# CENTRAL BANK OF NIGERIA
# CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2013

**CENTRAL BANK OF NIGERIA**
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**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**CENTRAL BANK OF NIGERIA**
**CORPORATE INFORMATION**

**Directors**

Executives:

| | | |
|---|---|---|
| Mr. Godwin Emefiele (CON) | * | - Governor |
| Mallam Sanusi Lamido Sanusi (CON) | ** | |
| Dr. Sarah Alade (OON) | | - Deputy Governor (Economic Policy Directorate) |
| Alhaji Suleiman Barau (OON) | | - Deputy Governor (Operations Directorate) |
| Mr. Adebayo Adelabu | *** | - Deputy Governor (Corporate Services Directorate) |
| Dr. Okwu Joseph Nnanna | **** | - Deputy Governor (Financial System Stability) |
| Mr. Babatunde Lemo (OFR) | ***** | |
| Dr. Kingsley Moghalu (OON) | ****** | |

Non-executives:

| | |
|---|---|
| Mr. Jonah Ogunniyi Otunla | |
| Mr. Anthony Adeiza Adaba | |
| Alhaji Muhammad Musa Kafarati | |
| Mr. Collins Chike Chikeluba | |
| Mr. Ayuli Jemide | |
| Mrs. Anastasia M. Daniel-Nwaobia | |
| Mr. Stanley I. Lawson | ******* |
| Stephen Osagiede Oronsaye | ******** |

| | |
|---|---|
| * | Appointed 3 June 2014 |
| ** | Retired 2 June 2014 (This person was a Governor until his retirement) |
| *** | Appointed 9 April 2014 |
| **** | Appointed 3 February 2015 |
| ***** | Retired 10 January 2014 |
| ****** | Retired 5 November 2014 |
| ******* | Appointed 2 August 2014 |
| ******** | Retired 26 June 2014 |

Corporate Secretary
Yunusa Mohammed Sanusi
Central Bank of Nigeria
Abuja.

Auditors

| | |
|---|---|
| PricewaterhouseCoopers | Ernst & Young |
| 252E Muri Okunola Street | UBA House, 10th & 13th Floor |
| Victoria Island, Lagos | 57 Marina, Lagos |

Head Office
Central Bank of Nigeria
Plot 33, Abubakar Tafawa Balewa Way
Central Business District
Cadastral Zone
Abuja
Federal Capital Territory
Nigeria

## DIRECTORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### Introduction

The Directors hereby present the consolidated and separate financial statements of the Central Bank of Nigeria prepared using the International Financial Reporting Standards (IFRS) for the year ended 31st December 2013. The financial statements for the year ended 31st December 2013 was concluded in February 2014 using the Financial Reporting framework used since the inception of the Bank. This was done on the premise that the Financial Reporting Council of Nigeria (FRC) would grant to the Bank an exemption from the adoption of the International Financial Reporting Standards (IFRS) for the year ended 31st December 2013 in view of the exogenous challenges of full compliance with the IFRS.

After series of meetings with the FRC as well as long period of investigation by the FRC in 2014 with no positive response to the request for exemption, management decided that the Bank should fully adopt the IFRS with effect from 2013 financial year. The major challenge towards the full adoption of IFRS is the standard which mandates adopters of IFRS to prepare consolidated financial statements. It is challenging mainly because the financial statements of the investees entities to be consolidated were not ready before the CBN statutory submission date of end February. We hereby present full IFRS compliant financial statements for the year ended 31st December 2013 in accordance with all relevant standards issued by the International Accounting Standards Board (IASB).

**Consolidation:**

To comply with IFRS, the financial statements of all entities in which a reporting entity invested should be consolidated fully or partially using equity accounting method depending on the level of control and influence.

Where the reporting entity exercises control, the investee entity is regarded as a subsidiary which should be fully consolidated. Control under the IFRS is not determined by the level of capital ownership only. It involves other considerations beyond equity stake. In other words, any entity may have more than half the capital of an investee entity without control. Where an entity does not have control irrespective of the level of equity stake but has significant influence over the investee, a partial consolidation using equity accounting approach is adopted. Other investments without either control or significant influence are not consolidated but treated as ordinary investments and so disclosed.

Assessment of the relationship with all the investee entities was carried out with a consideration of the levels of control and influences. This assessment guided the group financial statements hereby presented.

**RESULTS**

The Net Income for the period is N209.62b for the Bank while the Group Net Income was N213.56b. 20% of the net Income of the bank, excluding unrealized gains, will be transferred to retained earnings while the balance will be paid to the Federal Government of Nigeria in accordance with the provisions of the Fiscal Responsibility Act 2011

**CORPORATE GOVERNANCE**

The Board of Directors is the highest policy making organ of the Bank. Board decisions are taken with submissions from various board committees and departmental directors.

The Committees of the Board are:

1. Committee of Governors
2. Finance and General Purposes Committee
3. Audit and Risk management Committee
4. Establishment Committee
5. Major Contracts Tenders Committee
6. Investment Committee
7. Monetary Policy Committee
8. Corporate Strategy Committee
9. Financial System Stability Committee
10. Remuneration, Ethics and Anti-Corruption
11. CBN Pension Fund Management

Apart from the Committee of Governors which is the executive management of the Bank, the composition of the other committees includes the right mix of both the executive and non-executive Directors for effective corporate governance. A centralized integrated risk management co-ordination function is performed by the Risk Management Department (RMD). The role of the RMD is to develop, maintain and promote an appropriate risk management policy, framework, approach and culture, methodologies, processes and support systems. The Internal Audit Department of the Bank provides independent objective assurance of the adequacy and effectiveness of control, risk management and governance process of the group.

The Bank is committed to quality, meritocracy and international best practice.

The Directors present below the state of Affairs of the Group and the Bank as at 31st December 2013, the results and the cashflows of the Group and the Bank in accordance with International Financial Reporting Standards, CBN Act and other relevant laws.

Tunde M. Sanni
Secretary to the Board
21 May 2015

CENTRAL BANK OF NIGERIA

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

In accordance with the provisions of the Central Bank of Nigeria Act, 2007, the Directors are responsible for the preparation of consolidated and separate financial statements which properly present the state of affairs of the Central Bank of Nigeria at the end of the year and its income and expenditures for the year in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) .

The responsibilities include ensuring that:

i the Central Bank of Nigeria keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;

iii the Central Bank of Nigeria prepares its consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and

iv it is appropriate for the consolidated and separate financial statements to be prepared on a going concern basis.

The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Central Bank of Nigeria and of its financial performance and cash flows.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated and separate financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Central Bank of Nigeria will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

Director: Godwin I. Emefiele (CON)
FRC Number: FRC/2013/IODN/00000001080

Director: Adebayo Adelabu
FRC Number: FRC/2012/ICAN/00000002303

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## REPORT OF THE INDEPENDENT JOINT AUDITORS TO THE MEMBERS OF CENTRAL BANK OF NIGERIA

We have audited the accompanying consolidated and separate financial statements of Central Bank of Nigeria ("the Bank") and its subsidiary (together "the Group"), which comprise the statements of financial position as at 31 December 2013, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the provisions of the Central Bank of Nigeria Act No. 7, 2007 and the Financial Reporting Council of Nigeria Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Bank and Group as at 31 December 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the provisions of the Central Bank of Nigeria Act No. 7, 2007 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Patrick Obianwa

**For: PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Patrick Obianwa
FRC/2013/ICAN/00000000880
26 May 2015

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0914334

**For: Ernst & Young**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Dayo Babatunde, FCA
FRC/2013/ICAN/00000000702
26 May 2015

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0979337

**CENTRAL BANK OF NIGERIA**
**CONSOLIDATED AND SEPARATE INCOME STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | Notes | **N'million** | **N'million** | **N'million** | **N'million** |
| Interest and similar income | 5 | 477,787 | 410,863 | 477,693 | 410,766 |
| Interest and similar expense | 6 | (541,134) | (327,185) | (541,099) | (327,044) |
| **Net interest (expense)/ income** | | **(63,347)** | **83,678** | **(63,406)** | **83,722** |
| Fees and commission income | 7 | 111,435 | 90,911 | 111,435 | 90,911 |
| Net trading (loss)/ income | 8 | (5,727) | 11,060 | (5,727) | 11,060 |
| Foreign exchange revaluation gains/(losses) | 9 | 17,119 | (14,166) | 17,145 | (14,182) |
| Other operating income | 10 | 40,768 | 36,679 | 42,046 | 30,822 |
| **Total operating Income** | | **100,248** | **208,162** | **101,493** | **202,333** |
| Loan impairment reversal/(charge) | 16 | 142,368 | (226,195) | 141,981 | (225,455) |
| Impairment reversal/(charge) on financial investments | 17 | 283,647 | (307,372) | 283,647 | (307,372) |
| **Net operating income/(loss)** | | **526,263** | **(325,405)** | **527,121** | **(330,494)** |
| Personnel expenses | 12 | (78,835) | (79,915) | (75,755) | (75,746) |
| Financial sector intervention expenses | 13 | (42,774) | (16,590) | (42,774) | (16,590) |
| Depreciation of property, plant and equipment | 27 | (9,755) | (8,663) | (8,009) | (6,748) |
| Amortisation of intangible assets | 26 | (2,918) | (2,464) | (2,915) | (2,459) |
| Currency issue expenses | 14 | (18,699) | (15,859) | (40,057) | (36,589) |
| Other operating expenses | 15 | (162,973) | (125,679) | (147,990) | (107,948) |
| **Total operating expenses** | | **(315,954)** | **(249,170)** | **(317,500)** | **(246,080)** |
| **Net income/(loss) before share of associates' profit** | | **210,309** | **(574,575)** | **209,621** | **(576,574)** |
| Share of profit of associates | 24 | 3,407 | 5,542 | - | - |
| **Net income/(loss) before tax** | | **213,716** | **(569,033)** | **209,621** | **(576,574)** |
| Income tax expense | 18 | (154) | (547) | - | - |
| **Net income/(loss) for the year** | | **213,562** | **(569,580)** | **209,621** | **(576,574)** |
| Attributable to: | | | | | |
| Equity holder of the Bank | | 213,512 | (569,889) | 209,621 | (576,574) |
| Non-controlling interests | | 50 | 309 | - | - |
| | | **213,562** | **(569,580)** | **209,621** | **(576,574)** |

The Net income for the year includes unrealised gains on foreign exchange balances of N17,145 million (2012: N(12,206) million) and unrealised gain on fair value of other foreign securities amounting to N2,034 million (2012: N(23,761) million). Therefore, the realised component of the net income stated above is a surplus of N190,442 million for the year (2012: deficit of N540,607 million).

The accompanying notes on pages 12 to 104 form an integral part of these consolidated and separate financial statements.

**CENTRAL BANK OF NIGERIA**
**CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Notes | 2013<br>N'million | 2012<br>N'million | 2013<br>N'million | 2012<br>N'million |
| **Net income/(loss) for the year** | | **213,562** | **(569,580)** | **209,621** | **(576,574)** |
| **Other comprehensive income** | | | | | |
| *Other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods net of tax:* | | | | | |
| Net (loss)/ gain on available-for-sale financial assets | 11 | (85) | 42 | (85) | 42 |
| Share of other comprehensive loss of associates | 24 | (2,271) | (914) | - | - |
| **Net other comprehensive (loss)/income to be reclassified to net income or loss in subsequent periods** | | **(2,356)** | **(872)** | **(85)** | **42** |
| *Other comprehensive income not to be reclassified to net income or loss in subsequent periods net of tax:* | | | | | |
| Re-measurement gains on defined benefit plans | 32 | 9,536 | 34,338 | 9,614 | 34,696 |
| Share of other comprehensive income/(loss) of associates | 24 | 13 | (152) | - | - |
| **Net other comprehensive income not to be reclassified to net income or loss in subsequent periods** | | **9,549** | **34,186** | **9,614** | **34,696** |
| **Other comprehensive income for the year** | | **7,193** | **33,314** | **9,529** | **34,738** |
| **Total comprehensive income/(loss) for the year** | | **220,755** | **(536,266)** | **219,150** | **(541,836)** |
| Attributable to: | | | | | |
| Equity holder of the Bank | | 220,714 | (536,535) | 219,150 | (541,836) |
| Non-controlling interests | | 41 | 269 | - | - |
| | | **220,755** | **(536,266)** | **219,150** | **(541,836)** |

The accompanying notes on pages 12 to 104 form an integral part of these consolidated and separate financial statements.

**CENTRAL BANK OF NIGERIA**
**CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2013**

| | | Group | | | Bank | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
| **Assets** | | | | | | | |
| Cash and bank balances | 19 | 7,892 | 9,625 | 7,772 | - | - | - |
| External reserves | 19 | 6,642,813 | 6,994,805 | 5,427,080 | 6,642,813 | 6,994,803 | 5,427,080 |
| IMF Holdings of Special Drawing Rights | 20a | 400,351 | 399,754 | 401,734 | 400,351 | 399,754 | 401,734 |
| Loans and receivables | 21 | 4,392,773 | 4,017,756 | 3,594,907 | 4,392,324 | 4,014,261 | 3,594,214 |
| Investment securities | | | | | | | |
| Available-for-sale | 22 | 4,540 | 4,436 | 3,416 | 4,540 | 4,436 | 3,416 |
| Held to maturity | 22 | 169,394 | 413,976 | 206,177 | 169,394 | 413,976 | 206,177 |
| Investment in subsidiary | 23 | - | - | - | 23,575 | 23,575 | 13,389 |
| Investments in associates | 24 | 112,698 | 106,604 | 102,128 | 91,866 | 86,919 | 86,919 |
| Quota in International Monetary Fund (IMF) | 20b | 412,015 | 421,864 | 433,744 | 412,015 | 421,864 | 433,744 |
| Employee defined benefit assets | 32 | 7,622 | - | 226 | 7,622 | - | - |
| Other assets | 25 | 1,424,971 | 79,312 | 128,518 | 1,404,237 | 59,520 | 111,632 |
| Intangible assets | 26 | 7,412 | 6,841 | 2,602 | 7,412 | 6,838 | 2,594 |
| Property, plant and equipment | 27 | 373,230 | 330,015 | 288,681 | 337,355 | 295,265 | 257,363 |
| | | 13,955,711 | 12,784,988 | 10,596,985 | 13,893,504 | 12,721,211 | 10,538,262 |
| Non-current assets held-for-sale | 28 | - | - | 26 | - | - | - |
| **Total assets** | | **13,955,711** | **12,784,988** | **10,597,011** | **13,893,504** | **12,721,211** | **10,538,262** |
| **Liabilities** | | | | | | | |
| Deposits | 29 | 6,128,809 | 6,370,476 | 5,006,727 | 6,128,809 | 6,370,476 | 5,006,727 |
| Central Bank of Nigeria Instruments | 30 | 3,739,093 | 2,592,140 | 1,436,580 | 3,739,093 | 2,592,140 | 1,436,580 |
| Bank notes and coins in circulation | 31 | 1,776,302 | 1,631,504 | 1,565,925 | 1,776,305 | 1,631,506 | 1,565,934 |
| IMF allocation of Special Drawing Rights | 20d | 400,402 | 399,802 | 401,779 | 400,402 | 399,802 | 401,779 |
| IMF related liabilities | 20c | 412,028 | 421,878 | 433,136 | 412,028 | 421,878 | 433,136 |
| Employee benefit liabilities | 32 | 66,715 | 65,373 | 95,861 | 66,492 | 64,649 | 95,777 |
| Current income tax payable | 18 | 475 | 605 | 1,375 | - | - | - |
| Deferred tax liabilities | 18 | 2,834 | 3,024 | 2,048 | - | - | - |
| Other liabilities | 33 | 928,863 | 868,397 | 605,730 | 918,000 | 855,181 | 590,605 |
| **Total liabilities** | | 13,455,521 | 12,353,199 | 9,549,161 | 13,441,129 | 12,335,632 | 9,530,538 |
| **Equity** | | | | | | | |
| Share capital | 34 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Retained earnings | 34 | 491,058 | 420,342 | 1,036,314 | 447,433 | 380,552 | 1,002,739 |
| Available-for-sale reserve | 34 | 951 | 571 | 2 | (58) | 27 | (15) |
| Foreign currency translation reserve | 34 | (4,177) | (1,441) | - | - | - | - |
| **Equity attributable to equity holders of the Bank** | | **492,832** | **424,472** | **1,041,316** | **452,375** | **385,579** | **1,007,724** |
| Non-controlling interests | | 7,358 | 7,317 | 6,534 | - | - | - |
| **Total equity** | | **500,190** | **431,789** | **1,047,850** | **452,375** | **385,579** | **1,007,724** |
| **Total liabilities and equity** | | **13,955,711** | **12,784,988** | **10,597,011** | **13,893,504** | **12,721,211** | **10,538,262** |

The accompanying notes on pages 12 to 104 form an integral part of these consolidated and separate financial statements

The financial statements on pages 6 to 104 were approved and authorised for issue by the Board of Directors on 21 MAY 2015 and were signed on its behalf by

| | | |
|---|---|---|
| | Godwin I. Emefiele (CON)<br>FRC/2013/IODN/00000001080 | Governor |
| | Adebayo Adelabu<br>FRC/2012/ICAN/00000002303 | Director |
| | Jonah O. Otunla | Director |
| | Anastasia M. Daniel-Nwaobia | Director |

**CENTRAL BANK OF NIGERIA**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| GROUP | Attributable to the equity holders of the Bank | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Retained earnings | Available-for-sale reserve | Foreign currency translation reserve | Total | Non-controlling interests | Total equity |
| | N'million | N'million | N'million | N'million | N'million | N'million | N'million |
| **As at 1 January 2013** | **5,000** | **420,342** | **571** | **(1,441)** | **424,472** | **7,317** | **431,789** |
| Net income for the year | - | 213,512 | - | | 213,512 | 50 | 213,562 |
| Other comprehensive income: | | | | | | | |
| Change in fair value of available-for-sale financial assets | - | - | (85) | - | (85) | - | (85) |
| Re-measurement gains on defined benefit plans (Note 32) | - | 9,545 | - | - | 9,545 | (9) | 9,536 |
| Share of other comprehensive income/(loss) of associates | - | 13 | 465 | (2,736) | (2,258) | | (2,258) |
| **Total comprehensive income/(loss)** | **-** | **223,070** | **380** | **(2,736)** | **220,714** | **41** | **220,755** |
| Transfer to Federal Government of Nigeria (Note 33a) | - | (152,354) | - | - | (152,354) | - | (152,354) |
| **At 31 December 2013** | **5,000** | **491,058** | **951** | **(4,177)** | **492,832** | **7,358** | **500,190** |

| For the year ended 31 December 2012 | Attributable to the equity holders of the Bank | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Retained earnings | Available-for-sale reserve | Foreign currency translation reserve | Total | Non-controlling interests | Total equity |
| | N'million | N'million | N'million | N'million | N'million | N'million | N'million |
| **As at 1 January 2012** | **5,000** | **1,036,314** | **2** | **-** | **1,041,316** | **6,534** | **1,047,850** |
| Net (loss)/income for the year | - | (569,889) | - | - | (569,889) | 309 | (569,580) |
| Other comprehensive income: | | | | | - | | - |
| Change in fair value of available-for-sale financial assets | - | - | 42 | - | 42 | - | 42 |
| Remeasurement gains on defined benefit plans (Note 32) | - | 34,378 | - | - | 34,378 | (40) | 34,338 |
| Share of other comprehensive income of associates | - | (152) | 527 | (1,441) | (1,066) | - | (1,066) |
| **Total comprehensive (loss)/income** | **-** | **(535,663)** | **569** | **(1,441)** | **(536,535)** | **269** | **(536,266)** |
| Transfer to Federal Government of Nigeria (Note 33a) | - | (80,309) | - | - | (80,309) | - | (80,309) |
| Share issued to non-controlling interests | - | - | - | - | - | 514 | 514 |
| **At 31 December 2012** | **5,000** | **420,342** | **571** | **(1,441)** | **424,472** | **7,317** | **431,789** |

The accompanying notes on pages 12 to 104 form an integral part of these consolidated and separate financial statements.

**CENTRAL BANK OF NIGERIA**
**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**BANK**

| | Share capital | Retained earnings | Available-for-sale reserve | Total equity |
|---|---|---|---|---|
| | N'million | N'million | N'million | N'million |
| **As at 1 January 2013** | **5,000** | **380,552** | **27** | **385,579** |
| Net income for the year | - | 209,621 | - | 209,621 |
| Other comprehensive income: | | | | |
| Change in fair value of available-for-sale financial assets | - | - | (85) | (85) |
| Re-measurement gains on defined benefit plans (Note 32) | - | 9,614 | - | 9,614 |
| **Total comprehensive income/(loss)** | **-** | **219,235** | **(85)** | **219,150** |
| Transfer to Federal Government of Nigeria (Note 33a) | - | (152,354) | - | (152,354) |
| **At 31 December 2013** | **5,000** | **447,433** | **(58)** | **452,375** |

**For the year ended 31 December 2012**

| | Share capital | Retained earnings | Available-for-sale reserve | Total equity |
|---|---|---|---|---|
| | N'million | N'million | N'million | N'million |
| **As at 1 January 2012** | **5,000** | **1,002,739** | **(15)** | **1,007,724** |
| Net loss for the year | - | (576,574) | - | (576,574) |
| Other comprehensive income: | | | | |
| Change in fair value of available-for-sale financial assets | - | - | 42 | 42 |
| Remeasurement gains on defined benefit plans (Note 32) | - | 34,696 | - | 34,696 |
| **Total comprehensive (loss)/income** | **-** | **(541,878)** | **42** | **(541,836)** |
| Transfer to Federal Government of Nigeria (Note 33a) | - | (80,309) | - | (80,309) |
| **At 31 December 2012** | **5,000** | **380,552** | **27** | **385,579** |

The accompanying notes on pages 12 to 104 form an integral part of these consolidated and separate financial statements.

**CENTRAL BANK OF NIGERIA**
**CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Notes | N'million | N'million | N'million | N'million |
| **Cash flows from operating activities** | 35 | (459,037) | 1,875,294 | (460,753) | 1,878,117 |
| Income tax paid | 18 | (473) | (341) | - | - |
| Employee defined benefit paid | | (8,162) | (12,264) | (8,149) | (12,249) |
| **Net cash flows (used in)/from operating activities** | | **(467,672)** | **1,862,689** | **(468,902)** | **1,865,868** |
| **Cash flows from investment activities** | | | | | |
| Proceeds from redemption of investment securities | | 244,582 | (207,799) | 244,582 | (207,799) |
| Addition to equity interest in associated entities | | (4,947) | - | (4,947) | - |
| Addition to equity interest in subsidiary | | - | - | - | (10,186) |
| Purchase of property, plant and equipment | 27 | (55,831) | (50,241) | (52,877) | (44,878) |
| Proceeds from sale of investment in Pacific Printing Limited | 28 | - | 160 | - | - |
| Proceeds from sale of property, plant and equipment | | 18 | 1,515 | 3 | 1,480 |
| Purchase of Intangible assets | 26 | (3,489) | (6,723) | (3,489) | (6,723) |
| **Net cash flows from/(used in) investing activities** | | **180,333** | **(263,088)** | **183,272** | **(268,106)** |
| **Cash flows from financing activities** | | | | | |
| Surplus paid to the Federal Government of Nigeria | 33a | (30,195) | (114,236) | (30,195) | (114,236) |
| **Net cash flows used in financing activities** | | **(30,195)** | **(114,236)** | **(30,195)** | **(114,236)** |
| Net change in cash and cash equivalents | | (317,534) | 1,485,365 | (315,825) | 1,483,526 |
| Net foreign exchange difference | 9 | 17,119 | (12,190) | 17,145 | (12,206) |
| Cash and cash equivalents at 1 January | 19e | 5,756,724 | 4,283,549 | 5,747,097 | 4,275,777 |
| **Cash and cash equivalents at 31 December** | 19e | **5,456,309** | **5,756,724** | **5,448,417** | **5,747,097** |
| **Operational cash flows from interest and dividends** | | | | | |
| Interest paid | | 539,723 | 326,652 | 539,688 | 326,511 |
| Interest received | | 450,606 | 395,476 | 450,512 | 395,379 |
| Dividend received | | 2,761 | 1,813 | 2,761 | 1,414 |

The accompanying notes on pages 12 to 104 form an integral part of these consolidated and separate financial statements.

## 1. General information

The Central Bank of Nigeria ("CBN" or "the Bank") is the apex regulatory authority of the banking system in Nigeria. It was established by the Central Bank of Nigeria Act of 1958, as repealed by the Central Bank of Nigeria Act No. 7 of 2007. It commenced operation on 1 July 1959.

The consolidated and separate financial statements of the Group for the year ended 31 December 2013 comprises the Bank, its subsidiary and associates (together referred to as the "Group").

The Bank is wholly owned by the Federal Government of Nigeria. The Group is a Government Business Entity (GBE). The principal objectives of the Group are to:

· Issue legal tender currency in Nigeria;
· Maintain external reserves to safeguard the international value of the legal tender currency;
· Promote monetary stability and a sound financial system in Nigeria; and
· Act as banker and provide economic and financial advice to the Federal Government of Nigeria.
· Production of Nigerian bank notes and coins together with security documents & products for other business .
· Manufacture and importation of printing ink and the provision of technical services.

The Bank is incorporated and domiciled in Nigeria. Its head office is at Plot 33, Abubakar Tafawa Balewa Way, Central Business District, Abuja.

The Bank holds 88.73% of the share capital of Nigerian Security Printing and Minting Plc (NSPM). The subsidiary is involved in the production of Nigerian bank notes and coins together with security documents and products for other businesses.

The consolidated and separate financial statements of Central Bank of Nigeria and its subsidiary (collectively, the Group) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of directors on 21 May 2015.

## 2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

***Statement of compliance***

The consolidated and separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For all periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with its accounting framework. These consolidated and separate financial statements for the year ended 31 December 2013 are the first the Group has prepared in accordance with IFRS. Refer to Note 41 for information on how the Group adopted IFRS.

The consolidated and separate financial statements have been prepared on a historical cost basis, except for available–for– sale (AFS) financial assets, held for trading financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in naira and all values are rounded to the nearest million (N'm), except when otherwise indicated.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying IFRS accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.26

### 2.2 Basis of consolidation

The consolidated and separate financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

· Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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 its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
· The contractual arrangement with the other vote holders of the investee
· Rights arising from other contractual arrangements
· The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
· Derecognises the assets (including goodwill) and liabilities of the subsidiary
· Derecognises the carrying amount of any non-controlling interests
· Derecognises the cumulative translation differences recorded in equity
· Recognises the fair value of the consideration received
· Recognises the fair value of any investment retained
· Recognises any surplus or deficit in profit or loss
· Reclassifies the parent's share of components previously recognised in OCI to income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

***Presentation of financial statements***

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non–current) was presented in the respective notes for assets and liabilities.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

**2.3 Investment in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

### 2.4 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### (a) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available– for–sale interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### (b) Fees and commission income

Fees and commissions represent income from processing currency, Bureau de change application and registration, commission on fund transfers and other Banks and financial institutions application and licensing fees. It also includes income from buying and selling foreign currency and other related transactions.

#### (c) Dividend income

This is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

#### (d) Net trading income

This comprises of gains and losses related to trading financial assets and includes all realised and unrealised fair value changes and foreign exchange differences.

**(e ) Agency income**

Agency commission is recognised when such income is earned by the Group. Agency income is recognised within 'other operating income' in the income statement.

**(f ) Intervention activities**

Intervention activities are those carried out by the Group in the construction of infrastructure in various tertiary and secondary schools around the country.

The Group also carries out intervention activities by providing below market interest rate loans to financial institutions in pursuit of its objective of ensuring financial system stability. These below market interest rate loans are fair valued at inception, using the prevailing market interest rate and the fair value adjustments are recognised as prepaid intervention expenses which are amortised over the tenor of the below market interest rate loans. All expenses related to intervention activities are recognised in the income statement in the period it is incurred.

## 2.5 Taxes

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
·When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

· In respect of taxable temporary differences associated with investments in subsidiary and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
·When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
·In respect of deductible temporary differences associated with investments in subsidiary and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and deferred tax liabilities are derived from the Group's subsidiary (Nigerian Securities, Printing and Minting Company)

**Value added tax**

Expenses and assets are recognised net of the amount of value added tax, except:
·When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

·When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**2.6 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements of the Group are presented in Nigerian naira, which is the functional currency of the Group.

**(b) Transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or income statement are also recognized in other comprehensive income or income statement, respectively).

**2.7 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(a) Financial assets**

**Initial recognition and measurement**

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss(including those designated as at fair value through profit or loss and those held for trading), loans and receivables, held-to-maturity investments, available-for-sale financial assets. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into four categories:
• Financial assets at fair value through profit or loss
• Loans and receivables
• Held-to-maturity investments
• Available-for-sale financial investments

***(i) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in Net trading (expense)/income.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term. The externally managed investment falls within this category as it has been classified as held for trading. However, this is presented as part of external reserves in the statement of financial position.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Group's loans and receivables comprise overdraft balances and short term advances, staff loans, loans to Deposit Money Banks on Commercial Agricultural Credit Scheme, advances to Federal Mortgage Bank of Nigeria, long term loans, Bank of Industry Debenture and 6% Perpetual Debentures in Nigerian Export Import Bank, Asset Management Corporation of Nigeria (AMCON) Notes and bonds, Nigerian treasury bonds, trade and other receivable and cash and cash equivalents.

***(iii) Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest and similar income in the income statement. The losses arising from impairment are recognised in income statement as loan impairment expense. The held-to-maturity investments of the Group are the Nigerian treasury bills, FGN bonds and the internally managed investments within the external reserves.

If the Group were to sell or reclassify more than an insignificant amount of held–to–maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available–for–sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

***(iv) Available-for-sale (AFS) financial investments***

AFS investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held–for–trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans or receivables as AFS. Available-for-sale financial investments of the Group include investments in equity (unquoted), investments in treasury bills and investment in debt securities (bonds) issued locally and foreign.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in Other Comprehensive Income (OCI) and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. 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.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

**'Day 1' profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

**Reclassification of financial assets**

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

The Group may reclassify a non–derivative trading asset out of the 'held–for–trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

**Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:
• The rights to receive cash flows from the asset have expired, or
• the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

***(i) Financial assets carried at amortised cost***

For financial assets carried at amortised cost (such as loans and receivables as well as held–to–maturity investments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, 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, 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.

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralised 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 purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of 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 on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

***(ii) Available–for–sale (AFS) financial investments***

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as AFS, the Group assesses individually whether an there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in income statement.

For unquoted equity instruments measured at cost, the Group assesses individually whether an objective evidence of impairment loss has been incurred on such an asset. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through the income statement.

***Renegotiated loans***

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

***Collateral valuation***

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. The collateral that is required by the Group is treasury bills, FGN Bonds and AMCON Bonds and other financial assets (See Note 3.2.2 for further analysis of collateral).

***Collateral repossessed***

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy.

**(b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include deposit accounts, Central Bank of Nigeria instruments, IMF related liabilities, financial guarantee contracts, derivative financial instruments, borrowings and trade and other payables.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

***(i) Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. the Group has not designated any financial liability as at fair value through profit or loss.

***(ii) Financial liabilities at amortised cost***

Financial instruments issued by the Group, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

***(iii) Deposits***

The Group's deposits are categorized into Government deposits and Financial institution deposits.

***Government deposits***

These are current accounts maintained by Government parastatal and ministries. They are measured at amortised cost (amount placed) and are interest free.

**Financial Institution deposits are classified into:**

***Current account deposits***

These are deposits held by the Group on behalf of Deposit Money Banks. They are measured at amortised cost and are interest free.

***Reserve account deposits***

These are statutory deposits made by Deposit Money Banks to the Group. They are measured at amortised cost and are interest free.

***Standing deposit facility***

These are short term placements made by Deposit Money Banks. They are measured at amortised cost with interest accruing on an effective interest rate basis.

**(iv) Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

**(v) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in income statement.

**(c ) Derivative financial instruments**

**Initial recognition and subsequent measurement**

The Group holds financial instruments, such as futures and forward currency contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the income statement as Net trading income. Any gains or losses arising from changes in the fair value of derivatives are taken directly to income statement. The derivative financial instruments of the Group include the currency forward swap and the future and forward contracts within the externally managed investment. The derivatives within the externally managed investment are presented as part of external reserves while the currency forward swap contract is presented as financial assets at fair value through profit or loss.

**2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all the expenses that were necessarily incurred, based on the normal level of activity, to bring the items to their present location and condition.

Net realisable value is defined as the proceeds less any costs and taxes directly incurred in the disposal of the item.

Raw material costs are recognised on a first in first out basis. Finished goods and work in progress costs are computed using the average cost of materials and labour plus an appropriate proportion of overheads, based on normal levels of activity.

**2.9 Cash and cash equivalents**

Cash and cash equivalents as referred to in the statement of cash flows comprise deposit held at call with banks, other short term highly liquid investment, bank overdraft, cash portion of investments in foreign securities, bank balances with foreign banks, sundry currencies balances and time deposits which are readily convertible into cash with a maturity of three months or less.

*(All amounts are in millions of Naira, unless otherwise stated)*

### 2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

Depreciation is calculated on straight-line base on the following depreciation rate:

| **Asset category** | **Depreciation rate (%)** |
|---|---|
| Land and buildings: | |
| - Central air conditioners | 4 |
| - Lifts | 4 |
| - Buildings | 2 |
| Motor vehicles: | |
| - Buses | 12½ |
| - Cars | 16.7-20 |
| - Lorries | 10 |
| Plant and equipment: | |
| - Air conditioners, generators and water pumps | 15 |
| - Currency processing machines | 10 |
| Plant and machinery | 5 |
| Furnitures and fittings | 10-20 |
| Computer equipment | 33⅓ |
| Laboratory equipment | 5 |

The Group commences depreciation when the asset is available for use. Land is not depreciated.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred .

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in income statement in amortisation of intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

***Research and development costs***

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:
• The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
• Its intention to complete and its ability to use or sell the asset
• How the asset will generate future economic benefits
• The availability of resources to complete the asset
• The ability to measure reliably the expenditure during development
• The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in income statement. During the period of development, the asset is tested for impairment annually.

The annual amortisation rate generally in use for the current and comparative year is as follows:

| | |
|---|---|
| • Computer software | 25-33⅓ |

**2.12 Impairment of non–financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the income statement.

**2.13 External reserves**

The Group maintains a reserve of external assets consisting of Gold, Convertible currencies, Other foreign securities and International Monetary Fund (IMF) reserve tranche.

**Gold**
Gold reserves are held for long-term purposes and are not being traded. It is carried at the lower of cost or net realisable value.

**Convertible currencies**
These are time deposits and balances with foreign banks and other foreign securities where the currency is freely convertible and in such currency, notes, coins and money at call.

***Other foreign securities***

These are securities of any country outside Nigeria whose currency is freely convertible and the securities shall mature in a period not exceeding five years from the date of acquisition.

These securities are further analysed into internally managed fund and externally managed fund. Internally managed fund is classified as held-to-maturity due to the intention of the Group to hold them to maturity while the externally managed fund is classified as held for trading investment. The externally managed fund also includes derivative instruments. (Refer to policy on financial instruments in Note 2.7 on how it is being measured).

All external reserve balances at year end are converted into Naira in accordance with the policy in Note 2.6.

### 2.14 Fair value measurement

The Group measures financial instruments, such as derivatives, investment in financial instruments classified as available-for-sales and investments in financial instruments classified as held for trading at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

| | |
|---|---|
| • Disclosures for valuation methods, significant estimates and assumptions | Notes 3.5 and 2.27 |
| • Quantitative disclosures of fair value measurement hierarchy | Note 3.5 |
| • Financial instruments (including those carried at amortised cost) | Note 3.5 |

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 2.15 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money. The other assets in the consolidated financial statements include the following:

***(a) Prepayments***

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortised over the period in which the service is to be enjoyed.

***(b) Other receivables***

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

**2.16 Employee benefits**

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment benefits.

**Pensions and other post- employment benefits**

***(a) Defined contribution pension plan***

The Group operates a defined contribution and pension plan in accordance with the Pension Reform Act. 2004. Under the plan, the employee contributes between 5% to 7.5% and 15% to 18% of basic salary, housing and transport allowances. Pension remittances are made to various PFAs on behalf of the Group staff on a monthly basis. the Group has no further payment obligations once the contributions have been paid. Contribution payable is recorded as an expense under 'personnel expenses'. Unpaid contributions are recorded as a liability.

***(b) Defined benefit schemes***

The Group also operates defined benefit plans which include pension scheme (for pensioners who resigned before 30 June 2011 and those who had not reached pensionable age), gratuity scheme and post-retirement medical benefits. The defined benefit pension scheme is funded which requires contributions to be made to a separately administered fund. Other benefits are unfunded.

The Group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to income statement in subsequent periods.

Past service costs are recognised in income statement on the earlier of:
• The date of the plan amendment or curtailment, and
• The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. the Group recognises the following changes in the net defined benefit obligation under 'personnel cost' in income statement:
• Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
• Net interest expense or income

***(c) Other long term employment benefits***

These are all employee benefits other than post employment benefits and termination benefits which includes long service awards.

The amount recognised as the liability is the net total at the end of the reporting period of the present value of the defined benefit obligation. The net total of the service cost, net interest and remeasurement of the defined benefit liability are recognised in the income statement.

### 2.17 Provisions

#### *(a) General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as other operating expenses.

#### *(b) Leave pay accrual*

Leave pay accrual at the reporting date represents the present obligation to employees as a result of employees' services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the leave entitlement that has accumulated at the reporting date.

### 2.18 International Monetary Fund (IMF) Related Transactions

The Group, on behalf of the Federal Government of Nigeria, manages assets and liabilities in respect of Special Drawing Rights (SDRs) with the International Monetary Fund (IMF). Exchange gains and losses arising from translation of SDRs at period ends are treated in accordance with note 2.6 above.

The Group presents the holdings and allocations of the IMF SDR as an asset and liability respectively on the statement of financial position. These have been accounted for as financial instruments in accordance with IAS 39. The holdings of the IMF SDR are classified as financial asset measured at amortised cost while the allocations of SDR are classified as financial liabilities at amortised cost.

#### *(a) Holdings of Special Drawing Rights (SDRs)*

The value of holdings from the IMF changes on the basis of foreign exchange transactions between the member countries. In addition, its value is affected by interests earned and paid as well as remuneration on the Group claims in the IMF. SDR are presented at their nominal value plus interest accruing on SDR holdings and remuneration receivable, minus assessment fees and charges.

#### *(b) Allocations of Special Drawing Rights (SDRs)*

The allocation of SDRs takes the form of a counter account to IMF claims which are recorded based on their nominal value and presented in the statement of financial position as a liability.

#### *(c ) IMF Related liabilities*

IMF related liabilities represent other payables owed by the Group to the General Resources Account of IMF. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### *(d) Quota in IMF*

The quota in International Monetary Fund (IMF) is the reserve tranche held with the IMF by member states. The quota is treated as non-interest bearing instrument with no stated maturity. These are recognised initially at fair value and subsequently measured at amortised cost.

### 2.19 Bank notes and coins in circulation

Notes and coins issued are measured at cost as this liability does not have a fixed maturity date. the Bank notes and coins in circulation represent the nominal value of all bank notes held by the public and banks, including recalled, still exchangeable bank notes from previous series.

### 2.20 Statutory transfer to the Federal Government of Nigeria

In accordance with Section 22(1) and (2) of the Fiscal Responsibility Act (FRA) 2007, the Group makes an annual statutory transfer representing eighty percent of the operating surplus of the Bank for the year to the Federal Government of Nigeria not later than one (1) month following the deadline for the publication of the financial statements of the Group. The operating surplus of the Bank is the remaining sum from its income and other receipts after meeting all expenditures as approved by the Board of Directors. The transfer is presented in the statement of changes in equity of the Bank.

### 2.21 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

### 2.22 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly stated in an arrangement.

***Group as a lessee***

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as other operating expenses in income statement on a straight-line basis over the lease term.

***Group as a lessor***

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The Group leases four office spaces within its head office building and earns rentals which is recognised as income in the period to which it relates.

Contingent rents are recognised as income in the period in which they are earned.

### 2.23 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Prior to being classified as held for sale, the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale, it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

### 2.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders.

### 2.25 Standards issued but not yet effective

The International Financial Reporting Standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since the Group does not have defined benefit plans with contributions from employees or third parties.

***Amendments to IAS 32- Offsetting Financial Assets and Financial Liabilities***

Effective for annual periods beginning on or after 1 January 2014. The amendments must be applied retrospectively. The amendments to IAS 32 Financial Instruments: Presentation clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. These amendments do not have any impact on the current Group's financial statements.

***Amendments to IAS 1- IAS 1 Disclosure Initiative***

Effective for annual periods beginning on or after 1 January 2016. Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates. The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of comprehensive income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. These amendments will impact the Group's financial statements presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

***Amendments to IAS 27: Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

***Annual improvements 2010-2012 Cycle***

These improvements are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the Group. They include:

***IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

***IAS 24 Related Party Disclosures***

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

***Annual improvements 2011-2013 Cycle***

These improvements are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the Group. They include:

***IFRS 13 Fair Value Measurement***

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

***Annual improvements 2012-2014 Cycle***

**Discount rate: regional market issue**

- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- The amendment must be applied prospectively.

**2.26 Significant accounting judgments, estimates and assumptions**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management — Note 4
- Financial risk management and policies — Note 3
- Sensitivity analyses disclosures — Notes 3.4.3 and 33

***Judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

***Operating lease commitments – Group as lessee***

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. the Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***Fair value measurement of financial instruments***

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 3.5 for further disclosures.

***Impairment losses on loans and receivables***

The Group reviews its individually significant loans and receivable at each reporting date to assess whether an impairment loss should be recorded in income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including country risk and the performance of different individual groups).

***Impairment of available–for–sale financial assets***

The Group reviews its available–for–sale debt and equity securities for impairment at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and receivables.

***Defined benefit plans***

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management assumption with reference to the yields on Nigerian Government bonds, as compiled by the Debt Management Office were used since there is no deep market in corporate bonds in Nigeria. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on pre-retirement mortality: A49/52 ultimate tables and post-retirement mortality: A55 ultimate tables. Future salary increases is based on expected future inflation rates.

Further details about defined benefit obligations are given in Note 33.

***Financial assets and liabilities classification***

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

Details of the Group's classification of financial assets and liabilities are given under the accounting policies in relating to financial instruments.

***Investment in subsidiaries and associates classification***

The Group has a number of equity investments. It assessed the extent to which it has control or significant influence over those investees. The process of determining the existence of control or significant influence over the investees is an area that required the exercise of judgement. Some of the investees were set up by specific legislation hence, which required judgement to be exercised in determining whether the Group had control or significant influence over the investee entities.

***Depreciation and carrying value of property, plant and equipment***

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

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

***Taxes***

The Bank is not subject to tax but the subsidiary (Nigerian Security, printing and Minting Plc) is subject to tax. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

***Development costs***

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

The development costs that were capitalised by the Group relates to those arising from the development of computer software.

## 3. Financial risk management and financial instruments classification

In carrying out activities related to its mandate, the Bank is exposed to a broad range of risks including operational, credit, market (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity and commodity price risks), liquidity, policy and reputational risks. The Bank is committed to maintaining these risks at a level that does not constrain it from achieving its set objectives.

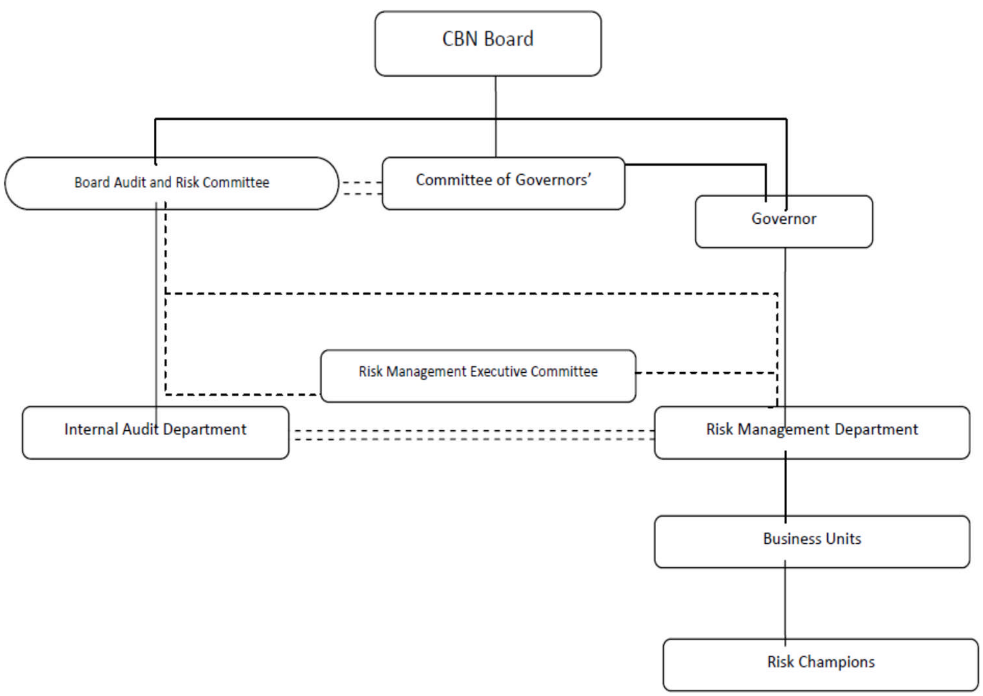
In line with the above, the Bank has adopted an Enterprise wide approach to Risk Management. Enterprise Risk Management (ERM) provides an integrated platform for managing risk across all its operations. This approach ensures uniformity and consistency of risk management processes and the ability to aggregate risks across the Bank.

An ERM framework which defines the Bank's methodologies for risk identification, assessment and risk response strategies in line with the Bank's risk appetite is under review**.** The framework is based on the following key principles.
• Risk management is owned and driven by the CBN Board of Directors;
• Risk considerations should be a key factor in decisions making; and
• Risk management is everyone's business

**Risk governance structure**

The CBN Board of Directors has overall responsibility for Risk Management in the Bank. A number of key risk management functions have been delegated to the Investment Committee and Board Audit & Risk Committee (BARC).
The Committee of Governors (COG) has overall executive responsibility for risk management and is accountable to the Board for ensuring adequate risk management structures and processes are in place.

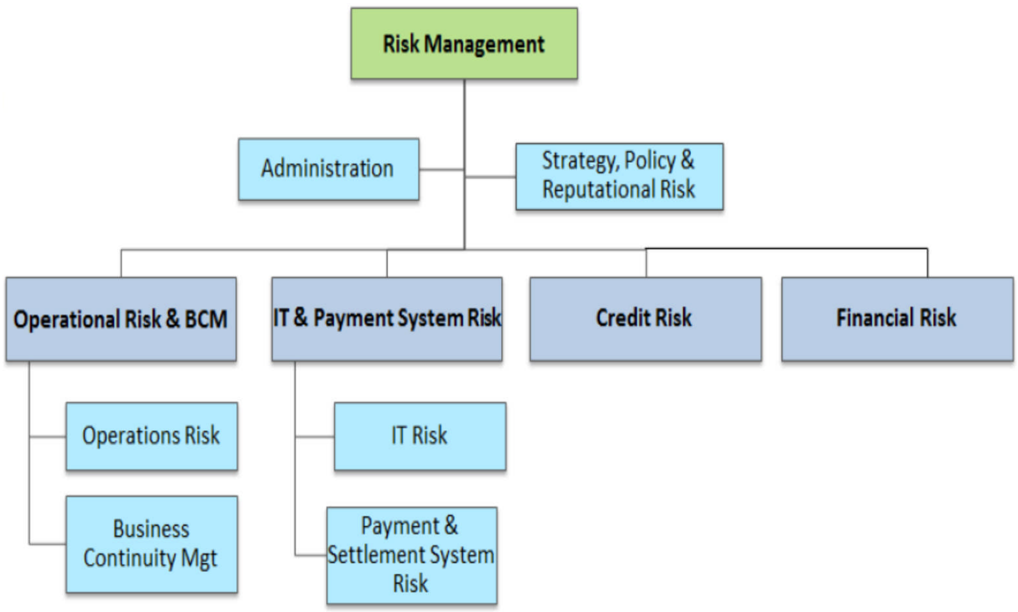
The Bank's Risk Governance Structure is as shown below:



### 3. Financial risk management and financial instruments classification (continued)

The risk management function of the Bank is coordinated by the Risk Management Department which has the following mandates:
(1) implements risk management framework for identifying, managing, monitoring and controlling the risks that could impede the fulfilment of the Bank's mandate; and
(2) promote a strong corporate governance, risk culture and expertise across the Bank.

The department's organisational structure is as shown below:




The ERM governance structure defines the ownership, accountability and responsibilities for each component of the Bank's risk management approach. Below are the key roles and responsibilities as defined in the ERM framework:

**The Board**
a. Approves the risk strategy for the Bank based on recommendations of the BARC
b. Sets the Bank's risk appetite i.e. risk parameters and tolerances within which the Bank conducts its activities, and approves risk systems for management and monitoring of the Bank's risks profile.
c. Determines and periodically reviews key Bank policies and processes to ensure that they are appropriate for the achievement of the Bank's mandate and strategic objectives.
d. Monitors the enterprise risk profile, risk exposures, risk management initiatives, reviews risk reports and Institutes appropriate risk reward systems in line with the Bank's risk appetite.

**The Board Audit & Risk Committee (BARC)**
a. Reviews and recommends the risk strategy, appetite and reports to the Board for approval on an annual basis or as may be required.
b. Assists the Board in fulfilling its oversight responsibilities with respect to risk management and ensures that roles and responsibilities for risk management are clearly defined.
c. Monitors enterprise risk profile, risk exposures, and risk management initiatives and recommends to the Board risk systems and solutions to facilitate the management and monitoring of risks bank-wide.

**Committee of Governors (COG)**
a. Ensures that sufficient resources are deployed for the management of risk across the Bank.
b. Considers risk reports and approves remedial actions, or recommends risk treatment options to the Board as appropriate supervises the implementation of risk treatment plans.
c. Monitors the risk profile to ensure that it is within the Bank's risk appetite.

## 3. Financial risk management and financial instruments classification (continued)

**Risk Management Executive Committee (RM Exco)**

a. Recommends risk strategy and appetite for Board Audit & Risk Committee (BARC) consideration.
b. Promotes the implementation of risk management strategies, initiatives and policies
c. Reviews and recommends risk limits.
d. Reviews the assessment of risk exposures and makes appropriate recommendations.

**Risk Management Department (RMD)**

a. Coordinates the implementation of risk management strategies, initiatives and policies
b. Monitors risk limits and makes recommendations as appropriate.
c. Facilitates risk assessments and makes recommendations as appropriate.
d. Recommends appropriate risk reward system
e. Manages the Enterprise Risk Register
f. Facilitates risk data gathering, verification and aggregation.

**Risk Management Core Processes**

| | |
|---|---|
| Strategy Policy and Reputational Risk | • Policy Gap/Impact Analysis<br>• Strategic Risk Assessment<br>• Conduct Risk Surveys<br>• Monitor Key Risk Indicators<br>• Reputational Risk Assessment<br>• Coordinate Chief Risk Officers (CRO) Forum<br>• Coordinate Key Risk Indicator reporting |
| Credit Risk | • Profile Sovereign & Counterparty risk<br>• Review Strategic Asset Allocation<br>• Evaluate Bank's Credit Risk exposure<br>• Develop & Review Credit Risk Framework<br>• Review Investment Policy & Limits<br>• Provide Risk Advisory to Investment Committee |
| Market and Liquidity risk | • CBN Balance Sheet Analysis<br>• Macroeconomic Risk Analysis<br>• Income Analysis<br>• New Instruments/Products Analysis<br>• Provide Risk Advisory Input into Monetary Policy Technical Committee (MPTC) |
| IT & Payment Systems Risk | • IT Vulnerability Analysis<br>• Monitor IT Risk Indicators<br>• New Systems Analysis<br>• Information Security Certification<br>• Payment System Risk Assessment<br>• IT & Payment System Incidents Resolution |
| Operational Risk and Business Continuity | • Risk Control Self Assessments<br>• Coordinate Risk Control Network (RCN)<br>• Maintain Enterprise Risk Register<br>• Coordinate Implementation of Enterprise Risk Management (ERM) Framework and policies<br>• Coordinate Business Continuity Management |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

### 3.1 Financial instruments by category

Financial assets are classified between four measurement categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity.

Financial liabilities are classified into two measurement categories: held at fair value through profit or loss (comprising trading and designated) and other liabilities at amortised cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form, except for instruments that are held for trading purposes and those that the Group has designated to hold at fair value through the profit and loss account. The latter are combined on the face of the statement of financial position and disclosed as financial assets or liabilities held at fair value through profit or loss.

The Group's classification of its principal financial assets and liabilities is summarised in the table below.

**Financial assets**

| **Group** | **At fair value through profit or loss** | **Available-for-sale** | **Held to maturity** | **Loans and receivables** | **Total** |
|---|---|---|---|---|---|
| **31 December 2013** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **External reserves:** | | | | | |
| Current accounts with foreign banks | - | - | - | 641,975 | 641,975 |
| Time deposits and money placements | - | - | - | 3,785,567 | 3,785,567 |
| Domiciliary accounts | - | - | - | 506,949 | 506,949 |
| Sundry currencies and travellers' cheques | - | - | - | 58,375 | 58,375 |
| Short term deposits | - | - | - | 55,200 | 55,200 |
| Debt securities: | | | | | |
| - Held for trading | 1,507,540 | - | - | - | 1,507,540 |
| - Held to maturity | - | - | 77,996 | - | 77,996 |
| Derivatives | | | | | |
| - Forward contracts | 9,169 | - | - | - | 9,169 |
| **IMF Holdings of Special Drawing Rights:** | | | | | |
| Holdings of Special Drawing Rights | - | - | - | 400,351 | 400,351 |
| Quota in IMF | - | - | - | 412,015 | 412,015 |
| Loans and receivables | - | - | - | 4,392,773 | 4,392,773 |
| Other receivables | - | - | - | 3,247 | 3,247 |
| Cash and bank balances in subsidiary | - | - | - | 7,892 | 7,892 |
| Deposit for shares | - | - | - | 2100 | 2,100 |
| Available for sale equity investments | - | 1,380 | - | - | 1,380 |
| **Local debt instruments** | | | | | |
| - Nigerian Treasury Bills | - | 3,027 | 57,503 | - | 60,530 |
| - FGN Bonds | - | 133 | 111,891 | - | 112,024 |
| | **1,516,709** | **4,540** | **247,390** | **10,266,444** | **12,035,083** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

| **Financial liabilities** | **Other financial liabilities at amortised cost** | **Liabilities at fair value through profit and loss** | **Total** |
|---|---|---|---|
| **Group** | **N'million** | **N'million** | **N'million** |
| **31 December 2013** | | | |
| **Deposits:** | | | |
| Government deposits | 1,584,437 | - | 1,584,437 |
| Other accounts | 1,099,950 | - | 1,099,950 |
| Financial institutions- Current and settlement accounts | 1,227,870 | - | 1,227,870 |
| Financial institutions - Banks' reserve accounts | 2,216,552 | - | 2,216,552 |
| **IMF related liabilities:** | | | |
| IMF related liabilities | 412,028 | - | 412,028 |
| IMF allocation of Special Drawing Rights | 400,402 | - | 400,402 |
| **Central Bank of Nigeria Instruments:** | | | |
| Central Bank of Nigeria Promissory Notes | 461 | - | 461 |
| Open Market Operations - Central Bank of Nigeria Bills | 3,738,632 | - | 3,738,632 |
| Bank notes and coins in circulation | 1,776,302 | - | 1,776,302 |
| Derivatives arising from forward exchange contracts | | - | - |
| **Other liabilities:** | | | |
| Accrued charges | 23,685 | - | 23,685 |
| Surplus payable to Federal Government of Nigeria | 152,654 | - | 152,654 |
| Sundry payables | 746,124 | - | 746,124 |
| Trade payables | 1,144 | | 1,144 |
| | **13,380,241** | **-** | **13,380,241** |

| **Financial assets** **Group** | **At fair value through profit or loss** | **Available-for-sale** | **Held to maturity** | **Loans and receivables** | **Total** |
|---|---|---|---|---|---|
| **31 December 2012** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **External reserves:** | | | | | |
| Current accounts with foreign banks | - | - | - | 863,901 | 863,901 |
| Time deposits and money placements | - | - | - | 3,751,645 | 3,751,645 |
| Domiciliary accounts | - | - | - | 605,833 | 605,833 |
| Sundry currencies and travellers' cheques | - | - | - | 105,535 | 105,535 |
| Short term deposits | - | - | - | 20,431 | 20,431 |
| Debt securities: | | | | | |
| - Held for trading | 1,557,405 | - | - | - | 1,557,405 |
| - Held to maturity | - | - | 76,730 | - | 76,730 |
| Derivatives | | | | | |
| - Forward contracts | 13,283 | - | - | - | 13,283 |
| **IMF Holdings of Special Drawing Rights:** | | | | | |
| Holdings of Special Drawing Rights | - | - | - | 399,754 | 399,754 |
| Quota in IMF | - | - | - | 421,864 | 421,864 |
| Loans and receivables | - | - | - | 4,017,756 | 4,017,756 |
| Other accounts receivable | - | - | - | 3,427 | 3,427 |
| Cash and bank balances in subsidiary | - | - | - | 9,625 | 9,625 |
| Deposit for shares | | | | 4947 | 4,947 |
| Available-for-sale equity investments | - | 1,380 | - | - | 1,380 |
| **Local debt instruments** | | | | | |
| - Nigerian Treasury Bills | - | 2,836 | 238,534 | - | 241,370 |
| - FGN Bonds | - | 220 | 175,442 | - | 175,662 |
| | **1,570,688** | **4,436** | **490,706** | **10,204,718** | **12,270,548** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| Financial liabilities<br>Group | Other financial liabilities at amortised cost<br>N'million | Liabilities at fair value through profit and loss<br>N'million | Total<br>N'million |
|---|---|---|---|
| **31 December 2012** | | | |
| **Deposits:** | | | |
| Government deposits | 2,464,626 | - | 2,464,626 |
| Other accounts | 2,077,025 | - | 2,077,025 |
| Financial institutions- Current and settlement accounts | 527,492 | - | 527,492 |
| Financial institutions - Banks' reserve accounts | 1,301,333 | - | 1,301,333 |
| **IMF related liabilities:** | | | |
| IMF related liabilities | 412,028 | - | 412,028 |
| IMF allocation of Special Drawing Rights | 400,402 | - | 400,402 |
| **Central Bank of Nigeria Instruments:** | | | |
| Central Bank of Nigeria Promissory Notes | 11,658 | - | 11,658 |
| Open Market Operations - Central Bank of Nigeria Bills | 2,580,482 | - | 2,580,482 |
| Bank notes and coins in circulation | 1,631,504 | - | 1,631,504 |
| Derivatives arising from forward exchange contracts | | | - |
| **Other liabilities:** | | | |
| Accrued charges | 38,798 | - | 38,798 |
| Surplus payable to Federal Government of Nigeria | 30,495 | - | 30,495 |
| Sundry payables | 576,685 | - | 576,685 |
| Trade payables | 4,383 | | 4,383 |
| Bank borrowings and overdrafts | 1,696 | | 1,696 |
| Banking sector resolution sinking cost fund | 211,084 | - | 211,084 |
| | **12,269,691** | **-** | **12,269,691** |

| Financial assets<br>Group<br>1 January 2012 | At fair value through profit<br>N'million | Available-for-sale<br>N'million | Held to maturity<br>N'million | Loans and receivables<br>N'million | Total<br>N'million |
|---|---|---|---|---|---|
| **External reserves:** | | | | | |
| Current accounts with foreign banks | - | - | - | 1,468,602 | 1,468,602 |
| Time deposits and money placements | - | - | - | 1,486,515 | 1,486,515 |
| Domiciliary accounts | - | - | - | 809,914 | 809,914 |
| Sundry currencies and travellers' cheques | - | - | - | 59,127 | 59,127 |
| Short term deposits | - | - | - | 49,885 | 49,885 |
| Debt securities: | | | | | |
| - Held for trading | 1,468,684 | - | - | - | 1,468,684 |
| - Held to maturity | - | - | 76,994 | - | 76,994 |
| Derivatives | | | | | |
| - Futures contract | - | - | - | - | - |
| - Forward contracts | 7,317 | - | - | - | 7,317 |
| **IMF Holdings of Special Drawing Rights** | | | | | |
| Holdings of Special Drawing Rights | - | - | - | 401,734 | 401,734 |
| Quota in IMF | - | - | - | 433,744 | 433,744 |
| Loans and receivables | - | - | - | 3,594,907 | 3,594,907 |
| Other accounts receivable | - | - | - | 29,133 | 29,133 |
| Cash and bank balances in subsidiary | - | - | - | 7,772 | 7,772 |
| Deposit for shares | | | | 4,946 | 4,946 |
| Derivatives arising from forward exchange contracts | - | | | | - |
| Available-for-sale equity investments | - | 1,380 | - | - | 1,380 |
| **Local debt instruments** | | | | | |
| - Nigerian Treasury Bills | - | 1,852 | 120,344 | - | 122,196 |
| - FGN Bonds | - | 184 | 85,833 | - | 86,017 |
| | **1,476,001** | **3,416** | **283,171** | **8,346,279** | **10,108,867** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| **Financial liabilities**<br>**Group**<br>**1 January 2012** | **Other financial liabilities at amortised cost**<br>**N'million** | **Liabilities at fair value through profit and loss**<br>**N'million** | **Total**<br>**N'million** |
|---|---|---|---|
| **Deposits:** | | | |
| Government deposits | 2,239,204 | - | 2,239,204 |
| Other accounts | 1,597,799 | - | 1,597,799 |
| Financial institutions- Current and settlement accounts | 409,886 | - | 409,886 |
| Financial institutions - Banks' reserve accounts | 759,838 | - | 759,838 |
| **IMF related liabilities:** | | | |
| IMF related liabilities | 433,136 | - | 433,136 |
| IMF allocation of Special Drawing Rights | 401,779 | - | 401,779 |
| **Central Bank of Nigeria Instruments:** | | | |
| Central Bank of Nigeria Promissory Notes | 275 | - | 275 |
| Open Market Operations - Central Bank of Nigeria Bills | 1,436,305 | - | 1,436,305 |
| Bank notes and coins in circulation | 1,565,925 | - | 1,565,925 |
| **Other liabilities:** | | | |
| Accrued charges | 55,327 | - | 55,327 |
| Surplus payable to Federal Government of Nigeria | 64,422 | - | 64,422 |
| Sundry payables | 168,838 | - | 168,838 |
| Trade payables | 6,965 | - | 6,965 |
| Bank borrowings and overdrafts | 3,834 | - | 3,834 |
| Banking sector resolution sinking cost fund | 100,000 | - | 100,000 |
| Payable to Debt Management Office on Commercial Agricultural Credit Scheme | 200,000 | - | 200,000 |
| | **9,443,533** | **-** | **9,443,533** |

| **Financial assets**<br>**Bank**<br>**31 December 2013** | **At fair value through profit or loss**<br>**N'million** | **Available-for-sale**<br>**N'million** | **Held to maturity**<br>**N'million** | **Loans and receivables**<br>**N'million** | **Total**<br>**N'million** |
|---|---|---|---|---|---|
| **External reserves:** | | | | | |
| Current accounts with foreign banks | - | - | - | 641,975 | 641,975 |
| Time deposits and money placements | - | - | - | 3,785,567 | 3,785,567 |
| Domiciliary accounts | - | - | - | 506,949 | 506,949 |
| Sundry currencies and travellers' cheques | - | - | - | 58,375 | 58,375 |
| Short term deposits | - | - | - | 55,200 | 55,200 |
| Debt securities: | | | | | |
| - Held for trading | 1,507,540 | - | - | - | 1,507,540 |
| - Held to maturity | - | - | 77,996 | - | 77,996 |
| Derivatives | | | | | |
| - Forward contracts | 9,169 | - | - | - | 9,169 |
| **IMF Holdings of Special Drawing Rights:** | | | | | |
| Holdings of Special Drawing Rights | - | - | - | 400,351 | 400,351 |
| Quota in IMF | - | - | - | 412,015 | 412,015 |
| Loans and receivables | - | - | - | 4,392,324 | 4,392,324 |
| Other accounts receivable | - | - | - | 1,192 | 1,192 |
| Deposit for shares | | | | 2,100 | 2,100 |
| Derivatives arising from swap and forward exchange contracts | - | - | - | - | - |
| Available for sale equity investments | - | 1,380 | - | - | 1,380 |
| **Local debt instruments** | | | | | |
| - Nigerian Treasury Bills | - | 3,027 | 57,503 | - | 60,530 |
| - FGN Bonds | - | 133 | 111,891 | - | 112,024 |
| | **1,516,709** | **4,540** | **247,390** | **10,256,048** | **12,024,687** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

| **Financial liabilities** | **Other financial liabilities at amortised cost** | **Liabilities at fair value through profit and loss** | **Total** |
|---|---|---|---|
| **Bank** | **N'million** | **N'million** | **N'million** |
| **31 December 2013** | | | |
| **Deposits:** | | | |
| Government deposits | 1,584,437 | - | 1,584,437 |
| Other accounts | 1,099,950 | - | 1,099,950 |
| Financial institutions- Current and settlement accounts | 1,227,870 | - | 1,227,870 |
| Financial institutions - Banks' reserve accounts | 2,216,552 | - | 2,216,552 |
| **IMF related liabilities:** | | | |
| IMF related liabilities | 412,028 | - | 412,028 |
| IMF allocation of Special Drawing Rights | 400,402 | - | 400,402 |
| **Central Bank of Nigeria Instruments:** | | | |
| Central Bank of Nigeria Promissory Notes | 461 | - | 461 |
| Open Market Operations - Central Bank of Nigeria Bills | 3,738,632 | - | 3,738,632 |
| Bank notes and coins in circulation | 1,776,305 | - | 1,776,305 |
| Derivatives arising from forward exchange contracts | | - | - |
| **Other liabilities:** | | | |
| Accrued charges | 22,390 | - | 22,390 |
| Surplus payable to Federal Government of Nigeria | 152,654 | - | 152,654 |
| Sundry payables | 742,956 | - | 742,956 |
| | **13,374,637** | **-** | **13,374,637** |

**Financial assets**

| **Bank** | **At fair value through profit or loss** | **Available-for-sale** | **Held to maturity** | **Loans and receivables** | **Total** |
|---|---|---|---|---|---|
| **31 December 2012** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **External reserves:** | | | | | |
| Current accounts with foreign banks | - | - | - | 863,900 | 863,900 |
| Time deposits and money placements | - | - | - | 3,751,645 | 3,751,645 |
| Domiciliary accounts | - | - | - | 605,833 | 605,833 |
| Sundry currencies and travellers' cheques | - | - | - | 105,534 | 105,534 |
| Short term deposits | - | - | - | 20,431 | 20,431 |
| Debt securities: | | | | | |
| - Held for trading | 1,557,405 | - | - | - | 1,557,405 |
| - Held to maturity | - | - | 76,730 | - | 76,730 |
| Derivatives | | | | | |
| - Forward contracts | 13,283 | - | - | - | 13,283 |
| **IMF Holdings of Special Drawing Rights:** | | | | | |
| Holdings of Special Drawing Rights | - | - | - | 399,754 | 399,754 |
| Quota in IMF | - | - | - | 421,864 | 421,864 |
| Loans and receivables | - | - | - | 4,014,261 | 4,014,261 |
| Accounts receivable | - | - | - | 965 | 965 |
| Deposit for shares | - | - | - | 4,947 | 4,947 |
| Derivatives arising from forward exchange contracts | - | | | | - |
| Available-for-sale equity investments | - | 1,380 | - | - | 1,380 |
| **Local debt instruments** | | | | | |
| - Nigerian Treasury Bills | - | 2,836 | 238,534 | - | 241,370 |
| - FGN Bonds | - | 220 | 175,442 | - | 175,662 |
| | **1,570,688** | **4,436** | **490,706** | **10,189,134** | **12,254,964** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| **Financial liabilities**<br>**Bank** | **Other financial liabilities at amortised cost**<br>**N'million** | **Liabilities at fair value through profit and loss**<br>**N'million** | **Total**<br>**N'million** |
|---|---|---|---|
| **31 December 2012** | | | |
| **Deposits:** | | | |
| Government deposits | 2,464,626 | - | 2,464,626 |
| Other accounts | 2,077,025 | - | 2,077,025 |
| Financial institutions- Current and settlement accounts | 527,492 | - | 527,492 |
| Financial institutions - Banks' reserve accounts | 1,301,333 | - | 1,301,333 |
| **IMF related liabilities:** | | | |
| IMF related liabilities | 421,878 | - | 421,878 |
| IMF allocation of Special Drawing Rights | 399,802 | - | 399,802 |
| **Central Bank of Nigeria Instruments:** | | | |
| Central Bank of Nigeria Promissory Notes | 11,658 | - | 11,658 |
| Open Market Operations - Central Bank of Nigeria Bills | 2,580,482 | - | 2,580,482 |
| Bank notes and coins in circulation | 1,631,506 | - | 1,631,506 |
| **Other liabilities:** | | | |
| Accrued charges | 40,134 | - | 40,134 |
| Surplus payable to Federal Government of Nigeria | 30,495 | - | 30,495 |
| Sundry payables | 573,468 | - | 573,468 |
| Banking sector resolution sinking cost fund | 211,084 | - | 211,084 |
| | **12,270,983** | **-** | **12,270,983** |

| **Financial assets**<br>**Bank**<br>**1 January 2012** | **At fair value through profit or loss**<br>**N'million** | **Available-for-sale**<br>**N'million** | **Held to maturity**<br>**N'million** | **Loans and receivables**<br>**N'million** | **Total**<br>**N'million** |
|---|---|---|---|---|---|
| **External reserves:** | | | | | |
| Current accounts with foreign banks | - | - | - | 1,468,602 | 1,468,602 |
| Time deposits and money placements | - | - | - | 1,486,515 | 1,486,515 |
| Domiciliary accounts | - | - | - | 809,914 | 809,914 |
| Sundry currencies and travellers' cheques | - | - | - | 59,127 | 59,127 |
| Short term deposits | - | - | - | 49,885 | 49,885 |
| Debt securities: | | | | | |
| - Held for trading | 1,468,684 | - | - | - | 1,468,684 |
| - Held to maturity | - | - | 76,994 | - | 76,994 |
| Derivatives | | | | | |
| - Forward contracts | 7,317 | - | - | - | 7,317 |
| **IMF Holdings of Special Drawing Rights** | | | | | |
| Holdings of Special Drawing Rights | - | - | - | 401,734 | 401,734 |
| Quota in IMF | - | - | - | 433,744 | 433,744 |
| Loans and receivables | - | - | - | 3,594,214 | 3,594,214 |
| Accounts receivable | - | - | - | 20,485 | 20,485 |
| Deposit for shares | | | | 15,132 | 15,132 |
| Derivatives arising from forward exchange contracts | - | | | | - |
| Available-for-sale equity investments | - | 1,380 | - | - | 1,380 |
| **Local debt instruments** | | | | | |
| - Nigerian Treasury Bills | - | 1,852 | 120,344 | - | 122,196 |
| - FGN Bonds | - | 184 | 85,833 | - | 86,017 |
| | **1,476,001** | **3,416** | **283,171** | **8,339,352** | **10,101,940** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

| **Financial liabilities** | **Other financial liabilities at amortised cost** | **Liabilities at fair value through profit and loss** | **Total** |
|---|---|---|---|
| **Bank** | | | |
| **1 January 2012** | **N'million** | **N'million** | **N'million** |
| **Deposits:** | | | |
| Government deposits | 2,239,204 | - | 2,239,204 |
| Other accounts | 1,597,799 | - | 1,597,799 |
| Financial institutions- Current and settlement accounts | 409,886 | - | 409,886 |
| Financial institutions - Banks' reserve accounts | 759,838 | - | 759,838 |
| **IMF related liabilities:** | | | |
| IMF related liabilities | 433,136 | - | 433,136 |
| IMF allocation of Special Drawing Rights | 401,779 | - | 401,779 |
| **Central Bank of Nigeria Instruments:** | | | |
| Central Bank of Nigeria Promissory Notes | 275 | - | 275 |
| Open Market Operations - Central Bank of Nigeria Bills | 1,436,305 | - | 1,436,305 |
| Bank notes and coins in circulation | 1,565,934 | - | 1,565,934 |
| **Other liabilities:** | | | |
| Accrued charges | 55,052 | - | 55,052 |
| Surplus payable to Federal Government of Nigeria | 64,422 | - | 64,422 |
| Sundry payables | 171,008 | - | 171,008 |
| Payable to Debt Management Office on Commercial Agricultural Credit Scheme | 200,000 | | 200,000 |
| Banking sector resolution sinking cost fund | 100,000 | - | 100,000 |
| | **9,434,638** | **-** | **9,434,638** |

## 3. Financial risk management and financial instruments classification (continued)

***Risk management policies***

### 3.2 Credit risk

Credit risk is the probability that a counterparty of the Group will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Group is exposed to credit risk due to activities such as investment of external reserves, granting of intervention funds as well as advances and loans to staff, federal government and financial institutions.

The Group adopts a conservative approach to credit risk. Where appropriate, the Group intervenes in the economy and provides guarantees in the financial system to prevent systemic risk. Investment decisions are guided by the preference for capital preservation and liquidity over returns.

### 3.2.1 Management of credit risk

The Group's credit risk management is guided by its credit risk policy, Investment Policy & Guidelines, as well as other guidelines for developmental initiatives. These policies are complemented by detailed procedures at the Strategic Business Units (SBUs) level. The Guidelines define credit exposure limits to ensure that the investments are within the risk appetite of the Group. The credit exposure limits are reviewed periodically in line with market developments.

The Bank conducts Discount Window Operations to provide liquidity to deposit money banks and discount houses that are unable to access funds from the inter-bank market. Credit risk exposures from these transactions are mitigated by the Nigerian Master Repurchase Agreement and acceptance of eligible collateral (including Nigerian Treasury Bills, FGN Bonds, CBN Bills and AMCON Bonds).

The finance department in the subsidiary, NSPMC is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. They also monitor credit risk arising from banking transactions with banking and other financial institutions. For banks and other financial institutions, only parties with a minimum rating of "A" are accepted.

**Credit Risk Disclosure (including Credit Risk Model)**

No specific credit rating model is adopted for guarantees, interventions and loans issued by the Bank, as these are borne out of its developmental roles. These credits are usually governed by the guidelines and frameworks setting out the various schemes creating the credits.

External reserves are invested in the following:
(i) Time deposits in countries with convertible currencies
(ii) United States of America Government securities
(iii) Marketable sovereign bonds from Organisation for Economic Cooperation and Development (OECD) countries which are guaranteed unconditionally by the sovereign governments of these countries , and
(iv) Marketable securities of multilateral organisations denominated in eligible currencies from OECD countries or as may be directed by the Board of the Central Bank of Nigeria

These are largely managed by external and internal fund managers. External assets are measured for performance using the Merrill Lynch Global Government Bond G-7 1 to 3 Years Index (W1G7) (The "Benchmark"), 100% hedged into US dollars ("USD").

The maximum exposure to any one single issuer, with the exception of the countries that comprise the Benchmark, is limited to five (5) per cent of the market value of the Managed Assets. The Bank's maximum take-up is twenty (20) per cent of any single issue and no investment is made in securities below USD500 million.

**Credit Ratings**
The minimum credit ratings for different issuer groups by the rating agencies are indicated below.

| Issuer Group | Up to 1 year maturities | Over 1 year maturities | Rating description |
|---|---|---|---|
| Sovereign governments | A-1/P-1/F-1 | A/ | Investment grade ( Minimum acceptable - Upper medium grade) |
| Multilateral and supra-national organizations | A-1/P-1/F-1 | Aa/AA+/AA-/ | Investment grade ( Minimum acceptable - Upper medium grade) |
| U.S. Government guaranteed issues and agencies | A-1/P-1/F-1 | Aa/AA/AA | Investment grade ( Minimum acceptable - Upper medium grade) |
| OECD non-U.S. Government guaranteed agencies | A-1/P-1/F-1 | Aa/AA/AA | Investment grade ( Minimum acceptable - Upper medium grade) |
| Banks | A-1/P-1/F-1 | Not allowed | Investment grade ( Minimum acceptable - Upper medium grade) |
| Banks | | BB+/BB- | Non investment grade speculative |

A-1/P-1/F-1 A short obligation rated in the highest category indicates that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

FGN Bonds, Treasury Bills, Nigerian Treasury Bonds are sovereign instruments, but are not rated.

In line with its mandate of ensuring financial stability, CBN also provides credits to banks in distress and towards catalysing economic development. For this category of obligors, credits are granted regardless of the credit ratings of the affected institutions but with the overall objective of ensuring a safe and sound financial system.

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

### 3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements

CBN's maximum exposure to credit risk at 31 December 2013, 31 December 2012 and 1 January 2012 respectively, is represented by the net carrying amounts in the statement of financial position.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not hold collateral as security.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 31 December 2013 | 31 December 2012 | 1 January 2012 | 31 December 2013 | 31 December 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| **External reserves- Convertible currencies** | | | | | | |
| Current accounts with foreign banks | 641,975 | 863,901 | 1,468,602 | 641,975 | 863,900 | 1,468,602 |
| Time deposits and money employed | 3,785,567 | 3,751,645 | 1,486,515 | 3,785,567 | 3,751,645 | 1,486,515 |
| Domiciliary accounts | 506,949 | 605,833 | 809,914 | 506,949 | 605,833 | 809,914 |
| Sundry currencies and travellers' cheques | 58,375 | 105,535 | 59,127 | 58,375 | 105,534 | 59,127 |
| **External reserves - Other foreign securities** | | | | | | |
| Short term deposits | 55,200 | 20,431 | 49,885 | 55,200 | 20,431 | 49,885 |
| Debt securities: | | | | | | |
| - Held for trading | 1,507,540 | 1,557,405 | 1,468,684 | 1,507,540 | 1,557,405 | 1,468,684 |
| - Held to maturity | 77,996 | 76,730 | 76,994 | 77,996 | 76,730 | 76,994 |
| **Foreign derivatives** | | | | | | |
| - Forward contracts | 9,169 | 13,283 | 7,317 | 9,169 | 13,283 | 7,317 |
| **IMF Holdings of Special Drawing Rights:** | | | | | | |
| Holdings of Special Drawing Rights | 400,351 | 399,754 | 401,734 | 400,351 | 399,754 | 401,734 |
| Quota in IMF - 16b | 412,015 | 421,864 | 433,744 | 412,015 | 421,864 | 433,744 |
| Loans and advances | 4,392,773 | 4,017,756 | 3,594,907 | 4,392,324 | 4,014,261 | 3,594,214 |
| Cash and cash equivalents in subsidiary | 7,892 | 9,625 | 7,772 | - | - | - |
| **Other assets:** | | | | | | |
| Other accounts receivable | 3,247 | 3,427 | 29,133 | 1,192 | 965 | 20,485 |
| Deposit for shares | 2,100 | 4,947 | 4,946 | 2,100 | 4,947 | 15,132 |
| **Local debt securities** | | | | | | |
| **Available-for-sale investments** | | | | | | |
| Nigerian Treasury Bills | 3,027 | 2,836 | 1,852 | 3,027 | 2,836 | 1,852 |
| FGN Bonds | 133 | 220 | 184 | 133 | 220 | 184 |
| **Held to maturity investments** | | | | | | |
| Nigerian Treasury Bills | 57,503 | 238,534 | 120,344 | 57,503 | 238,534 | 120,344 |
| FGN Bonds | 111,891 | 175,442 | 85,833 | 111,891 | 175,442 | 85,833 |
| **Financial guarantee contracts** | | | | | | |
| Financial guarantee contracts | 5,120 | 5,827 | 871 | 5,120 | 5,827 | 871 |
| **Total** | **12,038,823** | **12,274,995** | **10,108,358** | **12,028,427** | **12,259,411** | **10,101,431** |

**Analysis of credit exposure by class:**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **Measured at fair value** | 31 December 2013 | 31 December 2012 | 1 January 2012 | 31 December 2013 | 31 December 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| **At fair value through profit or loss** | | | | | | |
| Foreign debt securities | 1,507,540 | 1,557,405 | 1,468,684 | 1,507,540 | 1,557,405 | 1,468,684 |
| **Foreign derivatives** | | | | | | |
| - Forward contracts | 9,169 | 13,283 | 7,317 | 9,169 | 13,283 | 7,317 |
| | 1,516,709 | 1,570,688 | 1,476,001 | 1,516,709 | 1,570,688 | 1,476,001 |
| **Available-for-sale investments** | | | | | | |
| Local debt securities | 3,160 | 3,056 | 2,036 | 3,160 | 3,056 | 2,036 |
| | 3,160 | 3,056 | 2,036 | 3,160 | 3,056 | 2,036 |
| **Measured at amortised cost** | | | | | | |
| **Held to maturity investments** | | | | | | |
| Foreign debt securities | 77,996 | 76,730 | 76,994 | 77,996 | 76,730 | 76,994 |
| Local debt securities | 169,394 | 413,976 | 206,177 | 169,394 | 413,976 | 206,177 |
| | **247,390** | **490,706** | **283,171** | **247,390** | **490,706** | **283,171** |
| **Loan and receivables** | | | | | | |
| Current account with foreign banks | 641,975 | 863,901 | 1,468,602 | 641,975 | 863,900 | 1,468,602 |
| Time deposits and money employed | 3,785,567 | 3,751,645 | 1,486,515 | 3,785,567 | 3,751,645 | 1,486,515 |
| Domiciliary accounts | 506,949 | 605,833 | 809,914 | 506,949 | 605,833 | 809,914 |
| Sundry currencies and travellers' cheques | 58,375 | 105,535 | 59,127 | 58,375 | 105,534 | 59,127 |
| Short term deposits | 55,200 | 20,431 | 49,885 | 55,200 | 20,431 | 49,885 |
| Holdings of Special Drawing Rights - 19a | 400,351 | 399,754 | 401,734 | 400,351 | 399,754 | 401,734 |
| Quota in IMF - 19b | 412,015 | 421,864 | 433,744 | 412,015 | 421,864 | 433,744 |
| Loans and advances | 4,392,773 | 4,017,756 | 3,594,907 | 4,392,324 | 4,014,261 | 3,594,214 |
| Accounts receivable | 3,247 | 3,427 | 29,133 | 1,192 | 965 | 20,485 |
| Deposit for shares | 2,100 | 4,947 | 4,946 | 2,100 | 4,947 | 15,132 |
| Cash and cash equivalents in subsidiary | 7,892 | 9,625 | 7,772 | - | - | - |
| | **10,266,444** | **10,204,718** | **8,346,279** | **10,256,048** | **10,189,134** | **8,339,352** |
| **Off statement of financial position** | | | | | | |
| Financial guarantee contracts | 5,120 | 5,827 | 871 | 5,120 | 5,827 | 871 |
| **Total** | **12,038,823** | **12,274,995** | **10,108,358** | **12,028,427** | **12,259,411** | **10,101,431** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**Credit quality of foreign debt securities that make up the external reserves**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **External reserves: Foreign debt securities** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** |
| A | 1,133,837 | 681,276 | 1,736,305 | 1,133,837 | 681,276 | 1,736,305 |
| A- | 21,013 | 124,985 | 23,181 | 21,013 | 124,985 | 23,181 |
| A+ | 1,729,426 | 2,447,430 | 371,795 | 1,729,426 | 2,447,430 | 371,795 |
| AA- | 746,760 | 472,982 | 570,588 | 746,760 | 472,982 | 570,588 |
| BB- | 108,519 | 159,943 | - | 108,519 | 159,943 | - |
| BBB+ | - | - | 32 | - | - | 32 |
| Not rated | 2,903,216 | 3,108,144 | 2,725,138 | 2,903,216 | 3,108,144 | 2,725,138 |
| | **6,642,771** | **6,994,760** | **5,427,039** | **6,642,771** | **6,994,760** | **5,427,039** |

**Credit quality of cash and bank balances**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **External reserves: Foreign debt securities** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** |
| AAA | 2,348 | 2,848 | 4,567 | - | - | - |
| AA | 4,324 | 5,124 | 1,988 | - | - | - |
| A | 1,221 | 1,654 | 498 | - | - | - |
| Unrated | - | - | 728 | - | - | - |
| | **7,893** | **9,626** | **7,781** | **-** | **-** | **-** |

### 3.2.3 Credit concentrations

The monitoring of the Bank's credit risk exposure focuses on two key areas, namely; geographical and sectorial. Concentration risk based on geography is categorized by four locations - Africa, Europe, Asia, America and others while sectorial concentration is based on the Government (Federal Government of Nigeria), financial ,agriculture, energy, power, aviation and manufacturing sectors.

| **Concentration by sector** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** |
|---|---|---|---|---|---|---|
| **Debt securities** | | | | | | |
| Federal Government of Nigeria | 172,554 | 417,032 | 208,213 | 172,554 | 417,032 | 208,213 |
| Financial services sector - Foreign | 1,585,536 | 1,634,135 | 1,545,678 | 1,585,536 | 1,634,135 | 1,545,678 |
| **Total debt securities** | 1,758,090 | 2,051,167 | 1,753,891 | 1,758,090 | 2,051,167 | 1,753,891 |
| **Loans and receivables** | | | | | | |
| Financial services sector - Foreign | 5,860,432 | 6,168,963 | 4,709,521 | 5,860,432 | 6,168,961 | 4,709,521 |
| Federal Government of Nigeria | 482,972 | 509,121 | 293,335 | 482,972 | 509,121 | 293,335 |
| Agriculture | 167,596 | 152,301 | 117,071 | 169,696 | 157,248 | 172,542 |
| Financial services sector of Nigeria | 3,220,444 | 2,839,333 | 2,691,352 | 3,208,397 | 2,822,299 | 2,663,954 |
| Power and aviation sector of Nigeria | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 265,000 |
| Manufacturing | 235,000 | 235,000 | 235,000 | 235,000 | 235,000 | 235,000 |
| Other sectors | | | | | | |
| **Total loans and receivables** | 10,266,444 | 10,204,718 | 8,346,279 | 10,256,497 | 10,192,629 | 8,339,352 |
| **Derivatives** | | | | | | |
| Financial services sector - Foreign | 9,169 | 13,283 | 7,317 | 9,169 | 13,283 | 7,317 |
| | 9,169 | 13,283 | 7,317 | 9,169 | 13,283 | 7,317 |
| **Off statement of financial position** | | | | | | |
| Financial guarantee contracts | 5,120 | 5,827 | 871 | 5,120 | 5,827 | 871 |
| **Total** | **12,038,823** | **12,274,995** | **10,108,358** | **12,028,876** | **12,262,906** | **10,101,431** |

The financial guarantee contracts arose from guarantees that were issued by the Central Bank of Nigeria to financial institutions that loaned funds to players in the Small and Medium Enterprises (SMEs) category and the agricultural sector. The amount of the guarantees advanced were N3.7 billion and N1.4 billion to the SMEs category and agricultural sector respectively (2012 : N4.5 billion and N1.5 billion respectively and 2011 : N887 million to the agricultural sector.

| **Concentration by location** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** |
|---|---|---|---|---|---|---|
| **Debt securities** | | | | | | |
| Rest of Africa | - | 684 | 68,186 | - | 684 | 68,186 |
| Asia | 346,660 | 272,967 | 86,129 | 346,660 | 272,967 | 86,129 |
| Europe | 4,913,181 | 5,017,268 | 2,257,727 | 4,913,181 | 5,017,268 | 2,257,727 |
| USA | 1,382,931 | 1,703,843 | 2,494,535 | 1,382,931 | 1,703,843 | 2,494,535 |
| Others | - | - | 520,462 | - | - | 520,462 |
| Nigeria | 5,396,051 | 5,280,233 | 4,681,319 | 5,386,104 | 5,268,144 | 4,674,392 |
| | 12,038,823 | 12,274,995 | 10,108,358 | 12,028,876 | 12,262,906 | 10,101,431 |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

#### 3.2.4 Credit quality

| **Local loans and receivables** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** | **31 December 2013 N'million** | **31 December 2012 N'million** | **1 January 2012 N'million** |
|---|---|---|---|---|---|---|
| Neither past due nor impaired | | | | | | |
| - Local quoted debt securities | 172,554 | 417,032 | 208,213 | 172,554 | 417,032 | 208,213 |
| - External reserves | 6,642,771 | 6,994,763 | 5,427,038 | 6,642,771 | 6,994,761 | 5,427,038 |
| - IMF receivables | 812,366 | 821,618 | 835,478 | 812,366 | 821,618 | 835,478 |
| - Other loans and receivables | 4,406,012 | 4,035,755 | 3,636,758 | 4,395,616 | 4,020,173 | 3,629,831 |
| Past due but not impaired | - | - | - | - | - | - |
| Impaired | | | | | | |
| Individually impaired | 122,941 | 604,507 | 77,089 | 122,218 | 603,396 | 76,718 |
| **Gross** | 12,156,644 | 12,873,675 | 10,184,576 | 12,145,525 | 12,856,980 | 10,177,278 |
| **Impairment allowance:** | | | | | | |
| Specific impairment | (122,941) | (604,507) | (77,089) | (122,218) | (603,396) | (76,718) |
| **Net** | 12,033,703 | 12,269,168 | 10,107,487 | 12,023,307 | 12,253,584 | 10,100,560 |

The loans and receivables analysed above are made up of long term loans extended to the Asset Management Corporation of Nigeria (AMCON) and Banks by the Central Bank of Nigeria in discharging its mandate of ensuring financial system stability. These loans in addition to IMF receivables are not rated as they are not advanced for generating commercial returns. Investment in local quoted debt securities represents investment in Nigerian Government debt (B+ rating) which are backed by the full faith and credit of the Nigerian Government.

Debt securities include investments in high quality debt instruments that constitute external reserves.

Individually impaired loans are loans that were provided to liquidated banks. The counterparties are under liquidation hence the recoverability of the loans is doubtful.

#### (a) Loans and receivables neither past due nor impaired

The loans and advances that were neither due nor impaired comprises loans and cash and cash equivalents. The credit quality of the cash and cash equivalents as provided in Note 3.2.2 . The loans and other receivables are not rated.

#### (b) Financial assets individually impaired

There financial assets that were impaired during the reporting periods relate to loans to financial instititutions extended by the Group in ensuring financial system stability. Loans and receivables extended in Nigeria are not rated.

### 3.3 Liquidity risk

Liquidity risk refers to the potential that the Group to close the gap between demand and supply of financial resources required to honour its obligations and ensure monetary, price and financial system stability.

The main goal of liquidity management in CBN is to ensure that funding is available as and when required to meet its maturing obligations while promoting economic growth and a sound financial system.

#### 3.3.1 Management of liquidity risk

The Central Bank of Nigeria Act 2007 empowers the Bank to create the required settlement balances. Consequently, operations are not expected to be constrained by cash flow. However, annual budgets are made for the Bank's activities including monetary policy operations. In addition, to ensure effective liquidity management, the Bank has set liquidity thresholds and approved criteria for selecting eligible securities and other investments in its Strategic Asset Allocation framework.

#### 3.3.2 Maturity analysis

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The balances in this table do not correspond to the balances in the Statement of financial position , since the table presents all contractual cash flows on an undiscounted basis.

*(All amounts are in millions of Naira, unless otherwise stated)*

**3. Financial risk management and financial instruments classification (continued)**

| **Group** | **0 - 30 days** | **31 - 90 days** | **91 - 180 days** | **181 - 365 days** | **Over 1 year but less than 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| **31 December 2013** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Deposits** | | | | | | | |
| Government deposits | 1,584,437 | - | - | - | - | - | 1,584,437 |
| Other accounts | 1,099,950 | - | - | - | - | - | 1,099,950 |
| Financial institutions- current and settlement accounts | 1,227,870 | - | - | - | - | - | 1,227,870 |
| Financial institutions - Banks' reserve accounts | 2,216,552 | - | - | - | - | - | 2,216,552 |
| **IMF related liabilities** | | | | | | | |
| IMF related liabilities | 412,028 | - | - | - | - | - | 412,028 |
| IMF allocation of Special Drawing Rights | 400,402 | - | - | - | - | - | 400,402 |
| **Central Bank of Nigeria Instruments** | | | | | | | |
| Central Bank of Nigeria Promissory Notes | 258 | - | 13 | 194 | - | - | 465 |
| Open Market Operations - Central Bank of Nigeria Bills | 890,514 | 1,925,728 | 1,002,303 | - | - | - | 3,818,545 |
| Bank notes and coins in circulation | 1,776,302 | - | - | - | - | - | 1,776,302 |
| Derivatives arising from forward exchange contracts | - | - | - | - | - | - | - |
| **Other liabilities** | | | | | | | |
| Accrued charges | 23,685 | - | - | - | - | - | 23,685 |
| Surplus payable to Federal Government of Nigeria | 152,654 | - | - | - | - | - | 152,654 |
| Sundry payables | 746,124 | - | - | - | - | - | 746,124 |
| Trade payables | 1,144 | - | - | - | - | - | 1,144 |
| Financial guarantee contract | 5,120 | - | - | - | - | - | 5,120 |
| **Total financial liabilities** | **10,537,040** | **1,925,728** | **1,002,316** | **194** | **-** | **-** | **13,465,278** |

| **Group** | **0 - 30 days** | **31 - 90 days** | **91 - 180 days** | **181 - 365 days** | **Over 1 year but less than 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| **31 December 2012** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Deposits** | | | | | | | |
| Government deposits | 2,464,626 | - | - | - | - | - | 2,464,626 |
| Other accounts | 2,077,025 | - | - | - | - | - | 2,077,025 |
| Financial institutions- current and settlement accounts | 527,492 | - | - | - | - | - | 527,492 |
| Financial institutions - Banks' reserve accounts | 1,301,333 | - | - | - | - | - | 1,301,333 |
| **IMF related liabilities** | | | | | | | |
| IMF related liabilities | 412,028 | - | - | - | - | - | 412,028 |
| IMF allocation of Special Drawing Rights | 400,402 | - | - | - | - | - | 400,402 |
| **Central Bank of Nigeria Instruments** | | | | | | | |
| Central Bank of Nigeria Promissory Notes | 10,400 | - | 1,404 | - | - | - | 11,804 |
| Open Market Operations - Central Bank of Nigeria Bills | 559,193 | 1,483,466 | 593,198 | - | - | - | 2,635,857 |
| Bank notes and coins in circulation | 1,631,504 | - | - | - | - | - | 1,631,504 |
| Derivatives in external reserves | 13,283 | - | - | - | - | - | 13,283 |
| **Other liabilities** | | | | | | | |
| Accrued charges | 38,798 | - | - | - | - | - | 38,798 |
| Surplus payable to Federal Government of Nigeria | 30,495 | - | - | - | - | - | 30,495 |
| Sundry payables | 576,685 | - | - | - | - | - | 576,685 |
| Trade payables | 4,383 | | | | | | 4,383 |
| Bank borrowings and overdrafts | 1,696 | | | | | | 1,696 |
| Banking sector resolution sinking cost fund | 211,084 | - | - | - | - | - | 211,084 |
| Financial guarantee | 5,827 | | | | | | 5,827 |
| **Total financial liabilities** | **10,266,254** | **1,483,466** | **594,602** | **-** | **-** | **-** | **12,344,322** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| **Group** | **0 - 30 days** | **31 - 90 days** | **91 - 180 days** | **181 - 365 days** | **Over 1 year but less than 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| **1 January 2012** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Deposits** | | | | | | | |
| Government deposits | 2,239,204 | - | - | - | - | - | 2,239,204 |
| Other accounts | 1,597,799 | - | - | - | - | - | 1,597,799 |
| Financial institutions- current and settlement accounts | 409,886 | - | - | - | - | - | 409,886 |
| Financial institutions - Banks' reserve accounts | 759,838 | - | - | - | - | - | 759,838 |
| **IMF related liabilities** | | | | | | | |
| IMF related liabilities | 433,136 | - | - | - | - | - | 433,136 |
| IMF allocation of Special Drawing Rights | 401,779 | - | - | - | - | - | 401,779 |
| **Central Bank of Nigeria Instruments** | | | | | | | |
| Central Bank of Nigeria Promissory Notes | - | 125 | 130 | 20 | - | - | 275 |
| Open Market Operations - Central Bank of Nigeria Bills | 25,072 | 92,909 | 794,172 | 625,107 | - | - | 1,537,260 |
| Bank notes and coins in circulation | 1,565,925 | - | - | - | - | - | 1,565,925 |
| Derivatives arising from forward exchange contracts | - | - | - | - | - | - | - |
| **Other liabilities** | | | | | | | |
| Accrued charges | 55,327 | - | - | - | - | - | 55,327 |
| Surplus payable to Federal Government of Nigeria | 64,422 | - | - | - | - | - | 64,422 |
| Sundry payables | 168,838 | - | - | - | - | - | 168,838 |
| Trade payables | 6,965 | - | - | - | - | - | 6,965 |
| Bank borrowings and overdrafts | 3,834 | - | - | - | - | - | 3,834 |
| Banking sector resolution sinking cost fund | 100,000 | - | - | - | - | - | 100,000 |
| Payable to Debt Management Office on Commercial Agricultural Credit Scheme | 200,000 | - | - | - | - | - | 200,000 |
| Financial guarantees | 871 | - | - | - | - | - | 871 |
| **Total financial liabilities** | **8,032,896** | **93,034** | **794,302** | **625,127** | **-** | **-** | **9,545,359** |

| **Bank** | **0 - 30 days** | **31 - 90 days** | **91 - 180 days** | **181 - 365 days** | **Over 1 year but less than 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| **31 December 2013** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Deposits** | | | | | | | |
| Government deposits | 1,584,437 | - | - | - | - | - | 1,584,437 |
| Other accounts | 1,099,950 | - | - | - | - | - | 1,099,950 |
| Financial institutions- current and settlement accounts | 1,227,870 | - | - | - | - | - | 1,227,870 |
| Financial institutions - Banks' reserve accounts | 2,216,552 | - | - | - | - | - | 2,216,552 |
| **IMF related liabilities** | | | | | | | |
| IMF related liabilities | 412,028 | - | - | - | - | - | 412,028 |
| IMF allocation of Special Drawing Rights | 400,402 | - | - | - | - | - | 400,402 |
| **Central Bank of Nigeria Instruments** | | | | | | | |
| Central Bank of Nigeria Promissory Notes | 258 | - | 13 | 194 | - | - | 465 |
| Open Market Operations - Central Bank of Nigeria Bills | 890,514 | 1,925,728 | 1,002,303 | - | - | - | 3,818,545 |
| Bank notes and coins in circulation | 1,776,305 | - | - | - | - | - | 1,776,305 |
| **Other liabilities** | | | | | | | |
| Accrued charges | 22,390 | - | - | - | - | - | 22,390 |
| Surplus payable to Federal Government of Nigeria | 152,654 | - | - | - | - | - | 152,654 |
| Sundry payables | 742,956 | - | - | - | - | - | 742,956 |
| Financial guarantees | 5,120 | - | - | - | - | - | 5,120 |
| **Total financial liabilities** | **10,531,436** | **1,925,728** | **1,002,316** | **194** | **-** | **-** | **13,459,674** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| **Bank**<br>**31 December 2012** | **0 - 30 days**<br>**N'million** | **31 - 90 days**<br>**N'million** | **91 - 180 days**<br>**N'million** | **181 - 365 days**<br>**N'million** | **Over 1 year but less than 5 years**<br>**N'million** | **Over 5 years**<br>**N'million** | **Total**<br>**N'million** |
|---|---|---|---|---|---|---|---|
| **Deposits** | | | | | | | |
| Government deposits | 2,464,626 | - | - | - | - | - | 2,464,626 |
| Other accounts | 2,077,025 | - | - | - | - | - | 2,077,025 |
| Financial institutions- current and settlement accounts | 527,492 | - | - | - | - | - | 527,492 |
| Financial institutions - Banks' reserve accounts | 1,301,333 | - | - | - | - | - | 1,301,333 |
| **IMF related liabilities** | | | | | | | |
| IMF related liabilities | 421,878 | - | - | - | - | - | 421,878 |
| IMF allocation of Special Drawing Rights | 399,802 | - | - | - | - | - | 399,802 |
| **Central Bank of Nigeria Instruments** | | | | | | | |
| Central Bank of Nigeria Promissory Notes | 10,400 | - | 1,404 | - | - | - | 11,804 |
| Open Market Operations - Central Bank of Nigeria Bills | 559,193 | 1,483,466 | 593,198 | - | - | - | 2,635,857 |
| Bank notes and coins in circulation | 1,631,506 | - | - | - | - | - | 1,631,506 |
| **Other liabilities** | | | | | | | |
| Accrued charges | 40,134 | - | - | - | - | - | 40,134 |
| Surplus payable to Federal Government of Nigeria | 30,495 | - | - | - | - | - | 30,495 |
| Sundry payables | 573,468 | - | - | - | - | - | 573,468 |
| Banking sector resolution sinking cost fund | 211,084 | - | - | - | - | - | 211,084 |
| Financial guarantees | 5,827 | - | - | - | - | - | 5,827 |
| **Total financial liabilities** | **10,254,263** | **1,483,466** | **594,602** | **-** | **-** | **-** | **12,332,331** |

**3. Financial risk management and financial instruments classification (continued)**

| **Bank**<br>**1 January 2012** | **0 - 30 days**<br>**N'million** | **31 - 90 days**<br>**N'million** | **91 - 180 days**<br>**N'million** | **181 - 365 days**<br>**N'million** | **Over 1 year but less than 5 years**<br>**N'million** | **Over 5 years**<br>**N'million** | **Total**<br>**N'million** |
|---|---|---|---|---|---|---|---|
| **Deposits** | | | | | | | |
| Government deposits | 2,239,204 | - | - | - | - | - | 2,239,204 |
| Other accounts | 1,597,799 | - | - | - | - | - | 1,597,799 |
| Financial institutions- current and settlement accounts | 409,886 | - | - | - | - | - | 409,886 |
| Financial institutions - Banks' reserve accounts | 759,838 | - | - | - | - | - | 759,838 |
| **IMF related liabilities** | | | | | | | |
| IMF related liabilities | 433,136 | - | - | - | - | - | 433,136 |
| IMF allocation of Special Drawing Rights | 401,779 | - | - | - | - | - | 401,779 |
| **Central Bank of Nigeria Instruments** | | | | | | | |
| Central Bank of Nigeria Promissory Notes | - | 125 | 130 | 20 | - | - | 275 |
| Open Market Operations - Central Bank of Nigeria Bills | 25,072 | 92,909 | 794,172 | 625,107 | - | - | 1,537,260 |
| Bank notes and coins in circulation | 1,565,934 | - | - | - | - | - | 1,565,934 |
| **Other liabilities** | | | | | | | |
| Accrued charges | 55,052 | - | - | - | - | - | 55,052 |
| Surplus payable to Federal Government of Nigeria | 64,422 | - | - | - | - | - | 64,422 |
| Sundry payables | 171,008 | - | - | - | - | - | 171,008 |
| Payable to Debt Management Office on Commercial Agricultural Credit Scheme | 200,000 | - | - | - | - | - | 200,000 |
| Banking sector resolution sinking cost fund | 100,000 | - | - | - | - | - | 100,000 |
| Financial guarantee | 871 | | | | | | 871 |
| **Total financial liabilities** | **8,024,001** | **93,034** | **794,302** | **625,127** | **-** | **-** | **9,536,464** |

## 3. Financial risk management and financial instruments classification (continued)

### 3.4 Market risk

Market risk is the potential loss from adverse movements in market indices such as interest rates, foreign exchange rates, equity prices and commodity prices which could adversely affect the Bank's earnings and capital, thereby inhibiting its ability to achieve its mandate and strategic objectives.

The Bank adopts a conservative approach to risk taking in view of the potential impact of losses to the economy and therefore does not ordinarily engage in active trading. However, it is exposed to losses in its holdings of fixed income debt and developmental securities. The potential loss from these instruments is mitigated by using appropriate limits and the engagement of fund managers with specific mandates.

Key components of the Bank's market risk include the following:

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities that are re-measured to fair value.

CBN's investment portfolio is comprised of bills, bonds, notes and cash deposits in multilateral, sovereign, and supranational institutions spread across Europe, Asia and the United States of America. The Bank is exposed to the risk of movements in interest rates in these jurisdictions.

The fair value interest rate risk arising from Nigerian Treasury Bills and Federal Government of Nigeria (FGN) Bonds is not material to the Group hence no the interest rate sensitivity is not disclosed.

The Group had a floating interest rate loan as at 31 December 2012 and 31 December 2011.

**Commodity price risk**

Commodity risk is the uncertainty in future income and value of a portfolio caused by fluctuation in the price of commodities such as crude oil and agricultural products. Volatility in the price of crude oil affects accretion to external reserves managed by the Bank. The Bank continue to collaborate with other stakeholders to promote and advocate for the diversification of the economy from status quo. Oil exports is the main foreign revenue earner for the country.

**Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks.

**Foreign Exchange (foreign exchange) Risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Foreign exchange risk management is important given the Bank's mandate to maintain the external reserves in order to safeguard the international value of the Naira. The Bank's foreign exchange risk exposure is significant due to the high proportion of the Bank's resources held as foreign financial assets.

#### 3.4.1 Management of market risk

The Group adopts a conservative approach to risk taking in view of the potential impact of losses to the economy and therefore does not ordinarily engage in active trading. However, it is exposed to losses in its holdings of fixed income debt and developmental securities. The potential loss from these instruments is mitigated by using appropriate limits and the engagement of fund managers with specific mandates.

***Foreign exchange risk***

The Group's foreign exchange risk exposure is mitigated primarily by diversification of foreign exchange income, intervention in the local foreign exchange market and limits on foreign exchange holdings by financial institutions.

***Interest rate risk***

To mitigate the interest rate risk , the Bank diversifies its portfolio and adopts appropriate guidelines which detail the types, tenor and limits of its investments.

***Commodity price risk***

Volatility in the price of crude oil affects accretion to external reserves managed by the Group. The Group continues to collaborate with other stakeholders to promote and advocate for the diversification of the economy from status quo.

***Equity price risk***

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Bank's equity investments are carried at cost as fair values were not determinable. Consequently no equity price risk sensitivity is presented.

#### 3.4.2 Measurement of market risk

Market risk is monitored by the risk management department on regularly, to identify any advarse movement in the underlying variables.

*(All amounts are in millions of Naira, unless otherwise stated)*

**Interest rate sensitivity**

Sensitivity to changes in interest rates is relevant to financial assets or financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities that are re-measured to fair value.

The impact of a 0.1% increase/decrease in market yield on financial assets classified as held for trading, with all other variables held constant, will reduce/increase the group's profit before tax by N6,522 million (31 December 2012 : N6,754 million)

**Equity price risk**

The equity price risk arises from changes in the prices of the equity investments that are carried at fair value.

The equity investments that the Bank holds are unlisted and carried at cost less provision for impairment as fair value could not be determined for reasons explained in Note 22a . Consequently no equity price sensitivity is presented.

**Foreign exchange risk sensitivity analysis**

The table below indicates the financial instruments and foreign currencies to which the CBN had significant exposure at each reporting date. The analysis calculates the effect of a 5% movement of the Naira against the foreign currencies (all other variables being held constant) on the income statement (due to the fair value of currency sensitive monetary assets and liabilities) . A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

As at 31 December 2013, the exposure to foreign exchange risk was representative of the average exposure during the year, as evidenced by the marginal movement in external reserves and the exchange rate during the period.

Consequently the foreign exchange risk sensitivity risk for the year the 2013 shows the average exposure during the year.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **31 December 2013** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** |
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Foreign currency denominated financial assets** | | | | | | |
| Current account with foreign banks | 641,975 | (32,099) | 32,099 | 641,975 | (32,099) | 32,099 |
| Time deposits and money employed | 3,785,567 | (189,278) | 189,278 | 3,785,567 | (189,278) | 189,278 |
| Domiciliary accounts | 506,949 | (25,347) | 25,347 | 506,949 | (25,347) | 25,347 |
| Short term deposits | 55,200 | (2,760) | 2,760 | 55,200 | (2,760) | 2,760 |
| Other foreign securities | 1,594,705 | (79,735) | 79,735 | 1,594,705 | (79,735) | 79,735 |
| Sundry currencies and travellers' cheques | 58,375 | (2,919) | 2,919 | 58,375 | (2,919) | 2,919 |
| IMF Assets | 812,366 | (40,618) | 40,618 | 812,366 | (40,618) | 40,618 |
| Derivative financial assets | - | - | - | - | - | - |
| Cash and cash equivalents from subsidiary | 896 | (45) | 45 | - | - | - |
| | 7,456,033 | (372,801) | 372,801 | 7,455,137 | (372,756) | 372,756 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**3. Financial risk management and financial instruments classification (continued)**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Foreign currency denominated financial liabilities** | | | | | | |
| IMF Liabilities | 812,430 | 40,622 | (40,622) | 812,430 | 40,622 | (40,622) |
| Derivative financial liabilities | 421 | 21 | (21) | - | - | - |
| | 812,851 | 40,643 | (40,643) | 812,430 | 40,622 | (40,622) |
| **Net position** | **6,643,182** | **(332,158)** | **332,158** | **6,642,707** | **(332,134)** | **332,134** |

The foreign currency risk according to the various currencies in which the CBN had balances in are is as follows:

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **Financial assets analysed according to currencies** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** |
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| United States Dollar | 5,969,372 | (298,468) | 298,468 | 5,969,338 | (298,467) | 298,467 |
| Euro | 394,201 | (19,710) | 19,710 | 394,201 | (19,710) | 19,710 |
| Chines Renminbi | 138,530 | (6,927) | 6,927 | 138,530 | (6,927) | 6,927 |
| British Pounds Sterling | 139,395 | (6,970) | 6,970 | 138,533 | (6,927) | 6,927 |
| Japanese Yen | 1,887 | (94) | 94 | 1,887 | (94) | 94 |
| IMF SDR | 812,366 | (40,618) | 40,618 | 812,366 | (40,618) | 40,618 |
| Others | 282 | (14) | 14 | 282 | (13) | 13 |
| | 7,456,033 | (372,801) | 372,801 | 7,455,137 | (372,756) | 372,756 |
| | - | | | | | |
| **Financial liabilities analysed according to currencies** | | | | | | |
| IMF SDR | 812,430 | 40,622 | (40,622) | 812,430 | 40,622 | (40,622) |
| United States Dollar | 421 | 21 | (21) | - | - | - |
| | 812,851 | 40,643 | (40,643) | 812,430 | 40,622 | (40,622) |
| **Net position** | **6,643,182** | **(332,158)** | **332,158** | **6,642,707** | **(332,134)** | **332,134** |

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **31 December 2012** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** |
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Foreign currency denominated financial assets** | | | | | | |
| Current account with foreign banks | 863,901 | (43,195) | 43,195 | 863,900 | (43,195) | 43,195 |
| Time deposits and money employed | 3,751,645 | (187,582) | 187,582 | 3,751,645 | (187,582) | 187,582 |
| Domiciliary accounts | 605,833 | (30,292) | 30,292 | 605,833 | (30,292) | 30,292 |
| Other foreign securities | 1,647,418 | (82,371) | 82,371 | 1,647,418 | (82,371) | 82,371 |
| Sundry currencies and travellers' cheques | 105,535 | (5,277) | 5,277 | 105,534 | (5,277) | 5,277 |
| Short term deposits | 20,431 | (1,022) | 1,022 | 20,431 | (1,022) | 1,022 |
| IMF Assets | 821,618 | (41,081) | 41,081 | 821,618 | (41,081) | 41,081 |
| Cash and cash equivalents from subsidiary | 868 | (43) | 43 | | | |
| | 7,817,249 | (390,863) | 390,863 | 7,816,379 | (390,820) | 390,820 |
| **Foreign currency denominated financial liabilities** | | | | | | |
| IMF Liabilities | 821,680 | 41,084 | (41,084) | 821,680 | 41,084 | (41,084) |
| Financial liabilities from subsidiary | 4,261 | 213 | (213) | | | |
| | 825,941 | 41,297 | (41,297) | 821,680 | 41,084 | (41,084) |
| **Net position** | **6,991,308** | **(349,566)** | **349,566** | **6,994,699** | **(349,736)** | **349,736** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**3. Financial risk management and financial instruments classification (continued)**

The foreign currency risk according to the various currencies in which the CBN had balances in are is as follows:

| **Financial assets analysed according to currencies** | **Group** Carrying Amount in Naira | **Group** Effect of a 5% appreciation of the Naira against foreign currencies on income statement | **Group** Effect of a 5% depreciation of the Naira against foreign currencies on income statement | **Bank** Carrying Amount in Naira | **Bank** Effect of a 5% appreciation of the Naira against foreign currencies on income statement | **Bank** Effect of a 5% depreciation of the Naira against foreign currencies on income statement |
|---|---|---|---|---|---|---|
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| United States Dollar | 6,345,978 | (317,298) | 317,298 | 6,345,936 | (317,297) | 317,297 |
| Euro | 387,534 | (19,377) | 19,377 | 387,534 | (19,377) | 19,377 |
| Chines Renminbi | 131,495 | (6,575) | 6,575 | 131,495 | (6,575) | 6,575 |
| British Pounds Sterling | 127,322 | (6,366) | 6,366 | 126,494 | (6,325) | 6,325 |
| Japanese Yen | 2,480 | (124) | 124 | 2,480 | (124) | 124 |
| IMF SDR | 821,618 | (41,081) | 41,081 | 821,618 | (41,081) | 41,081 |
| Others | 822 | (42) | 42 | 822 | (41) | 41 |
| | 7,817,249 | (390,863) | 390,863 | 7,816,379 | (390,820) | 390,820 |
| **Financial liabilities** | | | | | | |
| IMF SDR | 821,680 | 41,084 | (41,084) | 821,680 | 41,084 | (41,084) |
| Financial liabilities from subsidiary | 4,261 | 213 | (213) | - | - | - |
| | 825,941 | 41,297 | (41,297) | 821,680 | 41,084 | (41,084) |
| **Net position** | **6,991,308** | **(349,566)** | **349,566** | **6,994,699** | **(349,736)** | **349,736** |

The foreign currency risk according to the various currencies in which the Group and the Bank had balances in are is as follows:

| **1 January 2012** | **Group** Carrying Amount in Naira | **Group** Effect of a 5% appreciation of the Naira against foreign currencies on income statement | **Group** Effect of a 5% depreciation of the Naira against foreign currencies on income statement | **Bank** Carrying Amount in Naira | **Bank** Effect of a 5% appreciation of the Naira against foreign currencies on income statement | **Bank** Effect of a 5% depreciation of the Naira against foreign currencies on income statement |
|---|---|---|---|---|---|---|
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| **Foreign currency denominated financial assets** | | | | | | |
| Current account with foreign banks | 1,468,602 | (73,430) | 73,430 | 1,468,602 | (73,430) | 73,430 |
| Time deposits and money employed | 1,486,515 | (74,326) | 74,326 | 1,486,515 | (74,326) | 74,326 |
| Domiciliary accounts | 809,914 | (40,496) | 40,496 | 809,914 | (40,496) | 40,496 |
| Other foreign securities | 1,552,995 | (77,650) | 77,650 | 1,552,995 | (77,650) | 77,650 |
| Sundry currencies and travellers' cheques | 59,127 | (2,956) | 2,956 | 59,127 | (2,956) | 2,956 |
| Short term deposits | 49,885 | (2,494) | 2,494 | 49,885 | (2,494) | 2,494 |
| IMF assets | 835,478 | (41,774) | 41,774 | 835,478 | (41,774) | 41,774 |
| Bank and cash balances from subsidiary | 771 | (39) | 39 | | | |
| | **6,263,287** | **(313,165)** | **313,165** | **6,262,516** | **(313,126)** | **313,126** |
| **Foreign currency denominated financial liabilities** | | | | | | |
| IMF liabilities | 834,915 | 41,746 | (41,746) | 834,915 | 41,746 | (41,746) |
| Financial liabilities from liabilities | 7,314 | 366 | (366) | - | - | - |
| | 842,229 | 42,112 | (42,112) | 834,915 | 41,746 | (41,746) |
| **Net position** | **5,421,058** | **(271,053)** | **271,053** | **5,427,601** | **(271,380)** | **271,380** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**3. Financial risk management and financial instruments classification (continued)**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **Financial assets analysed according to currencies** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** | **Carrying Amount in Naira** | **Effect of a 5% appreciation of the Naira against foreign currencies on income statement** | **Effect of a 5% depreciation of the Naira against foreign currencies on income statement** |
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| United States Dollar | 4,890,901 | (244,548) | 244,548 | 4,890,892 | (244,544) | 244,544 |
| Euro | 398,840 | (19,942) | 19,942 | 398,840 | (19,942) | 19,942 |
| Chines Renminbi | 15,787 | (789) | 789 | 15,787 | (789) | 789 |
| British Pounds Sterling | 118,647 | (5,932) | 5,932 | 117,885 | (5,894) | 5,894 |
| Japanese Yen | 3,102 | (155) | 155 | 3,102 | (155) | 155 |
| IMF SDR | 835,478 | (41,773) | 41,773 | 835,478 | (41,775) | 41,775 |
| Others | 532 | (26) | 26 | 532 | (27) | 27 |
| | **6,263,287** | **(313,165)** | **313,165** | **6,262,516** | **(313,126)** | **313,126** |
| **Financial liabilities analysed according to currencies** | | | | | | |
| IMF SDR | 834,915 | 41,746 | (41,746) | 834,915 | 41,746 | (41,746) |
| Euro | 3,254 | 163 | (163) | - | - | - |
| Others | 4,060 | 203 | (203) | - | - | - |
| | 842,229 | 42,112 | (42,112) | 834,915 | 41,746 | (41,746) |
| **Net position** | **5,421,058** | **(271,053)** | **271,053** | **5,427,601** | **(271,380)** | **271,380** |

**Other risks faced CBN include the following:**

**(a) Operational risk**

Operational Risk is the potential for loss resulting from failure or inadequacy of the Bank's internal processes, people, systems and from external events.

Operational risk management in the Bank is aimed at ensuring that operational risks are identified and mitigated early to ensure the Bank is able to achieve its strategic objectives.

The Bank's operational risk management process involves risk identification, assessment, treatment, monitoring and reporting. The primary responsibility for identifying risk events affecting the Bank's operations, staff and Information Technology services resides with the Business Units. Tools such as the Risk Control Self-Assessment (RCSA), surveys and risk questionnaires are widely used for risk identification.

The identified risks are assessed based on the likelihood of their occurrence and impact on the Bank's operations. The evaluated risks are classified as 'High', 'Medium' or 'Low' depending on their severity. The Bank's response to risk events includes 'accept', 'reduce', 'transfer/share' or 'avoid'.

The Bank has instituted appropriate Business Continuity Management (BCM) processes to ensure its resilience to threats that may impede the continuity of mandate critical operations and allow business operations return to pre-determined levels following a disruption.

Risk events are monitored by respective Business Units and reports made to the Risk Management Department (RMD) for consolidation. The reports highlight key operational risks, exceptions and recommendations to the Board and Management.

**(b) Reputational risk**

The Bank's reputation and credibility are critical to achieving its key policy objectives of monetary, price and financial system stability. Reputational risk can arise from negative publicity arising from the action or inaction of the Bank and its employees etc.

The Board of the Bank has approved a reputational risk management framework in addition to other policies to identify, assess and mitigate stakeholders' perception issues. The implementation of the reputational risk framework is assisting the Bank to maintain its credibility, build local and international investor confidence and enhance its accountability.

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

### 3.5 Fair value measurement

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy,which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

### (a) Financial instruments measured at fair value and for which fair value is disclosed

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

● Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

● Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments;quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.
In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

● Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. CBN considers relevant and observable market prices in its valuations where possible. There have been no transfers between levels in the year.

| **31 December 2013**<br>**Group**<br>**Financial assets measured at Fair value** | **Level 1**<br>**N 'million** | **Level 2**<br>**N 'million** | **Level 3**<br>**N 'million** | **Total**<br>**N 'million** |
|---|---|---|---|---|
| **External reserves** | | | | |
| Debt Securities: | | | | |
| - Held for trading | 1,507,540 | - | - | 1,507,540 |
| Derivatives: | | | | |
| - Forward contracts | - | 9,169 | - | 9,169 |
| **Local securities** | | | | |
| **Listed securities** | | | | |
| Nigerian Treasury Bills - Available for sale | - | 3,027 | - | 3,027 |
| FGN Bonds - Available for sale | 133 | - | - | 133 |
| | **1,507,673** | **12,196** | **-** | **1,519,869** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Assets for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **External reserves** | | | | | | | | |
| Debt securities | 77,996 | 76,444 | - | - | - | - | 77,996 | 76,444 |
| Loans and receivables | - | - | 4,392,324 | 4,476,101 | - | - | 4,392,324 | 4,476,101 |
| ***Local listed Debt securities*** | | | | | | | | |
| - Nigerian Treasury Bills | - | - | 57,503 | 58,147 | - | - | 57,503 | 58,147 |
| - FGN Bonds | 111,891 | 99,817 | - | - | - | - | 111,891 | 99,817 |
| | **189,887** | **176,261** | **4,449,827** | **4,534,248** | **-** | **-** | **4,639,714** | **4,710,509** |

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Central Bank of Nigeria Instruments** | | | | | | | | |
| Open Market Operations - Central Bank of Nigeria Bills | - | - | 3,738,632 | 3,737,439 | - | - | 3,738,632 | 3,737,439 |
| | **-** | **-** | **3,738,632** | **3,737,439** | **-** | **-** | **3,738,632** | **3,737,439** |

| **Group**<br>**31 December 2012**<br>**Financial assets measured at Fair value** | **Level 1 N 'million** | **Level 2 N 'million** | **Level 3 N 'million** | **Total N 'million** |
|---|---|---|---|---|
| **External reserves** | | | | |
| Debt securities: | | | | |
| - Held for trading | 1,557,405 | - | - | 1,557,405 |
| Derivatives: | | | | |
| - Forward contracts | - | 13,283 | - | 13,283 |
| **Local securities** | | | | |
| **Listed securities** | | | | |
| Nigerian Treasury Bills- available for sale | - | 3,027 | - | 3,027 |
| FGN Bonds - available for sale | 133 | - | - | 133 |
| | **1,557,538** | **16,310** | **-** | **1,573,848** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Assets for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Loans and advances** | | | | | | | | |
| Loans and receivables | - | - | - | - | - | - | - | - |
| **External reserves** | | | | | | | | |
| Debt securities | 76,730 | 76,671 | - | - | - | - | 76,730 | 76,671 |
| Loans and receivables | - | - | 4,017,756 | 4,263,219 | - | - | 4,017,756 | 4,263,219 |
| **Local securities** | | | | | | | | |
| ***Local listed debt securities*** | | | | | | | | |
| Nigerian Treasury Bills | - | - | 241,370 | 218,475 | - | - | 241,370 | 218,475 |
| FGN Bonds | 175,662 | 163,371 | - | - | - | - | 175,662 | 163,371 |
| | **252,392** | **240,042** | **4,259,126** | **4,481,694** | **-** | **-** | **4,511,518** | **4,721,736** |

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Central Bank of Nigeria Instruments** | | | | | | | | |
| Open Market Operations - Central Bank of Nigeria Bills | - | - | 2,580,482 | 2,582,725 | - | - | 2,580,482 | 2,582,725 |
| | **-** | **-** | **2,580,482** | **2,582,725** | **-** | **-** | **2,580,482** | **2,582,725** |

| **Group 1 January 2012** | **Level 1 N 'million** | **Level 2 N 'million** | **Level 3 N 'million** | **Total N 'million** |
|---|---|---|---|---|
| **Financial assets measured at Fair value** | | | | |
| **External reserves** | | | | |
| Debt securities: | | | | |
| - Held for trading | 1,468,684 | - | - | 1,468,684 |
| Derivatives: | | | | |
| - Forward contracts | - | 7,317 | - | 7,317 |
| **Local listed securities** | | | | |
| Nigerian Treasury Bills - available for sale | - | 1,852 | - | 1,852 |
| FGN Bonds-available for sale | 184 | - | - | 184 |
| | **1,468,868** | **9,169** | **-** | **1,478,037** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| | Level 1 N 'millions | | Level 2 N 'millions | | Level 3 N 'millions | | Total N 'millions | |
|---|---|---|---|---|---|---|---|---|
| **Assets for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **External reserves** | | | | | | | | |
| Debt securities | 76,994 | 76,444 | - | - | - | - | 76,994 | 76,444 |
| Loans and receivables | - | - | 3,594,214 | 3,621,341 | - | - | 3,594,214 | 3,621,341 |
| ***Local listed debt securities*** | | | | | | | | |
| Nigerian Treasury Bills | - | - | 120,344 | 122,228 | - | - | 120,344 | 122,228 |
| FGN Bonds | 85,833 | 75,307 | - | - | - | - | 85,833 | 75,307 |
| | **162,827** | **151,751** | **3,714,558** | **3,743,569** | **-** | **-** | **3,877,385** | **3,895,320** |

### 3. Financial risk management and financial instruments classification (continued)

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Central Bank of Nigeria Instruments** | | | | | | | | |
| Open Market Operations - Central Bank of Nigeria bills | - | - | 1,436,305 | 1,422,516 | - | - | 1,436,305 | 1,422,516 |
| | **-** | **-** | **1,436,305** | **1,422,516** | **-** | **-** | **1,436,305** | **1,422,516** |

| **31 December 2013 Bank Financial assets measured at Fair value** | **Level 1 N 'million** | **Level 2 N 'million** | **Level 3 N 'million** | **Total N 'million** |
|---|---|---|---|---|
| **External reserves** | | | | |
| Debt Securities: | | | | |
| - Held for trading | 1,507,540 | - | - | 1,507,540 |
| Derivatives: | | | | |
| - Forward contracts | - | 9,169 | - | 9,169 |
| **Local securities** | | | | |
| **Listed securities** | | | | |
| Nigerian Treasury Bills - available for sale | - | 3,027 | - | 3,027 |
| FGN Bonds-available for sale | 133 | - | - | 133 |
| | **1,507,673** | **12,196** | **-** | **1,519,869** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**3. Financial risk management and financial instruments classification (continued)**

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Assets for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **External reserves** | | | | | | | | |
| Debt securities | 77,996 | 76,444 | - | - | - | - | 77,996 | 76,444 |
| Loans and receivables | - | - | 4,392,324 | 4,473,831 | - | - | 4,392,324 | 4,473,831 |
| ***Local listed Debt securities*** | | | | | | | | |
| - Nigerian Treasury Bills | - | - | 57,503 | 58,147 | - | - | 57,503 | 58,147 |
| - FGN Bonds | 111,891 | 99,817 | - | - | - | - | 111,891 | 99,817 |
| | **189,887** | **176,261** | **4,449,827** | **4,531,978** | **-** | **-** | **4,639,714** | **4,708,239** |

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Central Bank of Nigeria Instruments** | | | | | | | | |
| Open Market Operations - Central Bank of Nigeria Bills | - | - | 3,738,632 | 3,737,439 | - | - | 3,738,632 | 3,737,439 |
| | **-** | **-** | **3,738,632** | **3,737,439** | **-** | **-** | **3,738,632** | **3,737,439** |

| **Bank 31 December 2012 Financial assets measured at Fair value** | **Level 1 N 'million** | **Level 2 N 'million** | **Level 3 N 'million** | **Total N 'million** |
|---|---|---|---|---|
| **External reserves** | | | | |
| Debt securities: | | | | |
| - Held for trading | 1,557,405 | - | - | 1,557,405 |
| Derivatives: | | | | |
| - Forward contracts | - | 13,283 | - | 13,283 |
| **Local securities** | | | | |
| **Listed securities** | | | | |
| Nigerian Treasury Bills - available for sale | - | 2,836 | - | 2,836 |
| FGN Bonds-available | 220 | - | - | 220 |
| | **1,557,625** | **16,119** | **-** | **1,573,744** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 3. Financial risk management and financial instruments classification (continued)

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Assets for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **External reserves** | | | | | | | | |
| Debt securities | 76,730 | 76,671 | - | - | - | - | 76,730 | 76,671 |
| Loans and receivables | - | - | 4,014,261 | 4,263,219 | - | - | 4,014,261 | 4,263,219 |
| **Local securities** | | | | | | | | |
| ***Local listed debt securities*** | | | | | | | | |
| Nigerian Treasury Bills | - | - | 238,534 | 218,475 | - | - | 238,534 | 218,475 |
| FGN Bonds | 175,442 | 163,371 | - | - | - | - | 175,442 | 163,371 |
| | **252,172** | **240,042** | **4,252,795** | **4,481,694** | **-** | **-** | **4,504,967** | **4,721,736** |

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Central Bank of Nigeria Instruments** | | | | | | | | |
| Open Market Operations - Central Bank of Nigeria Bills | - | - | 2,580,482 | 2,582,725 | - | - | 2,580,482 | 2,582,725 |
| | **-** | **-** | **2,580,482** | **2,582,725** | **-** | **-** | **2,580,482** | **2,582,725** |

| **Bank<br>1 January 2012** | **Level 1 N 'million** | **Level 2 N 'million** | **Level 3 N 'million** | **Total N 'million** |
|---|---|---|---|---|
| **Financial assets measured at Fair value** | | | | |
| **External reserves** | | | | |
| Debt securities: | | | | |
| - Held for trading | 1,468,684 | - | - | 1,468,684 |
| Derivatives: | | | | |
| - Futures contract | - | - | - | - |
| - Forward contracts | - | 7,317 | - | 7,317 |
| **Local listed securities** | | | | |
| Nigerian Treasury Bills - available for sale | | 1,852 | - | 1,852 |
| FGN Bonds-available for sale | 184 | | | 184 |
| | **1,468,868** | **9,169** | **-** | **1,478,037** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 3. Financial risk management and financial instruments classification (continued)

| | Level 1 N 'millions | | Level 2 N 'millions | | Level 3 N 'millions | | Total N 'millions | |
|---|---|---|---|---|---|---|---|---|
| **Assets for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **External reserves** | | | | | | | | |
| Debt securities | 76,994 | 76,444 | - | - | - | - | 76,994 | 76,444 |
| Loans and receivables | - | - | 3,594,214 | 3,621,341 | - | - | 3,594,214 | 3,621,341 |
| ***Local listed debt securities*** | | | | | | | | |
| Nigerian Treasury Bills | - | - | 120,344 | 122,228 | - | - | 120,344 | 122,228 |
| FGN Bonds | 85,833 | 75,307 | - | - | - | - | 85,833 | 75,307 |
| | **162,827** | **151,751** | **3,714,558** | **3,743,569** | **-** | **-** | **3,877,385** | **3,895,320** |

| | Level 1 N 'million | | Level 2 N 'million | | Level 3 N 'million | | Total N 'million | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities for which fair values are disclosed** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Central Bank of Nigeria Instruments** | | | | | | | | |
| Open Market Operations - Central Bank of Nigeria bills | - | - | 1,436,305 | 1,422,516 | - | - | 1,436,305 | 1,422,516 |
| | **-** | **-** | **1,436,305** | **1,422,516** | **-** | **-** | **1,436,305** | **1,422,516** |

**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets held by the Bank are the bid prices on the statement of financial position date.

The instruments included in Level 1 comprise primarily of debt securities maintained as part of the external reserves and local listed debt securities namely the  Nigerian treasury bills and Federal Government of Nigeria (FGN) bonds.

**Foreign debt securities**

These are debt securities into which the external fund managers invest in. These debt securities are held for maximising returns on the funds invested.

Foreign debt securities are valued at the ruling bid prices on each reporting date. The external fund managers perform the valuation based on ruling bid prices as obtained from various vendors such as Thomson Reuters, S & P, Pricing Direct, IDC and Bloomberg.The market recognised sources include official sources such as GEMMA for United Kingdom Gilts, iBoxx, which is the primary source for UK and Euro corporate debt and evaluated prices for US Government bonds.In addition Bloomberg generic may be used as a secondary source where required and for validation. Alternate providers such as Markit, iBoxx and index providers such as Barclays may also be used to supplement pricing on particular asset s groups. The debt security prices follows market prices on a clean basis,i.e. without the inclusion of accrued income or similar payments.

## 3. Financial risk management and financial instruments classification (continued)

**Nigerian treasury bills**

These are Federal Government of Nigeria securities which are fair valued based on quoted yield-to-maturity rates and days to maturity. Nigerian treasury bills are fair valued based on quoted bid prices as published on the FMDQ website.

The FMDQ publishes the market yields on a daily basis, and the unadjusted yields are used to determine the prices.

**Federal Government of Nigeria (FGN) bonds**

These are Federal Government of Nigeria securities which are fair valued based on quoted bid prices. FGN bid prices are published on the FMDQ website.

The FMDQ publishes the bid prices on a daily basis and these are use for performing the fair valuation of the FGN Bonds.

### (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The financial assets and financial liabilities that fall under this category are Nigerian treasury bonds, loans and receivables, the Bank's instruments arising from its open market operations.

**Long term loans**

The fair values of loans and receivables are based on cash flows discounted using a rate based on the market interest rate of borrowings rate of 13% (31 December 2013 and 1 January 2013:12%). The discount rate equals to the ruling monetary policy rate as set by the Central Bank of Nigeria at the reporting dates. The fair values are within Level 2 of the fair value hierarchy.

**Central Bank of Nigeria Open Market Operations (OMO) Instruments**

The fair values of the OMO bills is determined by reference to to the quoted prices of similar instruments, namely treasury bills issued by the Federal Government of Nigeria. The OMO Bills are similar to treasury bills in that they are short term discounted instruments.

The fair value of treasury bills is determined by reference to quoted yield to maturities. The same quoted yield to maturities for treasury bills was utilised to determine the fair values for OMO Bills that fall within the same maturity profile.

**Derivatives in external reserves**

The financial instruments falling into this category includes derivatives arising from forward exchange contracts entered into by the Bank and also those entered into by the Fund managers on behalf of the Bank. These fall in Level 2 of the fair value hierarchy.

**Derivatives arising from local forward exchange contracts**

These derivatives are valued based on the ruling spot rates on the statement of financial position dates compared to the contracted forward exchange rates.The forward exchange contracts are valued by comparing the spot exchange rates on the reporting date with the contracted forward exchange rates and discounting the future cash flows using quoted LIBOR rates as the discounting factor.These fall in Level 2 in the fair value hierarchy.

### (c) Carrying amounts that approximate fair values

The carrying amount for deposits, promissory notes, IMF related liabilities, notes and coins in circulation, IMF related assets, Deposit, money placement, current account with foreign banks, domiciliary accounts, sundry currency, travellers cheques, cash and cash equivalents, other assets and other liabilities that are financial instruments approximate their fair values hence have not been disclosed.

### (d) Transfers between the fair value hierarcy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

## 4 Capital management

The Bank does not have any regulator that sets and monitors its capital requirements.There is no regulation for the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The CBN Act gave approval to the increase in authorised capital of the Bank from N5 billion to N100 billion and also provides that all the capital of the Bank shall be subscribed and held only by the Federal Government of Nigeria.

The Federal Government of Nigeria is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance.

The provisions of the Act seek to ensure that the Government of Nigeria continues to own a hundred per cent stake to bear all financial risks and rewards.

*(All amounts are in millions of Naira, unless otherwise stated)*

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| **5** | **Interest and similar income** | **N'million** | **N'million** | **N'million** | **N'million** |
| | *Analysis by type* | | | | |
| | Asset Management Corporation of Nigeria (AMCON) Bonds | 369,549 | 289,764 | 369,549 | 289,764 |
| | Loans and receivables | 58,761 | 39,904 | 58,749 | 39,897 |
| | Federal Government Securities | 31,507 | 65,987 | 31,507 | 65,987 |
| | Time deposits and money placements | 17,970 | 15,208 | 17,888 | 15,118 |
| | | **477,787** | **410,863** | **477,693** | **410,766** |
| | *Analysis by geographical location:* | | | | |
| | Domestic | 459,899 | 395,745 | 459,805 | 395,648 |
| | International | 17,888 | 15,118 | 17,888 | 15,118 |
| | | **477,787** | **410,863** | **477,693** | **410,766** |

Classification of interest and similar income arising from financial instruments is indicated below:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | **N'million** | **N'million** | **N'million** | **N'million** |
| Income from instruments measured at amortised cost | 476,532 | 409,029 | 476,438 | 408,932 |
| Income from instruments measured at fair value | 1,255 | 1,834 | 1,255 | 1,834 |
| | **477,787** | **410,863** | **477,693** | **410,766** |

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| **6** | **Interest and similar expense** | **N'million** | **N'million** | **N'million** | **N'million** |
| | Central Bank of Nigeria Instruments | 510,185 | 304,974 | 510,185 | 304,974 |
| | Deposits | 30,510 | 5,452 | 30,510 | 5,452 |
| | Interest on Treasury Bonds | 404 | 161 | 404 | 161 |
| | Bank borrowings and overdraft charges | 35 | 141 | - | - |
| | Interest subsidy on Commercial Agricultural Credit Scheme | - | 16,457 | - | 16,457 |
| | | **541,134** | **327,185** | **541,099** | **327,044** |

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| **7** | **Fees and commission income** | **N'million** | **N'million** | **N'million** | **N'million** |
| | Foreign exchange earnings | 106,408 | 87,233 | 106,408 | 87,233 |
| | Fees | 4,613 | 3,407 | 4,613 | 3,407 |
| | Commissions | 414 | 271 | 414 | 271 |
| | | **111,435** | **90,911** | **111,435** | **90,911** |

Fees and commissions represent income from processing currency, Bureau de change application and registration, commission on fund transfers and other Banks and financial institutions application and licensing fees.

Foreign exchange earnings represents commission income from the sale of foreign currency and other related transaction.

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| **8** | **Net trading (loss)/ income** | **N'million** | **N'million** | **N'million** | **N'million** |
| | Unrealised fair value gain/(loss) on other foreign securities at FVTPL | 2,034 | (23,761) | 2,034 | (23,761) |
| | Net realised gain/(loss) on financial assets at FVTPL | (7,761) | 34,821 | (7,761) | 34,821 |
| | | **(5,727)** | **11,060** | **(5,727)** | **11,060** |

The unrealised fair value gain/(loss) on other foreign securities at fair value through profit or loss (FVTPL) includes the impact of fair value changes due to movement in the fair value of debt securities classified as held for trading. Net realised gain/(loss) on FVTPL instruments includes the results of buying and selling of financial assets and liabilities as well as the related interest income and expense.

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| **9** | **Foreign exchange revaluation gains/ (losses)** | **N'million** | **N'million** | **N'million** | **N'million** |
| | Unrealised gain/(loss) on foreign exchange revaluation | 17,119 | (12,190) | 17,145 | (12,206) |
| | Realised loss on foreign exchange revaluation | - | (1,976) | - | (1,976) |
| | | **17,119** | **(14,166)** | **17,145** | **(14,182)** |

The foreign exchange revaluation gains/(losses) represent foreign exchange differences arising on the translation of debt instruments denominated in foreign currencies that are included in external reserves.

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| **10** | **Other operating income** | **N'million** | **N'million** | **N'million** | **N'million** |
| | Dividend income | 2,842 | 1,142 | 2,842 | 1,541 |
| | Gain/(loss) on sale of property, plant and equipment | (2,843) | 1,271 | (2,775) | 1,252 |
| | Gain on AMCON Bonds | 29,560 | - | 29,560 | - |
| | Bank notes and security documents revenue | (1,616) | 5,776 | - | - |
| | Profit on disposal of investment (note 28) | - | 134 | - | - |
| | Agency income | 351 | 288 | - | - |
| | Other income | 12,474 | 28,068 | 12,419 | 28,029 |
| | | **40,768** | **36,679** | **42,046** | **30,822** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**10 Other operating income (Continued)**

Other income consist of sale of bank publications and foreign exchange forms, service charge for Banking operation, PSSD supplier management fees, penalties account for late/non-submission, museum souvenir sales, Commercial Agriculture Credit penalty and surcharges. The gain on AMCON bonds relates to early redemption of Series 1-4 bonds.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **11 Net gains/(losses) on available-for-sale financial assets** | N'million | N'million | N'million | N'million |
| Net gains/(losses) loss on available-for-sale financial assets | (85) | 42 | (85) | 42 |
| | (85) | 42 | (85) | 42 |

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **12 Personnel expenses** | N'million | N'million | N'million | N'million |
| Other staff allowances | 40,463 | 47,046 | 40,463 | 47,047 |
| Defined benefit plan expenses (note 32) | 11,410 | 16,472 | 11,976 | 15,921 |
| Wages and salaries | 11,272 | 9,891 | 8,385 | 7,476 |
| Other staff expenses | 12,218 | 2,267 | 11,734 | 1,331 |
| Pension costs – Defined contribution plan (note 32) | 3,472 | 4,239 | 3,197 | 3,971 |
| | **78,835** | **79,915** | **75,755** | **75,746** |

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **13 Financial sector intervention expenses** | N'million | N'million | N'million | N'million |
| Financial sector intervention expenses | 42,774 | 16,590 | 42,774 | 16,590 |
| | **42,774** | **16,590** | **42,774** | **16,590** |

The financial sector intervention expenses represent the amortisation of prepaid intervention expenses arising from the fair valuation of below market interest rate loans to financial institutions for the purposes of onward lending to the agricultural sector, the AMCON notes and the long term loans to AMCON and other Banks. These loans are extended as part of the CBN activities in promoting economic growth and development and financial markets stability. The loans are for periods ranging from 2 to 10 years.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **14 Currency issue expenses** | N'million | N'million | N'million | N'million |
| Currency issue expenses | 18,699 | 15,859 | 40,057 | 36,589 |
| | **18,699** | **15,859** | **40,057** | **36,589** |

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **15 Other operating expenses** | N'million | N'million | N'million | N'million |
| Banking sector resolution sinking cost fund (note 15a) | 50,000 | 50,000 | 50,000 | 50,000 |
| Administrative expenses | 45,476 | 33,887 | 43,612 | 33,456 |
| Intervention activities (note 15b) | 25,396 | 17,001 | 25,396 | 17,001 |
| Centres of excellence (note 15c) | 15,641 | 61 | 15,641 | 61 |
| Repairs and maintenance | 6,168 | 3,118 | 5,775 | 2,268 |
| Professional fees | 5,330 | 3,188 | 5,080 | 2,967 |
| Donations | 1,273 | 515 | 1,273 | 515 |
| Directors' related expenses | 760 | 818 | 760 | 818 |
| Bank charges | 223 | 562 | 223 | 562 |
| Audit fees | 230 | 300 | 230 | 300 |
| Cost of sales | 12,476 | 16,229 | - | - |
| | **162,973** | **125,679** | **147,990** | **107,948** |

15a The Banking sector resolution sinking cost fund represents the annual contribution of CBN to the Banking Sector Resolution Sinking Cost Fund. A total of N500 billion has been committed by CBN to be contributed over a 10 year period to the Fund which is to be used for the stability of the Nigerian financial system.

15b Intervention activities expense represent the activities carried out by CBN for construction of structures in various tertiary and secondary schools around the country, the construction of an International Convention Centre in Abuja and other activities carried out by CBN in other parts of the country.

15c Centres of excellence represent expenditure incurred by CBN on various structures in universities across the country known as “Centre of Excellence”.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **16 Loan impairment reversal/ (charge)** | N'million | N'million | N'million | N'million |
| Loans and receivables - charge for the year (Note 21a) | 15,348 | 226,195 | 15,348 | 225,455 |
| Loans and receivables - Reversal of provision (Note 21a) | (157,716) | - | (157,329) | - |
| | **(142,368)** | **226,195** | **(141,981)** | **225,455** |

This relates to charge for the year and reversal on the impaired loans and receivables during the year.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **17 Impairment reversal/ (charge) on financial investments** | N'million | N'million | N'million | N'million |
| Other assets (Note 25b) | **(283,647)** | **307,372** | **(283,647)** | **307,372** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 18 Taxation
### a Income tax expense

**Bank**

The Bank is not subject to tax in respect of its functions under the Central Bank of Nigeria Act. CBN is exempted from the payment of income tax under the Companies Income Tax Act. 1979. The Group tax expense arose from its subsidiary.

**Group**

The charge for the year can be reconciled to the profit or loss as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Current tax** | N'million | N'million | N'million | N'million |
| Current tax on profit in the year | 393 | 605 | - | - |
| Adjustment in respect of prior years | (49) | (1,034) | - | - |
| **Total current tax** | **344** | **(429)** | **-** | **-** |
| Deferred tax (note 18b) | (190) | 976 | - | - |
| **Income tax expense** | **154** | **547** | **-** | **-** |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows:

| **Reconciliation of effective tax rate** | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | N'million | N'million | N'million | N'million |
| Net income/(loss) before tax | **213,716** | **(569,033)** | **-** | **-** |
| Tax calculated at 30% | 64,115 | (170,710) | - | - |
| Adjusted for: | | | | |
| Education tax | 49 | 90 | - | - |
| Under/(over) provision in prior years | 49 | (1,034) | - | - |
| Effect of permanent differences | (151) | 891 | - | - |
| Tax exempt (income)/expense | (63,908) | 171,310 | | |
| **Total income tax expense in income statement** | **154** | **547** | **-** | **-** |

The movement in tax at the end of the year is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | N'million | N'million | N'million | N'million |
| At 1 January | 605 | 1,375 | - | - |
| Payments during the year | (473) | (341) | - | - |
| Charge for the year: | | | | |
| Income tax | 245 | 515 | - | - |
| Education tax | 49 | 90 | - | - |
| Under/(over) provision in prior years | 49 | (1,034) | - | - |
| **Current income tax payable** | **475** | **605** | **-** | **-** |

### b Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % (2012: 30 %).

The analysis of deferred tax liabilities is as follows;

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | N'million | N'million | N'million | N'million |
| Deferred tax liabilities: | | | | |
| - Deferred tax liability to be settled after more than 12 months | 2,834 | 3,024 | - | - |
| - Deferred tax liability to be settled within 12 months | - | - | - | - |
| | **2,834** | **3,024** | **-** | **-** |

**Classification in the statement of financial position:**

Deferred tax liability

The gross movement on deferred income tax account is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | N'million | N'million | N'million | N'million |
| **As at 1 January** | 3,024 | 2,048 | - | - |
| (Credit)/ charge to profit or loss | (190) | 976 | - | - |
| **As at 31 December** | **2,834** | **3,024** | **-** | **-** |

The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | Property, plant and equipment | Total | Property, plant and equipment | Total |
| **Deferred tax liabilities** | N'million | N'million | N'million | N'million |
| **At 1 January 2012** | 2,048 | 2,048 | - | - |
| Charge/(credit) to profit or loss | 976 | 976 | - | - |
| **At 31 December 2012** | 3,024 | 3,024 | - | - |
| Charge/(credit) to profit or loss | (190) | (190) | - | - |
| **At 31 December 2013** | **2,834** | **2,834** | **-** | **-** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**18 Taxation (Continued)**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| **19 External reserves** | N'million | N'million | N'million | N'million | N'million | N'million |
| Convertible currencies (Note 19a and 19b) | 6,642,771 | 6,994,763 | 5,427,038 | 6,642,771 | 6,994,761 | 5,427,038 |
| International Monetary Fund Reserve tranche | 23 | 23 | 23 | 23 | 23 | 23 |
| Gold | 19 | 19 | 19 | 19 | 19 | 19 |
| | **6,642,813** | **6,994,805** | **5,427,080** | **6,642,813** | **6,994,803** | **5,427,080** |

***Maturity analysis***

| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
|---|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 5,048,066 | 5,347,345 | 3,874,043 | 5,048,066 | 5,347,343 | 3,874,043 |
| Non-current | 1,594,747 | 1,647,460 | 1,553,037 | 1,594,747 | 1,647,460 | 1,553,037 |
| | **6,642,813** | **6,994,805** | **5,427,080** | **6,642,813** | **6,994,803** | **5,427,080** |

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| 19a **Convertible currencies comprise:** | N'million | N'million | N'million | N'million | N'million | N'million |
| -Time deposits and money placements | 3,785,567 | 3,751,645 | 1,486,515 | 3,785,567 | 3,751,645 | 1,486,515 |
| -Other foreign securities (Note 19c and 19d) | 1,649,905 | 1,667,849 | 1,602,880 | 1,649,905 | 1,667,849 | 1,602,880 |
| -Current accounts with foreign Banks | 641,975 | 863,901 | 1,468,602 | 641,975 | 863,900 | 1,468,602 |
| -Domiciliary accounts | 506,949 | 605,833 | 809,914 | 506,949 | 605,833 | 809,914 |
| -Sundry currencies and travellers' cheques | 58,375 | 105,535 | 59,127 | 58,375 | 105,534 | 59,127 |
| | **6,642,771** | **6,994,763** | **5,427,038** | **6,642,771** | **6,994,761** | **5,427,038** |

Included in convertible currencies is an amount of N1,607 billion (31 December 2012: N2,683 billion, 1 January 2012: N2,407 billion), which represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts for letters of credit transactions and other purposes. The corresponding liability for this amount is included in deposits. (See note 29)

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| 19b **Convertible currencies are further analysed by currency as follows:** | 2013 | 2012 | 1 January 2013 | 2013 | 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| United States Dollar | 5,969,338 | 6,345,936 | 4,890,892 | 5,969,338 | 6,345,936 | 4,890,892 |
| Euro | 394,201 | 387,534 | 398,840 | 394,201 | 387,534 | 398,840 |
| Chinese Renminbi | 138,530 | 131,496 | 15,787 | 138,530 | 131,495 | 15,787 |
| British Pounds Sterling | 138,533 | 126,494 | 117,885 | 138,533 | 126,494 | 117,885 |
| Japanese Yen | 1,887 | 2,480 | 3,102 | 1,887 | 2,480 | 3,102 |
| Others | 282 | 823 | 532 | 282 | 822 | 532 |
| | **6,642,771** | **6,994,763** | **5,427,038** | **6,642,771** | **6,994,761** | **5,427,038** |

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| 19c **Other foreign securities are further analysed as follows:** | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Externally managed fund | 1,571,864 | 1,589,808 | 1,524,839 | 1,571,864 | 1,590,582 | 1,525,836 |
| Internally managed fund | 78,041 | 78,041 | 78,041 | 78,041 | 77,267 | 77,044 |
| | **1,649,905** | **1,667,849** | **1,602,880** | **1,649,905** | **1,667,849** | **1,602,880** |

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| 19d **Other foreign securities are further analysed as follows:** | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Short term deposits | 55,200 | 20,431 | 49,885 | 55,200 | 20,431 | 49,885 |
| Debt securities: | | | | | | |
| - Held for trading | 1,507,540 | 1,557,405 | 1,468,684 | 1,507,540 | 1,557,405 | 1,468,684 |
| - Held to maturity | 77,996 | 76,730 | 76,994 | 77,996 | 76,730 | 76,994 |
| Derivative: | | | | | | |
| - Forward contracts | 9,169 | 13,283 | 7,317 | 9,169 | 13,283 | 7,317 |
| | **1,649,905** | **1,667,849** | **1,602,880** | **1,649,905** | **1,667,849** | **1,602,880** |

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| 19e **Cash and cash equivalents** | N'million | N'million | N'million | N'million | N'million | N'million |
| Time deposits and money employed | 3,785,567 | 3,758,833 | 1,492,546 | 3,785,567 | 3,751,645 | 1,486,515 |
| Current accounts with foreign banks | 643,230 | 865,131 | 1,469,752 | 641,975 | 863,900 | 1,468,602 |
| Domiciliary accounts | 506,949 | 605,833 | 809,914 | 506,949 | 605,833 | 809,914 |
| Cash at bank (Local) | 6,637 | 1,207 | 591 | - | - | - |
| IMF Holdings of Special Drawing Rights | 400,351 | 399,754 | 401,734 | 400,351 | 399,754 | 401,734 |
| Other foreign securities | 55,200 | 20,431 | 49,885 | 55,200 | 20,431 | 49,885 |
| Sundry currencies and travelers' cheques | 58,375 | 105,535 | 59,127 | 58,375 | 105,534 | 59,127 |
| | 5,456,309 | 5,756,724 | 4,283,549 | 5,448,417 | 5,747,097 | 4,275,777 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**19 External reserve (Continued)**

Cash and cash equivalents comprise time deposits and balances with foreign banks, sundry currency balances and cash component of investments in foreign securities.

**NSPMC's cash and bank balances**

| | Group | | |
|---|---|---|---|
| | 2013 | 2012 | 1 January 2013 |
| | N'million | N'million | N'million |
| Cash at bank | 6,637 | 1,207 | 591 |
| Cash at bank (foreign) | 1,255 | 1,230 | 1,150 |
| Other short term deposits | - | 7,188 | 6,031 |
| **Cash and bank balances** | **7,892** | **9,625** | **7,772** |

**20 International Monetary Fund (IMF) related balances**

| **Group** | 2013 | | 2012 | | 1 January 2012 | |
|---|---|---|---|---|---|---|
| | SDR'million | N'million | SDR'million | N'million | SDR'million | N'million |
| **Assets** | | | | | | |
| Holdings of Special Drawing Rights - 20a | 1,675 | 400,351 | 1,675 | 399,754 | 1,675 | 401,734 |
| Quota in IMF - 20b | 1,727 | 412,015 | 1,753 | 421,864 | 1,809 | 433,744 |
| | **3,402** | **812,366** | **3,428** | **821,618** | **3,484** | **835,478** |
| **Liabilities** | | | | | | |
| IMF Account No. 1 | 10 | 2,305 | 10 | 2,305 | 10 | 2,305 |
| IMF Account No. 2 | - | 13 | - | 14 | 0 | 14 |
| IMF Securities | 1,717 | 409,710 | 1,743 | 419,559 | 1,796 | 430,817 |
| **Total IMF related liabilities - 20**c | **1,727** | **412,028** | **1,753** | **421,878** | **1,806** | **433,136** |
| Allocation of Special Drawing Rights - 20d | 1,675 | 400,402 | 1,675 | 399,802 | 1,675 | 401,779 |
| | **3,402** | **812,430** | **3,428** | **821,680** | **3,481** | **834,915** |

| **Bank** | 2013 | | 2012 | | 1 January 2012 | |
|---|---|---|---|---|---|---|
| | SDR'million | N'million | SDR'million | N'million | SDR'million | N'million |
| **Assets** | | | | | | |
| Holdings of Special Drawing Rights - 19a | 1,675 | 400,351 | 1,675 | 399,754 | 1,675 | 401,734 |
| Quota in IMF - 19b | 1,727 | 412,015 | 1,753 | 421,864 | 1,809 | 433,744 |
| | **3,402** | **812,366** | **3,428** | **821,618** | **3,484** | **835,478** |
| **Liabilities** | | | | | | |
| IMF Account No. 1 | 10 | 2,305 | 10 | 2,305 | 10 | 2,305 |
| IMF Account No. 2 | - | 13 | - | 14 | 0 | 14 |
| IMF Securities | 1,717 | 409,710 | 1,743 | 419,559 | 1,796 | 430,817 |
| **Total IMF related liabilities -** 19c | **1,727** | **412,028** | **1,753** | **421,878** | **1,806** | **433,136** |
| Allocation of Special Drawing Rights - 19d | 1,675 | 400,402 | 1,675 | 399,802 | 1,675 | 401,779 |
| | **3,402** | **812,430** | **3,428** | **821,680** | **3,481** | **834,915** |

The Central Bank of Nigeria is the fiscal and depository agent of the Federal Republic of Nigeria for transactions with the International Monetary Fund (IMF). Special Drawing Rights (SDR) are issued by the International Monetary Fund (IMF) to member countries and represent allocations available to these member countries in managing and meeting their sovereign payment obligations. Financial resources availed to Nigeria by the Fund are channeled through the Bank. The Bank presents the holdings and allocations of the IMF SDR as an asset and liability, respectively, in the statement of financial position. Repayment of the IMF loans as well as charges is the responsibility of the Bank. The SDR balances in IMF accounts are translated into Naira and any unrealized gains or losses are netted off in Other assets (receivable from Federal Government of Nigeria in respect of SDR). The IMF calculates the daily value of the SDR in terms of the United States of America (US) Dollars by reference to a valuation basket of four currencies (USD, GBP, Euro & Japanese Yen).

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| 20a **IMF Holdings of Special Drawing Rights** | **400,351** | **399,754** | **401,734** | **400,351** | **399,754** | **401,734** |
| At 1 January | 399,754 | 401,734 | 384,833 | 399,754 | 401,734 | 384,833 |
| Interest earned during the year | 294 | 499 | 1,729 | 294 | 499 | 1,729 |
| Interest charged during the year | (294) | (503) | (1,734) | (294) | (503) | (1,734) |
| Revaluation | 597 | (1,976) | 16,906 | 597 | (1,976) | 16,906 |
| At 31 December | **400,351** | **399,754** | **401,734** | **400,351** | **399,754** | **401,734** |

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 400,351 | 399,754 | 401,734 | 400,351 | 399,754 | 401,734 |
| | **400,351** | **399,754** | **401,734** | **400,351** | **399,754** | **401,734** |

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| 20b **Quota in International Monetary Fund** | **412,015** | **421,864** | **433,744** | **412,015** | **421,864** | **433,744** |
| At 1 January | 421,864 | 433,744 | 402,747 | 421,864 | 433,744 | 402,747 |
| Revaluation | (9,849) | (11,880) | 30,997 | (9,849) | (11,880) | 30,997 |
| At 31 December | **412,015** | **421,864** | **433,744** | **412,015** | **421,864** | **433,744** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**20 International Monetary Fund (IMF) related balances (continued)**

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Non-current | 412,015 | 421,864 | 433,744 | 412,015 | 421,864 | 433,744 |
| | **412,015** | **421,864** | **433,744** | **412,015** | **421,864** | **433,744** |

The quota in International Monetary Fund is the reserve tranche held with the IMF by member states. It represents non-interest bearing instrument with no stated

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| 20c **IMF related liabilities** | **412,028** | **421,878** | **433,136** | **412,028** | **421,878** | **433,136** |
| At 1 January | 421,878 | 433,136 | 399,693 | 421,878 | 433,136 | 399,693 |
| Revaluation | (9,850) | (11,258) | 33,443 | (9,850) | (11,258) | 33,443 |
| At 31 December | **412,028** | **421,878** | **433,136** | **412,028** | **421,878** | **433,136** |

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Non-current | 412,028 | 421,878 | 433,136 | 412,028 | 421,878 | 433,136 |
| | **412,028** | **421,878** | **433,136** | **412,028** | **421,878** | **433,136** |

IMF related liabilities represent other payables owed by the Bank to the General Resources Account of IMF.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| 20d **IMF allocation of Special Drawing Rights** | **400,402** | **399,802** | **401,779** | **400,402** | **399,802** | **401,779** |
| At 1 January | 399,802 | 401,779 | 384,870 | 399,802 | 401,779 | 384,870 |
| Revaluation | 600 | (1,977) | 16,909 | 600 | (1,977) | 16,909 |
| At 31 December | **400,402** | **399,802** | **401,779** | **400,402** | **399,802** | **401,779** |

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 400,402 | 399,802 | 401,779 | 400,402 | 399,802 | 401,779 |
| | **400,402** | **399,802** | **401,779** | **400,402** | **399,802** | **401,779** |

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| **21 Loans and receivables** | N'million | N'million | N'million | N'million | N'million | N'million |
| Asset Management Corporation of Nigeria (AMCON) Notes | 2,703,123 | - | - | 2,703,123 | - | - |
| Overdraft balances and short term advances | 384,429 | 20,779 | 68,929 | 384,429 | 20,779 | 68,929 |
| Bank of Industry Debenture (BOI) | 535,000 | 535,000 | 500,000 | 535,000 | 535,000 | 500,000 |
| Long term loans | 307,846 | 262,350 | 47,652 | 307,846 | 262,350 | 47,652 |
| Nigerian Treasury Bonds | 243,826 | 269,975 | 293,335 | 243,826 | 269,975 | 293,335 |
| Loans to Deposit Money Banks on Commercial Agricultural Credit Scheme | 165,496 | 147,354 | 112,125 | 165,496 | 147,354 | 112,125 |
| Other loans | 174,488 | 75,358 | 65,634 | 174,488 | 75,358 | 65,634 |
| Staff loans | 9,836 | 10,194 | 8,795 | 9,790 | 10,142 | 8,748 |
| Asset Management Corporation of Nigeria (AMCON) Bonds | 16,745 | 2,983,780 | 2,562,839 | 16,745 | 2,983,780 | 2,562,839 |
| 6% Perpetual Debentures in Nigerian Export Import Bank (NEXIM) | 1,565 | 1,488 | 1,462 | 1,565 | 1,488 | 1,462 |
| Advances to Federal Mortgage Bank of Nigeria | 9 | 9 | 9 | 9 | 9 | 9 |
| Trade receivables | 1,126 | 4,554 | 1,017 | - | - | - |
| | **4,543,489** | **4,310,841** | **3,661,797** | **4,542,317** | **4,306,235** | **3,660,733** |
| Less: Impairment allowance (21a) | (150,716) | (293,085) | (66,890) | (149,993) | (291,974) | (66,519) |
| | **4,392,773** | **4,017,756** | **3,594,907** | **4,392,324** | **4,014,261** | **3,594,214** |

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 468,281 | 71,141 | 119,291 | 451,536 | 66,864 | 170,839 |
| Non-current | 3,924,492 | 3,946,615 | 3,475,616 | 3,940,788 | 3,947,397 | 3,423,375 |
| | **4,392,773** | **4,017,756** | **3,594,907** | **4,392,324** | **4,014,261** | **3,594,214** |

**Asset Management Corporation of Nigeria (AMCON) Bonds:**

The Bank's investment in AMCON Series I - IV bonds were redeemed and refinanced by the issuance of a 6% N3.8 trillion naira AMCON notes during the year.

*(All amounts are in millions of Naira, unless otherwise stated)*

**21 Loans and receivables (continued)**

21a **Impairment allowance for loans and receivables**

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

| Group | Trade receivables | Long term loans | 6% Perpetual Debentures in NEXIM | Other loans | Total |
|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million |
| **At 1 January 2012** | **371** | **13,974** | **237** | **52,308** | **66,890** |
| Charge for the year (Note 16) | 740 | 215,277 | 26 | 10,152 | 226,195 |
| **As at 31 December 2012** | **1,111** | **229,251** | **263** | **62,460** | **293,085** |
| Charge for the year (Note 16) | - | 14,835 | 77 | 436 | 15,348 |
| Reversal (Note 16) | (388) | (157,329) | - | - | (157,717) |
| **As at 31 December 2013** | **723** | **86,757** | **340** | **62,896** | **150,716** |

| Bank | Long term loans | 6% Perpetual Debentures in NEXIM | Other loans | Total |
|---|---|---|---|---|
| | N'million | N'million | N'million | N'million |
| **At 1 January 2012** | **13,974** | **237** | **52,308** | **66,519** |
| Charge for the year (Note 16) | 215,277 | 26 | 10,152 | 225,455 |
| **As at 31 December 2012** | **229,251** | **263** | **62,460** | **291,974** |
| Charge for the year (Note 16) | 14,835 | 77 | 436 | 15,348 |
| Reversal (Note 16) | (157,329) | - | - | (157,329) |
| **As at 31 December 2013** | **86,757** | **340** | **62,896** | **149,993** |

**Overdraft balances and short-term advances:**
Overdraft balances represent lending to customers and are collateralized by Nigerian treasury bills, Federal Government bonds and bonds issued by the Asset Management Corporation of Nigeria (AMCON).

**Other loans:**
Other loans represent facilities given to distressed and liquidated banks. An amount of N436 million was provided as at year end (31 December 2012: N62.459 billion).

**Long-term loans:**
Long-term loans consist of facilities granted to AMCON and other banks.

**Bank of Industry Debenture (BOI):**
The Bank purchased N500 billion debenture stocks issued by the Bank of Industry (BOI) in 2010. The investment is to fund intervention activities initiated by the Bank and was executed through the BOI. The sum of N300 billion will be applied to power projects, N200 billion applied to the refinancing/ restructuring of Deposit Money Bank's existing loan portfolios to Nigerian small and medium scale enterprise and manufacturing sector with N35 billion to the manufacturing sector. Net amount disbursed as at 31 December 2013 is N455 billion (31 December 2012: N410.235 billion and 1 January 2012: N390.26 billion).

**6% Perpetual Debentures in Nigerian Export Import Bank (NEXIM)**
This refers to CBN's investment in debentures of the Nigerian Export Import Bank (NEXIM). The movement on the account during the year relates to accrued interest on the instrument.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January |
| **22 Investment securities** | N'million | N'million | N'million | N'million | N'million | N'million |
| **Available for sale:** | | | | | | |
| Available-for-sale equity investments (Note 22a) | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 |
| Available-for-sale debt instruments (Note 22b) | 3,160 | 3,056 | 2,036 | 3,160 | 3,056 | 2,036 |
| | **4,540** | **4,436** | **3,416** | **4,540** | **4,436** | **3,416** |
| **22a Available for sale equity investments** | | | | | | |
| Asset Management Corporation of Nigeria (AMCON) | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Nigeria Deposit Insurance Corporation (NDIC) | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 |
| International Islamic Liquidity Management Corporation of Malaysia | 743 | 743 | 743 | 743 | 743 | 743 |
| Federal Mortgage Bank of Nigeria (FMBN) | 60 | 60 | 60 | 60 | 60 | 60 |
| | **7,183** | **7,183** | **7,183** | **7,183** | **7,183** | **7,183** |
| Less: Impairment allowance | (5,803) | (5,803) | (5,803) | (5,803) | (5,803) | (5,803) |
| | **1,380** | **1,380** | **1,380** | **1,380** | **1,380** | **1,380** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**22 Investment securities (continued)**

**Impairment allowance for available for sale equity investments**
A reconciliation of the allowance for impairment losses for available for sale equity investments, by investments, is as follows:

| | Asset Management Corporation of Nigeria (AMCON) | International Islamic Liquidity Management Corporation of Malaysia | Federal Mortgage Bank of Nigeria (FMBN) | Total |
|---|---|---|---|---|
| | N'million | N'million | N'million | N'million |
| **At 1 January 2012** | **5,000** | **743** | **60** | **5,803** |
| **As at 31 December 2012** | **5,000** | **743** | **60** | **5,803** |
| **As at 31 December 2013** | **5,000** | **743** | **60** | **5,803** |

The available-for-sale (Unquoted) equity securities are carried at cost because there is no active market for the securities and their fair values could not be measured reliably due to the unavailability of reliable market information and valuation inputs as at the end of the reporting period. The Bank does not intend to dispose the securities. The securities have been subjected to an impairment test by determining the discounted expected cash flows and comparing with the carrying amount.

**Equity investment in Federal Mortgage Bank of Nigeria (FMBN)**
The Federal Mortgage Bank of Nigeria (FMBN) was set up to primarily promote the growth of viable primary mortgage institutions to service the need of housing delivery in all parts of Nigeria; mobilizing both domestic and offshore funds into the housing sector; linking the capital market with the housing industry; promoting a viable secondary mortgage market to support the primary mortgage market; and management of the National Housing Fund (NHF) in accordance with the provisions of the NHF Act. The Bank holds an investment in the equity of Federal Mortgage Bank of Nigeria (FMBN). As at 31 December 2013, the Bank paid a total of N60million (2012: N60million and 1 January 2012: N60million). The proportion of the Bank equity interest to the total holding in this institution is 30%. These shares are measured at cost less impairment losses.

**Equity investment in International Islamic Liquidity Management Corporation of Malaysia (IILMC)**

The International Islamic Liquidity Management Corporation is an international institution established on 25 October 2010 by central banks, monetary authorities and multilateral organisations to create and issue short-term Sharia's-compliant financial instruments to facilitate effective cross-border Islamic liquidity management. By creating more liquid Sharia's-compliant financial markets for institutions offering Islamic financial services (IIFS), the IILM aims to enhance cross-border investment flows, international linkages and financial stability. The Bank holds an investment in the equity of IILMC. As at 31 December 2013 the Bank paid a total of USD 5,000,000 (2012: USD 5,000,000 and 1 January 2012: USD 5,000,000). The proportion of the Bank equity interest to the total holding in this Corporation is 6.67%. These shares are measured at cost less impairment losses.

**Equity investment in Nigeria Deposit Insurance Corporation (NDIC)**
The Nigeria Deposit Insurance Corporation (NDIC) was set up to insure all deposit liabilities of licensed banks and other insured financial institutions so as to engender confidence in the Nigerian banking system; to give assistance to insured Institutions in the interest of depositors, in case of imminent or actual financial difficulties of banks particularly where suspension of payments is threatened, and avoiding damage to public confidence in the Banking system; to guarantee payments to depositors, in case of imminent or actual suspension of payments by insured Institutions up to the maximum as provided and to assist monetary authorities in the formulation and implementation of policies so as to ensure sound Banking practice and fair competition among insured institutions in the Nigeria. The Bank holds an investment in the equity of Nigeria Deposit Insurance Corporation (NDIC). As at 31 December 2013, the Bank paid a total of N1.38billion (2012: N1.38billion and 1 January 2012: N1.38billion). The proportion of the Bank equity interest to the total holding in this institution is 60%. However, the Federal Ministry of Finance which holds the remaining 40% has power to direct the relevant activities of the Corporation. These shares are measured at cost less impairment losses.

**Equity investment in Asset Management Corporation of Nigeria (AMCON)**
The Asset Management Corporation of Nigeria (AMCON) was set up to for the purpose of efficiently resolving the non-performing loan assets of Banks in Nigeria. The Bank holds an investment in the equity of Asset Management Corporation of Nigeria (AMCON). As at 31 December 2013, the Bank paid a total of N5billion (2012: N5billion and 1 January 2012: N5billion). The proportion of the Bank equity interest to the total holding in this institution is 50%. However, the Federal Ministry of Finance which holds the remaining 50% has power to direct the relevant activities as it can reject the courses of action proposed by the CBN regarding the direction of relevant activities if it so wishes. The CBN cannot therefore act in isolation of the Ministry of Finance. Power therefore lies with the Ministry of Finance whose decision on the direction of relevant activities carries the day. These shares are measured at cost less impairment losses.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| 22b **Available-for-sale debt instruments** | N'million | N'million | N'million | N'million | N'million | N'million |
| Nigerian Treasury Bills-Available-for-sale | 3,027 | 2,836 | 1,852 | 3,027 | 2,836 | 1,852 |
| FGN Bonds-Available-for-sale | 133 | 220 | 184 | 133 | 220 | 184 |
| **Total** | 3,160 | 3,056 | 2,036 | 3,160 | 3,056 | 2,036 |

***Maturity analysis***

| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
|---|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 3,160 | 3,056 | 2,036 | 3,160 | 3,056 | 2,036 |
| Non-current | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 | 1,380 |
| | **4,540** | **4,436** | **3,416** | **4,540** | **4,436** | **3,416** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**22 Investment securities (continued)**

| 22c **Held to maturity** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
|---|---|---|---|---|---|---|
| **Debt instruments** | | | | | | |
| FGN Bonds | 111,891 | 175,442 | 85,833 | 111,891 | 175,442 | 85,833 |
| Nigerian Treasury Bills | 57,503 | 238,534 | 120,344 | 57,503 | 238,534 | 120,344 |
| | **169,394** | **413,976** | **206,177** | **169,394** | **413,976** | **206,177** |

***Maturity analysis***

| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
|---|---|---|---|---|---|---|
| Current | 90,341 | 238,534 | 120,344 | 57,503 | 238,534 | 133,239 |
| Non-current | 79,053 | 175,442 | 85,833 | 111,891 | 175,442 | 72,938 |
| | **169,394** | **413,976** | **206,177** | **169,394** | **413,976** | **206,177** |

**FGN Bonds:**
The Bank took up additional FGN Bonds for N31.7 billion during the year (31 December 2012: Nil ) with nominal interest rates ranging between 4% - 16.39% per annum.

| | **Group** | | | **Bank** | | |
|---|---|---|---|---|---|---|
| **23 Investment in subsidiary** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| Nigerian Security Printing and Minting Company Plc. (NSPMC) | - | - | - | 23,575 | 23,575 | 13,389 |
| **Total investments** | **-** | **-** | **-** | **23,575** | **23,575** | **13,389** |

***Maturity analysis***

| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
|---|---|---|---|---|---|---|
| Non-current | - | - | - | 23,575 | 23,575 | 13,389 |
| | **-** | **-** | **-** | **23,575** | **23,575** | **13,389** |
| **Percentage shareholding** | | | | **89%** | **89%** | **84%** |

The CBN holds 89% (2012: 89% and 1 January 2012: 84%) equity interest in NSPMC. The subsidiary is held by the CBN to meet its functions as a Central bank and is thus of a longstanding nature. NSPMC is a company whose main business activity is the printing and minting of Nigerian banknotes and coins respectively. It also prints security documents and products for other businesses. The investment in the subsidiary NSPMC is carried at cost less impairment.

The CBN has not made any capital commitments to NSPMC. The risk that the CBN is exposed to as a result of controlling NSPMC is limited to providing additional capital in the event that NSPMC fails to meet its own working capital requirements.

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

| **Summarised statement of profit or loss and other comprehensive income** | **2013 N'million** | **2012 N'million** |
|---|---|---|
| Revenue | 19,743 | 26,506 |
| Cost of sales | (15,625) | (19,756) |
| Administrative expenses | (3,801) | (5,205) |
| Other operating income | 338 | 481 |
| Finance income | 121 | 113 |
| Finance costs | (87) | (141) |
| **Profit on ordinary activities before tax** | **689** | **1,998** |
| Income tax | (154) | (547) |
| **Profit after tax** | **535** | **1,451** |
| Remeasurement of post employment benefit obligations | (77) | (357) |
| **Total comprehensive income for the year** | **458** | **1,094** |
| Attributable to: | | |
| Equity holders of parent | 470 | 930 |
| Non-controlling interests | (12) | 164 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**23 Investment in subsidiary (continued)**

**Summarised statement of financial position**

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|
| Inventories and cash and cash equivalents (current) | 17,762 | 19,405 | 23,063 |
| Property, plant and equipment and other non-current assets | 35,876 | 34,754 | 31,352 |
| Trade and other receivables and retirement benefit surplus | 12,810 | 16,339 | 21,634 |
| Trade and other payables (current) | (7,239) | (9,231) | (14,587) |
| Liabilities (non-current) | (8,173) | (8,864) | (19,193) |
| Other liabilities (current) | (475) | (2,301) | (3,964) |
| Total equity | **50,561** | **50,102** | **38,305** |
| Attributable to: | | | |
| Equity holders of parent | 49,777 | 49,308 | 37,676 |
| Non-controlling interests | 784 | 794 | 629 |

**Summarised cash flow information for year ended**

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Operating | 2,870 | 9,647 |
| Investing | (2,939) | (5,184) |
| Financing | (1,285) | (2,996) |
| Net increase/(decrease) in cash and cash equivalents | **(1,354)** | **1,467** |

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Dividends paid to non-controlling interests | **140** | **140** |
| | **%** | **%** |
| **Proportion of equity interest held by non-controlling interests:** | 11 | 16 |

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|
| **Accumulated balances of material non- controlling interest:** | 784 | 794 | 629 |

| | | Group | | | Bank | | |
|---|---|---|---|---|---|---|---|
| **24 Investments in associates** | **Percentage shareholding** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| Africa Finance Corporation (AFC) | 42.5% | 79,850 | 79,625 | 76,621 | 57,958 | 57,958 | 57,958 |
| Nigerian Export Import Bank (NEXIM) | 50% | 22,459 | 22,409 | 21,859 | 25,000 | 25,000 | 25,000 |
| Bank of Industry (BOI) | 41% | 8,378 | 2,578 | 1,844 | 7,655 | 2,708 | 2,708 |
| Bank of Agriculture (BOA) | 40% | - | - | - | 4,027 | 4,027 | 4,027 |
| Agricultural Credit Guarantee Scheme Fund | 40% | 1,862 | 1,881 | 1,709 | 1,200 | 1,200 | 1,200 |
| Abuja Securities & Commodity Exchange (ASCE) | 60% | - | - | - | 408 | 408 | 408 |
| National Economic Reconstruction Fund (NERFUND) | 33% | - | - | - | 100 | 100 | 100 |
| Nigeria Inter-Bank Settlement System (NIBSS) | 3.6% | 149 | 111 | 95 | 53 | 53 | 53 |
| | | **112,698** | **106,604** | **102,128** | **96,401** | **91,454** | **91,454** |
| Less: Impairment allowance (Note 24a) | | - | - | - | (4,535) | (4,535) | (4,535) |
| | | **112,698** | **106,604** | **102,128** | **91,866** | **86,919** | **86,919** |

***Maturity analysis***

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|---|---|---|
| Non-current | 112,698 | 106,604 | 102,128 | 91,866 | 86,919 | 86,919 |
| | **112,698** | **106,604** | **102,128** | **91,866** | **86,919** | **86,919** |

24a A reconciliation of the allowance for impairment losses for investment in associates, by investees, is as follows:

| **Bank** | **Bank of Agriculture (BOA) N'million** | **Abuja Securities & Commodity Exchange (ASCE) N'million** | **National Economic Reconstructi on Fund (NERFUND) N'million** | **Total N'million** |
|---|---|---|---|---|
| **At 1 January 2012** | **4,027** | **408** | **100** | **4,535** |
| **As at 31 December 2012** | **4,027** | **408** | **100** | **4,535** |
| **As at 31 December 2013** | **4,027** | **408** | **100** | **4,535** |

The CBN holds unlisted equity investments in various entities that are classified as associates. These are held by the CBN as part of its functions as a central bank and are thus of a longstanding nature. The percentage shareholdings held by the CBN and the cost of the investments are presented above.

The investees are involved in activities that promote economic growth and development in Nigeria, which goals form part of the CBN's agenda and mandate. The risks faced by the CBN as a result of these investments is limited to the original cost invested.

The CBN has not made any capital commitments to any of the associates. The investees are carried at cost less impairment in the separate financial statements and equity accounted in the consolidated financial statements. Information about the activites of the associates are presented below:

**Africa Finance Corporation (AFC)**

AFC is a private sector-led Pan African multilateral development finance institution, with a capital base of US$1.2 billion, established to be a catalyst for private sector infrastructure investment across Africa. AFC not only provides access to finance, deal structuring and sector technical expertise, but also advisory services, project development capacity, and funding to bridge the infrastructure investment and access deficits, in the core infrastructure sectors of power, natural resources, heavy industry, transport and telecommunications, all critical pillars for economic growth across Africa. Its principal place of business is in Lagos, Nigeria. The Group's interest in AFC is accounted for using the equity method in the consolidated financial statements.

**Nigerian Export Import Bank (NEXIM)**

A foremost bank of its nature in Africa, NEXIM was established to carry on the business of provision of export credit guarantee and export credit insurance facilities to its clients, provision of credit in local currency to its clients in support of exports, establishment and management of funds connected with exports, maintenance of a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production, maintenance of a trade information system in support of export business and provision of domestic credit insurance where such a facility is likely to assist exports. Its principal place of business is in Abuja, Nigeria.The Group's interest in NEXIM is accounted for using the equity method in the consolidated financial statements.

**Bank of Industry (BOI)**

The Bank was incorporated as a private limited liability company under the name Nigerian Industrial Development Bank Limited on 22 January 1964 and it changed its name to Bank of Industry Limited by a special resolution passed at an extra-ordinary general meeting held on 5 October 2001. The principal activity of the group is the provision of development financing services. There was an increase of N4.947 billion in the Bank's equity holding in BOI during the year. Its principal place of business is in Lagos, Nigeria. The Group's interest in BOI is accounted for using the equity method in the consolidated financial statements.

**Bank of Agriculture (BOA)**

The Bank was incorporated on 24 November 1972 as Nigerian Agricultural Bank Limited, changed its name to the Nigerian Agricultural and Co-orperative Bank Limited (NACB) in 1978 and later changed to Nigerian Agricultural Co-operative and Rural Development Bank Limited (NARCDB) on 29 December 2000. It enlarged it object clause to include the total development activities of the Peoples Bank of Nigeria and also acquired the risk assets of the Family Economic Advancement Program (FEAP). On 6 October 2010, the Bank further changed to Bank of Agriculture Limited. The Bank is fully owned by the Federal Government of Nigeria through the Ministry of Finance Incorporated and the Central Bank of Nigeria. The Bank grants Micro and Macro loans for Agricultural production, processing and marketing and other financial services, but as from 1 April 2006, marketing ceased to be one of the Bank's principal activities. It also engages in the business of stimulation of rural savings as well as provision of loans to small scale enterprises in order to develop the economic base of the low income populace. Its principal place of business is in Kaduna, Nigeria. The Group's interest in BOA is accounted for using the equity method in the consolidated financial statements.

**Agricultural Credit Guarantee Scheme Fund (ACGSF)**

The Fund was established by the Agricultural Credit Guarantee Scheme Fund Decree (No 20) of1977. The Fund was established for the purpose of providing guarantees in respect of loans granted for agricultural purposes by any bankwith a view to encourage banks to make advances to the agricultural sub-sector of the economy. The Fund is managed by the ACGSF Board. The Board was dissolved in October 2007. Its principal place of business is in Abuja, Nigeria. The Group's interest in ACGSF is accounted for using the equity method in the consolidated financial statements.

**Abuja Securities & Commodity Exchange (ASCE)**

The Abuja Securities & Commodity Exchange(ASCE) was originally incorporated as a Stock Exchange on June 17, 1998.It commenced electronic trading in securities in May 2001 and was converted to a commodity Exchange on August 8, 2001 and brought under the supervision of the Federal Ministry of Commerce. The conversion was premised on the need for an alternative institutional arrangement that would manage the effect of price fluctuations in the marketing of agricultural produce which has adversely affected the earnings of farmers since the abolishment of commodity Boards in 1986. Its principal place of business is in Abuja, Nigeria. The Group's interest in ASCE is accounted for using the equity method in the consolidated financial statements.

**National Economic Reconstruction Fund (NERFUND)**

The Fund was established in 1989 by the National Economic Reconstruction Act, Cap. 254, 1990 Laws of the Federation (NERFUND Act) with the main objective of acting as a catalyst for the rapid rise of real production enterprises in the country. To accomplish this, it is mandated to provide medium to long term financing to small and medium scale enterprises, with special emphasis on the manufacturing and agro-allied sectors. It is also saddled with the responsibility of 'correcting observed inadequacies in the provision of medium to long term financing to small and medium scale enterprises' in the country. Its principal place of business is in Abuja, Nigeria. The Group's interest in NEFUND is accounted for using the equity method in the consolidated financial statements.

*(All amounts are in millions of Naira, unless otherwise stated)*

**Nigeria Inter-Bank Settlement System (NIBSS)**

The Nigeria Inter-Bank Settlement System Plc. (NIBSS) was set up by the decision of the Bankers Committee in 1992, as a Banking Industry Shared-Service, to help streamline inter-bank payments and settlement mechanisms, and to promote electronic payments in Nigeria. Incorporated in April 1993, it commenced operations on the 13th of June 1994. The Bank holds an investment in the equity of NIBSS. As at 31 December 2013 the Bank paid a total of N53 million (2012: N53 million and 1 January 2012: N53 million). The proportion of the Bank equity interest to the total holding in this institution is 3.6%. These shares are measured at cost less impairment losses. The Nigeria Inter-Bank Settlement System Plc (NIBSS) was set up by the decision of the Bankers Committee in 1992, as a Banking Industry Shared-Service, to help streamline inter-bank payments and settlement mechanisms, and to promote electronic payments in Nigeria. Incorporated in April 1993 it commenced operations on 13th June 1994.NIBSS is owned by all licensed banks and discount houses in Nigeria, and the Central Bank of Nigeria. The Board consists of representatives of banks, Discount Houses and the Managing Director of NIBSS with Deputy Governor (Operations), Central Bank of Nigeria, as the Chairman. Its principal place of business is in Lagos, Nigeria. The Group's interest in NIBSS is accounted for using the equity method in the consolidated financial statements.

**The following table illustrates the summarised financial information of the Group's investments associates accounted for using the equity method.**

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **N'million** | **N'million** |
| Share of profit of associates | 3,407 | 5,542 |
| Share of other comprehensive income/(loss) of associates | (2,258) | (1,066) |
| | **1,149** | **4,476** |

**31 December 2013**

| | Nigeria Inter-Bank Settlement System (NIBSS) | Africa Finance Corporation (AFC) | National Economic Reconstruction Fund (NERFUND) | Nigerian Export Import Bank (NEXIM) | Bank of Agriculture (BOA) | Bank of Industry (BOI) | Agricultural Credit Guarantee Scheme Fund | Abuja Securities & Commodity Exchange (ASCE) |
|---|---|---|---|---|---|---|---|---|
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| Current assets | 3,854 | 35,724 | 620 | 16,365 | 19,395 | 88,806 | 163 | - |
| Non current assets | 1,941 | 262,970 | 3,184 | 35,566 | 15,515 | 540,478 | 6,554 | - |
| Non-current liabilities | (1,220) | (1,646) | (9,776) | (3,580) | (26,581) | (22,547) | (103) | - |
| Current liabilities | (186) | (98,081) | (72) | (11,887) | (5,132) | (452,981) | (1,957) | - |
| **Equity** | **4,389** | **198,967** | **(6,044)** | **36,464** | **3,197** | **153,756** | **4,657** | **-** |
| **Group's carrying amount of the investment** | **149** | **79,850** | **-** | **22,459** | **-** | **8,378** | **1,862** | **-** |
| Revenue | 4,159 | 9,563 | 572 | 3,529 | 2,660 | 22,241 | 593 | - |
| Gross income | 4,503 | 12,760 | 311 | 3,900 | 3,153 | 24,943 | 593 | - |
| Total expenses | (2,691) | (332) | (4,233) | (3,832) | (6,983) | (23,246) | (640) | - |
| **Profit/(loss) before taxation** | **1,812** | **12,428** | **(3,922)** | **68** | **(3,830)** | **1,697** | **(47)** | - |
| Income tax expenses | (578) | - | - | - | - | 484 | - | - |
| **Profit for the year** | **1,234** | **12,428** | **(3,922)** | **68** | **(3,830)** | **2,181** | **(47)** | **-** |
| Other comprehensive income, net of income tax: | - | (5,389) | - | 57 | - | (55) | - | - |
| **Total comprehensive income for the year** | **1,234** | **7,039** | **(3,922)** | **125** | **(3,830)** | **2,126** | **(47)** | **-** |
| **Group share of profit/(loss) for the year** | **39** | **2,489** | **-** | **27** | **-** | **871** | **(19)** | **-** |
| **Group share of other comprehensive income** | **-** | **(2,263)** | **-** | **23** | **-** | **(18)** | **-** | **-** |
| **Group share of total comprehensive income** | **39** | **226** | **-** | **50** | **-** | **853** | **(19)** | **0** |
| **Unrecognised share of losses for the current year** | **-** | **-** | **(1,294)** | **-** | **(1,532)** | **-** | **-** | **-** |
| **Cumulative share of losses at end of period** | **-** | **-** | **(1,366)** | **-** | **(4,991)** | **-** | **-** | **-** |
| **Dividend received** | **6** | **2,713** | **-** | **-** | **-** | **23** | - | - |

*(All amounts are in millions of Naira, unless otherwise stated)*

**24 Investments in associates (continued)**

**31 December 2012**

| | Nigeria Inter-Bank Settlement System (NIBSS) | Africa Finance Corporation (AFC) | National Economic Reconstruction Fund (NERFUND) | Nigerian Export Import Bank (NEXIM) | Bank of Agriculture (BOA) | Bank of Industry (BOI) | Agricultural Credit Guarantee Scheme Fund | Abuja Securities & Commodity Exchange (ASCE) |
|---|---|---|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million | N'million | N'million | N'million |
| Current assets | 2,138 | 25,785 | 1,483 | 23,652 | 10712 | 102,200 | 669 | 13 |
| Non current assets | 1,979 | 217,741 | 5,930 | 24,542 | 13764 | 474,851 | 6,111 | 187 |
| Non-current liabilities | (603) | (30,119) | (9,494) | (3,070) | (12,319) | (9,560) | (53) | (82) |
| Current liabilities | (227) | (41,479) | (64) | (12,168) | (3,572) | (555,022) | (2,023) | (5) |
| **Equity** | **3,287** | **171,928** | **(2,145)** | **32,956** | **8,585** | **12,469** | **4,704** | **113** |
| **Group's carrying amount of the investment** | **111** | **79,625** | **-** | **22,409** | **-** | **2,578** | **1,881** | **-** |
| Revenue | 2,996 | 10,222 | 287 | 3,500 | 885 | 18,711 | 997 | 491 |
| Gross income | 3,210 | 11,886 | 101 | 4,350 | (882) | 19,176 | 997 | 491 |
| Total expenses | (2,514) | (54) | (318) | (3,015) | (7,766) | (16,816) | (567) | (586) |
| **Profit/(loss) before taxation** | **696** | **11,832** | **(217)** | **1,335** | **(8,648)** | **2,360** | **430** | **(95)** |
| Income tax expenses | (182) | - | - | - | - | (375) | - | - |
| **Profit for the year** | **514** | **11,832** | **(217)** | **1,335** | **(8,648)** | **1,985** | **430** | **(95)** |
| Other comprehensive income, net of income tax: | - | (2,325) | - | 90 | 461 | (306) | - | - |
| **Total comprehensive income for the year** | **514** | **9,507** | **(217)** | **1,425** | **8,187** | **1,679** | **430** | |
| **Group share of profit/(loss) for the year** | **16** | **3,980** | **-** | **514** | **-** | **860** | **172** | **-** |
| **Group share of other comprehensive income** | **-** | **(976)** | **-** | **36** | **-** | **(126)** | **-** | **-** |
| **Group share of total comprehensive income** | **16** | **3,004** | **-** | **550** | **-** | **734** | **172** | **-** |
| **Unrecognised share of losses for the current year** | **-** | **-** | **(72)** | **-** | **(3,459)** | **-** | **-** | **(57)** |
| **Cumulative share of losses at end of period** | **-** | **-** | **(72)** | **-** | **(3,459)** | **-** | **-** | **(57)** |
| **Dividend received** | **3** | **989** | **-** | **20** | **-** | **3** | **-** | **-** |

**1 January 2012**

| | Nigeria Inter-Bank Settlement System (NIBSS) | Africa Finance Corporation (AFC) | National Economic Reconstruction Fund (NERFUND) | Nigerian Export Import Bank (NEXIM) | Bank of Agriculture (BOA) | Bank of Industry (BOI) | Agricultural Credit Guarantee Scheme Fund | Abuja Securities & Commodity Exchange (ASCE) |
|---|---|---|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million | N'million | N'million | N'million |
| Current assets | 1,462 | 2,809 | 3,922 | 22,554 | 13,128 | 121,769 | 12 | 29 |
| Non current assets | 1,980 | 193,343 | 2,624 | 16,579 | 16,963 | 437,190 | 5,818 | 230 |
| Non-current liabilities | (387) | (1,209) | (9,212) | (3,002) | (19,612) | (16,355) | (5) | (86) |
| Current liabilities | (208) | (12,516) | (39) | (7,946) | (1,933) | (537,731) | (1,551) | (5) |
| **Equity** | **2,847** | **182,427** | **(2,705)** | **28,185** | **8,546** | **4,873** | **4,274** | **168** |
| **Group's carrying amount of the investment** | **95** | **76,621** | **-** | **21,859** | **-** | **1,844** | **1,709** | **-** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| **25 Other assets** | N'million | N'million | N'million | N'million | N'million | N'million |
| Sundry receivables (Note 25a) | 1,406,493 | 342,803 | 74,918 | 1,406,493 | 342,803 | 74,918 |
| Account receivables | 28,376 | 27,775 | 29,874 | 28,376 | 27,775 | 29,874 |
| Prepayments | 3,265 | 2,005 | 4,238 | 260 | 260 | 1,097 |
| Deposit for shares | 2,100 | 4,947 | 4,946 | 2,100 | 4,947 | 15,132 |
| Due from Agricultural Credit Guarantee Scheme Fund | 932 | 1,306 | 810 | 932 | 1,306 | 810 |
| Inventories | 9,866 | 9,777 | 15,283 | - | - | - |
| Other receivables | 7,863 | 8,270 | 8,648 | - | - | - |
| | **1,458,895** | **396,883** | **138,717** | **1,438,161** | **377,091** | **121,831** |
| Less: Impairment allowance (25b) | (33,924) | (317,571) | (10,199) | (33,924) | (317,571) | (10,199) |
| | **1,424,971** | **79,312** | **128,518** | **1,404,237** | **59,520** | **111,632** |

***Maturity analysis***

| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
|---|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 3,866 | 2,005 | 23,913 | 861 | 260 | 20,772 |
| Non-current | 1,411,239 | 67,530 | 89,322 | 1,403,376 | 59,260 | 90,860 |
| | **1,415,105** | **69,535** | **113,235** | **1,404,237** | **59,520** | **111,632** |

25a ***Sundry receivables are further analysed as follows:***

| | | | | | | |
|---|---|---|---|---|---|---|
| Other sundry assets | 1,406,493 | 341,707 | 65,393 | 1,406,493 | 341,707 | 65,393 |
| Cheques in clearing | - | 1,096 | 9,525 | - | 1,096 | 9,525 |
| | **1,406,493** | **342,803** | **74,918** | **1,406,493** | **342,803** | **74,918** |

Sundry receivables include prepaid staff expenses of N12.9 billion (31 December 2012: N12.351 billion) and prepaid intervention expenses of N1.387 trillion (31 December 2012: N323 billion) arising from below market interest loans issued to staff members and loans to the financial services sector respectively. The loans to financial services sector are in pursuit of the CBN's developmental agenda and also to ensure financial markets stability. These prepaid expenses are amortised over the tenor of the respective loans.

25b **Impairment allowance for other assets**
A reconciliation of the allowance for impairment for other assets, by class, is as follows:

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | Account receivables | Sundry receivables | Due from Agricultural Credit Guarantee Scheme Fund | Total | Account receivables | Sundry receivables | Due from Agricultural Credit Guarantee Scheme Fund | Total |
| | N'million | N'million | N'million | N'million | N'million | N'million | N'million | N'million |
| **At 1 January 2012** | 10,199 | - | - | **10,199** | **10,199** | - | **-** | **10,199** |
| Charge for the year (Note 17) | 17,576 | 289,425 | 371 | **307,372** | 17,576 | 289,425 | 371 | 307,372 |
| **As at 31 December 2012** | **27,775** | **289,425** | **371** | **317,571** | **27,775** | **289,425** | **371** | **317,571** |
| Reversal | - | (283,647) | - | (283,647) | - | (283,647) | | (283,647) |
| **As at 31 December 2013** | **27,775** | **5,778** | **371** | **33,924** | **27,775** | **5,778** | **371** | **33,924** |

**26 Intangible assets**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | Computer software | Software under development | Total | Computer software | Software under development | Total |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| ***Cost*** | | | | | | |
| **At 1 January 2012** | **6,614** | **-** | **6,614** | **6,591** | **-** | **6,591** |
| Additions | 6,224 | 499 | 6,723 | 6,224 | 499 | 6,723 |
| Derecognition | | (20) | (20) | | (20) | (20) |
| **At 31 December 2012** | **12,838** | **479** | **13,317** | **12,815** | **479** | **13,294** |
| Additions | 1,692 | 1,797 | 3,489 | 1,692 | 1,797 | 3,489 |
| Reclassifications | - | - | - | | | - |
| **At 31 December 2013** | **14,530** | **2,276** | **16,806** | **14,507** | **2,276** | **16,783** |
| ***Amortisation*** | | | | | | |
| **At 1 January 2012** | **4,012** | **-** | **4,012** | **3,997** | **-** | **3,997** |
| Amortisation | 2,464 | - | 2,464 | 2,459 | - | 2,459 |
| **At 31 December 2012** | **6,476** | **-** | **6,476** | **6,456** | **-** | **6,456** |
| Amortisation | 2,918 | - | 2,918 | 2,915 | - | 2,915 |
| **At 31 December 2013** | **9,394** | **-** | **9,394** | **9,371** | **-** | **9,371** |
| ***Net book value*** | | | | | | |
| At 31 December 2013 | **5,136** | **2,276** | **7,412** | **5,136** | **2,276** | **7,412** |
| At 31 December 2012 | **6,362** | **479** | **6,841** | **6,359** | **479** | **6,838** |
| At 1 January 2012 | **2,602** | **-** | **2,602** | **2,594** | **-** | **2,594** |

*(All amounts are in millions of Naira, unless otherwise stated)*

***Maturity analysis***

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|---|---|---|
| Non-current | 7,412 | 6,841 | 2,602 | 7,412 | 6,838 | 2,594 |
| | **7,412** | **6,841** | **2,602** | **7,412** | **6,838** | **2,594** |

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## 27 Property, plant and equipment

| Group | Land N'million | Land and buildings N'million | Plant, machinery and equipment N'million | Furnitures and fittings N'million | Computer equipment N'million | Motor vehicles N'million | Capital work in progress N'million | Total N'million |
|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | |
| **At 1 January 2012** | **1,671** | **86,267** | **54,608** | **4,655** | **2,396** | **5,284** | **175,874** | **330,755** |
| Additions | - | 369 | 4,601 | 545 | 2,082 | 1,631 | 41,013 | 50,241 |
| Reclassifications | - | 22,464 | - | - | 22 | - | (22,486) | - |
| Transfers | - | 36 | 4,275 | - | - | - | (4,311) | - |
| Disposals | - | - | (210) | (33) | (26) | (132) | (16) | (417) |
| **At 31 December 2012** | **1,671** | **109,136** | **63,274** | **5,167** | **4,474** | **6,783** | **190,074** | **380,579** |
| Additions | - | 8,712 | 2,117 | 578 | 280 | 1,492 | 42,652 | 55,831 |
| Reclassifications | - | (354) | 107 | 326 | 25 | 12 | (116) | - |
| Transfers | - | - | 60 | - | - | - | (60) | - |
| Disposals | - | - | (215) | (423) | (36) | (93) | (2,322) | (3,089) |
| **At 31 December 2013** | **1,671** | **117,494** | **65,343** | **5,648** | **4,743** | **8,194** | **230,228** | **433,321** |
| | | | | | | | | |
| ***Depreciation and impairment*** | | | | | | | | |
| **At 1 January 2012** | **-** | **14,739** | **20,916** | **2,974** | **1,555** | **1,890** | **-** | **42,074** |
| Depreciation charged for the year | - | 2,359 | 3,905 | 615 | 853 | 931 | - | 8,663 |
| Disposals | - | - | (34) | (21) | - | (118) | - | (173) |
| **At 31 December 2012** | **-** | **17,098** | **24,787** | **3,568** | **2,408** | **2,703** | **-** | **50,564** |
| Depreciation charged for the year | - | 2,287 | 4,899 | 459 | 1,035 | 1,075 | - | 9,755 |
| Disposals | - | - | (38) | (91) | (12) | (87) | - | (228) |
| **At 31 December 2013** | **-** | **19,385** | **29,648** | **3,936** | **3,431** | **3,691** | **-** | **60,091** |
| | | | | | | | | |
| ***Net book value*** | | | | | | | | |
| At 31 December 2013 | **1,671** | **98,109** | **35,695** | **1,712** | **1,312** | **4,503** | **230,228** | **373,230** |
| At 31 December 2012 | **1,671** | **92,038** | **38,487** | **1,599** | **2,066** | **4,080** | **190,074** | **330,015** |
| At 1 January 2012 | **1,671** | **71,528** | **33,692** | **1,681** | **841** | **3,394** | **175,874** | **288,681** |

| Bank | Land N'million | Buildings N'million | Plant and equipment N'million | Furnitures and fittings N'million | Computer equipment N'million | Motor vehicles N'million | Capital work in progress N'million | Total N'million |
|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | |
| **At 1 January 2012** | **1,617** | **78,168** | **26,686** | **2,815** | **2,396** | **4,617** | **174,823** | **291,122** |
| Additions | - | 354 | 4,475 | 420 | 2,082 | 1,611 | 35,936 | 44,878 |
| Reclassifications | - | 22,464 | | | 22 | | (22,486) | - |
| Disposals | - | - | (210) | (21) | (26) | (30) | - | (287) |
| **At 31 December 2012** | **1,617** | **100,986** | **30,951** | **3,214** | **4,474** | **6,198** | **188,273** | **335,713** |
| Additions | - | 8,672 | 1,868 | 447 | 280 | 1,437 | 40,173 | 52,877 |
| Reclassifications | - | (327) | 80 | 326 | 25 | 12 | (116) | - |
| Disposals | - | - | (100) | (413) | (36) | (88) | (2,322) | (2,959) |
| **At 31 December 2013** | **1,617** | **109,331** | **32,799** | **3,574** | **4,743** | **7,559** | **226,008** | **385,631** |
| ***Depreciation and impairment*** | | | | | | | | |
| **At 1 January 2012** | **-** | **13,025** | **15,846** | **1,729** | **1,555** | **1,604** | **-** | **33,759** |
| Depreciation charged for the year | - | 2,198 | 2,349 | 504 | 853 | 844 | - | 6,748 |
| Disposals | - | - | (34) | (9) | - | (16) | - | (59) |
| **At 31 December 2012** | **-** | **15,223** | **18,161** | **2,224** | **2,408** | **2,432** | **-** | **40,448** |
| Depreciation charged for the year | - | 2,149 | 3,483 | 362 | 1,035 | 980 | - | 8,009 |
| Disposals | - | - | (2) | (84) | (12) | (83) | - | (181) |
| **At 31 December 2013** | **-** | **17,372** | **21,642** | **2,502** | **3,431** | **3,329** | **-** | **48,276** |
| | | | | | | | | |
| ***Net book value*** | | | | | | | | |
| At 31 December 2013 | **1,617** | **91,959** | **11,157** | **1,072** | **1,312** | **4,230** | **226,008** | **337,355** |
| At 31 December 2012 | **1,617** | **85,763** | **12,790** | **990** | **2,066** | **3,766** | **188,273** | **295,265** |
| At 1 January 2012 | **1,617** | **65,143** | **10,840** | **1,086** | **841** | **3,013** | **174,823** | **257,363** |

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
| Non-current | 373,230 | 330,015 | 288,681 | 337,355 | 295,265 | 257,363 |
| | **373,230** | **330,015** | **288,681** | **337,355** | **295,265** | **257,363** |

## 28 Non-current assets held-for-sale

In December 2010, the Group announced plans to dispose its 80% holding in Pacific Printing Limited, its commercial printing business. Prior to its sale, the subsidiary had been inactive. Management initiated plans to locate an active buyer in 2010. The investment was sold for N160 million and the disposal was completed in March 2012. Profit on disposal of N133.5 million is included in other income (Note 10). No impairment had been recognised as at 1 January 2012 as the sale price was expected to be above the carrying amount.

*(All amounts are in millions of Naira, unless otherwise stated)*

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| Investment in Pacific Printing Limited | - | - | 26 | - | - | - |
| | **-** | **-** | **26** | **-** | **-** | **-** |

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| **29 Deposits** | | | | | | |
| Government deposits: | | | | | | |
| - Capital and settlement accounts | 1,077,488 | 1,858,793 | 1,429,290 | 1,077,488 | 1,858,793 | 1,429,290 |
| - Domiciliary accounts | 506,949 | 605,833 | 809,914 | 506,949 | 605,833 | 809,914 |
| Other accounts (Note 29a) | 1,099,950 | 2,077,025 | 1,597,799 | 1,099,950 | 2,077,025 | 1,597,799 |
| Financial Institutions: | | | | | | |
| - Current and settlement accounts | 1,227,870 | 527,492 | 409,886 | 1,227,870 | 527,492 | 409,886 |
| - Banks' reserve accounts | 2,216,552 | 1,301,333 | 759,838 | 2,216,552 | 1,301,333 | 759,838 |
| | **6,128,809** | **6,370,476** | **5,006,727** | **6,128,809** | **6,370,476** | **5,006,727** |

***Maturity analysis***

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| Current | 6,128,809 | 6,370,476 | 5,006,727 | 6,128,809 | 6,370,476 | 5,006,727 |
| | **6,128,809** | **6,370,476** | **5,006,727** | **6,128,809** | **6,370,476** | **5,006,727** |

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| 29a **Other accounts are further analysed as follows:** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| FGN Petroleum Profits Tax Naira funding account | 552,981 | 1,452,604 | 786,663 | 552,981 | 1,452,604 | 786,663 |
| FGN excess crude oil proceeds (Naira funding) account | 185,065 | 236,493 | 162,735 | 185,065 | 236,493 | 162,735 |
| Letters of credit consolidated account | 171,326 | 203,028 | 160,323 | 171,326 | 203,028 | 160,323 |
| FGN (External creditors) funding account | 41,198 | 19,604 | 38,731 | 41,198 | 19,604 | 38,731 |
| Special reserve account | 136,881 | 653 | 33,002 | 136,881 | 653 | 33,002 |
| Sundry accounts | 6,131 | 1,345 | 409,924 | 6,131 | 1,345 | 409,924 |
| NNPC/NAPIMS cash call account | 6,352 | 6,353 | 6,353 | 6,352 | 6,353 | 6,353 |
| Sovereign Wealth Fund | - | 155,650 | 49 | - | 155,650 | 49 |
| Deposit for Naira draft account | 16 | 1,295 | 19 | 16 | 1,295 | 19 |
| | **1,099,950** | **2,077,025** | **1,597,799** | **1,099,950** | **2,077,025** | **1,597,799** |

29b Foreign currency deposits held on behalf of customers for letters of credit transactions and other purposes are analysed below:

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| Other accounts | 1,099,950 | 2,077,025 | 1,597,799 | 1,099,950 | 2,077,025 | 1,597,799 |
| Domiciliary accounts | 506,949 | 605,833 | 809,914 | 506,949 | 605,833 | 809,914 |
| | 1,606,899 | 2,682,858 | 2,407,713 | 1,606,899 | 2,682,858 | 2,407,713 |

**Government deposits:**
This represents the position of the account of the Federal Government of Nigeria with the Central bank of Nigeria.

**Financial Institutions:**
The current and settlement accounts represent transaction and deposit balances of financial institutions with the Central Bank of Nigeria. The Banks' reserve accounts represent the statutory minimum reserve (SMR) of commercial banks with the Central Bank of Nigeria. This is a statutory ratio for monetary policy. Commercial banks are required to hold a prescribed percentage of their total deposits with the Central Bank of Nigeria.

**Other accounts:**
The other accounts largely represent deposits held on behalf of customers.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| **30 Central Bank of Nigeria Instruments** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| Open Market Operations - Central Bank of Nigeria Bills | 3,738,632 | 2,580,482 | 1,436,305 | 3,738,632 | 2,580,482 | 1,436,305 |
| Central Bank of Nigeria Promissory Notes | 461 | 11,658 | 275 | 461 | 11,658 | 275 |
| | **3,739,093** | **2,592,140** | **1,436,580** | **3,739,093** | **2,592,140** | **1,436,580** |
| Central Bank of Nigeria Promissory Notes: | | | | | | |
| **At 1 January** | **11,658** | **275** | **1,128** | **11,658** | **275** | **1,128** |
| Issued during the year | 436 | 10,151 | 3,365 | 436 | 10,151 | 3,365 |
| Redemption in the year | (11,658) | (275) | (4,237) | (11,658) | (275) | (4,237) |
| Accrued interest | 25 | 1,507 | 19 | 25 | 1,507 | 19 |
| **At 31 December** | **461** | **11,658** | **275** | **461** | **11,658** | **275** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| | | | | | | |
|---|---|---|---|---|---|---|
| Open Market Operations - Central Bank of Nigeria Bills: | | | | | | |
| **At 1 January** | **2,580,482** | **1,436,305** | **104,750** | **2,580,482** | **1,436,305** | **104,750** |
| Issued during the year | 10,060,375 | 4,518,183 | 2,362,439 | 10,060,375 | 4,518,183 | 2,362,439 |
| Redemption during the year | (8,814,321) | (3,318,224) | (929,929) | (8,814,321) | (3,318,224) | (929,929) |
| Accrued interest | - | 2,092 | 407 | - | 2,092 | 407 |
| Deferred interest and prepayments | (87,904) | (57,874) | (101,362) | (87,904) | (57,874) | (101,362) |
| **At 31 December** | **3,738,632** | **2,580,482** | **1,436,305** | **3,738,632** | **2,580,482** | **1,436,305** |
| | | | | - | - | |

***Maturity analysis***

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|---|---|---|
| Current | 3,739,093 | 2,592,140 | 1,436,580 | 3,739,093 | 2,592,140 | 1,436,580 |
| | **3,739,093** | **2,592,140** | **1,436,580** | **3,739,093** | **2,592,140** | **1,436,580** |

**Central Bank of Nigeria Promissory Notes:**
The CBN issued promissory notes to Ecobank Nigeria Plc., as part of a Purchase and Assumption Arrangement over the private sector deposits and certain assets of defunct African International Bank Limited. The promissory notes have a tenor of 1 year and carry coupon rates of 10.8% - 15%.

**Open Market Operations - Central Bank of Nigeria Bills:**
Central Bank of Nigeria bills represent bills of the Bank issued to commercial banks as a liquidity management tool and as a means of implementing monetary policy. These instruments have tenors ranging from 7 days - 364 days and carry discount rates ranging from 11.55% - 13.30% per annum.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** | **2013** | **2012** | **1 January 2012** |
| **31 Bank notes and coins in circulation** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| Notes | 1,775,032 | 1,630,192 | 1,564,763 | 1,775,035 | 1,630,194 | 1,564,772 |
| Coins | 1,270 | 1,312 | 1,162 | 1,270 | 1,312 | 1,162 |
| | **1,776,302** | **1,631,504** | **1,565,925** | **1,776,305** | **1,631,506** | **1,565,934** |

***Maturity analysis***

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|---|---|---|
| Current | 1,776,302 | 1,631,504 | 1,565,925 | 1,776,305 | 1,631,506 | 1,565,934 |
| | **1,776,302** | **1,631,504** | **1,565,925** | **1,776,305** | **1,631,506** | **1,565,934** |

Bank notes and coins in circulation represents the face value of notes and coins in circulation. Notes and coins held by the Bank are cash in main vault, intermediary vault and cashier/teller at the end of financial year have been netted off against the liability for notes and coins in circulation because they do not represent currency in circulation.

## 32 Employee benefit

The table below outlines where the Group's post employment amounts and activity are included in the financial statements

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| **Employee defined benefit (assets)/liabilities recognised in** | | | | | | |
| Defined benefit pension scheme (Note 32.1) | 7,622 | - | 226 | 7,622 | - | - |
| **Asset in the statement of financial position** | **7,622** | **-** | **226** | **7,622** | **-** | **-** |
| Defined benefit liabilities: | | | | | | |
| Defined benefit pension scheme (Note 32.1) | 160 | 1,908 | 35,813 | - | 1,251 | 35,813 |
| Post-employment gratuity scheme (Note 32.2) | 61,591 | 57,629 | 53,670 | 61,591 | 57,629 | 53,670 |
| Long service awards (Note 32.3) | 889 | 1,005 | 1,026 | 826 | 938 | 942 |
| Post-employment medical aid scheme for pensioners (Note 32.4) | 4,043 | 4,807 | 5,224 | 4,043 | 4,807 | 5,224 |
| Defined contribution liabilities (Note 32.5) | 32 | 24 | 128 | 32 | 24 | 128 |
| **Liability in the statement of financial position** | **66,715** | **65,373** | **95,861** | **66,492** | **64,649** | **95,777** |
| **Net employee benefits liabilities** | **59,093** | **65,373** | **95,635** | **58,870** | **64,649** | **95,777** |

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **2013 N'million** | **2012 N'million** |
| **Net benefit expenses recognised in income statement:** | | | | |
| Defined benefit pension scheme (Note 32.1) | (412) | 5,208 | 163 | 4,656 |
| Post-employment gratuity scheme (Note 32.2) | 11,186 | 10,515 | 11,186 | 10,515 |
| Long service awards (Note 32.3) | 36 | 94 | 27 | 96 |
| Post-employment medical aid scheme for pensioners (Note 32.4) | 600 | 654 | 600 | 654 |
| **Total defined benefit expenses** | **11,410** | **16,471** | **11,976** | **15,921** |
| Defined contribution liabilities (Note 32.5) | 3,472 | 4,239 | 3,197 | 3,971 |
| | **14,882** | **20,710** | **15,173** | **19,892** |
| **Remeasurement (gains)/losses in other comprehensive income:** | | | | |
| Defined benefit pension scheme (Note 32.1) | (1,709) | (28,065) | (1,787) | (28,423) |
| Post-employment gratuity scheme (Note 32.2) | (6,809) | (5,555) | (6,809) | (5,555) |
| Post-employment medical aid scheme for pensioners (Note 32.4) | (1,018) | (718) | (1,018) | (718) |
| | **(9,536)** | **(34,338)** | **(9,614)** | **(34,696)** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**32 Post-employment benefits (continued)**

The profit or loss charge included within personnel expenses includes current service cost, interest cost, past service costs and remeasurement gains or losses (other long term employee benefit) on the defined benefit schemes.

| *Maturity analysis* | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2013 | 2013 | 2012 | 1 January 2013 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Current | 32 | 24 | 128 | 32 | 24 | 128 |
| Non-current | 59,061 | 65,349 | 95,507 | 58,838 | 64,625 | 95,649 |
| | **59,093** | **65,373** | **95,635** | **58,870** | **64,649** | **95,777** |

32.1 **Defined benefit pension scheme**

The Group operates a defined benefit pension scheme for the retired employees. This scheme is funded and will be terminated only at the death of the last pensioner. An actuarial valuation has been performed to determine the Group's obligations to the pensioners for each of the three years and the amounts have been appropriately recognised in the statement of financial position.

The assets of the pension plan are held in a separate fund administer by the Trustee to meet the short and long term plan pension liabilities of retired employees. The Trustee is required to act in the best interest of the beneficiary. The Trustee is appointed by the Group. The Trustee select adviser to the fund and are also responsible for preparing proper accounting records of the scheme, safeguarding assets and takin reasonable steps to prevent and detect fraud and any other irregularities. The trustee actively monitors how the duration and the expected yield of the plan assets match the expected cash flows from pension obligations. The Trustee have not change the processes used to manage risks from previous period, no derivatives are used to manage risk. The Trust deed specify that assets of the fund are not available to the Group for other uses and must be used only to fund defined pension obligation.

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

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Present value of funded obligations | 83,853 | 93,922 | 103,189 | 82,173 | 92,215 | 101,540 |
| Fair value of plan assets | (91,315) | (92,014) | (67,629) | (89,795) | (90,964) | (65,727) |
| Impact of asset ceiling | - | - | 27 | - | | |
| **(Surplus) / deficit of funded plans** | **(7,462)** | **1,908** | **35,587** | **(7,622)** | **1,251** | **35,813** |

The movement in the defined benefit liability over the year is as follows:

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | Present value of obligation | Fair value of plan assets | Total | Present value of obligation | Fair value of plan assets | Total |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| **At 1 January 2012** | 103,189 | (67,629) | 35,560 | 101,540 | (65,727) | 35,813 |
| Interest expense | 12,632 | - | 12,632 | 12,448 | - | 12,448 |
| Expected return on plan assets | - | (7,424) | (7,424) | - | (7,792) | (7,792) |
| | 12,632 | (7,424) | 5,208 | 12,448 | (7,792) | 4,656 |
| **Remeasurements:** | | | | | | |
| (Gain)/loss from change in assumptions | - | - | - | - | - | - |
| Actuarial losses on plan assets | - | (15,542) | (15,542) | - | (15,808) | (15,808) |
| Experience adjustment | (12,523) | - | (12,523) | (12,615) | - | (12,615) |
| | (12,523) | (15,542) | (28,065) | (12,615) | (15,808) | (28,423) |
| Employer contributions | - | (10,795) | (10,795) | - | (10,795) | (10,795) |
| Benefits payments | (9,376) | 9,376 | - | (9,158) | 9,158 | - |
| **At 31 December 2012** | **93,922** | **(92,014)** | **1,908** | **92,215** | **(90,964)** | **1,251** |
| **At 1 January 2013** | **93,922** | **(92,014)** | **1,908** | **92,215** | **(90,964)** | **1,251** |
| Interest expense | 11,479 | - | 11,479 | 11,289 | - | 11,289 |
| Expected return on plan assets | - | (11,891) | (11,891) | - | (11,126) | (11,126) |
| | 11,479 | (11,891) | (412) | 11,289 | (11,126) | 163 |
| **Remeasurements:** | | | | | | |
| (Gain)/loss from change in assumptions | (5,848) | - | (5,848) | (5,753) | | (5,753) |
| Actuarial losses on plan assets | - | 10,592 | 10,592 | | 10,515 | 10,515 |
| Experience gains | (6,453) | - | (6,453) | (6,549) | | (6,549) |
| | (12,301) | 10,592 | (1,709) | (12,302) | 10,515 | (1,787) |
| Employer contributions | - | (7,249) | (7,249) | | (7,249) | (7,249) |
| Benefits payments | (9,247) | 9,247 | - | (9,029) | 9,029 | - |
| | - | - | - | | | |
| **At 31 December 2013** | **83,853** | **(91,315)** | **(7,462)** | **82,173** | **(89,795)** | **(7,622)** |

**Impact of asset ceiling**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1 January 2012 | 2013 | 2012 | 1 January 2012 |
| | N'million | N'million | N'million | N'million | N'million | N'million |
| Opening | - | - | 27 | - | - | - |
| Interest income (unwinding of discount) | - | - | (29) | - | - | - |
| Closing | - | - | (2) | - | - | - |

*(All amounts are in millions of Naira, unless otherwise stated)*

**32 Post-employment benefits (continued)**

**Asset mix**
The breakdown of the fund's net assets as provided by the Group is shown in the table below:

| Category | 2013 N'million | Percentage | 2012 N'million | Percentage | 1 January 2012 N'million | Percentage |
|---|---|---|---|---|---|---|
| Equities | 11,236 | 12.30% | 8,221 | 8.93% | 20,638 | 30.52% |
| Money market | 54,224 | 59.38% | 37,850 | 41.14% | 30,096 | 44.50% |
| Bonds | 55,700 | 61.00% | 74,283 | 80.73% | 104,358 | 154.31% |
| Open/closed hybrid funds | 303 | 0.33% | 287 | 0.31% | 268 | 0.40% |
| Cash | 248 | 0.27% | 530 | 0.58% | 800 | 1.18% |
| Others | 1,522 | 1.67% | 1,004 | 1.09% | 1,711 | 2.53% |
| **Gross value of assets** | **123,233** | **134.95%** | **122,175** | **132.78%** | **157,871** | **233.44%** |
| Less: Amount due to active staff | (31,918) | -34.95% | (30,161) | -32.78% | (90,242) | -133.44% |
| **Net asset** | **91,315** | **100.00%** | **92,014** | **100.00%** | **67,629** | **100.00%** |

The breakdown of the fund's net assets as provided by the Bank is shown in the table below:

| Category | 2013 N'million | Percentage | 2012 N'million | Percentage | 1 January 2012 N'million | Percentage |
|---|---|---|---|---|---|---|
| Equities | 11,235 | 12.51% | 8,221 | 9.04% | 20,638 | 31.40% |
| Money market | 54,224 | 60.39% | 37,850 | 41.61% | 30,096 | 45.79% |
| Bonds | 55,700 | 62.03% | 74,283 | 81.66% | 104,358 | 158.77% |
| Open/closed hybrid funds | 303 | 0.34% | 287 | 0.32% | 268 | 0.41% |
| Cash | 243 | 0.27% | 473 | 0.52% | 371 | 0.56% |
| Others | 8 | 0.01% | 11 | 0.01% | 238 | 0.36% |
| **Gross value of assets** | **121,713** | **135.55%** | **121,125** | **133.16%** | **155,969** | **237.30%** |
| Less: Amount due to active staff | (31,918) | -35.55% | (30,161) | -33.16% | (90,242) | -137.30% |
| **Net asset** | **89,795** | **100.00%** | **90,964** | **100.00%** | **65,727** | **100.00%** |

The significant actuarial assumptions were as follows:

**Financial Assumptions**

| | Bank | | |
|---|---|---|---|
| **Long Term Average** | **2013** | **2012** | **1 January 2012** |
| Discount Rate (p.a) | 13.5% | 13% | 13% |
| Rate of Pension Increase(p.a) | 4.5% | 5% | 5% |
| Average Rate of Inflation (p.a) | 9% | 10% | 10% |

**Demographic Assumptions**

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

| **Mortality of Pensioners** | **Age of Pensioner** | **Average Expected Future Lifetime (years)** |
|---|---|---|
| | 55 | 22 |
| | 60 | 19 |
| | 65 | 15 |
| | 70 | 12 |
| | 75 | 9 |

The Bank's sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

| | | Impact on defined benefit obligation | | | |
|---|---|---|---|---|---|
| | | 2013 | | 2012 | |
| | Change in assumption | Impact of an increase N'million | Impact of a decrease N'million | Impact of an increase N'million | Impact of a decrease N'million |
| **Base:** | | | | | |
| Discount rate | 1% | (4,740) | 5,326 | (5,708) | 6,458 |
| Pension Increase rate | 1% | 6,176 | (5,540) | 7,385 | (6,581) |
| Mortality experience | 1year | (1,876) | 1,842 | (2,156) | 2,122 |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The following payments are expected contributions to the defined benefit plan in future years:

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Within the next 12months (next annual reporting period) | 10,269 | 10,758 |
| Between 2 and 5 years | 41,201 | 45,561 |
| Between 5 and 10 years | 192,874 | 297,345 |
| **Total expected payments** | 244,344 | 353,664 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**32 Post-employment benefits (continued)**

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.43 years (2012:7.93 years)

32.2 **Post-employment gratuity scheme**

The Bank operates a non-contributory, lump sum, defined benefit gratuity scheme. Under this scheme, qualifying employees are entitled to gratuity payments on exit from the bank after completing 5 years of continuous service with the Bank. Under the previous framework, the Bank recognised yearly liabilities in its financial statements under this scheme. However, under IFRS, it has engaged the services of an Actuary to estimate the gratuity plan's accrued liability for each of the years. This plan is unfunded and the amounts recognised in the statement of financial position have been appropriately recognised.

This plan is governed by the employment laws of the Bank. The level of benefits provided depends on the member's length of service and salary at exit from the Bank. The fund has a legal form of a foundation and It is governed by the Board of Trustees, which consists of an equal number of employers and employee representatives.

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

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
| **Present value of obligations** | 61,591 | 57,629 | 53,670 | 61,591 | 57,629 | 53,670 |

The movement in the defined benefit liability over the year is as follows:

| | Group Present value of obligation N'million | Bank Present value of obligation N'million |
|---|---|---|
| **At 1 January 2012** | **53,670** | **53,670** |
| Current service cost | 3,606 | 3,606 |
| Interest expense | 6,909 | 6,909 |
| | 10,515 | 10,515 |
| **Remeasurements:** | | |
| Gains from change in assumptions | - | - |
| Experience adjustment | (5,555) | (5,555) |
| | (5,555) | (5,555) |
| Benefits payments | (1,001) | (1,001) |
| **At 31 December 2012** | **57,629** | **57,629** |
| | | |
| **At 1 January 2013** | **57,629** | **57,629** |
| Current service cost | 3,756 | 3,756 |
| Interest expense | 7,430 | 7,430 |
| | 11,186 | 11,186 |
| **Remeasurements:** | | |
| Gains from change in assumptions | (2,177) | (2,177) |
| Experience adjustment | (4,632) | (4,632) |
| | (6,809) | (6,809) |
| Benefits payments | (415) | (415) |
| **At 31 December 2013** | **61,591** | **61,591** |

The significant actuarial assumptions were as follows:

| **Financial Assumptions** | Bank | | |
|---|---|---|---|
| **Long Term Average** | **2013** | **2012** | **1 January 2012** |
| Discount Rate (p.a) | 13.5% | 13% | 13% |
| Average Pay Increase (p.a) | 12% | 12% | 12% |
| Average Rate of Inflation (p.a) | 9% | 10% | 10% |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

**Demographic Assumptions**

| **Mortality in service** | **Sample age** | **Number of deaths in year out of 10,000 lives** |
|---|---|---|
| | 25 | 7 |
| | 30 | 7 |
| | 35 | 9 |
| | 40 | 14 |
| | 45 | 26 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**32 Post-employment benefits (continued)**

**Withdrawal from service**

| | Bank Rate | | |
|---|---|---|---|
| **Age Band** | **2013** | **2012** | **1 January 2012** |
| Less than or equal to 30 | 5% | 5.0% | 5.0% |
| 31-39 | 4% | 4.0% | 4.0% |
| 40-44 | 3% | 3.0% | 3.0% |
| 45-60 | 0% | 0.0% | 0.0% |

The Bank's sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

| | | Impact of defined benefit obligation | | | |
|---|---|---|---|---|---|
| | | 2013 | | 2012 | |
| | **Change in assumption** | **Impact of an increase N'million** | **Impact of a decrease N'million** | **Impact of an increase N'million** | **Impact of a decrease N'million** |
| Discount rate | 1% | (4,556) | 5,055 | (4,142) | 4,637 |
| Salary Increase rate | 1% | 5,518 | (5,038) | 4,914 | (4,452) |
| Mortality experience | 1year | 86 | (77) | 872 | (1,075) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The following payments are expected contributions to the defined benefit plan in future years:

| | **2013 N'million** | **2012 N'million** |
|---|---|---|
| Within the next 12months (next annual reporting period) | 3,325 | 944 |
| Between 2 and 5 years | 31,693 | 24,076 |
| Between 5 and 10 years | 84,745 | 80,904 |
| **Total expected payments** | 119,763 | 105,924 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.81 years (2012:8.58 years)

32.3 **Long service awards**

The Central Bank of Nigeria provides its employees with a long service award at their tenth, twentieth, thirtieth and thirty-fifth year of employment with CBN irrespective of grade and department. This is a graduated fixed sum cash award paid to staff after they have worked for any of these length of service with the Bank. CBN engaged the services of an Actuary to determine its liability with respect to this scheme at the end of the reporting period.

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

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| **Present value of obligations** | **889** | **1,005** | **1,026** | **826** | **938** | **942** |

The movement in the defined benefit liability over the year is as follows:

| | **Group Present value of obligation N'million** | **Bank Present value of obligation N'million** |
|---|---|---|
| **At 1 January 2012** | **1,026** | **942** |
| Current service cost | 90 | 84 |
| Interest expense | 124 | 115 |
| | 214 | 199 |
| **Remeasurements:** | | |
| Gains from change in assumptions | (17) | - |
| Experience gains | (103) | (103) |
| | (120) | (103) |
| Benefits payments | (115) | (100) |
| **At 31 December 2012** | **1,005** | **938** |
| **At 1 January 2013** | **1,005** | **938** |
| Current service cost | 89 | 84 |
| Interest expense | 120 | 112 |
| | 209 | 196 |
| **Remeasurements:** | | |
| Gains from change in assumptions | (83) | (79) |
| Experience gains | (90) | (90) |
| | (173) | (169) |
| Benefits payments | (152) | (139) |
| **At 31 December 2013** | **889** | **826** |

The significant actuarial assumptions were as follows:

*(All amounts are in millions of Naira, unless otherwise stated)*

**32 Post-employment benefits (continued)**

**Financial Assumptions**

| **Long Term Average** | **2013** | **2012** | **1 January 2012** |
|---|---|---|---|
| Discount Rate (p.a) | 13.5% | 13% | 13% |
| Average Pay Increase (p.a) | 12% | N/A | N/A |
| Average Rate of Inflation (p.a) | 9% | 10% | 10% |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

**Demographic Assumptions**

| **Mortality in service** | **Sample age** | **Number of deaths in year out of 10,000 lives** |
|---|---|---|
| | 25 | 7 |
| | 30 | 7 |
| | 35 | 9 |
| | 40 | 14 |
| | 45 | 26 |

| **Withdrawal from service** | | **Rate** | | |
|---|---|---|---|---|
| | **Age Band** | **2013** | **2012** | **1 January 2012** |
| | Less than or equal to 30 | 5.0% | 5.0% | 5.0% |
| | 31-39 | 4.0% | 4.0% | 4.0% |
| | 40-44 | 3.0% | 3.0% | 3.0% |
| | 45-60 | 0.0% | 0.0% | 0.0% |

The Bank's sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

| | | **Impact of defined benefit obligation** | | | |
|---|---|---|---|---|---|
| | | **2013** | | **2012** | |
| | **Change in assumption** | **Impact of an increase N'million** | **Impact of a decrease N'million** | **Impact of an increase N'million** | **Impact of a decrease N'million** |
| Discount rate | 1% | (37) | 42 | (50) | 55 |
| Inflation rate | 1% | 47 | (43) | 61 | (55) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.21 years (2012:6.30 years)

32.4 **Post-employment medical aid scheme for pensioners**

The medical aid scheme is a scheme that is currently being operated by the Bank for the benefits of the pensioners of the former defined benefit scheme which is made up of pensioners (i.e. those who no longer work for the Bank). The pensioners are paid a fixed sum of amount twice every year, in January and July of the same year. These payments made to the former employees are a function of the beneficiaries' grade while in employment.

This plan is governed by the employment laws of the Bank. The fund has a legal form of a foundation and It is governed by the Board of Trustees, which consists of an equal number of employers and employee representatives.

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

| | **Group** | | | **Bank** | | |
|---|---|---|---|---|---|---|
| | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** | **2013 N'million** | **2012 N'million** | **1 January 2012 N'million** |
| **Present value of obligations** | 4,043 | 4,807 | 5,224 | 4,043 | 4,807 | 5,224 |

The movement in the defined benefit liability over the year is as follows:

| | **Group Present value of obligation N'million** | **Bank Present value of obligation N'million** |
|---|---|---|
| **At 1 January 2012** | **5,224** | **5,224** |
| Interest expense | 654 | 654 |
| | 654 | 654 |
| **Remeasurements:** | | |
| Gain from change in assumptions | - | - |
| Experience adjustment | (718) | (718) |
| | (718) | (718) |
| Benefits paid | (353) | (353) |
| **At 31 December 2012** | **4,807** | **4,807** |
| | | |
| **At 1 January 2013** | **4,807** | **4,807** |
| Interest expense | 600 | 600 |
| | 600 | 600 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**32 Post-employment benefits (continued)**

| | | |
|---|---|---|
| **Remeasurements:** | | |
| Gain from change in assumptions | (575) | (575) |
| Experience adjustment | (443) | (443) |
| | (1,018) | (1,018) |
| Benefits paid | (346) | (346) |
| **At 31 December 2013** | **4,043** | **4,043** |

The significant actuarial assumptions were as follows:

**Financial Assumption**

| **Long Term Average** | **2013** | **2012** | **1 January 2012** |
|---|---|---|---|
| Discount Rate (p.a) | 13.5% | 13% | 13% |
| Average Pay Increase (p.a) | N/A | N/A | N/A |
| Average Rate of Inflation (p.a) | 9% | 10% | 10% |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

**Demographic Assumptions**

| **Mortality of pensioners** | **Age of pensioner** | **Average expected future lifetime (years)** |
|---|---|---|
| | 55 | 22 |
| | 60 | 19 |
| | 65 | 15 |
| | 70 | 12 |
| | 75 | 9 |

The Bank's sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

| | | **Impact of defined benefit obligation** | | | |
|---|---|---|---|---|---|
| | | **2013** | | **2012** | |
| | **Change in assumption** | **Impact of an increase N'million** | **Impact of a decrease N'million** | **Impact of an increase N'million** | **Impact of a decrease N'million** |
| Discount rate | 1% | (228) | 261 | (406) | 473 |
| Inflation rate | 1% | 282 | (250) | 494 | (430) |
| Mortality rate | Age rated up by 1 year | 87 | (87) | 151 | (151) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The average duration of the defined benefit plan obligation at the end of the reporting period is 8.61 years (2012:9.79 years)

32.5 ***Defined contribution liabilities:***

| | **Group** | | | **Bank** | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** | **2013** | **2012** | **1 January 2012** |
| Defined contributory scheme: | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| At 1 January | 24 | 128 | - | 24 | 128 | - |
| Contributions | 4,464 | 4,124 | 4,540 | 4,464 | 4,124 | 4,540 |
| Amount remitted to selected Pension Fund Administrators | (4,456) | (4,228) | (4,412) | (4,456) | (4,228) | (4,412) |
| At 31 December | **32** | **24** | **128** | **32** | **24** | **128** |

| | **Group** | | | **Bank** | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** | **2013** | **2012** | **1 January 2012** |
| **33 Other liabilities** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| Sundry payables | 746,073 | 576,634 | 168,787 | 742,905 | 573,417 | 170,957 |
| Surplus payable to Federal Government of Nigeria (Note 33a) | 152,654 | 30,495 | 64,422 | 152,654 | 30,495 | 64,422 |
| Interest payable | - | - | 123 | - | - | 123 |
| Accrued charges | 23,685 | 38,798 | 55,327 | 22,390 | 40,134 | 55,052 |
| Payable to Debt Management Office on Commercial Agricultural Credit Scheme | - | - | 200,000 | - | - | 200,000 |
| Deposit for shares | 5,116 | 5,116 | 5,631 | - | - | - |
| Trade payables | 1,144 | 4,383 | 6,965 | - | - | - |
| Dividend payable | 140 | 140 | 590 | - | - | - |
| IBRD - SME loan | 51 | 51 | 51 | 51 | 51 | 51 |
| Banking sector resolution sinking cost fund | - | 211,084 | 100,000 | - | 211,084 | 100,000 |
| Bank borrowings and overdraft | - | 1,696 | 3,834 | - | - | - |
| | **928,863** | **868,397** | **605,730** | **918,000** | **855,181** | **590,605** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**33 Other liabilities (continued)**

33a ***Surplus payable to Federal Government of Nigeria***

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 January | 30,495 | 64,422 | 28,352 | 30,495 | 64,422 | 28,352 |
| Transfer from income statement | 152,354 | 80,309 | 64,122 | 152,354 | 80,309 | 64,122 |
| Paid during the year | (30,195) | (114,236) | (28,052) | (30,195) | (114,236) | (28,052) |
| At 31 December | **152,654** | **30,495** | **64,422** | **152,654** | **30,495** | **64,422** |

***Maturity analysis***

| | 2013 N'million | 2012 N'million | 1 January 2012 N'million | 2013 N'million | 2012 N'million | 1 January 2012 N'million |
|---|---|---|---|---|---|---|
| Current | 177,623 | 286,596 | 231,261 | 175,044 | 281,713 | 219,597 |
| Non-current | 751,240 | 581,801 | 374,469 | 742,956 | 573,468 | 371,008 |
| | **928,863** | **868,397** | **605,730** | **918,000** | **855,181** | **590,605** |

**Banking sector resolution sinking cost fund:**

The Banking sector resolution sinking cost fund represents the total contributions by Eligible Financial Institutions ("EFI") to establish the Banking Sector Resolution Cost Fund ("the Fund") in Nigeria under the Asset Management Corporation Act and the memorandum of understanding signed by the EFIs with the Central Bank of Nigeria, the Asset Management Corporation of Nigeria ("AMCON").

**Sundry payables:**

Sundry payables represent balances not yet disbursed on BOI debenture, balances held on behalf of Debt Management Office as regards the proceeds from issued bonds, balances payable to AMCON and other payable amounts. Included in the sundry payables are treasury related payables amounting to N299,516 million (2012: N180,782 million; 1 January 2012: N26,875 million). Also included in sundry payables is N250,738 million which represents an amount payable to the Asset Management Corporation of Nigeria (2012: Nil; 1 January 2012: Nil)

**Accrued charges:**

Accrued charges consist of productivity bonus, intervention fund on national security and other expense accruals.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** | **2013** | **2012** | **1 January 2012** |
| **34 Share capital and reserves** | **Million** | **Million** | **Million** | **Million** | **Million** | **Million** |
| Authorised shares | | | | | | |
| Ordinary share of N1 each | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Issued and fully paid up: | **Million** | **Million** | **Million** | **Million** | **Million** | **Million** |
| Ordinary share of N1 each | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| At 31 December | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |

Section 4 (1) of the Central Bank of Nigeria Act No.7, 2007 gave approval to the increase in authorised capital of the Bank from N5 billion to N100 billion. Section 4 (2) provides that all the capital of the Bank shall be subscribed and held only by the Federal Government of Nigeria.

The Federal Government of Nigeria is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance.

**Available-for-sale reserve**

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

**Foreign currency translation reserve**

The foreign currency translation reserve comprises translation of investment in associates.

**Retained earnings**

Retained earnings refers to 20% of the operating surplus of the Bank. It also includes accumulated losses in the periods where the CBN posted net losses. Retained earnings and losses are cumulative from year to year.

| **35 Cash generated from operating activities** | | Group | | Bank | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | Notes | **N'million** | **N'million** | **N'million** | **N'million** |
| **Net income/(loss) before tax** | | **213,716** | **(569,033)** | **209,621** | **(576,574)** |
| **Adjustments for non cash items:** | | | | | |
| Depreciation of property, plant and equipment | 27 | 9,755 | 8,663 | 8,009 | 6,748 |
| Amortisation of intangible assets | 26 | 2,918 | 2,464 | 2,915 | 2,459 |
| Loss/(profit) on disposal of property, plant and equipment | 10 | 2,843 | (1,271) | 2,775 | (1,252) |
| Unrealised gain/(loss) on financial assets at FVTPL | 8 | (2,034) | 23,761 | (2,034) | 23,761 |
| Unrealised gains on foreign exchange revaluation | 9 | (17,119) | 12,190 | (17,145) | 12,206 |
| Share of profit of associates | 24 | (3,407) | (5,542) | - | - |
| Derecognition of intangible assets | 26 | - | 20 | - | 20 |
| Defined benefit expense | 32 | 11,410 | 16,471 | 11,976 | 15,921 |
| Profit on disposal of investment | 10 | - | (134) | - | - |
| | | **218,082** | **(512,411)** | **216,117** | **(516,711)** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**35 Cash generated from operating activities (continued)**

| | | | | | |
|---|---|---|---|---|---|
| **Change in operating assets and liabilities:** | | | | | |
| Increase in loans and receivables | 21 | (375,017) | (422,849) | (378,063) | (420,047) |
| (Increase)/decrease in external reserves | 19 | 57,626 | (118,242) | 55,354 | (119,643) |
| (Increase)/decrease in Investment securities - AFS | 22 | (2,460) | (1,892) | (189) | (978) |
| Decrease/(increase) in other assets | 25 | (1,345,659) | 49,206 | (1,344,717) | 52,112 |
| Increase/(decrease) in deposits | 29 | (241,667) | 1,363,749 | (241,667) | 1,363,749 |
| Decrease/(increase) in Central Bank of Nigeria Instruments | 30 | 1,146,953 | 1,155,560 | 1,146,953 | 1,155,560 |
| Increase in Bank notes and coins in circulation | 31 | 144,798 | 65,579 | 144,799 | 65,572 |
| Decrease in other liabilities | 33 | (61,693) | 296,594 | (59,340) | 298,503 |
| **Net cash flows used in operating activities** | | **(677,119)** | **2,387,705** | **(676,870)** | **2,394,828** |
| | | **(459,037)** | **1,875,294** | **(460,753)** | **1,878,117** |

**36 Contingent liabilities and commitments**

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities including financial guarantees. Even though these obligations may not be recognised in the statement of financial position, they do contain credit risk and are therefore part of the overall risk of CBN (see Note 3.2.2).

36a **Legal proceedings**

There were a number of legal proceedings outstanding against the Bank as at 31 December 2013 with contingent liabilities of N619 billion (31 December 2012: N2,859 billion, 1 January 2012: N1,808 billion). The Directors estimate that provision made for the contingent liabilities will be adequate to meet any liability that may crystallise.

The Directors are also of the opinion that all known liabilities and commitments which are relevant in the assessment of the state of affairs of the Bank have been taken into consideration in the preparation of these financial statements.

| | **Group** | | | **Bank** | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** | **2013** | **2012** | **1 January 2012** |
| Capital and other commitments | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| Intervention funds | 652,210 | 2,040,000 | 645,837 | 652,210 | 2,040,000 | 645,837 |
| FX forwards and currency swaps | - | 241,792 | 151,369 | - | 241,792 | 151,369 |
| Capital commitments | 78,253 | 11,946 | 96,979 | 78,253 | 11,946 | 96,979 |
| Furniture, fittings and equipment | 553 | 3,253 | 2,160 | - | - | - |
| | 731,016 | 2,296,991 | 896,345 | 730,463 | 2,293,738 | 894,185 |

Intervention funds balance of N652 billion (31 December 2012: N2,040 billion, 1 January 2012: N646 billion) represents commitments made in respect of Commercial Agricultural Credit Guarantee Scheme, Small and Medium Enterprises Credit Guarantee Scheme, Power and Aviation Fund, SME/Manufacturing Sector Intervention Fund and other intervention activities of the Bank.

Foreign exchange forwards and currency swaps refer to the amounts that the Bank has committed to provide to counterparties in forward exchange contracts.

The capital commitments are in respect of property, plant and equipment, and the funds to meet the capital commitments will be sourced from internally generated funds.

36b **Operating lease commitments - Bank as lessee**

CBN leases various houses under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | **Group** | | | **Bank** | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** | **2013** | **2012** | **1 January 2012** |
| | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| No later than 1 year | 105 | 200 | 135 | 105 | 200 | 135 |
| Later than 1 year and no later than 5 years | 10 | 71 | 99 | 10 | 71 | 99 |
| Later than 5 years | - | - | - | - | - | - |
| **Total** | 115 | 271 | 234 | 115 | 271 | 234 |

36c **Guarantees**

CBN has provided credit risk guarantee to Small and Medium Enterprises (SME) and agricultural lenders incase the borrowers fail to repay the loans when they fall due and also a guarantee of interest repayment if the borrowers repay the loans within the tenor of the loan. The maximum amounts guaranteed as at 31 December 2013 is N5.12 million (31 December 2012: N5.83 billion and 1 January 2012: N871 million).

**37 Events after the reporting date**

The incumbent CBN Governor (Sanusi Lamido Sanusi) was suspended on the 20 February 2014. A new CBN Governor (Godwin Emefiele) assumed office on 4 June 2014.

*(All amounts are in millions of Naira, unless otherwise stated)*

## 38 Related party transactions

Central Bank of Nigeria is wholly-owned and controlled by the Federal Government of Nigeria (FGN).

The Federal Government of Nigeria also contols the Ministry of Finance Incorporated, other Government Ministries, Departments and Agencies (MDAs), Nigeria Securities, Printing and Minting Company (NSPMC), Tawada Limited. These entities (in addition to the key management personnel of the Bank) are releted parties to the Central Bank of Nigeria.

### (i) Advances to the Federal Government of Nigeria

The transactions with the Federal government and fellow subsidiaries (under control of the Federal Government) are exempted due to their nature. However material transactions and balances are disclosed.

| | Group | | |
|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** |
| | **N'million** | **N'million** | **N'million** |
| Opening balance | 150,782 | 150,782 | 150,782 |
| Additions | 88,364 | - | - |
| **Closing balance** | **239,146** | **150,782** | **150,782** |

### (ii) Key management compensation

The Bank's key management personnel comprises the Governor, the 4 Deputy Governors and 12 Non Executive Directors of the Bank.

The compensation paid or payable to key management for employee services is shown below:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **N'million** | **N'million** |
| Salaries and other short-term employee benefits | 199 | 333 |
| **Total** | **199** | **333** |

### (iii) Balances with Key Management Personnel

| | Group | | |
|---|---|---|---|
| | **2013** | **2012** | **1 January 2012** |
| | **N'million** | **N'million** | **N'million** |
| Loans and advances | 647 | 745 | - |
| | **647** | **745** | **-** |

The Bank has applied the exemption granted by IAS 24 relating to the disclosure requirements in relation to related party transactions and outstanding balances with (a) a government that has control and significant influence over the Bank (b) another entity that is a related party because the same government has control or significant influence over both the Bank and the other entity. Hence, the Bank has not disclosed transactions and balances with its subsidiaries and associates as they are controlled by the Federal Government of Nigeria which also controls the Bank. The Bank's collectively significant transactions with the Federal Government of Nigeria and other entities controlled, jointly controlled or significantly influenced by Federal Government arises from the normal business activities of the CBN including government deposits held by the Bank, investment in securities issued by the Federal Government and its agencies, transfer to the Federal Government in compliance with the Fiscal Responsibility Act among others.

## 39 First-time adoption of IFRS for the Bank

These financial statements, for the year ended 31 December 2013, are the first the Bank has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For periods up to and including the year ended 31 December 2012, the Bank prepared its financial statements in accordance with its accounting framework. Accordingly, the Bank has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in the summary of significant accounting policies. In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 January 2012, the Bank's date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 January 2012 and the financial statements as at and for the year ended 31 December 2012.

**Exemptions applied**
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

Following from the principles underpinning IFRS 1, the Bank has applied the following exemptions:

**Deemed cost for property, plant and equipment and intangible assets**
Property, plant and equipment and intangible assets were carried in the statement of financial position prepared in accordance with previous framework on the basis of valuations performed on 31 December 2003. The Bank has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.

**Leases (Application of IFRIC 4)**
The Bank has applied the transitional provision in IFRIC 4: Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

**Employee benefits disclosure in paragraph 145 of IAS 19**
The Bank has applied the exemption not to present comparative information for the disclosures required by paragraph 145 about the sensitivity of the defined benefit obligation.

**Measuring investment in subsidiaries, jointly controlled entities and associates at cost in the separate opening statement of financial position according to IAS 27**
The Bank has applied the exemption to make use of deemed cost being the previous framework carrying amount at the date of transition to IFRS.

**Designation of previously recognised financial instruments**
The Bank has applied to designate financial assets as available-for-sale (AFS) at the date of transition to IFRS.

The Bank has designated unquoted equity instruments held at 1 January 2012 as available-for-sale investments.

**Estimates**
The estimates at 1 January 2012 and at 31 December, 2012 are consistent with those made for the same dates in accordance with previous framework (after adjustments to reflect any differences in accounting policies) apart from the following items where application of previous framwork did not require estimation:
- Pensions and other post employment benefits
- Available-for-sale financial assets – unquoted equity shares

The estimates used by the Bank to present these amounts in accordance with IFRS reflect conditions at 1 January 2012, the date of transition to IFRS and as of 31 December, 2012.

*(All amounts are in millions of Naira, unless otherwise stated)*

## 41a Reconciliation of equity as at 1 January 2012

### Bank

| | Notes | Previous framework N'million | Reclassification N'million | Remeasurement N'million | IFRS as at 1 January 2012 N'million |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| External reserves | A | 5,426,974 | 104 | 2 | 5,427,080 |
| IMF Holdings of Special Drawing Rights | | 401,734 | - | - | 401,734 |
| Federal Government Securities | | 388,688 | (388,688) | - | - |
| Loans and receivables | B | 150,848 | 3,288,185 | 155,181 | 3,594,214 |
| Investments | | 4,099,652 | (4,099,652) | - | - |
| Investment in subsidiary | E | - | 23,575 | (10,186) | 13,389 |
| Investments in associates | F | - | 90,946 | (4,027) | 86,919 |
| Investment securities: | | | | | |
| Available for sale | C | - | 7,123 | (3,707) | 3,416 |
| Held to maturity | D | - | 179,173 | 27,004 | 206,177 |
| Other assets | G | 593,301 | (547,396) | 65,727 | 111,632 |
| Employee defined benefit assets | | - | - | - | - |
| Quota in International Monetary Fund (IMF) | H | - | 433,744 | - | 433,744 |
| Fixed assets | | 261,057 | (261,057) | - | - |
| Intangible assets | I | - | 2,594 | | 2,594 |
| Property, plant and equipment | J | - | 258,463 | (1,100) | 257,363 |
| **Total assets** | | **11,322,254** | **(1,012,886)** | **228,894** | **10,538,262** |
| **Liabilities** | | | | | |
| Deposits | K | 5,808,807 | (801,487) | (593) | 5,006,727 |
| IMF related liabilities | M | - | 433,136 | - | 433,136 |
| Central Bank of Nigeria Instruments | L | 1,537,516 | (101,343) | 407 | 1,436,580 |
| Bank notes and coins in circulation | O(i) | 1,566,047 | - | (113) | 1,565,934 |
| IMF allocation of Special Drawing Rights | | 401,779 | - | - | 401,779 |
| Employee benefit liabilities | N | - | 64,406 | 31,371 | 95,777 |
| Other liabilities | O | 1,727,927 | (607,598) | (529,724) | 590,605 |
| **Total liabilities** | | **11,042,076** | **(1,012,886)** | **(498,652)** | **9,530,538** |
| **Equity** | | | | | |
| Share capital | | 5,000 | - | - | 5,000 |
| Retained earnings | P | 94,575 | - | 908,164 | 1,002,739 |
| Fixed assets revaluation reserve | Q | 61,575 | - | (61,575) | - |
| Foreign currency revaluation reserve | Q | 94,144 | - | (94,144) | - |
| Reserve on fund managers' investments | | 24,884 | (24,884) | - | - |
| Available-for- sale reserve | R | - | 24,884 | (24,899) | (15) |
| **Total equity** | | **280,178** | **#REF!** | **727,546** | **1,007,724** |
| **Total liabilities and equity** | | **11,322,254** | **#REF!** | **228,894** | **10,538,262** |

*(All amounts are in millions of Naira, unless otherwise stated)*

### 41b Reconciliation of equity as at 31 December 2012

| Bank | Notes | Previous framework N'million | Reclassification N'million | Remeasurement N'million | IFRS as at 31 December 2012 N'million |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| External reserves | A | 6,994,308 | 512 | (17) | 6,994,803 |
| IMF Holdings of Special Drawing Rights | | 399,754 | - | - | 399,754 |
| Federal Government Securities | | 561,487 | (561,487) | - | - |
| Loans and receivables | B | 188,367 | 3,746,750 | 79,144 | 4,014,261 |
| Investments | | 4,250,198 | (4,250,198) | | - |
| Investment in subsidiary | E | - | 23,575 | - | 23,575 |
| Investments in associates | F | - | 86,919 | - | 86,919 |
| Investment securities: | | | | | |
| Available for sale | C | - | 7,123 | (2,687) | 4,436 |
| Held to maturity | D | - | 384,243 | 29,733 | 413,976 |
| Other assets | G | 502,533 | (495,124) | 52,111 | 59,520 |
| Employee defined benefit assets | | - | - | - | - |
| Quota in International Monetary Fund (IMF) | H | - | 421,864 | - | 421,864 |
| Fixed assets | | 303,829 | (303,829) | - | - |
| Intangible assets | I | - | 6,858 | (20) | 6,838 |
| Property, plant and equipment | J | - | 296,971 | (1,706) | 295,265 |
| **Total assets** | | **13,200,476** | **(635,823)** | **156,558** | **12,721,211** |
| **Liabilities** | | | | | |
| Deposits | K | 6,796,296 | (421,876) | (3,944) | 6,370,476 |
| IMF related liabilities | M | - | 421,878 | - | 421,878 |
| Central Bank of Nigeria Instruments | L | 2,646,007 | (57,105) | 3,238 | 2,592,140 |
| Bank notes and coins in circulation | O(i) | 1,631,717 | - | (211) | 1,631,506 |
| IMF allocation of Special Drawing Rights | | 399,802 | - | - | 399,802 |
| Employee benefit liabilities | N | - | 72,677 | (8,028) | 64,649 |
| Other liabilities | O | 1,522,976 | (651,397) | (16,398) | 855,181 |
| **Total liabilities** | | **12,996,798** | **(635,823)** | **(25,343)** | **12,335,632** |
| **Equity** | | | | | |
| Share capital | | 5,000 | - | - | 5,000 |
| Retained earnings | P | 114,653 | - | 265,899 | 380,552 |
| Fixed assets revaluation reserve | Q | 61,575 | - | (61,575) | - |
| Foreign currency revaluation reserve | Q | 21,327 | - | (21,327) | - |
| Reserve on fund managers' investments | | 1,123 | (1,123) | - | - |
| Available-for-sale reserve | R | - | 1,123 | (1,096) | 27 |
| **Total equity** | | **203,678** | **-** | **181,901** | **385,579** |
| **Total liabilities and equity** | | **13,200,476** | **(635,823)** | **156,558** | **12,721,211** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 41c Reconciliation of statement of total comprehensive income for the year ended 31 December 2012

| Bank | Notes | Previous framework N'million | Reclassification N'million | Remeasurement N'million | IFRS as at 31 December 2012 N'million |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Interest and similar income | S | 440,991 | 156 | (30,381) | 410,766 |
| Interest and similar expense | T | (324,213) | - | (2,831) | (327,044) |
| ***Net interest expense*** | | **116,778** | **156** | **(33,212)** | **83,722** |
| Fees and commission income | U | | 90,911 | - | 90,911 |
| Net trading income | V | - | 34,821 | (23,761) | 11,060 |
| Realised gain on foreign currency | | 58,638 | (58,638) | - | - |
| Foreign exchange revaluation losses | W | - | 58,638 | (72,820) | (14,182) |
| Other operating income | X | 130,190 | (124,636) | 25,268 | 30,822 |
| **Total operating Income** | | **305,606** | **1,252** | **(104,525)** | **202,333** |
| (Increase)/write-back in provisions | | 19,799 | (19,799) | - | - |
| Reversal of other provisions | | 13,312 | (13,312) | - | - |
| Loan impairment charge | Z | - | 13,312 | (238,767) | (225,455) |
| Impairment charge on financial investments | Z | - | 19,799 | (327,171) | (307,372) |
| **Net operating income** | | **338,717** | **1,252** | **(670,463)** | **(330,494)** |
| Operating costs | Z | (238,331) | 238,331 | - | - |
| Personnel expenses | Z | - | (84,689) | 8,943 | (75,746) |
| Financial sector intervention expenses | Z | - | - | (16,590) | (16,590) |
| Depreciation of property, plant and equipment | Z | - | (6,142) | (606) | (6,748) |
| Amortisation of intangible assets | Z | - | (2,459) | - | (2,459) |
| Currency issue expenses | | - | (36,589) | - | (36,589) |
| Other operating expenses | Z | - | (109,654) | 1,706 | (107,948) |
| **Total operating expenses** | | (238,331) | (1,202) | (6,547) | (246,080) |
| **Net income for the year** | | **100,386** | **50** | **(677,010)** | **(576,574)** |
| **Other comprehensive income** | | | | | |
| *Other comprehensive loss to be reclassified to net income or loss in subsequent periods net of tax:* | | | | | |
| Net gain on available-for-sale financial assets | Z | - | - | 42 | 42 |
| **Net other comprehensive loss to be reclassified to net income or loss in subsequent periods** | | **-** | **-** | **42** | **42** |
| *Other comprehensive income not to be reclassified to net income or loss in subsequent periods net of tax:* | | | | | |
| Re-measurement gains on defined benefit plans | Z | - | - | 34,696 | 34,696 |
| **Net other comprehensive income not to be reclassified to net income or loss in subsequent periods** | | **-** | **-** | **34,696** | **34,696** |
| **Other comprehensive income for the year** | | **-** | **-** | **34,738** | **34,738** |
| **Total comprehensive income for the year** | | **100,386** | **50** | **(642,272)** | **(541,836)** |

*(All amounts are in millions of Naira, unless otherwise stated)*

## 41d First-time adoption of IFRS (continued)

**Notes to the reconciliation of equity as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012.**

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **A External reserves** | | |
| External reserves per previous framework | 6,994,308 | 5,426,974 |
| Interest due and unreceived on foreign investments reclassified from other assets | 512 | 104 |
| Remeasurement adjustment - Recognition of interest on the internally managed securities using EIR | (17) | 2 |
| **External reserves per IFRS** | **6,994,803** | **5,427,080** |

Under the previous framework, the internally managed securities within the external reserves were recognised at their nominal amounts. Under IFRS, the internally managed securities are classified as held to maturity and measured at amortised cost using the effective interest method. This adjustment relates to the recognition of interest income on the securities using the effective interest method.

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **B Loans and receivables** | | |
| Loans and receivables per previous framework | 188,367 | 150,848 |
| Bank of Industry Debenture (BOI) reclassified from investments | 535,000 | 500,000 |
| AMCON Bonds reclassified from investments | 3,596,356 | 3,476,783 |
| Nigerian Treasury Bonds reclassified from Federal Government Securities | 174,991 | 202,412 |
| 6% Perpetual Debentures in Nigerian Export Import Bank reclassified from investments | 1,225 | 1,225 |
| Interest due and unreceived on Nigerian treasury bond reclassified from other assets | 13,178 | 11,264 |
| Interest due and unreceived on loan reclassified from other assets | 238 | 212 |
| Unearned income on AMCON Bonds investments reclassified from other financial liabilities | (574,149) | (903,622) |
| Unearned income on term loan reclassified from other financial liabilities | (89) | (89) |
| Remeasurement adjustment - Nigeria treasury bonds | 79,658 | 79,658 |
| Remeasurement adjustment - Receivable From Deposit Money Banks | 3,755 | - |
| Remeasurement adjustment - Interest income on AMCON bonds using EIR | (38,427) | (10,322) |
| Remeasurement adjustment - Customer Loans | (279,349) | 3,269 |
| Remeasurement adjustment - Vehicle loans | 1,243 | 907 |
| Remeasurement adjustment - Housing loans | 13,929 | 12,475 |
| Remeasurement adjustment - Recognition of loan at fair value on day 1 | (86,066) | (86,066) |
| Remeasurement adjustment - (Additional)/reversal of impairment on the 6% Perpetual debenture in NEXIM | (238) | (212) |
| Reclassification adjustment - Other liabilities | - | (500,000) |
| Remeasurement adjustment - Recognition of excess of provision based on CBN accounting framework over IAS 39 incurred loss model provision | 359,599 | 630,431 |
| Remeasurement adjustment - Recognition of gain on remeasurement of loan on change of cash flows date | 16,443 | 16,444 |
| Remeasurement adjustment - Recognition of interest income as a result of applying the EIR method | 8,597 | 8,597 |
| **Loans and receivables per IFRS** | **4,014,261** | **3,594,214** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**B Loans and receivables (continued)**

The receivable from Deposit Money Banks are interest free loans advanced to the financial institutions for the purpose of onward lending to the agricultural sector. Under previous framework, no interest income was recognised and the loans were recognised at the amounts disbursed at inception. Under IFRS , the loans were fair valued using the market rate. The difference between the fair value of the loans and the amounts disbursed was capitalised to prepaid intervention expenses, while interest was accrued at the effective interest rate.

The adjustment from customer loans stems from the long term loan to AMCON and other banks which were issued at below market rates. Under IFRS, such loans must be recognised at fair value by discounting all future cash flows at the market rate of interest for similar loan facilities. The difference between the disbursed amounts and the fair value of the loan was capitalised to prepaid intervention expenses, and interest income was recognised at the effective interest rate.

The adjustment from vehicle loans stems from the staff loans to purchase and refurbish motor vehicles. The loans were issued at below market interest rates and under the previous framework, interest on the loans was recognised at the nominal rates. Under IFRS, such loans must be recognised at fair value by discounting all future cash flows at the market rate of interest for similar loan facilities which in this case was the prime lending rate in the country. The difference between the disbursed amounts and the fair value of the loan was capitalised to prepaid staff expenses, and interest income was recognised at the effective interest rate.

The housing loan relates to loans issued to staff that were not recognised in the statement of financial position of the Bank under the previous framework. A fund is administered internally to manage the funds. Under IFRS, it was established that the fund is not autonomous hence the fair value of the loans were recognised in the statement of financial position of the Bank.

Under the previous framework, AMCON notes was recognised at the amounts disbursed at inception. Under IFRS, the notes were fair valued by discounting all future cash flows at the market rate of interest for similar loan facilities. This adjustment relates to the difference between the fair value of the loans and the amounts disbursed which was capitalised to prepaid intervention expenses and the recognition of the interest using the effective interest rate.

Under the previous framework, Nigerian treasury bonds and AMCON notes interest income is based on the nominal interest rates. Under IFRS, interest income is calculated using EIR method. At the date of transition to IFRS, the difference between the carrying value and the IFRS amortised cost balance using the EIR method has been recognised in retained earnings. During the comparative period, the corresponding effect of this has been recognised in income statement as an increase in interest income on the Nigerian treasury bonds and AMCON notes.

Under the previous framework, Investment in AMCON bonds, a zero coupon bond, was initially recognised at fair value, being the consideration paid by the Bank to purchase the bonds. Subsequently, the discount on the bonds are amortised over the tenor of the bonds on a straight line basis. The carrying amount in the book of the Bank comprises the initial purchase consideration and the total accrued discount as at the reporting date. Under IFRS, interest income on such zero coupon bonds and the amortised cost balance have been calculated using EIR method. At the date of transition to IFRS, the difference between the carrying value and the IFRS amortised cost balance using the EIR method has been recognised in retained earnings. During the comparative period, the corresponding effect of this has been recognised in income statement as a reduction in interest income on bonds.

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **C Available-for-sale financial assets** | | |
| Available-for-sale financial assets per previous framework | - | - |
| International Islamic Liquidity Management Corporation of Malaysia reclassified from investments | 743 | 743 |
| Nigeria Deposit Insurance Corporation reclassified from investments | 1,380 | 1,380 |
| Federal Mortgage Bank of Nigeria | - | - |
| Asset Management Corporation of Nigeria reclassified from investments | 5,000 | 5,000 |
| Remeasurement adjustment - Impairment of AFS investment | 60 | 60 |
| Remeasurement adjustment - Treasury bills | 2,836 | 1,852 |
| Remeasurement adjustment - FGN Bonds | 220 | 184 |
| Remeasurement adjustment - Recognition of investment in AMCON at fair value | (5,000) | (5,000) |
| Remeasurement adjustment - Recognition of investment in IILMCM at fair value | (743) | (743) |
| Remeasurement adjustment - Recognition of investment in FMBN at fair value | (60) | (60) |
| **Available-for-sale financial assets per IFRS** | **4,436** | **3,416** |

The adjustment for treasury bills arose from fund that is managed internally by the Bank. This is the motor vehicle sinking fund scheme. Under the previous framework, the Bank availed the funds to be managed for making disbursements when the need arises and the initial disbursements were expensed. The initial disbursed amounts were then managed internally, but off statement of financial position. Under IFRS, the initial disbursement did not constitute an expense as resources were not been transferred to an external party outside the CBN hence no expense should be recognised. The adjustment recognises the assets on the Bank's statement of financial position.

Equity investments in entities that the Bank has neither control nor significant influence were classified as available for sale financial assets.

*(All amounts are in millions of Naira, unless otherwise stated)*

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **D Held to maturity financial assets** | | |
| Held to maturity financial assets under previous framework | - | - |
| Nigerian Treasury Bills reclassified from Federal Government Securities | 224,793 | 113,974 |
| FGN Bonds reclassified from Federal Government Securities | 161,703 | 72,302 |
| Interest receivable on FGN Bonds reclassified from other assets | 1,461 | 1,460 |
| Unearned income on FGN Bonds reclassified from other financial liabilities | (3,334) | (4,139) |
| Interest on Nigerian Treasury Bills reclassified from other financial liabilities | (297) | 270 |
| Interest on Nigeria Treasury Bill Discounted reclassified from other financial liabilities | (83) | (4,694) |
| Remeasurement adjustment - Interest income on Treasury bills using EIR | 12,555 | 10,800 |
| Remeasurement adjustment - Interest income on FGN bonds using EIR | 17,178 | 16,204 |
| **Held to maturity financial assets per IFRS** | **413,976** | **206,177** |

Under the previous framework, treasury bills are recognised at nominal amount at inception while the unearned discount is recognised as a liability, resulting in a net which is identical to the actual cost incurred to effect the investment. Under IFRS, treasury bills are accounted at fair value on inception and subsequently measured at amortised cost using the effective interest rate method. The unearned income in other liabilities was reclassified to the carrying amount of the treasury bills, while interest was accrued on the fair value at inception using the effective interest method.

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **E Investment in subsidiary** | | |
| Investment in subsidiaries per previous framework | - | - |
| Investment in subsidiaries reclassified from investments | 23,575 | 23,575 |
| Remeasurement adjustment - Reclassification of investment in subsidiary to deposit for share | - | (10,186) |
| **Investment in subsidiary per IFRS** | **23,575** | **13,389** |

Under the previous framework , equity investments were classified under investments which were further broken down into investments in subsidiary and associates and other investments. Under IFRS, equity investments in entities that the Bank has control are classified as investments in subsidiary and deposit for shares recognised as part of investment in subsidiary has been reclassified to other assets since shares has not been allotted to the Bank.

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **F Investment in associates** | | |
| Investment in associates per previous framework | - | - |
| Investment in associates reclassified from investments | 86,919 | 90,946 |
| Remeasurement adjustment: Impairment allowance | - | (4,027) |
| **Investment in associates per IFRS** | **86,919** | **86,919** |

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **G Other assets** | | |
| Other assets per previous framework | 502,533 | 593,301 |
| Reclassification of provision on AMCON loan from loans and receivables | | |
| Interest due and unreceived on Nigerian treasury bonds reclassified to loans and receivables | (13,178) | (11,264) |
| Interest receivable on FGN Bonds reclassified to held to maturity financial assets | (1,461) | (1,460) |
| Interest due and unreceived on foreign investments reclassified to external reserve | (510) | (105) |
| Income receivable on other investments reclassified to loans and receivables | (238) | (212) |
| Interest receivable on 6% Perpetual Debenture in NEXIM reclassified to loans and receivables | | |
| Deferred interest on omo bills reclassified to CBN instruments | (57,873) | (101,362) |
| Sundry payables reclassified to other financial liabilities | - | 751 |
| IMF non-negotiable interest bearing reclassified to Quota in International Monetary Fund (IMF) | (421,864) | (433,744) |
| Remeasurement adjustment - Suspense Account Clearing | | |
| Remeasurement adjustment - Other prepaid staff expenses | 1,539 | (1,650) |
| Remeasurement adjustment - Prepaid intervention expenses | 298,789 | 21,760 |
| Remeasurement adjustment - Recognition of loan at fair value on initial measurement | 35,430 | 35,431 |

*(All amounts are in millions of Naira, unless otherwise stated)*

**G Other assets (continued)**

| | | |
|---|---|---|
| Remeasurement adjustment - Reclassification of investment in subsidiary to deposit for share (see note E) | - | 10,186 |
| Remeasurement adjustment - Recognition of excess provision | (283,647) | - |
| **Other assets per IFRS** | **59,520** | **111,632** |

The receivable from Deposit Money Banks and other financial institutions are interest free loans and below market interest rate loans respectively advanced to the financial institutions for the purpose of onward lending to the productive sectors to achieve economic growth and also ensure the stability of the financial system. Under CBN framework, no interest income was recognised and the loans were recognised at the amounts disbursed at inception. Under IFRS, the loans were fair valued using the market rate. The difference between the fair value of the loans and the amounts disbursed was capitalised to prepaid intervention expenses, while interest was accrued at the effective interest rate.

The provision for doubtful debts on below market loans that related to the portion that was reclassified to other assets was also reclassified to other assets.

Prepaid staff expenses and prepaid intervention expenses arose from the fair valuation of below market staff loans, zero interest loans to financial institutions for the purposes of onward lending to the agricultural sector, the AMCON notes and long term loans to AMCON and other banks. When the loans were fair valued, the difference between the disbursed amount and the fair value of the loan represent prepaid expenditures namely staff costs and intervention expenses. The capitalised amounts are expensed over the tenor of the loans.

Under the previous framework, accrued interest receivable on financial assets is recognised separately under other assets. Under IFRS, interest receivable is included in the carrying amount of the financial asset giving rise to it. All interest receivable was reclassified to be included in the carrying amount of the financial assets giving rise to it.

Under the previous framework, the IMF non-negotiable interest bearing reclassified to Quota in International Monetary Fund (IMF) was classified as part of other assets. Under IFRS, the IMF non-negotiable interest bearing reclassified to Quota in International Monetary Fund (IMF) is disclosed separately as a line item on the statement of financial position.

| | **Bank** | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **H Quota in International Monetary Fund (IMF)** | | |
| Quota in International Monetary Fund (IMF) per previous framework | - | - |
| IMF non-negotiable interest bearing reclassified from other assets | 421,864 | 433,744 |
| **Quota in International Monetary Fund (IMF) per IFRS** | **421,864** | **433,744** |

| | **Bank** | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| **I Intangible assets** | **N'million** | **N'million** |
| Intangible assets per previous framework | - | - |
| Intangible assets reclassified from fixed assets | 6,858 | 2,594 |
| Remeasurement adjustment - Training cost previously capitalised | (20) | - |
| **Intangible assets per IFRS** | **6,838** | **2,594** |

Under previous framework, training cost on ITIL workshop was wrongly capitalised under capital work in progress. Under IFRS, IAS 38 requires expenditure on staff training to be excluded from the cost of intangible assets. At the date of transition to IFRS, the training cost previously capitalised under work in progress has been derecognised to retained earnings.

| | **Bank** | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **J Property, plant and equipment** | | |
| Property, plant and equipment per previous framework | 303,829 | 261,057 |
| Fixed assets reclassified to intangible assets | (6,858) | (2,594) |
| Remeasurement adjustment - Reversal of depreciation on land | 264 | 237 |
| Remeasurement adjustment - Additional depreciation on lift and central AC | (2,270) | (1,637) |
| Remeasurement adjustment - Recognition of assets | 300 | 300 |
| **Property, plant and equipment per IFRS** | **295,265** | **257,363** |

Under the previous framework, the Bank depreciates land and buildings over 50years. Under IFRS, land and buildings have been separated and accounted for separately. In addition, land has an unlimited useful life and therefore should not be depreciated. IAS 16 also requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. At the date of transition to IFRS, the accumulated depreciation recognised by the Bank till date on land was reversed. Also depreciation of the component parts of the building such as main structure, central air conditioner and lift were recomputed in line with their new estimated useful lives and the difference between the new carrying amount and the previous framework balance has been recognised in retained earnings. During the comparative period, the additional depreciation on the lift and central AC was recognised in income statement under depreciation of property, plant and equipment.

*(All amounts are in millions of Naira, unless otherwise stated)*

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **K Deposits** | | |
| Deposits per previous framework | 6,796,298 | 5,808,807 |
| IMF securities reclassified to IMF related liabilities | (421,878) | (433,136) |
| Other liabilities reclassified to other financial liabilities | - | (368,351) |
| Remeasurement adjustment - Recognition of deposit | (3,944) | (593) |
| **Deposits per IFRS** | **6,370,476** | **5,006,727** |

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **L Central Bank of Nigeria Instruments** | | |
| Central Bank of Nigeria Instruments per previous framework | 2,646,007 | 1,537,516 |
| Deferred interest on omo bills reclassified from other assets | (57,873) | (101,362) |
| Omo trading rediscounting reclassified to other assets | | - |
| Accrued Interest on promissory note issued reclassified from other financial liabilities | 768 | 19 |
| Remeasurement adjustment - adjustment on OMO trading using EIR | 2,093 | - |
| Remeasurement adjustment - recognition of OMO bills using effective interest rate | 407 | 407 |
| Remeasurement adjustment - recognition of promissory note using effective interest rate | 738 | - |
| **Central Bank of Nigeria Instruments per IFRS** | **2,592,140** | **1,436,580** |

Under the previous framework, the open market operation bills are recognised at their nominal amounts, while the discount is recorded as a prepaid income expense. Under IFRS, the open market operations bills are carried at amortised cost using the effective interest rate method. The prepaid interest in other assets was reclassified to the carrying amount of the bill. Interest was then accrued using the effective interest rate method.

Under the previous framework, interest on promissory notes is accrued using the nominal interest rate. Under IFRS, the interest is determined using the effective interest rate. An adjustment was passed to record the promissory notes at amortised cost determined using the effective interest rate method.

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **M IMF related liabilities** | | |
| IMF related liabilities per previous framework | - | - |
| IMF Securities reclassified from deposits | 421,878 | 433,136 |
| **IMF related liabilities per IFRS** | **421,878** | **433,136** |

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **N Employee benefit liabilities** | | |
| Employee benefit liabilities per previous framework | - | - |
| Gratuity reclassified from other financial liabilities | 72,653 | 64,280 |
| Defined contribution liabilities reclassified from other financial liabilities | 23 | 129 |
| CAD Long Service Award reclassified from other financial liabilities | (4,417) | - |
| Remeasurement adjustment - Actuary adjustment on defined benefit liabilities | (3,610) | 31,368 |
| **Employee defined benefit liabilities per IFRS** | **64,649** | **95,777** |

Under the previous framework, the gratuity defined benefit scheme and the long service awards scheme obligations of the Bank were estimated by techniques other than the projected unit credit method. The obligations arising from the defined benefit pension scheme and the post employment medical aid scheme were not recognised under the previous framework. Under IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method. The adjustments passed are to recognise the obligations as determined by the actuary.

*(All amounts are in millions of Naira, unless otherwise stated)*

| | | Bank | |
|---|---|---|---|
| | | 31 December 2012 | 1 January 2012 |
| | | N'million | N'million |
| **O** | **Other liabilities** | | |
| | Other liabilities per previous framework | 1,522,976 | 1,727,927 |
| | Accrued Interest on promissory note issued reclassified to CBN instruments | (768) | (19) |
| | Gratuity reclassified to employee benefit liabilities | (72,653) | (64,280) |
| | Other liabilities reclassified from other assets | - | 751 |
| | Other liabilities reclassified from deposit | - | 368,351 |
| | Defined contribution liabilities reclassified to employee benefit liabilities | (24) | (128) |
| | Unearned income on term loan reclassified to loans and receivables | (89) | (89) |
| | Unearned income on FGN Bonds reclassified to held to maturity financial assets | (3,334) | (4,139) |
| | Interest on Nigerian Treasury Bills reclassified to held to maturity financial assets | (297) | 270 |
| | Interest on Nigerian Treasury Bill Discounted reclassified to held to maturity financial assets | (83) | (4,694) |
| | Unearned income on AMCON Bonds investments reclassified to held to maturity financial assets | (574,149) | (903,622) |
| | Remeasurement adjustment - Staff Pay Suspense H/O | 13 | - |
| | Remeasurement adjustment - Reversal of internal currency provision | (4,719) | (7,423) |
| | Remeasurement adjustment - Reversal of Agricultural credit fund provision | - | (10,604) |
| | Remeasurement adjustment - Reversal of provision on contingencies | (12,090) | (12,090) |
| | Reclassification adjustment - Loans and receivables | - | (500,000) |
| | Remeasurement adjustment - Recognition of accumulated leave liabilities | 398 | 394 |
| | **Other liabilities per IFRS** | **855,181** | **590,605** |

The staff pay suspense liability was increased due to the recognition of the leave obligation for employees with accumulating leave liabilities. Under previous framework, no obligation was being recognised for the unutilized leave days that are accumulated and utilized in future periods. As there is a present obligation for such liabilities, the leave pay provision was determined based on the leave days accrued and annual basic salaries for the staff concerned.

Under the previous framework, a provision was recognised for future losses that could arise in the transportation of bank notes. Under IFRS, the provision was reversed as it does not meet the definition of a provision as there is no obligating event at the time of recognising the provision.

Under the previous framework, a portion of contingent liabilities arising from litigations was recognised. Under IFRS, the liabilities for contingencies were reversed as contingency liabilities are not recognised, but disclosed.

| | | Bank | |
|---|---|---|---|
| | | 31 December 2012 | 1 January 2012 |
| **O(i)** | **Bank notes and coins in circulation** | N'million | N'million |
| | Bank notes and coins in circulation per previous framework | 1,631,717 | 1,566,047 |
| | Remeasurement adjustment- Decimal note in currency | (211) | (113) |
| | **Bank notes and coins in circulation per IFRS** | **1,631,506** | **1,565,934** |

| | | Bank | |
|---|---|---|---|
| | | 31 December 2012 | 1 January 2012 |
| **P** | **Retained earnings** | N'million | N'million |
| | Retained earnings per previous framework | 114,653 | 94,575 |
| | Remeasurement adjustment- External reserve (see note A above) | 2 | 2 |
| | Remeasurement adjustment - Receivable From Deposit Money Banks (See note C above) | 8,597 | 8,597 |
| | Remeasurement adjustment - Customer Loans (See note B above) | 19,713 | 19,713 |
| | Remeasurement adjustment - Vehicle loans (See note B above) | 1,423 | 905 |
| | Remeasurement adjustment - Housing loans (See note B above) | 12,905 | 12,475 |
| | Remeasurement adjustment - Treasury bills (see note D above) | 5,105 | 4,274 |
| | Remeasurement adjustment - FGN Bonds (see note D above) | 1,877 | 1,877 |
| | Remeasurement adjustment - Recognition of AMCON bonds using EIR (see note D above) | (38,427) | (10,322) |
| | Remeasurement adjustment - Other prepaid staff expenses (see note G above) | (1,650) | (1,650) |
| | Remeasurement adjustment - Prepaid intervention expenses (see note G above) | (41,271) | (24,681) |
| | Remeasurement adjustment- Decimal note in currency | (112) | (112) |
| | Remeasurement adjustment - Training cost previously capitalised (see note J above) | (20) | - |

*(All amounts are in millions of Naira, unless otherwise stated)*

**P Retained earnings (Continued)**

| | | |
|---|---|---|
| Remeasurement adjustment - Impairment allowance of investment in associates (see note F above) | (8,054) | (4,027) |
| Remeasurement adjustment - Impairment allowance of AFS investment (see note C above) | (5,743) | (5,743) |
| Remeasurement adjustment - Reversal of depreciation on lift, central AC and (see note K above) | (1,637) | (1,637) |
| Remeasurement adjustment - Actuary adjustment on defined benefit plans (see note N above) | (31,368) | (31,368) |
| Remeasurement adjustment - Staff pay suspense H/O (see note P above) | (393) | (393) |
| Remeasurement adjustment - Recognition of excess of provision based on prudential model over IAS 39 incurred loss model provision (see note B above) | 117,588 | 630,431 |
| Remeasurement adjustment - Reversal of internal currency provision (see note O above) | 7,914 | 7,423 |
| Remeasurement adjustment - Reversal of provision on contingencies (see note O above) | 8,890 | 12,090 |
| Remeasurement adjustment - Reversal of provision on Agricultural currency fund (see note O above) | - | 10,604 |
| Remeasurement adjustment -Recognition of assets | 24,155 | 19,828 |
| Remeasurement adjustment - Fixed assets revaluation reserve (see note Q below) | 61,576 | 61,575 |
| Remeasurement adjustment - Foreign Assets Revaluation (see note Q below) | 94,144 | 94,144 |
| Remeasurement adjustment - Reserve on fund managers' investments (see note R below) | 24,884 | 24,884 |
| Remeasurement adjustment - Additional/(reversal) of impairment on the 6% Perpetual debenture in NEXIM (see note B above) | (238) | (212) |
| Remeasurement adjustment - Interest expense on OMO trading (see note M above) | (2,500) | (407) |
| Remeasurement adjustment - Interest on Nigeria treasury bonds and time deposits (see note B above) | 81,787 | 79,658 |
| Remeasurement adjustment - Interest Expense on Promissory Notes (see note M above) | (739) | - |
| Remeasurement adjustment - Net trading income (see note V below) | (23,761) | - |
| Remeasurement adjustment - Interest income on loans and AMCON notes (see note X below) | 14,756 | - |
| Remeasurement adjustment - Disposal of revalued Fixed Assets & net unrealised loss | - | - |
| Remeasurement adjustment - Net unrealised (loss) or gain on foreign exchange difference (see note W below) | (72,820) | - |
| Remeasurement adjustment - Reversal of depreciation on land ( see note J above) | 263 | 236 |
| Remeasurement adjustment - Additional depreciation on lift and central AC (( see note J above) | (2,270) | - |
| Remeasurement adjustment - Other staff expenses | 4,032 | - |
| Remeasurement adjustment - Defined benefit expenses | 5,304 | - |
| Remeasurement adjustment - Leave | (13) | - |
| Remeasurement adjustment - Net reversal of Trust Funds & Donation admin services | 2,000 | - |
| **Retained earnings per IFRS** | **380,552** | **1,002,739** |

| | Bank | |
|---|---|---|
| | **31 December 2012** | **1 January 2012** |
| | **N'million** | **N'million** |
| **Q Other reserves** | | |
| Other reserves per previous framework | **-** | - |
| Fixed assets revaluation reserve reclassified as other reserve | 61,575 | 61,575 |
| Foreign currency revaluation reserve reclassified as other reserve | 21,327 | 94,144 |
| Remeasurement adjustment - Fixed assets revaluation reserve | (61,575) | (61,575) |
| Remeasurement adjustment - Foreign Assets Revaluation | (21,327) | (94,144) |
| **Other reserve per IFRS** | **-** | **-** |

*(All amounts are in millions of Naira, unless otherwise stated)*

**Q Other reserve (continued)**

Prior to 2003 under previous framework, the bank applied the cash basis of accounting for fixed assets and all costs incurred were expensed immediately in income and expenditure account. In 2003, a revaluation was carried out by a consortium of external valuers to recognise all the assets that have been previously expensed. The revalued amount was recognised in fixed assets and the corresponding entry was credited to a fixed assets revaluation reserve. At each reporting date, a portion of the reserve that relate to asset disposed during the year is released to income and expenditure account. The outstanding balance in this account relates to revalued amount on assets not yet released to income and expenditure account. At the date of transition to IFRS, the carrying amount in the fixed assets revaluation reserve account in equity has been transferred to retained earnings since the Bank has elected to subsequently measure its property, plant and equipment using the cost model in IAS 16. During the comparative period, movement in this account has been recognised in profit or loss.

Under previous framework, the Bank recognised unrealised exchange differences on monetary assets in foreign currency revaluation reserve in equity. Under IFRS, exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements to be recognised immediately in profit or loss in the period. At the date of transition to IFRS, the carrying amount in the foreign currency revaluation reserve has been reclassified to retained earnings. During the comparative period, the revaluation gains/(losses) on monetary assets have been recognised in income statement.

| | Bank | |
|---|---|---|
| | 31 December 2012 | 1 January 2012 |
| | N'million | N'million |
| **R Available-for-sale reserve** | | |
| Available-for-sale reserve per previous framework | - | - |
| Reserve on fund managers' investments reclassified as Available-for-sale reserve | 1,123 | 24,884 |
| Remeasurement adjustment - Reserve on fund managers' investments | (1,123) | (24,884) |
| Remeasurement adjustment - Treasury bills & FGN Bonds | 27 | (15) |
| **Available-for-sale reserve per IFRS** | **27** | **(15)** |

Under the previous framework, investments administered by the external fund managers were classified as available for sale with unrealised fair value movements being recognised in the available for sale reserve in equity. Under IFRS, the investments administered by the external fund manager were classified as held for trading. As a result the fair value gains previously recognised in equity were transferred to retained earnings.

The recognition of the off statement of financial position fund described under Note D resulted in the recognition of available-for-sale treasury bills in the CBN's statement of financial position. The fair value movements on the treasury bills classified as available for sale resulted in an increase in the available-for-sale reserve. The gains recognised at 1 January 2012 were realised during the year and at year end net adverse movements were realised resulted in negative balance at the close of 2012.

| | Bank | |
|---|---|---|
| | 31 December 2012 | 1 January 2012 |
| | N'million | N'million |
| **R(I) Cash and cash equivalents** | | |
| Cash and cash equivalents pervious framework | 7,342,019 | 5,828,666 |
| Effect of IFRS based principles reclassification | (1,893,602) | (81,569) |
| **Cash and cash equivalents per IFRS** | **5,448,417** | **5,747,097** |

Under the previous framework, all external reserves were classified as cash and cash equivalent for purpose of the cashflow statement. Under IFRS, cash and cash equivalents is made up of financial assets with maturities of 90days or less on the date of inception. Investments in other foreign securities which form part of external reserves, whose maturities exceeded 90 days on inception date, were removed from cash and cash equivalents in determining the movement of cash and cash equivalents in determining the movements of cash and cash equivalents.

| | Bank |
|---|---|
| | 31 December 2012 |
| **S Interest and similar income** | N'million |
| Interest and similar income per previous framework | 440,991 |
| Interest and similar income reclassified from other operating income | 156 |
| Remeasurement adjustment - Interest on Nigerian Treasury Bill | 5,158 |
| Remeasurement adjustment - Loan interest income | 14,756 |
| Remeasurement adjustment - Interest on car and housing loans | 948 |
| Remeasurement adjustment - Interest on Nigeria treasury bonds and time deposits | 2,129 |
| Remeasurement adjustment - Interest on FGN bonds | - |
| Remeasurement adjustment - Interest on AMCON bond | (53,372) |
| **Interest and similar income per IFRS** | **410,766** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| | Bank 31 December 2012 N'million |
|---|---|
| **T Interest and similar expense** | |
| Interest and similar expense per previous framework | 324,213 |
| Remeasurement adjustment - Interest expense on OMO Trading | 2,092 |
| Remeasurement adjustment - Interest Expense on Promissory Notes | 739 |
| **Interest and similar expense per IFRS** | **327,044** |

| | Bank 31 December 2012 N'million |
|---|---|
| **U Fees and commission income** | |
| Fees and commission income per previous framework | - |
| Fees reclassified from other operating income | 3,407 |
| Net foreign exchange gains reclassified to fees and commission income from other operating income | 87,234 |
| Commissions reclassified to fees and commission income from other operating income | 270 |
| **Fees and commission income per IFRS** | **90,911** |

| | Bank 31 December 2012 N'million |
|---|---|
| **V Net trading income** | |
| Net trading income per previous framework | - |
| Net realised loss on fund managers' investments reclassified from operating cost | 34,821 |
| Remeasurement adjustment - Unrealised gains on fund managers' investment | (23,761) |
| **Net trading income per IFRS** | **11,060** |

| | Bank 31 December 2012 N'million |
|---|---|
| **W Foreign exchange revaluation gains** | |
| Foreign exchange revaluation gains per previous framework | - |
| Net realised gain on foreign currency reclassified as other operating income | 58,638 |
| Remeasurement adjustment - Net unrealised (loss) or gain on foreign exchange difference | (72,820) |
| **Foreign exchange revaluation gains per IFRS** | **(14,182)** |

| | Bank 31 December 2012 N'million |
|---|---|
| **X Other operating income** | |
| Other operating income per previous framework | 130,190 |
| Fees reclassified to fees and commission income | (3,407) |
| Net foreign exchange gains reclassified to fees and commission income | (87,234) |
| Commissions reclassified to fees and commission income | (271) |
| Net realised gain on fund manager's investment reclassified to net trading income | (34,820) |
| Interest on staff loans reclassified to interest and similar income | (156) |
| Gains/ losses on disposal of fixed assets reclassified from other operating cost | 1,252 |
| Remeasurement adjustment - Reversal of prior period error | 25,268 |
| **Other operating income per IFRS** | **30,822** |

The recognition of the motor vehicle sinking fund which was maintained off statement of financial position as described in Note C resulted in the recognition of available-for-sale treasury bills. This gave rise to the available-for-sale reserve. The reserve balance was realised on maturity of the financial assets giving rise to the reclassification of the amount from the available-for-sale reserve to the profit or loss for the period.

| | Bank 31 December 2012 N'million |
|---|---|
| **Y Loan impairment charge/(reversal)** | |
| Loan impairment charge per previous framework | - |
| Increase in provision on loans and advances reclassified as loan impairment write back | 13,312 |
| Write back in provision on loans and advances reclassified to impairment charge/(reversal) | (238,767) |
| **Loan impairment charge/(reversal) per IFRS** | **(225,455)** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **Z(i)** | **Impairment charge/(reversal) on financial investments** | |
| | Impairment recognised on financial investments per previous framework | - |
| | Write back in provision Investment | 19,799 |
| | Remeasurement adjustment | (327,171) |
| | **Impairment recognised on financial investments IFRS** | **(307,372)** |

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(ii)** | **Personnel expenses** | |
| | Personnel expenses per previous framework | - |
| | Staff costs reclassified from operating cost | 84,689 |
| | Remeasurement adjustment - Other staff expenses | (15,070) |
| | Remeasurement adjustment - Defined benefit expenses | 6,094 |
| | Remeasurement adjustment - Leave | 13 |
| | Remeasurement adjustment - Training cost | 20 |
| | **Personnel expenses per IFRS** | **75,746** |

This adjustment arose from the amortisation of the prepaid employee benefit expenses that arose from the below market interest rate loans advanced to staff for purchasing motor vehicles, motor vehicle refurbishment and housing.

The gratuity expenses arose from the recognition of the current service costs and interest cost expenses on the defined benefit schemes. Under previous framework, such costs were not based on actuarial computations. The adjustment aligns the current expenses to ones determined by the actuarial techniques.

The leave pay expense arose from the increase in the leave pay provision during the period. Under previous framework, no provision was being maintained for accumulating leave liability.

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(iii)** | **Financial sector intervention expenses** | |
| | Financial sector intervention expenses per previous framework | - |
| | Remeasurement adjustment - Expenses on other intervention activities | 16,590 |
| | **Financial sector intervention expenses per IFRS** | **16,590** |

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(iv)** | **Amortisation of intangible assets** | |
| | Amortisation of intangible assets per previous framework | - |
| | Amortisation expenses reclassified from operating cost | 2,459 |
| | **Amortisation of intangible assets per IFRS** | **2,459** |

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(v)** | **Depreciation of property, plant and equipment** | |
| | Depreciation of property, plant and equipment per previous framework | - |
| | Depreciation expenses reclassified from operating cost | 6,142 |
| | Remeasurement adjustment - Additional depreciation on lift and Central AC (See note J above) | 633 |
| | Remeasurement adjustment - Reversal of depreciation on Land (See note J above) | (27) |
| | **Depreciation of property, plant and equipment per IFRS** | **6,748** |

*(All amounts are in millions of Naira, unless otherwise stated)*

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(vi)** | **Currency issue expenses** | |
| | Currency issue expenses per previous framework | - |
| | Currency issue expenses reclassified from operating cost | 36,589 |
| | **Currency issue expenses per IFRS** | **36,589** |

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(vii)** | **Other operating expenses** | |
| | Other operating expense per previous framework | - |
| | Other operating expense reclassified from operating cost | 109,705 |
| | Remeasurement adjustment - Net reversal of Trust Funds & Donations | (1,757) |
| | **Other operating expense per IFRS** | **107,948** |

The increase in the expenses on other intervention expenses arose from the amortisation of the prepaid intervention expenses that arose from below market long term loans to financial institutions, the AMCON notes and the AMCON Loan.

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(viii)** | **Remeasurement gains on defined benefits plan** | |
| | Remeasurement gains and losses on defined benefits plan under previous framework | - |
| | Effect of IFRS remeasurement adjustment | 34,696 |
| | **Remeasurement gains and losses on defined benefits plan per IFRS** | **34,696** |

This is due to the recognition of remeasurement gains on the post employment defined benefit schemes as determined by the actuary. Under the previous framework, three defined benefit schemes were not recognised at all while the gratuity scheme was recognised but the obligation was not based on actuarial techniques.

| | | Bank 31 December 2012 N'million |
|---|---|---|
| **(ix)** | **Net gain/(loss) on available-for-sale financial assets** | |
| | Net gain/(loss) on available-for-sale asset per previous framework | - |
| | Effect of IFRS remeasurement adjustment (see note R above) | 42 |
| | **Net gain/(loss) on available-for-sale asset per IFRS** | **42** |

Under the previous framework, the available-for-sale treasury bills and FGN bonds were maintained off statement of financial position. These were recognised at the opening statement of financial position as explained under Note C, the recognition of the fair value movement for the year and the reclassification of the realised portion from the available-for-sale reserve to the profit or loss for the period gave rise to this adjustment.