796,830,805	735,240,701
Savings	267,430,581	243,148,396	232,251,557	213,323,827
	1,548,164,326	1,427,493,697	1,394,028,822	1,261,927,035

31 Debt securities issued

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Debt securities at amortized cost:				
Eurobond debt security	149,223,394	142,899,381	-	-
Corporate bonds	14,033,703	13,598,786	13,676,697	13,233,595
	163,257,097	156,498,167	13,676,697	13,233,595

32 Other liabilities

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Cash settled share based payment liability	8,154,705	7,463,681	-	-
Liability for defined contribution obligations	8,947	50,569	24	-
Deferred income on financial guarantee contracts	110,849	256,823	86,776	181,296
Creditors and accruals	-	-	-	-
Certified cheques	11,992,523	8,071,482	10,130,174	7,552,390
Lease obligation	2,382,094	2,769,235	2,382,094	2,769,235
Customers' deposit for foreign trade	30,402,166	30,071,820	30,311,515	30,071,820
Other current liabilities*	(6,908,517)	12,331,344	(11,557,598)	8,433,725
	46,142,767	61,014,954	31,352,985	49,008,466

* Other current liabilities include Deposit for Shares

33 Defined benefit obligations

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

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

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Unfunded obligations	-	-	-	-
Present value of funded obligations	(1,780,666)	(1,780,666)	(1,780,666)	(1,780,666)
Total present value of defined benefit obligations	(1,780,666)	(1,780,666)	(1,780,666)	(1,780,666)
Fair value of plan assets	7,560,108	7,560,108	7,560,108	7,560,108
Present value of net asset/(obligations)	5,779,442	5,779,442	5,779,442	5,779,442
Unrecognized actuarial gains and losses	-	-	-	-
Recognized asset/(liability) for defined benefit obligations	5,779,442	5,779,442	5,779,442	5,779,442

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.

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

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
(Deficit)/surplus on defined benefit obligations, beginning of period	5,779,442	4,672,628	5,779,442	4,672,628
Interest cost on Net defined benefit obligation	-	558,923	-	558,923
Current service costs	-	(156,586)	-	(156,586)
Actuarial gains/(losses) recognised in Other Comprehensive income	-	655,768	-	655,768
Contributions paid	-	48,709	-	48,709
(Deficit)/surplus for defined benefit obligations, end of period	5,779,442	5,779,442	5,779,442	5,779,442

(c) Plan assets consist of the following:

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Equity securities	2,662,989	2,662,989	2,662,989	2,662,989
Government securities	99,623	99,623	99,623	99,623
Offshore investments	1,267,974	1,267,974	1,267,974	1,267,974
Cash and bank balances	3,529,522	3,529,522	3,529,522	3,529,522
	7,560,108	7,560,108	7,560,108	7,560,108

Group

In thousands of Nigerian Naira	**Sept-2014**		**Dec-2013**	
Equity securities	2,662,989	34%	2,662,989	34%
Government securities	99,623	1%	99,623	1%
Offshore investments	1,267,974	17%	1,267,974	17%
Cash and bank balances	3,529,522	47%	3,529,522	47%
	7,560,108	100%	7,560,108	100%

Parent

In thousands of Nigerian Naira	**Sept-2014**		**Dec-2013**	
Equity securities	2,662,989	34%	2,662,989	34%
Government securities	99,623	1%	99,623	1%
Offshore investments	1,267,974	17%	1,267,974	17%
Cash and bank balances	3,529,522	47%	3,529,522	47%
	7,560,108	100%	7,560,108	100%

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

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.

(d) Movement in plan assets:

In thousands of Nigerian Naira	**Group Sept-2014**	**Group Dec-2013**	**Parent Sept-2014**	**Parent Dec-2013**
Fair value of plan assets, beginning of the period	7,560,108	6,613,483	7,560,108	6,613,483
Contributions paid into/(withdrawn from) the plan	-	48,709	-	48,709
Benefits paid by the plan	-	(48,709)	-	(48,709)
Actuarial gain/(loss)	-	132,505	-	132,505
Expected return on plan assets	-	814,120	-	814,120
Fair value of plan assets, end of the period	7,560,108	7,560,108	7,560,108	7,560,108

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

Notes to the financial statements

(e) Movement in present value of obligations:

In thousands of Nigerian Naira	**Group Sept-2014**	**Group Dec-2013**	**Parent Sept-2014**	**Parent Dec-2013**
Present value of obligation, beginning of the period	1,780,666	1,940,855	1,780,666	1,940,855
Interest cost	-	255,197	-	255,197
Current service cost	-	156,586	-	156,586
Benefits paid	-	(48,709)	-	(48,709)
Actuarial (gain)/loss on obligation	-	(523,263)	-	(523,263)
Present value of obligation at end of the period	1,780,666	1,780,666	1,780,666	1,780,666

(f) Actuarial assumptions

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

	2014	2013
Discount rate	13.00%	13.00%
Salary increase rate	10%	10%
Inflation	10%	10%
Retirement age for both male and female	60 years	60 years
Withdrawal Rate: 18 – 29	4.5%	4.5%
Withdrawal Rate: 30 – 44	6.0%	6.0%
Withdrawal Rate: 45 – 50	5.0%	5.0%
Withdrawal Rate: 51	4.5%	4.5%
Withdrawal Rate: 52	4.0%	4.0%
Withdrawal Rate: 53	3.5%	3.5%
Withdrawal Rate: 54	3.0%	3.0%
Withdrawal Rate: 55	2.5%	2.5%
Withdrawal Rate: 56	2.0%	2.0%
Withdrawal Rate: 57	1.5%	1.5%
Withdrawal Rate: 58	1.0%	1.0%
Withdrawal Rate: 59	0.5%	0.5%
Withdrawal Rate: 60	100.0%	100.0%

Assumptions regarding future mortality before retirement are based on 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.

DEFINED BENEFIT RISK MANAGEMENT

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

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

Asset volatility

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

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

Changes in bond yields

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

Inflation risk

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

34 Other borrowed funds

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Due to IFC	25,642,393	26,987,714	25,642,393	26,987,714
Due to ADB	10,103,166	12,969,344	10,103,166	12,969,344
Due to FMO	4,422,867	207,544	-	-
Due to BOI	39,546,598	40,236,112	39,546,598	40,236,112
Due to GTBV	-	-	149,223,394	142,899,381
Due to CAC	3,786,226	5,500,000	3,786,226	5,500,000
Due to Proparco	3,839,778	4,447,557	2,693,528	4,447,557
Due to KfW	96,607	128,174	-	-
Due to EDIF	297,485	458,033	-	-
Due to SCHT	-	1,200,394	-	-
	87,735,120	92,134,872	230,995,305	233,040,108

35 Capital and reserves

Share capital

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

	In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
(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 Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
(b)					
	Issued and fully paid:	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 Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
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 2013	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 2013/1 January 2014	**29,431,180**	**14,715,590**	**123,471,114**	**(2,046,714)**
Bonus capitalised	-	-	-	-
Proceeds from shares issued	-	-	-	-
(Purchases)/sales of treasury shares	-	-	-	(1,940,861)
At 30 September 2014	**29,431,180**	**14,715,590**	**123,471,114**	**(3,987,575)**

shareholders.

(c) **Non-controlling interest**

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

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
GTB (Gambia) Limited	351,435	372,727	-	-
GTB (Sierra Leone) Limited	416,009	360,971	-	-
GTB (Ghana) Limited	539,931	659,825	-	-
GTB Liberia	13,972	13,285	-	-
GTB Kenya Limited	3,646,143	3,676,769	-	-
	4,967,490	5,083,577	-	-

36 Dividends

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

In thousands of Nigerian Naira	Group Sept-2014	Group Dec-2013	Parent Sept-2014	Parent Dec-2013
Balance, beginning of period	-	-	-	-
Final dividend declared	42,675,213	38,260,533	42,675,213	38,260,533
Interim dividend declared	7,357,795	7,357,795	7,357,795	7,357,795
Payment during the period	(50,033,008)	(45,618,328)	(50,033,008)	(45,618,328)
Balance, end of period	-	-	-	-

37 Leasing

As lessor

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

As lessee

Operating lease commitments

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

38 Contingencies

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 Sept-2014**	**Group Dec-2013**	**Parent Sept-2014**	**Parent Dec-2013**
Contingent liabilities:				
Transaction related bonds and guarantees	436,654,696	438,406,221	428,058,449	431,691,415
	436,654,696	438,406,221	428,058,449	431,691,415
Commitments:				
Short term foreign currency related transactions	18,082,031	28,169,581	18,082,031	27,469,212
Clean line facilities and letters of credit	143,167,654	91,820,634	135,637,160	77,388,975
Other commitments	1,810,845	8,727,345	-	-
	163,060,530	128,717,560	153,719,191	104,858,187

Notes to financial statements

Key Financials (N' billion)	Sept-14	Sept-13	Δ%
Net Interest Income	105.3	102.0	3.32%
Non Interest Income	51.1	45.0	13.39%
Operating Income	148.8	143.6	3.66%
Operating expense	68.1	61.2	11.30%
Profit before tax	80.7	82.4	-2.03%
Profit after year	66.7	69.2	-3.61%
Total Assets	2,235.23	2,102.85	6.30%
Net Loans	1,161.52	1,007.97	15.23%
Total Deposits	1,578.15	1,442.70	9.39%

Key Ratios	Sept-14	Sept-13
ROE (Post tax)	26.37%	31.10%
ROA (Post tax)	4.10%	5.11%
Net interest margin	8.21%	8.47%
Cost-to-income ratio	45.78%	42.64%
Loans to deposits	73.60%	71.93%
Liquidity ratio	42.96%	43.99%
Capital adequacy ratio	18.36%	20.80%
NPL/Total Loans	3.25%	3.21%
Cost of risk	0.77%	0.41%
Coverage (with Reg. Risk Reserves)	120.84%	114.85%