CENTRAL BANK OF NIGERIA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

CENTRAL BANK OF NIGERIA
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FOR THE YEAR ENDED 31 DECEMBER 2014

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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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2014

INTRODUCTION

The consolidated and separate financial statements of the Central Bank of Nigeria for the year ended 31st December 2014 were prepared using the International Financial Reporting Standards (IFRS).

The Bank's financial statements were converted to the International Financial Reporting Standards in 2013. 2014 financial statements hereby presented continued to be presented in the newly adopted framework

RESULTS

The Net Income for the year is N35.422 billion for the Bank while the Group's Net Income is N33,893 billion. In line with the provisions of the Fiscal Responsibility Act 2011, 20% of the net Income of the bank (exclusive of unrealized gain) will be credited to retained earnings while the balance will be paid to the Federal Government of Nigeria. After considering the effects of the unrealized gains as stated in note 33a, no payments will be made to the Federal Government in the financial year.

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 committee includes the right mix of both the executive and non- executive Directors for effective good 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 RMD is also responsible for coordinating and facilitating an integrated and uniform compliance management process in the Group; advancing and facilitating specialized operational risk management process, including business continuity, occupational health and safety and information security.

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.

ETHICS MANAGEMENT

The Bank, as the central Bank of Nigeria, must be, and be seen to be, an institution of integrity which maintains the highest ethical standards.

The executive management of the Bank is intensely aware of this core value and expectation, and commits itself to creating a working environment that encourages and facilitates honesty, integrity and ethical behavior.

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 2014, the results and the cashflows of the Group and the Bank in accordance with International Financial Reporting Standards, CBN Act and other relevant laws.

BY ORDER OF THE BOARD

Company Secretary

21 May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

In accordance with the provisions of the Central Bank of Nigeria Act, 2007, the Governor and the Deputy Governors are responsible for the preparation of 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 Bank 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 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 financial statements to be prepared on a going concern basis.

The Governor and the Deputy Governors accept responsibility for the annual 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 financial statements give a true and fair view of the state of the financial affairs of the Central Bank of Nigeria and of its income and expenditures and cash flows.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of 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 2014, 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 2014, 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

For: Ernst & Young
Chartered Accountants
Lagos, Nigeria

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

CENTRAL BANK OF NIGERIA
CONSOLIDATED AND SEPARATE INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Bank	
		2014	**2013**	**2014**	**2013**
	Notes	**N'million**	**N'million**	**N'million**	**N'million**
Interest and similar income	5	434,773	477,787	434,712	477,693
Interest and similar expense	6	(396,321)	(541,134)	(396,291)	(541,099)
Net interest income /(expense)		**38,452**	**(63,347)**	**38,421**	**(63,406)**
Fees and commission income	7	142,674	111,435	142,674	111,435
Net trading loss	8	(17,034)	(5,727)	(17,034)	(5,727)
Foreign exchange revaluation gains	9	261,197	17,119	261,025	17,145
Other operating income	10	19,573	40,768	18,679	42,046
Total operating Income		**444,862**	**100,248**	**443,765**	**101,493**
Loan impairment reversal	16	24,001	142,368	24,102	141,981
Impairment (charge)/reversal on financial investments	17	(1,830)	283,647	(1,830)	283,647
Net operating income		**467,033**	**526,263**	**466,037**	**527,121**
Personnel expenses	12	(101,406)	(78,835)	(96,991)	(75,755)
Financial sector intervention expenses	13	(136,968)	(42,774)	(136,968)	(42,774)
Depreciation of property, plant and equipment	28	(14,427)	(9,755)	(11,191)	(8,009)
Amortisation of intangible assets	27	(2,688)	(2,918)	(2,688)	(2,915)
Currency issue expenses	14	(5,509)	(18,699)	(22,791)	(40,057)
Other operating expenses	15	(172,142)	(162,973)	(159,986)	(147,990)
Total operating expenses		**(433,140)**	**(315,954)**	**(430,615)**	**(317,500)**
Net income before share of associates' profit		**33,893**	**210,309**	**35,422**	**209,621**
Share of profit of associates	25	6,227	3,407	-	-
Net income before tax		**40,120**	**213,716**	**35,422**	**209,621**
Income tax expense	18	(6,520)	(154)	-	-
Net income for the year		**33,600**	**213,562**	**35,422**	**209,621**
Attributable to:					
Equity holder of the Bank		34,498	213,512	35,422	209,621
Non-controlling interests		(898)	50	-	-
		33,600	**213,562**	**35,422**	**209,621**

The accompanying notes on pages 13 to 84 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 2014

		Group		Bank	
		2014	**2013**	**2014**	**2013**
	Notes	**N'million**	**N'million**	**N'million**	**N'million**
Net income for the year		**33,600**	**213,562**	**35,422**	**209,621**
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods net of tax:					
Net loss on available-for-sale financial assets	11	(44)	(85)	(44)	(85)
Share of other comprehensive income/(loss) of associates	25	5,904	(2,271)	-	-
Net other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods		**5,860**	**(2,356)**	**(44)**	**(85)**
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	9,465	9,536	9,198	9,614
Share of other comprehensive income of associates	25	554	13	-	-
Net other comprehensive income not to be reclassified to net income or loss in subsequent periods		**10,019**	**9,549**	**9,198**	**9,614**
Other comprehensive income for the year		**15,879**	**7,193**	**9,154**	**9,529**
Total comprehensive income for the year		**49,479**	**220,755**	**44,576**	**219,150**
Attributable to:					
Equity holder of the Bank		50,346	220,714	44,576	219,150
Non-controlling interests		(867)	41	-	-
		49,479	**220,755**	**44,576**	**219,150**

The accompanying notes on pages 13 to 84 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 2014

		Group		Bank	
		2014	2013	2014	2013
	Notes	N'million	N'million	N'million	N'million
Assets					
Cash and bank balances	19	3,301	7,892	-	-
External reserves	19	5,837,660	6,642,813	5,837,660	6,642,813
IMF Holdings of Special Drawing Rights	20a	406,403	400,351	406,403	400,351
Loans and receivables	21	5,005,685	4,392,773	5,002,834	4,392,324
Financial assets at fair value through profit or loss	22	2,404	-	2,404	-
Investment securities:					
Available-for-sale	23	4,630	4,540	4,630	4,540
Held to maturity	23	177,642	169,394	177,642	169,394
Investment in subsidiary	24	-	-	25,588	23,575
Investments in associates	25	125,570	112,698	91,966	91,866
Quota in International Monetary Fund (IMF)	20b	421,713	412,015	421,713	412,015
Employee defined benefit assets	32	28,751	7,622	28,665	7,622
Other assets	26	1,290,908	1,424,971	1,273,474	1,404,237
Intangible assets	27	5,041	7,412	5,041	7,412
Property, plant and equipment	28	431,993	373,230	374,448	337,355
Total assets		13,741,701	13,955,711	13,652,468	13,893,504
Liabilities					
Deposits	29	6,779,515	6,128,809	6,779,515	6,128,809
Central Bank of Nigeria Instruments	30	2,755,611	3,739,093	2,755,611	3,739,093
Bank notes and coins in circulation	31	1,797,832	1,776,302	1,797,842	1,776,305
IMF allocation of Special Drawing Rights	20d	406,458	400,402	406,458	400,402
IMF related liabilities	20c	421,727	412,028	421,727	412,028
Financial liabilities at fair value through profit or loss	22	24,704	-	24,704	-
Employee benefit liabilities	32	81,891	66,715	81,832	66,492
Current income tax payable	18	672	475	-	-
Deferred tax liabilities	18	6,586	2,834	-	-
Other liabilities	33	917,036	928,863	887,828	918,000
Total liabilities		13,192,032	13,455,521	13,155,517	13,441,129
Equity					
Share capital	34	5,000	5,000	5,000	5,000
Retained earnings	34	535,545	491,058	492,053	447,433
Available-for-sale reserve	34	1,727	951	(102)	(58)
Foreign currency translation reserve	34	907	(4,177)	-	-
Equity attributable to equity holders of the Bank		543,179	492,832	496,951	452,375
Non-controlling interests		6,490	7,358	-	-
Total equity		549,669	500,190	496,951	452,375
Total liabilities and equity		13,741,701	13,955,711	13,652,468	13,893,504

The accompanying notes on pages 13 to 84 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 84 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) FRC/2013/IODN/00000001080	Governor
	Adebayo Adelabu FRC/2012/ICAN/00000002303	Director
	Jonah O. Otunla	Director
	Anastasia M. Daniel-Nwaobia	Director

CENTRAL BANK OF NIGERIA
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014	**5,000**	**491,058**	**951**	**(4,177)**	**492,832**	**7,358**	
Net income for the year	-	34,498	-	-	34,498	(898)	33,600
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	-	-	(44)	-	(44)	-	(44)
Re-measurement gains on defined benefit plans (Note 33)	-	9,435	-	-	9,435	30	9,465
Share of other comprehensive income of associates	-	554	820	5,084	6,458	-	6,458
Total comprehensive income/(loss)	**-**	**44,487**	**776**	**5,084**	**50,347**	**(868)**	**49,479**
Transfer to Federal Government of Nigeria (Note 34a)	-	-	-	-	-	-	-
At 31 December 2014	**5,000**	**535,545**	**1,727**	**907**	**543,179**	**6,490**	**49,479**

For the year ended 31 December 2013

	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 (loss)/ 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 33)	-	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 34a)	-	(152,354)	-	-	(152,354)	-	(152,354)
At 31 December 2013	**5,000**	**491,058**	**951**	**(4,177)**	**492,832**	**7,358**	**500,190**

The accompanying notes on pages 13 to 84 form an integral part of these consolidated and separate financial statements.

CENTRAL BANK OF NIGERIA
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

BANK	Share capital N'million	Retained earnings N'million	Available-for-sale reserve N'million	Total equity N'million
As at 1 January 2014	**5,000**	**447,433**	**(58)**	**452,375**
Net income for the year	-	35,422	-	35,422
Other comprehensive income:				
Change in fair value of available-for-sale financial assets	-	-	(44)	(44)
Re-measurement gains on defined benefit plans (Note 33)	-	9,198	-	9,198
Total comprehensive income/(loss)	**-**	**44,620**	**(44)**	**44,576**
Transfer to Federal Government of Nigeria (Note 34a)	-	-	-	-
At 31 December 2014	**5,000**	**492,053**	**(102)**	**496,951**

For the year ended 31 December 2013

	Share capital N'million	Retained earnings N'million	Available-for-sale reserve N'million	Total equity 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)
Remeasurement gains on defined benefit plans (Note 33)	-	9,614	-	9,614
Total comprehensive income/(loss)	**-**	**219,235**	**(85)**	**219,150**
Transfer to Federal Government of Nigeria (Note 34a)	-	(152,354)	-	(152,354)
At 31 December 2013	**5,000**	**447,433**	**(58)**	**452,375**

The accompanying notes on pages 13 to 84 form an integral part of these consolidated and separate financial statements.

CENTRAL BANK OF NIGERIA
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Bank	
		2014	**2013**	**2014**	**2013**
	Notes	**N'million**	**N'million**	**N'million**	**N'million**
Cash flows from operating activities	35	**(961,592)**	**(459,037)**	**(980,027)**	**(460,753)**
Income tax paid		(100)	(473)	-	-
Employee defined benefit paid		(10,074)	(8,162)	(10,068)	(8,149)
Net cash flows used in operating activities		**(971,766)**	**(467,672)**	**(990,095)**	**(468,902)**
Cash flows from investing activities					
Proceeds from redemption of investment securities		(8,248)	244,582	(8,248)	244,582
Addition to equity interest in associated entities		-	(4,947)	(100)	(4,947)
Addition to equity interest in subsidiary		-	-	(2,013)	-
Purchase of property, plant and equipment	28	(74,649)	(55,831)	(49,732)	(52,877)
Proceeds from sale of property, plant and equipment	28	2,522	18	2,810	3
Purchase of Intangible assets	27	(317)	(3,489)	(317)	(3,489)
Net cash flows (used in)/from investing activities		**(80,692)**	**180,333**	**(57,600)**	**183,272**
Cash flows from financing activities					
Surplus paid to the Federal Government of Nigeria	33a	-	(30,195)	-	(30,195)
Net cash flows used in financing activities		**-**	**(30,195)**	**-**	**(30,195)**
Net change in cash and cash equivalents		(1,052,458)	(317,534)	(1,047,695)	(315,825)
Net foreign exchange difference	9	182,482	17,119	182,310	17,145
Cash and cash equivalents at 1 January	19e	5,456,309	5,756,724	5,448,417	5,747,097
Cash and cash equivalents at 31 December	19e	**4,586,333**	**5,456,309**	**4,583,032**	**5,448,417**
Operational cashflows from Interest and dividends					
Interest paid		223,675	539,723	201,518	539,688
Interest received		423,755	450,606	263,437	450,512
Dividend received		3,006	2,761	3,006	2,761

The accompanying notes on pages 13 to 84 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 2014 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. 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 2014 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 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 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).

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 Bank and its subsidiary as at 31 December 2014. 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 it's 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) are 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 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) Note 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 include 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 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 instrument measures at cost, the Group assesses individually whether and 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 and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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 and interest rate swaps. 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:

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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 and separate 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 pension plan in accordance with the Pension Reform Act. Under the plan, the employee contributes 7.5% of basic salary, housing and transport allowances and CBN contributes 15% on the same basis. Pension remittances are made to various PFAs on behalf of the Bank's staff on a monthly basis. CBN 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

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.

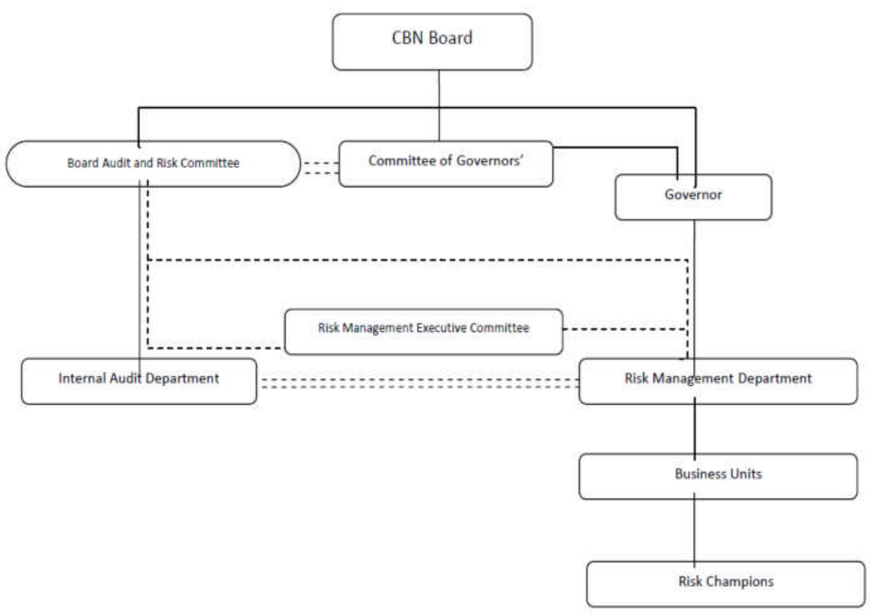
In line with the above, the Bank has adopted an Enterprise wide approach to Risk Management. Enterprise Risk Management (ERM) provides an integrated platform for managing risk across all its operations. This approach ensures uniformity and consistency of risk management processes and the ability to aggregate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

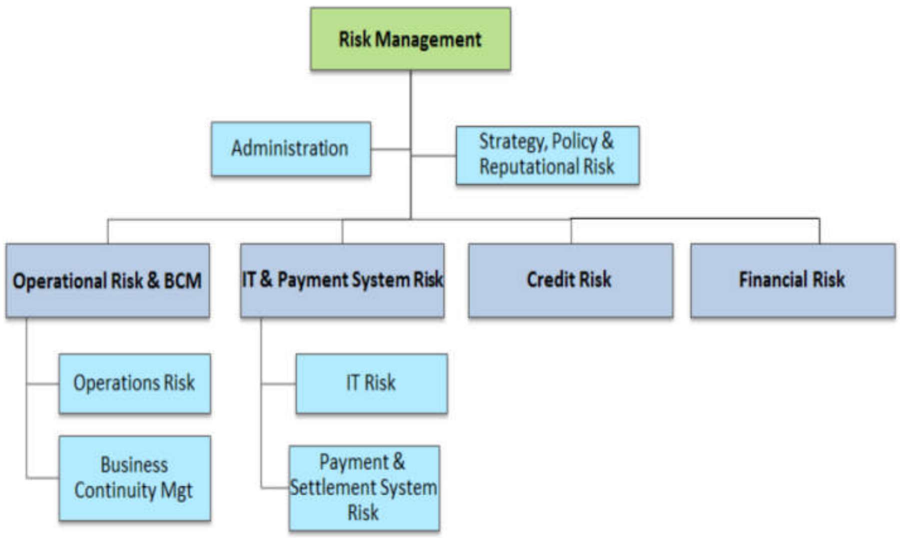
The Bank's Risk Governance Structure is as shown below:



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

Group **Financial assets**	**At fair value through profit or loss**	**Available-for-sale**	**Held to maturity**	**Loans and receivables**	**Total**
31 December 2014	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
External reserves:					
Current accounts with foreign banks	-	-	-	1,045,436	1,045,436
Time deposits and money placements	-	-	-	2,168,548	2,168,548
Domiciliary accounts	-	-	-	570,401	570,401
Sundry currencies and travellers' cheques	-	-	-	42,845	42,845
Short term deposits	-	-	-	349,399	349,399
Debt securities:					
- Held for trading	1,338,014	-	-	-	1,338,014
- Held to maturity	-	-	302,052	-	302,052
Derivatives					
- Forward contracts	21,099	-	-	-	21,099
Derivatives from internal swap arrangements	2,404	-	-	-	2,404
IMF Holdings of Special Drawing Rights:					
Holdings of Special Drawing Rights	-	-	-	406,403	406,403
Quota in IMF	-	-	-	421,713	421,713
Loans and receivables	-	-	-	5,005,685	5,005,685
Deposit for shares	-	-	-	2500	2,500
Available for sale equity investments	-	1,380	-	-	1,380
Cash and bank balances in subsidiary	-	-	-	3,301	3,301
Local debt instruments					
- Nigerian Treasury Bills	-	3,122	60,180	-	63,302
- FGN Bonds	-	128	117,462	-	117,590
	1,361,517	**4,630**	**479,694**	**10,016,231**	**11,862,072**

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

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

Group

Financial liabilities	**Other financial liabilities at amortised cost**	**Liabilities at fair value through profit and loss**	**Total**
31 December 2014	**N'million**	**N'million**	**N'million**
Deposits:			
Government deposits	1,432,462	-	1,432,462
Other accounts	1,199,238	-	1,199,238
Financial institutions- Current and settlement accounts	564,179	-	564,179
Financial institutions - Banks' reserve accounts	3,583,636	-	3,583,636
IMF related liabilities:			
IMF related liabilities	421,727	-	421,727
IMF allocation of Special Drawing Rights	406,458	-	406,458
Central Bank of Nigeria Instruments:			
Open Market Operations - Central Bank of Nigeria Bills	2,755,611	-	2,755,611
Bank notes and coins in circulation	1,797,832	-	1,797,832
Derivatives			
- Derivatives arising from forward exchange contracts	-	24,704	24,704
- Derivatives in external reserves	-	176	176
Other liabilities:			
Accrued charges	17,784	-	17,784
Surplus payable to Federal Government of Nigeria	152,654	-	152,654
Sundry payables	717,960	-	717,960
Trade payables	2,920	-	2,920
Bank borrowings and overdraft	20,493	-	20,493
	13,072,954	**24,880**	**13,097,834**

Group

Financial assets	**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					
- Futures contract	941	-	-	-	941
- Forward contracts	8,228	-	-	-	8,228
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
Accounts receivable	-	-	-	3,247	3,247
Cash and bank balances in subsidiary				7,892	7,892
Deposit for shares	-	-	-	2,100	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**
31 December 2013	**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	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
			-
Other liabilities:			-
Accrued charges	23,685	-	23,685
Surplus payable to Federal Government of Nigeria	152,654	-	152,654
Sundry payables	746,123	-	746,123
Trade payables	1,145	-	1,145
Bank borrowings and overdraft	-		-
	13,380,241	**-**	**13,380,241**

Bank

Financial assets	**At fair value through profit or loss**	**Available-for-sale**	**Held to maturity**	**Loans and receivables**
31 December 2014	**N'million**	**N'million**	**N'million**	**N'million**
External reserves:				
Current accounts with foreign banks	-	-	-	1,045,436
Time deposits and money placements	-	-	-	2,168,548
Domiciliary accounts	-	-	-	570,401
Sundry currencies and travellers' cheques	-	-	-	42,845
Short term deposits	-	-	-	349,399
Debt securities:				
- Held for trading	1,338,014	-	-	-
- Held to maturity	-	-	302,052	-
Derivatives				
- Forward contracts	21,099	-	-	-
IMF Holdings of Special Drawing Rights:				
Holdings of Special Drawing Rights	-	-	-	406,403
Quota in IMF	-	-	-	421,713
Loans and receivables	-	-	-	5,002,834
Accounts receivables	-	-	-	29,163
Deposit for shares -	-	-		2,500
Derivatives arising from swap and forward exchange contracts	2,404	-	-	-
Available for sale equity investments	-	1,380	-	-
Local debt instruments				
- Nigerian Treasury Bills	-	3,122	60,180	-
- FGN Bonds	-	128	117,462	-
	1,361,517	**4,630**	**479,694**	**10,039,242**

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

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

Bank
Financial liabilities

31 December 2014	Other financial liabilities at amortised cost N'million	Liabilities at fair value through profit and loss N'million
Deposits:		
Government deposits	1,432,462	-
Other accounts	1,199,238	-
Financial institutions- Current and settlement accounts	564,179	-
Financial institutions - Banks' reserve accounts	3,583,636	-
IMF related liabilities:		
IMF related liabilities	421,727	-
IMF allocation of Special Drawing Rights	406,458	-
Derivatives		
- Futures contract in external reserves	-	176
- Internal swap and forward exchange contracts	-	24,704
Central Bank of Nigeria Instruments:		
Open Market Operations - Central Bank of Nigeria Bills	2,755,611	-
Bank notes and coins in circulation	1,797,842	-
Other liabilities:		
Accrued charges	17,515	-
Surplus payable to Federal Government of Nigeria	152,654	-
Sundry payables	717,659	-
Derivatives arising from swap and forward exchange contracts	-	24,704
	13,048,981	**49,584**

Bank
Financial assets

31 December 2013	At fair value through profit or loss N'million	Available-for-sale N'million	Held to maturity N'million	Loans and receivables N'million
External reserves:				
Current accounts with foreign banks	-	-	-	641,975
Time deposits and money placements	-	-	-	3,785,567
Domiciliary accounts	-	-	-	506,949
Sundry currencies and travellers' cheques	-	-	-	58,375
Short term deposits	-	-	-	55,200
Debt securities:				
- Held for trading	1,507,540	-	-	-
- Held to maturity	-	-	77,996	-
Derivatives				
- Futures contract	941	-	-	-
- Forward contracts	8,228	-	-	-
IMF Holdings of Special Drawing Rights:				
Holdings of Special Drawing Rights	-	-	-	400,351
Quota in IMF	-	-	-	412,015
Loans and receivables	-	-	-	4,392,324
Accounts receivables	-	-	-	1,533
Deposit for shares	-	-		2,100
Available-for-sale equity investments	-	1,380	-	-
Local debt instruments				
- Nigerian Treasury Bills	-	3,027	57,503	-
- FGN Bonds	-	133	111,891	-
	1,516,709	**4,540**	**247,390**	**10,256,389**

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

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

Bank

Financial liabilities

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

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 Group 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).

Credit Risk Disclosure (including Credit Risk Model)

No specific credit rating model is adopted for guarantees, interventions and loans issued by the Group, 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/A+	Investment grade (Minimum acceptable - Upper medium grade)
Multilateral and supra-national organizations	A-1/P-1/F-1	Aar/AA/AA-	Investment grade (Minimum acceptable - Upper medium grade)
U.S. Government guaranteed issues and agencies	A-1/P-1/F-1	Aar/AA/AA	Investment grade (Minimum acceptable - Upper medium grade)
OECD non-U.S. Government guaranteed agencies	A-1/P-1/F-1	Aar/AA/AA	Investment grade (Minimum acceptable - Upper medium grade)
OECD non-U.S. Government guaranteed agencies		BB-/B+	Non investment grade-speculative
Banks	A-1/P-1/F-1	Not allowed	Investment grade (Minimum acceptable - Upper medium grade)

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, the Group 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

The Group's maximum exposure to credit risk at 31 December 2014, 31 December 2013 and 1 January 2013 respectively, is represented by the net carrying amounts in the statement of financial position.

The maximum exposure is shown gross, before the effect of the above mitigation factors. The credit risk exposures at the end of each reporting period is representative of the average exposure during the years.

	Group		Bank	
	31 December 2014 N'million	31 December 2013 N'million	31 December 2014 N'million	31 December 2013 N'million
External reserves- Convertible currencies				
Current accounts with foreign banks	1,045,436	641,975	1,045,436	641,975
Time deposits and money employed	2,168,548	3,785,567	2,168,548	3,785,567
Domiciliary accounts	570,401	506,949	570,401	506,949
Sundry currencies and travellers' cheques	42,845	58,375	42,845	58,375
External reserves - Other foreign securities				
Cash and cash equivalents	349,399	55,200	349,399	55,200
Debt securities:				
- Held for trading	1,338,014	1,507,540	1,338,014	1,507,540
- Held to maturity	302,052	77,996	302,052	77,996
Foreign derivatives				
- Futures contract	-	941	-	941
- Forward contracts	21,099	8,228	21,099	8,228
Local derivatives				
- Forward exchange contracts	2,404	-	2,404	-
IMF Holdings of Special Drawing Rights:				
Holdings of Special Drawing Rights - 16a	406,403	400,351	406,403	400,351
Quota in IMF - 16b	421,713	412,015	421,713	412,015
Loans and advances	5,005,685	4,392,773	5,002,834	4,392,324
Cash and bank balances in subsidiary	3,301	7,892	-	-
Other assets:				
Accounts receivable	5,957	3,247	29,163	1,533
Deposit for shares	2,500	2,100	2,500	2,100
Local debt securities				
Available-for-sale investments				
Nigerian Treasury Bills	3,122	3,027	3,122	3,027
FGN Bonds	128	133	128	133
Held to maturity investments				
Nigerian Treasury Bills	60,180	57,503	60,180	57,503
FGN Bonds	117,462	111,891	117,462	111,891
Financial guarantee contracts				
Financial guarantee contracts	4,850	5,120	4,850	5,120
Total	**11,871,499**	**12,038,823**	**11,888,553**	**12,028,768**
Analysis of credit exposure by class:				
Measured at fair value				
At fair value through profit or loss				
Foreign debt securities	1,338,014	1,507,540	1,338,014	1,507,540
Derivatives				
- Derivatives from external reserves	21,099	9,169	21,099	9,169
- Derivatives from local swaps and forwards	2,404	-	2,404	-
	1,361,517	**1,516,709**	**1,361,517**	**1,516,709**
Available for sale debt securities				
- Nigerian Treasury Bills	3,122	3,027	3,122	3,027
- FGN Bonds	128	133	128	133
	3,250	**3,160**	**3,250**	**3,160**
Measured at amortised cost				
Held to maturity investments				
Foreign debt securities	302,052	77,996	302,052	77,996
Local debt securities	177,642	169,394	177,642	169,394
	479,694	**247,390**	**479,694**	**247,390**

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

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

	Group		Bank	
	31 December 2014 N'million	31 December 2013 N'million	31 December 2014 N'million	31 December 2013 N'million
Loan and receivables				
Current account with foreign banks	1,045,436	641,975	1,045,436	641,975
Time deposits and money employed	2,168,548	3,785,567	2,168,548	3,785,567
Domiciliary accounts	570,401	506,949	570,401	506,949
Sundry currencies and travellers' cheques	42,845	58,375	42,845	58,375
Short term deposits	349,399	55,200	349,399	55,200
Holdings of Special Drawing Rights - 19a	406,403	400,351	406,403	400,351
Quota in IMF - 19b	421,713	412,015	421,713	412,015
Loans and advances	5,005,685	4,392,773	5,002,834	4,392,324
Deposit for shares	2,500	2,100	2,500	2,100
Other assets:				
Accounts receivable	5,957	3,247	29,163	1,533
Cash and bank balances in subsidiary	3,301	7,892	-	-
	10,022,188	**10,266,444**	**10,039,242**	**10,256,389**
Off statement of financial position				
Financial guarantee contracts	4,850	5,120	4,850	5,120
Total	**11,871,499**	**12,038,822.69**	**11,888,553**	**12,028,768**

Credit quality of debt securities	Group		Bank	
External reserves: Foreign debt securities	31 December 2014 N'million	31 December 2013 N'million	31 December 2014 N'million	31 December 2013 N'million
A	1,281,013	1,133,837	1,281,013	1,133,837
A-	-	21,013	-	21,013
A+	2,423,946	1,729,426	2,423,946	1,729,426
AA-	216,478	746,760	216,478	746,760
BB-	220,860	108,519	220,860	108,519
BBB+	-	-	-	-
B+	94,319	-	94,319	-
Not rated	1,601,178	2,903,216	1,601,178	2,903,216
	5,837,794	**6,642,771**	**5,837,794**	**6,642,771**

Credit quality of cash and cash equivalents	Group		Bank	
External reserves: Foreign debt securities	31 December 2014 N'million	31 December 2013 N'million	31 December 2014 N'million	31 December 2013 N'million
AAA	785	2,348	-	-
AA	2,516	4,326	-	-
A	10	1,221	-	-
	3,311	**7,895**	**-**	**-**

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.

	Group		Bank	
Concentration by sector	31 December 2014 N'million	31 December 2013 N'million	31 December 2014 N'million	31 December 2013 N'million
Debt securities				
Federal Government of Nigeria	180,892	172,554	180,892	172,554
Financial services sector - Foreign	1,640,066	1,585,536	1,640,066	1,585,536
Total debt securities	1,820,958	1,758,090	1,820,958	1,758,090
Loans and receivables				
Financial services sector - Foreign	5,004,745	5,860,432	5,004,745	5,860,432
Federal Government of Nigeria	805,730	482,972	805,730	482,972
Agriculture	210,842	167,596	210,842	165,496
Financial services sector of Nigeria	2,435,531	3,220,444	2,435,531	2,703,123
Power and aviation sector of Nigeria	300,000	300,000	300,000	300,000
Manufacturing	235,000	235,000	235,000	235,000
Other loans	1,030,340	-	1,047,394	509,366
Total loans and receivables	10,022,188	10,266,444	10,039,242	10,256,389
Derivatives				
Financial services sector of Nigeria	2,404	-	2,404	-
Financial services sector - Foreign	21,099	9,169	21,099	9,169
	23,503	9,169	23,503	9,169
Off statement of financial position				
Financial guarantee contracts	4,850	5,120	4,850	5,120
Total	**11,871,499**	**12,038,823**	**11,888,553**	**12,028,768**

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

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

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 agricultural sector. The amount of the guarantees advanced were N1.7 billion and N3.1 billion to the SMEs and agricultural sectors respectively (31 December 2012 :N3.7 billion and N1.4 billion)

	Group		Bank	
Concentration by location	**31 December 2014 N'million**	**31 December 2013 N'million**	**31 December 2014 N'million**	**31 December 2013 N'million**
Debt securities				
Rest of Africa	-	-	-	-
Asia	366,614	346,660	366,614	346,660
Europe	3,381,614	4,913,181	3,381,614	4,913,181
USA	1,967,287	1,382,931	1,967,287	1,382,931
Others	122,279	-	122,279	-
Nigeria	6,033,705	5,396,051	6,050,759	5,385,996
	11,871,499	**12,038,823**	**11,888,553**	**12,028,768**

3.2.4 Credit quality

	Group		Bank	
Loans and receivables and debt securities	**31 December 2014 N'million**	**31 December 2013 N'million**	**31 December 2014 N'million**	**31 December 2013 N'million**
Neither past due nor impaired				
- Local debt securities	180,892	172,554	180,892	172,554
- External reserves	5,837,794	6,642,771	5,837,794	6,642,771
- Other loans and receivables	5,019,847	4,406,012	5,036,901	4,395,957
- IMF receivables	828,116	812,366	828,116	812,366
Past due but not impaired	-	-	-	-
Impaired	155,066	178,491	154,242	177,768
Individually impaired	-	-	-	-
Collectively impaired	-	-	-	-
Gross	**12,021,715**	**12,212,194**	**12,037,945**	**12,201,416**
Impairment allowance:				
Specific impairment	(155,066)	(178,491)	(154,242)	(177,768)
Collective impairment	-	-	-	-
Net	**11,866,649**	**12,033,703**	**11,883,703**	**12,023,648**

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

(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

The credit quality of cash and cash equivalents, short-term investments and investments in government securities that were neither past due nor impaired can be assessed by reference to rating agency designation at 31 December 2014 and 31 December 2013 provided for financial assets classified under external reserves in Note 3.2.2 under Credit Quality of loans and receivables and cash and cash equivalents.

Local debt securities are not rated.

3.3 Liquidity risk

Liquidity risk refers to the potential that 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 of the Group 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 Group to create the required settlement balances. Consequently, operations are not expected to be constrained by cash flow. However, annual budgets are made for the Group's activities including monetary policy operations. In addition, to ensure effective liquidity management, the Group 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 Group'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 31 December 2014	0 - 30 days N'million	31 - 90 days N'million	91 - 180 days N'million	181 - 365 days N'million	Over 1 year but less than 5 years N'million	Over 5 years N'million	Total N'million
Deposits							
Government deposits	1,432,462	-	-	-	-	-	1,432,462
Other accounts	1,199,238	-	-	-	-	-	1,199,238
Financial institutions- current and settlement accounts	564,179	-	-	-	-	-	564,179
Financial institutions - Banks' reserve accounts	3,583,636	-	-	-	-	-	3,583,636
IMF related liabilities							
IMF related liabilities	421,727	-	-	-	-	-	421,727
IMF allocation of Special Drawing Rights	406,458	-	-	-	-	-	406,458
Central Bank of Nigeria Instruments							
Open Market Operations - Central Bank of Nigeria Bills	817,298	944,696	1,047,151	-	-	-	2,809,145
Bank notes and coins in circulation	1,797,832	-	-	-	-	-	1,797,832
Other liabilities							
Accrued charges	17,784	-	-	-	-	-	17,784
Surplus payable to Federal Government of Nigeria	152,654	-	-	-	-	-	152,654
Sundry payables	717,960			-	-	-	717,960
Trade payables	2,920	-	-	-	-	-	2,920
Bank borrowings and overdraft	20,493						20,493
Derivatives	18,244	36	6,425	-	-		24,705
Financial guarantee contract	-	-	-	-	4,850	-	4,850
Total financial liabilities	**11,152,885**	**944,732**	**1,053,576**	**-**	**4,850**	**-**	**13,156,043**

Bank 31 December 2014	0 - 30 days N'million	31 - 90 days N'million	91 - 180 days N'million	181 - 365 days N'million	Over 1 year but less than 5 years N'million	Over 5 years N'million	Total N'million
Deposits							
Government deposits	1,432,462	-	-	-	-	-	1,432,462
Other accounts	1,199,238	-	-	-	-	-	1,199,238
Financial institutions- current and settlement accounts	564,179	-	-	-	-	-	564,179
Financial institutions - Banks' reserve accounts	3,583,636	-	-	-	-	-	3,583,636
IMF related liabilities							
IMF related liabilities	421,727	-	-	-	-	-	421,727
IMF allocation of Special Drawing Rights	400,402	-	-	-	-		400,402
Central Bank of Nigeria Instruments							
Open Market Operations - Central Bank of Nigeria Bills	817,298	944,696	1,047,151	-	-	-	2,809,145
Bank notes and coins in circulation	1,776,302	-	-	-	-	-	1,776,302
Other liabilities							
Accrued charges	23,685	-	-	-	-	-	23,685
Surplus payable to Federal Government of Nigeria	152,654	-	-	-	-	-	152,654
Sundry payables	746,123	-	-	-	-	-	746,123
Derivatives arising from swap and forward exchange contracts	18,244	36	6,425	-	-	-	24,705
Financial guarantee contract	-	-	-	-	4,850	-	4,850
Total financial liabilities	**11,135,950**	**944,732**	**1,053,576**	**-**	**4,850**	**-**	**13,139,108**

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

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

Group **31 December 2013**	**0 - 30 days** **N'million**	**31 - 90 days** **N'million**	**91 - 180 days** **N'million**	**181 - 365 days** **N'million**	**Over 1 year but less than 5 years** **N'million**	**Over 5 years** **N'million**	**Total** **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
							-
Other liabilities							-
Accrued charges	23,685	-	-	-	-	-	23,685
Surplus payable to Federal Government of Nigeria	152,654	-	-	-	-	-	152,654
Sundry payables	746,123	-	-	-	-	-	746,123
Financial guarantee contract	-	-	-	-	5,120	-	5,120
Total financial liabilities	**10,530,775**	**1,925,728**	**1,002,316**	**194**	**5,120**	**-**	**13,464,133**

Bank **31 December 2013**	**0 - 30 days** **N'million**	**31 - 90 days** **N'million**	**91 - 180 days** **N'million**	**181 - 365 days** **N'million**	**Over 1 year but less than 5 years** **N'million**	**Over 5 years** **N'million**	**Total** **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 guarantee contract	-	-	-	-	5,120	-	5,120
Total financial liabilities	**10,526,316**	**1,925,728**	**1,002,316**	**194**	**5,120**	**-**	**13,459,674**

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 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.

Key components of the Group'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 fixed rate financial assets and financial liabilities that are re-measured to fair value.

The Group'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 Group is exposed to the risk of movements in interest rates in these jurisdictions.

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 Group. The Group continues 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 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 Group's mandate to maintain the external reserves in order to safeguard the international value of the Naira. The Group's foreign exchange risk exposure is significant due to the high proportion of the Group'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 Group 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 Group'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 adverse movement in the underlying variables.

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

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

3.4.3 Interest rate risk

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 N5,843 million (31 December 2013: N6,522 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 reliably 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 Group 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.

The exposure to foreign exchange risk as at 31 December 2014 is unrepresentative of the entity's exposure to risk during the year as there was a significant decrease in external reserves during the year. 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 during the period.
Consequently the foreign exchange risk sensitivity risk for the year the 2014 shows the highest, lowest and average exposures during the year.

The exchange rates used for converting foreign denominated balances as at the end of 2014 was N167.50 to USD 1 (2013 : N155.20 to USD 1)

31 December 2014	**Group**			**Bank**		
	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	1,045,436	(52,272)	52,272	1,045,436	(52,272)	52,272
Time deposits and money employed	2,168,548	(108,427)	108,427	2,168,548	(108,427)	108,427
Domiciliary accounts	570,401	(28,520)	28,520	570,401	(28,520)	28,520
Other foreign securities	2,010,388	(100,519)	100,519	2,010,388	(100,519)	100,519
Sundry currencies and travellers' cheques	42,845	(2,142)	2,142	42,845	(2,142)	2,142
IMF Assets	828,116	(41,406)	41,406	828,116	(41,406)	41,406
Derivative financial assets	2,404	(120)	120	2,404	(120)	120
Cash and cash equivalents in subsidiary	4,490	(224)	224			
	6,672,628	(333,630)	333,630	6,668,138	(333,406)	333,406
Foreign currency denominated financial liabilities						
IMF Liabilities	828,185	41,409	(41,409)	828,185	41,409	(41,409)
Derivative financial liabilities	24,704	1,233	(1,233)	24,704	1,235	(1,235)
	852,889	42,642	(42,642)	852,889	42,644	(42,644)
Net position	**5,819,739**	**(290,988)**	**290,988**	**5,815,249**	**(290,762)**	**290,762**

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

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

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	4,966,893	(248,345)	248,345	4,964,648	(248,232)	248,232
Euro	373,618	(18,681)	18,681	371,373	(18,568)	18,568
British Pounds Sterling	133,904	(6,695)	6,695	133,904	(6,695)	6,695
Chinese Renminbi	368,499	(18,425)	18,425	368,499	(18,425)	18,425
Japanese Yen	1,358	(68)	68	1,358	(68)	68
IMF SDR	828,116	(41,404)	41,404	828,116	(41,406)	41,406
Others	240	(12)	12	240	(12)	12
	6,672,628	(333,630)	333,630	6,668,138	(333,406)	333,406
Financial liabilities analysed according to currencies						
IMF SDR	828,185	41,407	(41,407)	828,185	41,409	(41,409)
United States Dollar	24,704	1,235	(1,235)	24,704	1,235	(1,235)
	852,889	42,642	(42,642)	852,889	42,644	(42,644)
Net position	**5,819,739**	**(290,988)**	**290,988**	**5,815,249**	**(290,762)**	**290,762**

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
Other foreign securities	1,649,905	(82,495)	82,495	1,649,905	(82,495)	82,495
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
Cash and cash equivalents from subsidiary	475	(24)	24	-	-	-
	7,455,612	(372,780)	372,780	7,455,137	(372,756)	372,756
Foreign denominated financial liabilities						
IMF Liabilities	812,430	40,622	(40,622)	812,430	40,622	(40,622)
	812,430	40,622	(40,622)	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 Group had balances in are as follows:

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)	298,471	5,969,338	(298,466)	298,466
Euro	393,780	(19,688)	19,688	394,201	(19,710)	19,710
British Pounds Sterling	139,395	(6,969)	6,969	138,533	(6,927)	6,927
Chinese Renminbi	138,530	(6,926)	6,926	138,530	(6,927)	6,927
Japanese Yen	1,887	(94)	94	1,887	(94)	94
IMF SDR	812,366	(40,621)	40,618	812,366	(40,618)	40,618
Others	282	(14)	14	282	(14)	14
	7,455,612	(372,780)	372,780	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)
	812,430	40,622	(40,622)	812,430	40,622	(40,622)
Net position	**6,643,182**	**(332,158)**	**332,158**	**6,642,707**	**(332,134)**	**332,134**

Other risks faced by the Group include the following:

(a) Operational risk

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

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

The Group's operational risk management process involves risk identification, assessment, treatment, monitoring and reporting. The primary responsibility for identifying risk events affecting the Group'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 Group's operations. The evaluated risks are classified as 'High', 'Medium' or 'Low' depending on their severity. The Group's response to risk events includes 'accept', 'reduce', 'transfer/share' or 'avoid'.

The Group 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 Group'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 Group 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 Group 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.
There were no movements between Level 1 to Level 3 categories financial instruments during the year

31 December 2014 **Group** **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	1,338,014	-	-	1,338,014
Derivatives:				
- Forward contracts	-	21,099	-	21,099
Local Derivative financial assets				
Derivatives arising from swap and forward exchange contracts	-	2,404	-	2,404
Local securities				
Listed securities				
Nigerian Treasury Bills - available for sale	-	3,122	-	3,122
FGN Bonds- available for sale	128	-	-	128
	1,338,142	**26,625**	**-**	**1,364,767**

(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	302,052	305,746	-	-	-	-	302,052	305,746
Loans and receivables	-	-	5,005,685	4,263,709	-	-	5,005,685	4,263,709
Local listed Debt securities								
Nigerian Treasury Bills	-	-	60,180	55,306	-	-	60,180	55,306
- FGN Bonds	117,462	103,916	-	-	-	-	117,462	103,916
	419,514	**409,662**	**5,065,865**	**4,319,015**	**-**	**-**	**5,485,379**	**4,728,677**

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
Liabilities measured at fair value				
Foreign Derivatives:				
- Futures contract	-	176	-	176
Local Derivative financial instruments				
- Derivatives arising from forward exchange contracts and swaps	-	24,704	-	24,704
	-	24,880	-	24,880

	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	-	-	2,755,611	2,742,811	-	-	2,755,611	2,742,811
	-	**-**	**2,755,611**	**2,742,811**	**-**	**-**	**2,755,611**	**2,742,811**

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

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

Bank

31 December 2014	**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	1,338,014	-	-	1,338,014
Derivatives:				
- Futures contract	-	-	-	-
- Forward contracts	-	21,099	-	21,099
Local Derivative financial assets				
Derivatives arising from forward exchange contracts	-	2,404	-	2,404
Local securities				
Nigerian Treasury Bills- available for sale	3,122	-	-	3,122
FGN bonds- available for sale	128	-	-	128
	1,341,264	**23,503**	**-**	**1,364,767**

	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	302,052	305,746	-	-	-	-	302,052	305,746
Loans and receivables	-	-	5,002,834	4,261,486	-	-	5,002,834	4,261,486
Local securities								
Local listed debt securities								
Nigerian Treasury Bills	-	-	60,180	55,306	-	-	60,180	55,306
FGN Bonds	117,462	103,916	-	-	-	-	117,462	103,916
	419,514	**409,662**	**5,063,014**	**4,316,792**	**-**	**-**	**5,482,528**	**4,726,454**

(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
Liabilities measured at fair value				
Foreign Derivatives:				
- Futures contract	176	-	-	176
Local Derivative financial assets				
- Derivatives arising from forward exchange contracts and swaps	-	24,704	-	24,704
	176	24,704	-	24,880

	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	-	-	2,755,611	2,742,811	-	-	2,755,611	2,742,811
	-	**-**	**2,755,611**	**2,742,811**	**-**	**-**	**2,755,611**	**2,742,811**

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

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

Group

31 December 2013	**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	1,507,540	-	-	1,507,540
Derivatives:				
- Futures contract	941	-	-	941
- Forward contracts	-	8,228	-	8,228
Local securities				
Nigerian Treasury Bills- available for sale	-	3,027	-	3,027
FGN bonds- available for sale	133	-	-	133
	1,508,614	**11,255**	**-**	**1,519,869**

	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	77,567	-	-	-	-	77,996	77,567
Loans and receivables	-	-	4,392,773	4,476,102	-	-	4,392,773	4,476,102
Local listed debt securities								
Nigerian Treasury Bills			57,503	58,147	-	-	57,503	58,147
FGN Bonds	111,891	89,558	-	-	-	-	111,891	89,558
	189,887	**167,125**	**4,450,276**	**4,534,249**	**-**	**-**	**4,640,163**	**4,701,374**

	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**

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

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

Bank

31 December 2013	**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	1,507,540	-	-	1,507,540
Derivatives:				
- Futures contract	-	941	-	941
- Forward contracts	-	8,228	-	8,228
Local securities				
Nigerian Treasury Bills- available for sale	3,027	-	-	3,027
FGN bonds- available for sale	133	-	-	133
	1,510,700	**9,169**	**-**	**1,519,869**

	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	77,567	-	-	-	-	77,996	77,567
Loans and receivables	-	-	4,392,324	4,473,878	-	-	4,392,324	4,473,878
Local listed debt securities								
Nigerian Treasury Bills	-	-	57,503	58,147	-	-	57,503	58,147
FGN Bonds	111,891	89,558	-	-	-	-	111,891	89,558
	189,887	**167,125**	**4,449,827**	**4,532,025**	**-**	**-**	**4,639,714**	**4,699,150**

	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**

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

(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 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 Market, 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.

Nigerian treasury bills

These are Federal Government of Nigeria securities which are fair valued based on quoted yield-to-maturity and days to maturity rates. Nigerian treasury bills are fair valued based on quoted bid prices as published on the FMDQ website. Nigerian Treasury Bills are classified in Level 1 in the fair value hierarchy.

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 the unadjusted prices reflect the market value.

(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 instruments falling into this category includes derivatives arising from forward exchange contracts and futures contracts entered into by the Bank and also those entered into by the Fund managers on behalf of the Bank (that fall under external reserves).

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 and derivative assets and liabilities arising from open forward exchange contracts.

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.

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

Central Bank of Nigeria Open Market Operations (OMO) Instruments

The fair values of the OMO instruments is determined by reference 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 and futures contracts entered into by the Bank and also those entered into by the Fund managers on behalf of the Bank. Derivatives arising from forward arrangements fall in Level 2 while futures fall in Level 1 of the fair value hierarchy.

Derivatives arising from local forward exchange contracts

These derivatives arising from local forward exchange rates are valued based on the ruling spot rates on the statement of financial position dates compared to the contracted forward exchange rates. In performing the valuation, the spot exchange rates on the reporting date is compared to 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 hierarchy categories

During the 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	
		2014	2013	2014	2013
5	**Interest and similar income**	N'million	N'million	N'million	N'million
	Analysis by type				
	Loans and receivables	68,239	58,761	68,223	58,749
	Federal Government Securities	26,694	31,507	26,694	31,507
	Time deposits and money placements	13,791	17,970	13,746	17,888
	Asset Management Corporation of Nigeria (AMCON) Bonds	2,100	369,549	2,100	369,549
	Asset Management Corporation of Nigeria (AMCON) Notes	323,949	-	323,949	-
		434,773	477,787	434,712	477,693
	Analysis by geographical location:				
	Domestic	420,982	459,817	420,966	459,805
	International	13,791	17,970	13,746	17,888
		434,773	477,787	434,712	477,693

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

	Group		Bank	
	2014	2013	2014	2013
	N'million	N'million	N'million	N'million
Income from instruments measured at amortised cost	433,964	476,532	433,903	476,438
Income from instruments measured at fair value	809	1,255	809	1,255
	434,773	477,787	434,712	477,693

		Group		Bank	
		2014	2013	2014	2013
6	**Interest and similar expense**	N'million	N'million	N'million	N'million
	Central Bank of Nigeria Instruments	373,576	510,185	373,576	510,185
	Deposits	22,379	30,510	22,379	30,510
	Interest on Treasury Bonds	336	404	336	404
	Bank borrowings and overdraft charges	30	35	-	-
		396,321	541,134	396,291	541,099

		Group		Bank	
		2014	2013	2014	2013
7	**Fees and commission income**	N'million	N'million	N'million	N'million
	Foreign exchange earnings	137,110	106,408	137,110	106,408
	Fees	4,945	4,613	4,945	4,613
	Commissions	619	414	619	414
		142,674	111,435	142,674	111,435

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	
		2014	2013	2014	2013
8	**Net trading loss**	N'million	N'million	N'million	N'million
	Unrealised fair value gain on other foreign securities at FVTPL	3,583	2,034	3,583	2,034
	Net realised gain/(loss) on financial assets at FVTPL	1,683	(7,761)	1,683	(7,761)
	Unrealised loss on derivative instruments	(22,300)	-	(22,300)	-
		(17,034)	(5,727)	(17,034)	(5,727)

The unrealised fair value gain 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. The results of the fair valuation of foreign exchange swaps and forward contracts are included in unrealised loss on derivative instruments.

		Group		Bank	
		2014	2013	2014	2013
9	**Foreign exchange revaluation gains**	N'million	N'million	N'million	N'million
	Unrealised gains on foreign exchange revaluation	182,482	17,119	182,310	17,145
	Realised gains on foreign exchange revaluation	78,715	-	78,715	-
		261,197	17,119	261,025	17,145

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

		Group		Bank	
		2014	2013	2014	2013
10	**Other operating income**	N'million	N'million	N'million	N'million
	Other income	14,351	12,474	14,217	12,419
	Dividend income	3,100	2,842	3,100	2,842
	Gain/(loss) on sale of property, plant and equipment	1,367	(2,843)	1,362	(2,775)
	Gain on AMCON Bonds	-	29,560	-	29,560
	Bank notes and security documents revenue	615	(1,616)	-	-
	Agency income	140	351	-	-
		19,573	40,768	18,679	42,046

(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	
	2014	2013	2014	2013
11 Net losses on available-for-sale financial assets	N'million	N'million	N'million	N'million
Net loss on available-for-sale financial assets	(44)	(85)	(44)	(85)
	(44)	(85)	(44)	(85)

	Group		Bank	
	2014	2013	2014	2013
12 Personnel expenses	N'million	N'million	N'million	N'million
Other staff allowances	53,041	40,463	52,907	40,463
Defined benefit plan expenses	11,697	11,410	11,675	11,976
Wages and salaries	13,200	11,272	10,213	8,385
Other staff expenses	18,525	12,218	18,525	11,734
Pension costs – Defined contribution plan	4,943	3,472	3,671	3,197
	101,406	**78,835**	**96,991**	**75,755**

	Group		Bank	
	2014	2013	2014	2013
13 Financial sector intervention expenses	N'million	N'million	N'million	N'million
Financial sector intervention expenses	136,968	42,774	136,968	42,774
	136,968	**42,774**	**136,968**	**42,774**

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	
	2014	2013	2014	2013
14 Currency issue expenses	N'million	N'million	N'million	N'million
Currency issue expenses	5,509	18,699	22,791	40,057
	5,509	**18,699**	**22,791**	**40,057**

	Group		Bank	
	2014	2013	2014	2013
15 Other operating expenses	N'million	N'million	N'million	N'million
Intervention activities (note 15b)	66,890	25,396	66,890	25,396
Banking sector resolution sinking cost fund (note 15a)	50,000	50,000	50,000	50,000
Administrative expenses	30,872	45,476	29,843	43,612
Centres of excellence (note 15c)	6,675	15,641	6,675	15,641
Repairs and maintenance	3,155	6,168	2,777	5,775
Professional fees	1,714	5,330	1,553	5,080
Donations	1,195	1,273	1,195	1,273
Directors' related expenses	490	760	480	760
Bank charges	293	223	293	223
Audit fees	288	230	280	230
Cost of sales	10,570	12,476	-	-
	172,142	**162,973**	**159,986**	**147,990**

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	
	2014	2013	2014	2013
16 Loan impairment reversal	N'million	N'million	N'million	N'million
Loans and receivables -Charge for the year (Note 21a)	125	15,348	24	15,348
Loans and receivables - Reversal of provision (Note 21a)	(24,126)	(157,716)	(24,126)	(157,329)
	(24,001)	**(142,368)**	**(24,102)**	**(141,981)**

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

	Group		Bank	
	2014	2013	2014	2013
17 Impairment reversal/(charge) on financial investments	N'million	N'million	N'million	N'million
Other assets (Note 26b)	1,830	(283,647)	1,830	(283,647)
	1,830	**(283,647)**	**1,830**	**(283,647)**

(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's tax expense arose from its subsidiary.

Group

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

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Current tax	**N'million**	**N'million**	**N'million**	**N'million**
Current tax on profit in the year	297	393	-	-
Adjustment in respect of prior years	-	(49)	-	-
Additional tax charge	2,471	-		
Total current tax	**2,768**	**344**	**-**	**-**
Deferred tax (note 18b)	3,752	(190)	-	-
Income tax expense	**6,520**	**154**	**-**	**-**

The additional tax charge arose from the tax audit conducted by the Federal Inland Revenue Service on Nigerian Security Printing and Minting Company Plc. (NSPMC) between 2001 to 2012.

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	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Net income for the year	**40,120**	**213,716**	**-**	**-**
Tax calculated at 30%	12,036	64,115	-	-
Adjusted for:				
Education tax	36	49	-	-
Under/(over) provision in prior years	-	49	-	-
Effect of permanent differences	3,554	(151)	-	-
Tax exempt income	(9,106)	(63,908)		
Total income tax expense in income statement	**6,520**	**154**	**-**	**-**

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

	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
At 1 January	475	605	-	-
Withholding tax credit note utilised	(2,686)	-		
Payments during the year	(100)	(473)	-	-
Additional assessment relating to prior year	2,686	-		
Charge for the year:				
Income tax	261	245	-	-
Education tax	36	49	-	-
Under/(over) provision in prior years	-	49	-	-
Current Income tax payable	**672**	**475**	**-**	**-**

b Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % (2013: 30 %).

The analysis of deferred tax liabilities is as follows;

	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Deferred tax liabilities:				
- Deferred tax liability to be settled after more than 12 months	6,586	2,834	-	-
- Deferred tax liability to be settled within 12 months	-	-	-	-
	6,586	**2,834**	**-**	**-**

Classification in the statement of financial position:

Deferred tax liability

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

	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
As at 1 January	2,834	3,024	-	-
Charge/(credit) to profit or loss	3,752	(190)	-	-
As at 31 December	**6,586**	**2,834**	**-**	**-**

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

18 Taxation (continued)

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 2013	3,024	3,024	-	-
Credit to profit or loss	(190)	(190)	-	-
At 31 December 2013	2,834	2,834	-	-
Charge to profit or loss	3,752	3,752	-	-
At 31 December 2014	**6,586**	**6,586**	**-**	**-**

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	
	2014	2013	2014	2013
19 External reserves	**N'million**	**N'million**	**N'million**	**N'million**
Convertible currencies (Note 19a and 19b)	5,837,618	6,642,771	5,837,618	6,642,771
International Monetary Fund Reserve tranche	23	23	23	23
Gold	19	19	19	19
	5,837,660	**6,642,813**	**5,837,660**	**6,642,813**

Maturity analysis

	Group		Bank	
	2014	2013	2014	2013
	N'million	**N'million**	**N'million**	**N'million**
Current	4,176,629	5,048,066	4,176,629	5,048,066
Non-current	1,661,031	1,594,747	1,661,031	1,594,747
	5,837,660	**6,642,813**	**5,837,660**	**6,642,813**

	Group		Bank	
	2014	2013	2014	2013
19a **Convertible currencies comprise:**	**N'million**	**N'million**	**N'million**	**N'million**
-Time deposits and money placements	2,168,548	3,785,567	2,168,548	3,785,567
-Other foreign securities	2,010,388	1,649,905	2,010,388	1,649,905
-Current accounts with foreign Banks	1,045,436	641,975	1,045,436	641,975
-Domiciliary accounts	570,401	506,949	570,401	506,949
-Sundry currencies and travellers' cheques	42,845	58,375	42,845	58,375
	5,837,618	**6,642,771**	**5,837,618**	**6,642,771**

Included in convertible currencies is an amount of N1,770 billion (31 December 2013: N1,607 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:**	2014	2013	2014	2013
	N'million	**N'million**	**N'million**	**N'million**
United States Dollar	4,962,244	5,969,338	4,962,244	5,969,338
Euro	371,373	394,201	371,373	394,201
Chinese Renminbi	368,499	138,530	368,499	138,530
British Pounds Sterling	133,904	138,533	133,904	138,533
Japanese Yen	1,358	1,887	1,358	1,887
Others	240	282	240	282
	5,837,618	**6,642,771**	**5,837,618**	**6,642,771**

	Group		Bank	
19c **Other foreign securities are further analysed as follows:**	2014	2013	2014	2013
	N'million	**N'million**	**N'million**	**N'million**
Externally managed fund	1,706,699	1,346,216	1,706,699	1,571,864
Internally managed fund	303,689	303,689	303,689	78,041
	2,010,388	**1,649,905**	**2,010,388**	**1,649,905**

	Group		Bank	
19d **Other foreign securities are further analysed as follows:**	2014	2013	2014	2013
	N'million	**N'million**	**N'million**	**N'million**
Short term deposits	349,399	55,200	349,399	55,200
Debt securities:				
- Held for trading	1,338,014	1,507,540	1,338,014	1,507,540
- Held to maturity	302,052	77,996	302,052	77,996
Derivatives:	-			
- Futures contract	(176)	941	(176)	941
- Forward contracts	21,099	8,228	21,099	8,228
	2,010,388	**1,649,905**	**2,010,388**	**1,649,905**

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

19 External reserves (continued)

19e Cash and cash equivalents	Group 2014 N'million	Group 2013 N'million	Bank 2014 N'million	Bank 2013 N'million
Time deposits and money employed	2,168,548	3,785,567	2,168,548	3,785,567
Current accounts with foreign banks	1,046,221	643,230	1,045,436	641,975
Domiciliary accounts	570,401	506,949	570,401	506,949
Cash at bank (local)	2,516	6,637	-	-
IMF Holdings of Special Drawing Rights	406,403	400,351	406,403	400,351
Other foreign securities	349,399	55,200	349,399	55,200
Sundry currencies and travellers' cheques	42,845	58,375	42,845	58,375
	4,586,333	5,456,309	4,583,032	5,448,417

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

NSPM's cash and bank balances

	Group 2014 N'million	Group 2013 N'million
Cash in hand	-	-
Cash at bank	2,516	6,637
Cash at bank (foreign)	785	1,255
Cash and bank balances	**3,301**	**7,892**

20 International Monetary Fund (IMF) related balances

	Group 2014 SDR'million	Group 2014 N'million	Group 2013 SDR'million	Group 2013 N'million	Bank 2014 SDR'million	Bank 2014 N'million	Bank 2013 SDR'million	Bank 2013 N'million
Assets								
Holdings of Special Drawing Rights - 20a	1,675	406,403	1,675	400,351	1,675	406,403	1,675	400,351
Quota in IMF - 20b	1,753	421,713	1,727	412,015	1,753	421,713	1,727	412,015
	3,428	**828,116**	**3,402**	**812,366**	**3,428**	**828,116**	**3,402**	**812,366**
Liabilities								
IMF Account No. 1	10	2,305	10	2,305	10	2,305	10	2,305
IMF Account No. 2	-	14	-	13	-	14	-	13
IMF Securities	1,743	419,408	1,717	409,710	1,743	419,408	1,717	409,710
Total IMF related liabilities - 20c	**1,753**	**421,727**	**1,727**	**412,028**	**1,753**	**421,727**	**1,727**	**412,028**
Allocation of Special Drawing Rights - 20d	1,675	406,458	1,675	400,402	1,675	406,458	1,675	400,402
	3,428	**828,185**	**3,402**	**812,430**	**3,428**	**828,185**	**3,402**	**812,430**

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 channelled 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).

20a IMF Holdings of Special Drawing Rights	Group 2014 N'million	Group 2013 N'million	Bank 2014 N'million	Bank 2013 N'million
	406,403	**400,351**	**406,403**	**400,351**
At 1 January	400,351	399,753	400,351	399,753
Interest earned during the year	374	294	374	294
Interest charged during the year	(377)	(294)	(377)	(294)
Revaluation	6,055	598	6,055	598
At 31 December	**406,403**	**400,351**	**406,403**	**400,351**

Maturity analysis

	2014 N'million	2013 N'million	2014 N'million	2013 N'million
Current	406,403	400,351	406,403	400,351
	406,403	**400,351**	**406,403**	**400,351**

20b Quota in International Monetary Fund	2014 N'million	2013 N'million	2014 N'million	2013 N'million
	421,713	**412,015**	**421,713**	**412,015**
At 1 January	412,015	421,864	412,015	421,864
Revaluation	9,698	(9,849)	9,698	(9,849)
At 31 December	**421,713**	**412,015**	**421,713**	**412,015**

Maturity analysis

	2014 N'million	2013 N'million	2014 N'million	2013 N'million
Non-current	421,713	412,015	421,713	412,015
	421,713	**412,015**	**421,713**	**412,015**

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 maturity.

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

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

	2014 N'million	2013 N'million	2014 N'million	2013 N'million
20c IMF related liabilities	**421,727**	**412,028**	**421,727**	**412,028**
At 1 January	412,028	421,878	412,028	421,878
Revaluation	9,699	(9,850)	9,699	(9,850)
At 31 December	**421,727**	**412,028**	**421,727**	**412,028**

Maturity analysis

	2014 N'million	2013 N'million	2014 N'million	2013 N'million
Non-current	421,727	412,028	421,727	412,028
	421,727	**412,028**	**421,727**	**412,028**

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

	2014 N'million	2013 N'million	2014 N'million	2013 N'million
20d IMF allocation of Special Drawing Rights	**406,458**	**400,402**	**406,458**	**400,402**
At 1 January	400,402	399,802	400,402	399,802
Revaluation	6,056	600	6,056	600
At 31 December	**406,458**	**400,402**	**406,458**	**400,402**

Maturity analysis

	2014 N'million	2013 N'million	2014 N'million	2013 N'million
Non-current	406,458	400,402	406,458	400,402
	406,458	**400,402**	**406,458**	**400,402**

	Group		Bank	
	2014	2013	2014	2013
21 Loans and receivables	**N'million**	**N'million**	**N'million**	**N'million**
Asset Management Corporation of Nigeria (AMCON) Notes	3,027,072	2,703,123	3,027,072	2,703,123
Overdraft balances and short term advances	694,071	384,429	694,070	384,429
Bank of Industry Debenture (BOI)	535,000	535,000	535,000	535,000
Long term loans	349,785	307,846	349,785	307,846
Nigerian Treasury Bonds	214,189	243,826	214,189	243,826
Loans to Deposit Money Banks on Commercial Agricultural Credit Scheme	138,342	165,496	138,342	165,496
Other loans	86,972	174,488	86,972	174,488
Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending Debenture (NIRSAL)	72,500	-	72,500	-
Asset Management Corporation of Nigeria (AMCON) Bonds	-	16,745	-	16,745
Staff loans	9,539	9,837	9,385	9,790
6% Perpetual Debentures in Nigerian Export Import Bank (NEXIM)	1,377	1,565	1,377	1,565
Advances to Federal Mortgage Bank of Nigeria	9	9	9	9
Trade receivables	3,520	1,125	-	-
	5,132,376	**4,543,489**	**5,128,701**	**4,542,317**
Less: Impairment allowance (21a)	(126,691)	(150,716)	(125,867)	(149,993)
	5,005,685	**4,392,773**	**5,002,834**	**4,392,324**

Maturity analysis

	Group		Bank	
	2014	2013	2014	2013
	N'million	**N'million**	**N'million**	**N'million**
Current	795,981	434,791	795,980	434,791
Non-current	4,209,704	3,941,218	4,206,854	3,957,533
	5,005,685	**4,376,009**	**5,002,834**	**4,392,324**

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 2013	**1,110**	**229,251**	**263**	**62,460**	**293,084**
Charge for the year (Note 16)	-	14,835	77	436	15,348
Reversal (Note 16)	(387)	(157,329)	-	-	(157,716)
As at 31 December 2013	**723**	**86,757**	**340**	**62,896**	**150,716**
Charge for the year (Note 16)	101	-	-	24	125
Reversal (Note 16)	-	(23,810)	(316)	-	(24,126)
Write-off	-	-	(24)	-	(24)
As at 31 December 2014	**824**	**62,947**	**-**	**62,920**	**126,691**

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

21 Loans and receivables (continued)

Bank	**Long term loans**	**6% Perpetual Debentures in NEXIM**	**Other loans**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
At 1 January 2013	**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**
Charge for the year (Note 16)	-	-	24	24
Reversal (Note 16)	(23,810)	(316)	-	(24,126)
Write-off	-	(24)	-	(24)
As at 31 December 2014	**62,947**	**-**	**62,920**	**125,867**

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 N24.05 million was provided as at year end (2013: N436 million).

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 2014 is N429 billion (31 December 2013: N455 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). There was no movement on the account during the year.

Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending Debenture (NIRSAL)
The Bank invested in N72.5 debenture stocks issued by NIRSAL Plc in 2014. The investment is to fund the agricultural financing mechanism initiated by the Bank to unlock and upscale lending, reduce transaction costs and establish sustainable financial delivery platforms for agricultural business in the country. The purpose is to spark agricultural industrialization process through increased production and processing of the greater part of the farm produce/output in the country to boost economic earnings across the value chain.

	Group		**Bank**	
22 Financial liabilities at fair value through profit or loss	**2014 N'million**	**2013 N'million**	**2014 N'million**	**2013 N'million**
Derivatives arising from forward exchange contracts and swaps	**22,300**	**-**	**22,300**	**-**
	22,300	**-**	**22,300**	**-**

Maturity analysis

	2014 N'million	**2013 N'million**	**2014 N'million**	**2013 N'million**
Current	22,300	-	22,300	-
	22,300	**-**	**22,300**	**-**

The derivatives arose from forward exchange and swap contracts entered into by CBN which were still open at the reporting date. Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. The Central Bank of Nigeria entered into forward exchange and swaps contracts to sell fixed amounts of foreign currencies at fixed exchange rates against the Naira at future dates. These forwards and swaps are customised contracts that were transacted in the over–the–counter market. The forward exchange and swap agreements resulted in both derivative assets and liabilities positions at the reporting date.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount recorded gross, is the amount that is used that is used to calculate the fair value of the derivative asset or liability in response to the movements in the underlying derivative contracts which is the foreign exchange rates. It is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

	Group			**Bank**		
31 December 2014	**Fair value of assets N'million**	**Fair value of liabilities N'million**	**Contract /Notional amount N'million**	**Fair value of assets N'million**	**Fair value of liabilities N'million**	**Contract /Notional amount N'million**
Forward contracts	2,404	(6,234)	202,561	2,404	(6,234)	202,561
Swap contracts	-	(18,470)	670,000	-	(18,470)	670,000
Total derivatives	**2,404**	**(24,704)**	**872,561**	**2,404**	**(24,704)**	**872,561**

At their inception, these derivatives involved only a mutual exchange of promises with no transfer of consideration. However, these instruments are very volatile. A relatively small movement in the foreign exchange rates underlying the derivative contracts may have a significant impact in the income statement of CBN.

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

		Group		Bank	
		2014	2013	2014	2013
23	**Investment securities**	**N'million**	**N'million**	**N'million**	**N'million**
	Available for sale:				
	Available-for-sale equity investments (Note 23a)	1,380	1,380	1,380	1,380
	Available-for-sale debt instruments (Note 23b)	3,250	3,160	3,250	3,160
		4,630	**4,540**	**4,630**	**4,540**
23a	**Available for sale equity investments**				
	Asset Management Corporation of Nigeria (AMCON)	5,000	5,000	5,000	5,000
	Nigeria Deposit Insurance Corporation (NDIC)	1,380	1,380	1,380	1,380
	International Islamic Liquidity Management Corporation of Malaysia	743	743	743	743
	Federal Mortgage Bank of Nigeria (FMBN)	60	60	60	60
		7,183	**7,183**	**7,183**	**7,183**
	Less: Impairment allowance	(5,803)	(5,803)	(5,803)	(5,803)
		1,380	**1,380**	**1,380**	**1,380**

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**
As at 31 December 2013	5,000	743	60	5,803
As at 31 December 2014	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 2014, the Bank paid a total of N60million (2013: 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 Shari'ah-compliant financial instruments to facilitate effective cross-border Islamic liquidity management. By creating more liquid Shari'ah-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 2014 the Bank paid a total of USD 5,000,000 (2013: 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 2014, the Bank paid a total of N1.38billion (2013: 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 2014, the Bank paid a total of N5billion (2013: 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	
		2014	2013	2014	2013
23b	**Available-for-sale debt instruments**	**N'million**	**N'million**	**N'million**	**N'million**
	Nigerian Treasury Bills-Available-for-sale	3,122	3,027	3,122	3,027
	FGN Bonds-Available-for-sale	128	133	128	133
	Total	3,250	3,160	3,250	3,160

Maturity analysis

	2014	2013	2014	2013
	N'million	**N'million**	**N'million**	**N'million**
Current	3,250	3,160	3,250	3,160
Non-current	1,380	1,380	1,380	1,380
	4,630	**4,540**	**4,630**	**4,540**

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

23c **Held to maturity**	**2014 N'million**	**2013 N'million**	**2014 N'million**	**2013 N'million**
Debt instruments				
FGN Bonds	117,462	111,891	117,462	111,891
Nigerian Treasury Bills	60,180	57,503	60,180	57,503
	177,642	**169,394**	**177,642**	**169,394**

Maturity analysis

	2014 N'million	**2013 N'million**	**2014 N'million**	**2013 N'million**
Current	73,075	91,597	73,075	91,597
Non-current	104,567	77,797	104,567	77,797
	177,642	**169,394**	**177,642**	**169,394**

FGN Bonds:
The Bank took up additional FGN Bonds for N30,308 billion during the year (31 December 2013: N31.7 billion) with nominal interest rates ranging between 4% - 16.39% per annum.

Asset Management Corporation of Nigeria (AMCON) Bonds:
The Bank's investment in AMCON Series V bonds of N18.8 billion were redeemed during the year. In 2013, the Bank's investment in Series I - IV were redeemed and refinanced by the issuance of a 6% N3.8 trillion naira AMCON notes.

	Group		**Bank**	
24 Investment in subsidiary	**2014 N'million**	**2013 N'million**	**2014 N'million**	**2013 N'million**
Nigerian Security Printing and Minting Company Plc. (NSPMC)	-	-	25,588	23,575
Total investments	**-**	**-**	**25,588**	**23,575**

Maturity analysis

	2014 N'million	**2013 N'million**	**2014 N'million**	**2013 N'million**
Non-current	-	-	25,588	23,575
	-	**-**	**25,588**	**23,575**
Percentage shareholding			**90%**	**89%**

The CBN holds 90% (2013 : 89%) 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	**2014 N'million**	**2013 N'million**
Revenue	17,896	19,743
Cost of sales	(15,189)	(15,625)
Administrative expenses	(4,717)	(3,801)
Other operating income	279	338
Finance income	235	120
Finance costs	(33)	(87)
Profit on ordinary activities before tax	**(1,529)**	**688**
Income tax	(4,049)	(154)
Profit after tax	**(5,578)**	**534**
Remeasurement of post employment benefit obligations	267	(77)
Total comprehensive income for the year	**(5,311)**	**457**
Attributable to:		
Equity holders of parents	(5,323)	469
Non-controlling interest	12	(12)

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

24 Investment in subsidiary (continued)

Summarised statement of financial position	**2014 N'million**	**2013 N'million**
Inventories and cash and cash equivalents (current)	12,634	17,761
Property, plant and equipment and other non-current assets	57,544	35,876
Trade and other receivables and retirement benefit surplus	16,859	12,810
Trade and other payables (current)	(9,500)	(7,239)
Liabilities (non-current)	(17,283)	(8,173)
Other liabilities (current)	(17,565)	(475)
Total equity	**42,689**	**50,560**
Attributable to:		
Equity holders of parents	41,893	49,777
Non-controlling interest	796	783

Summarised cash flow information for year ended	**2014 N'million**	**2013 N'million**
Operating	(2,365)	2,870
Investing	(24,897)	(2,939)
Financing	22,678	(1,285)
Net increase/(decrease) in cash and cash equivalents	**(4,584)**	**(1,354)**

	%	**%**
Proportion of equity interest held by non-controlling interests	**10**	**11**

	2014 N'million	**2013 N'million**
Accumulated balances of material non-controlling interests	12	(12)
Dividends paid to non-controlling interests	140	140

		Group		**Bank**	
	Percentage shareholding	**2014**	**2013**	**2014**	**2013**
25 Investments in associates		**N'million**	**N'million**	**N'million**	**N'million**
Africa Finance Corporation (AFC)	42.5%	89,646	79,850	57,958	57,958
Nigerian Export Import Bank (NEXIM)	50%	22,463	22,459	25,000	25,000
Bank of Industry (BOI)	41%	11,240	8,378	7,655	7,655
Bank of Agriculture (BOA)	14%	-	-	4,027	4,027
Agricultural Credit Guarantee Scheme Fund (ACGSF)	40%	1,862	1,862	1,200	1,200
Abuja Securities & Commodity Exchange (ASCE)	59.7%	-	-	408	408
National Economic Reconstruction Fund (NERFUND)	5%	-	-	100	100
FMDQ-OTC Plc	15.6%	186	-	100	-
Nigeria Inter-Bank Settlement System (NIBSS)	3.6%	173	149	53	53
		125,570	**112,698**	**96,501**	**96,401**
Less: Impairment allowance (Note 25a)		-	-	(4,535)	(4,535)
		125,570	**112,698**	**91,966**	**91,866**

Maturity analysis

	2014 N'million	**2013 N'million**	**2014 N'million**	**2013 N'million**
Non-current	125,570	112,698	91,966	91,866
	125,570	**112,698**	**91,966**	**91,866**

25a 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 Reconstruction Fund (NERFUND) N'million**	**Total N'million**
As at 31 December 2013	**4,027**	**408**	**100**	**4,535**
As at 31 December 2014	**4,027**	**408**	**100**	**4,535**

There was an increase of N100 million in the Bank's equity holding in FMDQ-OTC Plc during the year.

25 Investments in associates (continued)

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 activities 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 African. 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 African. 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 African, 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. Its principal place of business is in Lagos. 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-operative 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.

FMDQ-OTC Plc
FMDQ OTC PLC was incorporated in Nigeria under the companies and Allied matters Act on 6 January 2011 as a public liability company, and was licensed by the Securities and Exchange Comnission on 6 November 2012 to perform the function as a securities exchange and self regulatory organisation. The principal activities of the Company are developing, organising and regulating the platform for listing, quotation, registration and trading of debt securities and currencies.Its principal place of business is in Lagos, Nigeria. The Group's interest in FMDQ 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 bank with 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 NERFUND is accounted for using the equity method in the consolidated financial statements.

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 2014 the Bank paid a total of N53 million (2013: N53 million and 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.

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

25 Investments in associates (continued)

	2014 N'million	2013 N'million
Share of profit of associates	6,227	3,407
Share of OCI of associates	6,458	(2,258)
	12,685	1,149

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

31 December 2014

	Nigeria Inter-Bank Settlement System (NIBSS) N'million	Africa Finance Corporation (AFC) N'million	National Economic Reconstruction Fund (NERFUND) N'million	Nigerian Export Import Bank (NEXIM) N'million	Bank of Agriculture (BOA) N'million	Bank of Industry (BOI) N'million	FMDQ OTC Plc N'million	Agricultural Credit Guarantee Scheme Fund (ACGSF) N'million
Current assets	5,753	57,376	623	17,098	11,947	28,441	210	163
Non-current assets	2,018	351,174	2,755	34,195	23,855	583,711	1,367	6,554
Current liabilities	(1,506)	(4,205)	(4,707)	(5,177)	(10,989)	(18,664)	(472)	(103)
Non-current liabilities	-	(177,819)	(5,721)	(10,355)	(21,977)	(431,300)	(16)	(1,957)
Equity	**6,265**	**226,526**	**(7,050)**	**35,761**	**2,836**	**162,188**	**1,089**	**4,657**
Group's carrying amount of the investment	**173**	**89,646**	**-**	**22,463**	**-**	**11,240**	**186**	**1,862**
Revenue	2,979	16,339	159	4,193	1,244	23,253	1,600	593
Gross income/(loss)	2,995	22,413	(122)	4,732	3,210	27,108	1,753	593
Total expenses	(1,404)	(6,035)	(591)	(4,624)	(3,395)	(21,464)	(1,044)	(640)
Profit/(loss) before taxation	**1,591**	**16,378**	**(713)**	**108**	**(185)**	**5,644**	**709**	**(47)**
Income tax expenses	(445)	-	-	-	-	(454)	(161)	-
Profit for the year	**1,146**	**16,378**	**(713)**	**108**	**(185)**	**5,190**	**548**	**(47)**
Other comprehensive income, net of income tax:	-	13,412	-	-	-	1,858	-	-
Total comprehensive income for the year	**1,146**	**29,790**	**(713)**	**108**	**(185)**	**7,048**	**548**	**(47)**
Group share of profit for the year	**24**	**4,095**	**-**	**4**	**-**	**2,018**	**86**	**-**
Group share of other comprehensive income	**-**	**5,700**	**-**	**-**	**-**	**758**	**-**	**-**
Group share of total comprehensive income	**24**	**9,795**	**-**	**4**	**-**	**2,776**	**86**	**-**
Unrecognised share of losses for the current year	**-**	**-**	**(36)**	**-**	**-**	**-**	**-**	**-**
Cumulative share of losses at end of period	**-**	**-**	**(1,401)**	**-**	**-**	**-**	**-**	**-**
Dividend received	**17**	**2,865**	**-**	**50**	**-**	**73**	**-**	-

31 December 2013

	Nigeria Inter-Bank Settlement System (NIBSS) N'million	Africa Finance Corporation (AFC) N'million	National Economic Reconstruction Fund (NERFUND) N'million	Nigerian Export Import Bank (NEXIM) N'million	Bank of Agriculture (BOA) N'million	Bank of Industry (BOI) N'million	Agricultural Credit Guarantee Scheme Fund (ACGSF) N'million	Abuja Securities & Commodity Exchange (ASCE) 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	-
Current liabilities	(1,220)	(1,646)	(9,776)	(3,580)	(26,581)	(22,547)	(103)	-
Non-current liabilities	(186)	(98,081)	(72)	(11,887)	(5,134)	(452,981)	(1,957)	-
Equity	**4,389**	**198,967**	**(6,044)**	**36,464**	**3,195**	**153,756**	**4,657**	**-**
Group's carrying amount of the investment	**149**	**79,850**	**-**	**22,459**	**-**	**8,378**	**1,862**	**-**

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

25 Investments in associates (continued)

Revenue	4,159	9,563	290	3,884	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	**38**	**2,489**		**28**	**-**	**871**	**(19)**	**-**
Group share of other comprehensive income	**-**	**(2,263)**	**-**	**23**	**-**	**(18)**	**-**	**-**
Group share of total comprehensive income	**38**	**226**	**-**	**51**	**-**	**853**	**(19)**	**-**
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**	**-**	**-**

	Group		Bank	
	2014	**2013**	**2014**	**2013**
26 Other assets	**N'million**	**N'million**	**N'million**	**N'million**
Sundry receivables (Note 26a)	1,264,957	1,406,493	1,264,957	1,406,493
Account receivables	28,376	28,376	28,376	28,376
Prepayments	15,550	3,265	12,608	260
Deposit for shares	2,500	2,100	2,500	2,100
Due from Agricultural Credit Guarantee Scheme Fund	787	932	787	932
Other receivables	5,169	7,863	-	-
Inventories	9,323	9,866	-	-
	1,326,662	**1,458,895**	**1,309,228**	**1,438,161**
Less: Impairment allowance (26b)	(35,754)	(33,924)	(35,754)	(33,924)
	1,290,908	**1,424,971**	**1,273,474**	**1,404,237**

Maturity analysis

	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Current	30,043	21,595	12,609	861
Non-current	1,260,865	1,403,376	1,260,865	1,403,376
	1,290,908	**1,424,971**	**1,273,474**	**1,404,237**

26a ***Sundry receivables are further analysed as follows:***

Other sundry assets	1,264,433	1,406,493	1,264,433	1,406,493
Cheques in clearing	524	-	524	-
	1,264,957	**1,406,493**	**1,264,957**	**1,406,493**

Sundry receivables include prepaid staff expenses of N13.7 billion (31 December 2013: N12.9 billion) and prepaid intervention expenses of N1.237 trillion (31 December 2013: N1.387 trillion) 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.

26b **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 2013	**27,775**	**289,425**	**371**	**317,571**	**27,775**	**289,425**	**371**	**317,571**
Charge for the year (Note 17)	-	-	-	-	-	-	-	-
Reversal during the year (Note 17)	-	(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**
Charge for the year (Note 17)	600	1,408	-	2,008	600	1,408	-	2,008
Reversal	-	-	(178)	(178)	-	-	(178)	(178)
As at 31 December 2014	**28,375**	**7,186**	**193**	**35,754**	**28,375**	**7,186**	**193**	**35,754**

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

27 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 2013	**12,838**	**479**	**13,317**	**12,815**	**479**	**13,294**
Additions	1,692	1,797	3,489	1,692	1,797	3,489
At 31 December 2013	**14,530**	**2,276**	**16,806**	**14,507**	**2,276**	**16,783**
Additions	5	312	317	5	312	317
Reclassifications	117	(117)	-	117	(117)	-
At 31 December 2014	**14,652**	**2,471**	**17,123**	**14,629**	**2,471**	**17,100**
Amortisation						
At 1 January 2013	**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**
Amortisation	2,688	-	2,688	2,688	-	2,688
At 31 December 2014	**12,082**	**-**	**12,082**	**12,059**	**-**	**12,059**
Net book value						
At 31 December 2014	**2,570**	**2,471**	**5,041**	**2,570**	**2,471**	**5,041**
At 31 December 2013	**5,136**	**2,276**	**7,412**	**5,136**	**2,276**	**7,412**

Maturity analysis

	Group 2014	Group 2013	Bank 2014	Bank 2013
	N'million	N'million	N'million	N'million
Current	-	-	-	-
Non-current	5,041	7,412	5,041	7,412
	5,041	**7,412**	**5,041**	**7,412**

28 Property, plant and equipment

Group	Land	Building	Plant, machinery and equipment	Furnitures and fittings	Computer equipment	Motor vehicles	Capital work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cost								
At 1 January 2013	**1,671**	**109,136**	**63,275**	**5,167**	**4,474**	**6,782**	**190,074**	**380,579**
Additions	-	8,712	2,117	578	280	1,493	42,651	55,831
Reclassifications	-	(354)	107	326	25	12	(116)	-
Transfers	-	-	60	-	-	-	(60)	-
Disposals	-	-	(215)	(423)	(36)	(92)	(2,323)	(3,089)
At 31 December 2013	**1,671**	**117,494**	**65,344**	**5,648**	**4,743**	**8,195**	**230,226**	**433,321**
Additions	-	5,027	3,717	280	562	1,228	63,835	74,649
Reclassifications	-	58,664	482	210	191	798	(60,345)	-
Transfers	-	-	-	-	-	(304)	-	(304)
Disposals	-	-	(2,004)	(62)	(107)	(126)	(1)	(2,300)
At 31 December 2014	**1,671**	**181,185**	**67,539**	**6,076**	**5,389**	**9,791**	**233,715**	**505,366**
Depreciation and impairment								
At 1 January 2013	**-**	**17,098**	**24,787**	**3,567**	**2,409**	**2,703**	**-**	**50,564**
Depreciation charged for the year	-	2,287	4,899	460	1,035	1,074	-	9,755
Disposals	-	-	(38)	(91)	(12)	(87)	-	(228)
At 31 December 2013	**-**	**19,385**	**29,648**	**3,936**	**3,432**	**3,690**	**-**	**60,091**
Depreciation charged for the year	-	6,018	5,643	477	1,006	1,283	-	14,427
Disposals	-	-	(612)	(49)	(83)	(401)	-	(1,145)
At 31 December 2014	**-**	**25,403**	**34,679**	**4,364**	**4,355**	**4,572**	**-**	**73,373**
Net book value								
At 31 December 2014	**1,671**	**155,782**	**32,860**	**1,712**	**1,034**	**5,219**	**233,715**	**431,993**
At 31 December 2013	**1,671**	**98,109**	**35,696**	**1,712**	**1,311**	**4,505**	**230,226**	**373,230**

Bank	Land	Building	Plant and equipment	Furnitures and fittings	Computer equipment	Motor vehicles	Capital work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cost								
At 1 January 2013	**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**
Additions	-	4,979	1,487	224	562	1,131	41,349	49,732
Reclassifications	-	58,664	482	210	191	798	(60,345)	-
Disposals	-	-	(2,004)	(27)	(107)	(126)	(1)	(2,265)
At 31 December 2014	**1,617**	**172,974**	**32,764**	**3,981**	**5,389**	**9,362**	**207,011**	**433,098**

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

28 Property, plant and equipment (continued)

Bank	Land	Building	Plant, machinery and equipment	Furnitures and fittings	Computer equipment	Motor vehicles	Capital work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Depreciation and impairment								
At 1 January 2013	**-**	**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**
Depreciation charged for the year	-	5,619	3,003	353	1,006	1,210	-	11,191
Disposals	-	-	(612)	(24)	(83)	(98)	-	(817)
At 31 December 2014		**22,991**	**24,033**	**2,831**	**4,354**	**4,441**	**-**	**58,650**
Net book value								
At 31 December 2014	**1,617**	**149,983**	**8,731**	**1,150**	**1,035**	**4,921**	**207,011**	**374,448**
At 31 December 2013	**1,617**	**91,959**	**11,157**	**1,072**	**1,312**	**4,230**	**226,008**	**337,355**

Maturity analysis

	Group 2014	Group 2013	Bank 2014	Bank 2013
	N'million	N'million	N'million	N'million
Non-current	431,993	373,230	374,448	337,355
	431,993	**373,230**	**374,448**	**337,355**

29 Deposits

	Group 2014	Group 2013	Bank 2014	Bank 2013
	N'million	N'million	N'million	N'million
Government deposits:				
- Capital and settlement accounts	862,060	1,077,488	862,060	1,077,488
- Domiciliary accounts	570,402	506,949	570,402	506,949
Other accounts (Note 29a)	1,199,238	1,099,950	1,199,238	1,099,950
Financial Institutions:				
- Current and settlement accounts	564,179	1,227,870	564,179	1,227,870
- Banks' reserve accounts	3,583,636	2,216,552	3,583,636	2,216,552
	6,779,515	**6,128,809**	**6,779,515**	**6,128,809**

Maturity analysis

	2014	2013	2014	2013
	N'million	N'million	N'million	N'million
Current	6,779,515	6,128,809	6,779,515	6,128,809
	6,779,515	**6,128,809**	**6,779,515**	**6,128,809**

29a **Other accounts are further analysed as follows:**

	Group 2014	Group 2013	Bank 2014	Bank 2013
	N'million	N'million	N'million	N'million
FGN Petroleum Profits Tax Naira funding account	786,663	552,981	786,663	552,981
FGN excess crude oil proceeds (Naira funding) account	162,735	185,065	162,735	185,065
Letters of credit consolidated account	160,323	171,326	160,323	171,326
FGN (External creditors) funding account	38,731	41,198	38,731	41,198
Special reserve account	33,002	136,881	33,002	136,881
Sundry accounts	11,363	6,131	11,363	6,131
NNPC/NAPIMS cash call account	6,353	6,352	6,353	6,352
Sovereign Wealth Fund	49	-	49	-
Deposit for Naira draft account	19	16	19	16
	1,199,238	**1,099,950**	**1,199,238**	**1,099,950**

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

	Group 2014	Group 2013	Bank 2014	Bank 2013
	N'million	N'million	N'million	N'million
Other accounts	1,199,238	1,099,950	1,199,238	1,099,950
Domiciliary accounts	570,402	506,949	570,402	506,949
	1,769,640	1,606,899	1,769,640	1,606,899

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

29 Deposits (continued)

Government deposits:
This represents the position of the accounts of Ministries, Departments and Agencies 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	
	2014	**2013**	**2014**	**2013**
30 Central Bank of Nigeria Instruments	**N'million**	**N'million**	**N'million**	**N'million**
Open Market Operations - Central Bank of Nigeria Bills	2,755,611	3,738,632	2,755,611	3,738,632
Central Bank of Nigeria Promissory Notes	-	461	-	461
	2,755,611	**3,739,093**	**2,755,611**	**3,739,093**
Central Bank of Nigeria Promissory Notes:				
At 1 January	**461**	**11,658**	**461**	**11,658**
Issued during the year	-	436	-	436
Redemption in the year	(461)	(11,658)	(461)	(11,658)
Accrued interest	-	25	-	25
At 31 December	**-**	**461**	**-**	**461**
Open Market Operations - Central Bank of Nigeria Bills:				
At 1 January	**3,738,632**	**2,580,482**	**3,738,632**	**2,580,482**
Issued during the year	8,369,171	10,060,375	8,369,171	10,060,375
Redemption during the year	(9,296,675)	(8,814,321)	(9,296,675)	(8,814,321)
Deferred interest and prepayments	(55,517)	(87,904)	(55,517)	(87,904)
At 31 December	**2,755,611**	**3,738,632**	**2,755,611**	**3,738,632**

Maturity analysis

	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Current	2,755,611	3,739,093	2,755,611	3,739,093
	2,755,611	**3,739,093**	**2,755,611**	**3,739,093**

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	
	2014	**2013**	**2014**	**2013**
31 Bank notes and coins in circulation	**N'million**	**N'million**	**N'million**	**N'million**
Notes	1,796,518	1,775,032	1,796,528	1,775,035
Coins	1,314	1,270	1,314	1,270
	1,797,832	**1,776,302**	**1,797,842**	**1,776,305**

Maturity analysis

	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Current	1,797,832	1,776,302	1,797,842	1,776,305
	1,797,832	**1,776,302**	**1,797,842**	**1,776,305**

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	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Employee defined benefit (assets)/liabilities recognised in statement of financial position:				
Defined benefit pension scheme (Note 32.1)	(28,751)	(7,622)	(28,665)	(7,622)
Asset in the statement of financial position	**(28,751)**	**(7,622)**	**(28,665)**	**(7,622)**

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

32 Employee benefit (continued)

Defined benefit liabilities:				
Defined benefit pension scheme (Note 32.1)	-	160	-	-
Post-employment gratuity scheme (Note 32.2)	77,543	61,591	77,543	61,591
Long service awards (Note 32.3)	809	889	750	826
Post-employment medical aid scheme for pensioners (Note 32.4)	3,304	4,043	3,304	4,043
Defined contribution liabilities	235	32	235	32
Liability in the statement of financial position	**81,891**	**66,715**	**81,832**	**66,492**
Net employee benefits liabilities	**53,140**	**59,093**	**53,167**	**58,870**

	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Net benefit expenses recognised in income statement:				
Defined benefit pension scheme (Note 32.1)	(1,019)	(412)	(1,039)	163
Post-employment gratuity scheme (Note 32.2)	12,134	11,186	12,134	11,186
Long service awards (Note 32.3)	61	36	59	27
Post-employment medical aid scheme for pensioners (32.4)	521	600	521	600
Total defined benefit expenses	**11,697**	**11,410**	**11,675**	**11,976**
Defined benefit contributions	4,943	3,472	3,671	3,197
	16,640	**14,882**	**15,346**	**15,173**
Remeasurement (gains)/losses in other comprehensive income:				
Defined benefit pension scheme (Note 32.1)	(15,354)	(1,709)	(15,087)	(1,787)
Post-employment gratuity scheme (Note 32.2)	6,822	(6,809)	6,822	(6,809)
Post-employment medical aid scheme for pensioners (Note 32.4)	(933)	(1,018)	(933)	(1,018)
	(9,465)	**(9,536)**	**(9,198)**	**(9,614)**

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 employees benefit) on defined benefit schemes.

Maturity analysis	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Current	235	32	235	32
Non-current	52,905	59,061	52,932	58,838
	53,140	**59,093**	**53,167**	**58,870**

32.1 **Defined benefit pension scheme**

The Central Bank of Nigeria operates a defined benefit pension scheme for the retired employees of the Bank. 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 Bank'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 taking 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	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Present value of funded obligations	62,927	83,853	61,713	82,173
Fair value of plan assets	(91,678)	(91,315)	(90,378)	(89,795)
Surplus of funded plans	**(28,751)**	**(7,462)**	**(28,665)**	**(7,622)**

The maximum economic benefit available is in the form of a combination of reduction in future contribution and refunds.

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 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 adjustment	(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)**

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

32.1 **Defined benefit pension scheme (continued)**

At 1 January 2014	**83,853**	**(91,315)**	**(7,462)**	**82,173**	**(89,795)**	**(7,622)**
Interest expense	10,591	-	10,591	10,390	-	10,390
Expected return on plan assets	-	(11,610)	(11,610)	-	(11,429)	(11,429)
	10,591	(11,610)	(1,019)	10,390	(11,429)	(1,039)
Remeasurements:						
(Gain)/loss from change in assumptions	(5,659)	-	(5,659)	(5,530)	-	(5,530)
Actuarial losses on plan assets	-	7,386	7,386	-	7,198	7,198
Experience gains	(17,081)	-	(17,081)	(16,755)	-	(16,755)
	(22,740)	7,386	(15,354)	(22,285)	7,198	(15,087)
Employer contributions	-	(4,916)	(4,916)	-	(4,916)	(4,916)
Benefits payments	(8,777)	8,777	-	(8,565)	8,565	-
At 31 December 2014	**62,927**	**(91,678)**	**(28,751)**	**61,713**	**(90,378)**	**(28,665)**

The remeasurements of the net defined benefit liability (asset) relates only changes in financial assumption.

Asset mix

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

Category	**2014 N'million**	**Percentage**	**2013 N'million**	**Percentage**
Equities	9,050	9.80%	11,235	9.12%
Money market	36,450	39.48%	54,224	44.00%
Bonds	46,655	50.53%	55,700	45.20%
Open/closed hybrid funds	-	0.00%	303	0.25%
Cash	62	0.07%	249	0.20%
Others	111	0.12%	1,522	1.24%
Gross value of assets	**92,328**	**100.00%**	**123,233**	**100.00%**
Less: Amount due to active staff	(650)	-0.70%	(31,918)	-25.90%
Net asset	**91,678**	**99.30%**	**91,315**	**74.10%**

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

Category	**2014 N'million**	**Percentage**	**2013 N'million**	**Percentage**
Equities	9,050	9.94%	11,235	9.23%
Money market	36,450	40.04%	54,224	44.55%
Bonds	45,353	49.82%	55,700	45.76%
Open/closed hybrid funds	-	0.00%	303	0.25%
Cash	62	0.07%	243	0.20%
Others	113	0.12%	8	0.01%
Gross value of assets	**91,028**	**100.00%**	**121,713**	**100.00%**
Less: Amount due to active staff	(650)	-0.71%	(31,918)	-26.22%
Net asset	**90,378**	**99.29%**	**89,795**	**73.78%**

The significant actuarial assumptions were as follows:

Financial Assumptions	**Bank**	
Long Term Average	**2014**	**2013**
Discount Rate (p.a)	15%	13.5%
Rate of Pension Increase(p.a)	4.5%	4.5%
Average Rate of Inflation (p.a)	9%	9%

Demographic Assumptions

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

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

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

32.1 Defined benefit pension scheme (continued)

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

		Impact on defined benefit obligation			
		2014		2013	
	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					
Pension Increase rate	1%	(2,736)	3,027	(4,740)	5,326
Mortality experience	1%	3,655	(3,324)	6,178	(5,540)
	1year	(1,137)	1,109	(1,876)	1,842

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:

	2014 N'million	2013 N'million
Within the next 12months (next annual reporting period)	8,591	10,269
Between 2 and 5 years	34,268	41,201
Between 5 and 10 years	149,549	192,874
Total expected payments	192,408	244,344

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.43 years (2013: 7.93 years)

32.2 Post-employment gratuity scheme

The Group 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	
	2014 N'million	2013 N'million	2014 N'million	2013 N'million
Present value of obligations	77,543	61,591	77,543	61,591

32.2 Post-employment gratuity scheme (continued)

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 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**
At 1 January 2014	**61,591**	**61,591**
Current service cost	4,044	4,044
Interest expense	8,090	8,090
	12,134	12,134
Remeasurements:		
Gains from change in financial assumptions	(7,793)	(7,793)
Experience adjustment	14,615	14,615
	6,822	6,822
Benefits payments	(4,690)	(4,690)
Past service costs	1,686	1,686
At 31 December 2014	**77,543**	**77,543**

The remeasurements of the net defined benefit liability relates only changes in financial assumption.

The significant actuarial assumptions were as follows:

Financial Assumptions	**Bank**	
Long Term Average	**2014**	**2013**
Discount Rate (p.a)	15%	13.5%
Average Pay Increase (p.a)	12%	12%
Average Rate of Inflation (p.a)	9%	9%

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

32.2 **Post-employment gratuity scheme (continued)**

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

Demographic Assumptions

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

Withdrawal from service

Age Band	Bank Rate 2014	2013
Less than or equal to 30	5%	5%
31-39	4%	4%
40-44	3%	3%
45-60	0%	0%

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

		Impact of defined benefit obligation			
		2014		2013	
Base:	**Change in assumption**	**Impact of an increase**	**Impact of a decrease**	**Impact of an increase**	**Impact of a decrease**
Discount rate		**N'million**	**N'million**	**N'million**	**N'million**
Salary Increase rate	1%	(4,017)	4,479	(4,556)	5,055
Mortality experience	1%	4,794	(4,359)	5,518	(5,038)
	1year	904	(1,399)	86	(77)

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:

	2014 N'million	2013 N'million
Within the next 12months (next annual reporting period)	5,943	3,325
Between 2 and 5 years	45,945	31,693
Between 5 and 10 years	110,767	84,745
Total expected payments	162,655	119,763

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.81 years (2013: 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 2014 N'million	Group 2013 N'million	Bank 2014 N'million	Bank 2013 N'million
Present value of obligations	**809**	**889**	**750**	**826**

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 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**

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

32.3 **Long service awards (continued)**

At 1 January 2014	**889**	**826**
Current service cost	81	79
Interest expense	103	103
	184	182
Remeasurements:		
Gains from change in assumptions	(64)	(64)
Experience gains	(59)	(59)
	(123)	(123)
Benefits payments	(141)	(135)
At 31 December 2014	**809**	**750**

The significant actuarial assumptions were as follows:

Financial Assumptions **Long Term Average**	**2014**	**2013**
Discount Rate (p.a)	15%	13.5%
Average Pay Increase (p.a)	12%	12%
Average Rate of Inflation (p.a)	9%	9%

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	**2014**	**2013**
	Less than or equal to 30	5.0%	5.0%
	31-39	4.0%	4.0%
	40-44	3.0%	3.0%
	45-60	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			
		2014		**2013**	
Base:	**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	(43)	48
Inflation rate	1%	47	(43)	53	(49)

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 (2013: 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**	
	2014 N'million	**2013 N'million**	**2014 N'million**	**2013 N'million**
Present value of obligations	**3,304**	**4,043**	**3,304**	**4,043**

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 2013	**4,807**	**4,807**
Interest expense	600	600
	600	600

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

32.4 **Post-employment medical aid scheme for pensioners (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**
At 1 January 2014	**4,043**	**4,043**
Interest expense	521	521
	521	521
Remeasurements:		
Gain from change in assumptions	(406)	(406)
Experience adjustment	(527)	(527)
	(933)	(933)
Benefits paid	(327)	(327)
At 31 December 2014	**3,304**	**3,304**

The remeasurements of the net defined benefit liability relates only changes in financial assumption.

The significant actuarial assumptions were as follows:

Financial Assumption **Long Term Average**	**2014**	**2013**
Discount Rate (p.a)	15%	13.5%
Average Pay Increase (p.a)	N/A	N/A
Average Rate of Inflation (p.a)	9%	9%

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

Demographic Assumptions

	Age of pensioner	**Average expected future lifetime (years)**
Mortality of pensioners		
	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			
		2014		**2013**	
Base:	**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	(308)	355
Inflation rate	1%	282	(250)	378	(331)
Mortality rate	Age rated up by 1 year	87	87	(116)	(966)

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 (2013: 9.79 years)

32.5 ***Defined contribution liabilities:***

	Group		**Bank**	
	2014	**2013**	**2014**	**2013**
Defined contributory scheme:	**N'million**	**N'million**	**N'million**	**N'million**
At 1 January	32	24	32	24
Contributions	5,403	4,464	5,403	4,464
Amount remitted to selected Pension Fund Administrators	(5,200)	(4,456)	(5,200)	(4,456)
At 31 December	**235**	**32**	**235**	**32**

	Group		**Bank**	
	2014	**2013**	**2014**	**2013**
33 Other liabilities	**N'million**	**N'million**	**N'million**	**N'million**
Sundry payables	717,909	746,072	717,608	742,905
Surplus payable to Federal Government of Nigeria (Note 33a)	152,654	152,654	152,654	152,654
Interest payable	-	-		-
Accrued charges	17,784	23,685	17,515	22,390
Deposit for shares	5,085	5,116	-	-
Trade payables	2,920	1,145	-	-
Dividend payable	140	140	-	-
IBRD - SME loan	51	51	51	51
Bank borrowings and overdraft	20,493	-	-	-
	917,036	**928,863**	**887,828**	**918,000**

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

33 Other liabilities (continued)

	Group		Bank	
	2014	**2013**	**2014**	**2013**
33a ***Surplus payable to Federal Government of Nigeria***	**N'million**	**N'million**	**N'million**	**N'million**
At 1 January	152,654	30,495	152,654	30,495
Transfer from income statement	-	152,354	-	152,354
Paid during the year	-	(30,195)	-	(30,195)
At 31 December	**152,654**	**152,654**	**152,654**	**152,654**

The Net income for the year includes unrealised gains on foreign exchange balances of N182,310 million (2013: N17,145 million) and unrealised fair value gain on other foreign securities amounting to N3,583 million (2013: N2,034 million). Therefore, the realised component of the net income stated above is a deficit of N150,471 million for the year (2013: surplus of N190,442 million), hence, no surplus is available for distribution in 2014.

Maturity analysis	Group		Bank	
	2014	**2013**	**2014**	**2013**
	N'million	**N'million**	**N'million**	**N'million**
Current	173,358	177,484	170,169	175,044
Non-current	743,678	751,379	717,659	742,956
	917,036	**928,863**	**887,828**	**918,000**

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 N499,895 million (2013: N299,516 million). Furthermore, out of the amount sown in sundry payables in 2013, N250,738 million represents an amount payable to the Asset Management Corporation of Nigeria ("AMCON").

Accrued charges:
Accrued charges consist of productivity bonus, intervention fund on national security and other expense accruals.

	Group		Bank	
	2014	**2013**	**2014**	**2013**
34 Share capital and reserves	**Million**	**Million**	**Million**	**Million**
Authorised shares				
Ordinary share of N1 each	100,000	100,000	100,000	100,000
Issued and fully paid up:	**Million**	**Million**	**Million**	**Million**
Ordinary share of N1 each	5,000	5,000	5,000	5,000
	N'million	**N'million**	**N'million**	**N'million**
At 31 December	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	
		2014	**2013**	**2014**	**2013**
	Notes	**N'million**	**N'million**	**N'million**	**N'million**
Net income for the year		**40,120**	**213,716**	**35,422**	**209,621**
Adjustments for non cash items:					
Depreciation of property, plant and equipment	28	14,427	9,755	11,191	8,009
Amortisation of intangible assets	27	2,688	2,918	2,688	2,915
Loss/(profit) on disposal of property, plant and equipment	10	(1,367)	2,843	(1,362)	2,775
Unrealised gain/(loss) on financial assets at FVTPL	8	18,717	(2,034)	18,717	(2,034)
Unrealised gains on foreign exchange revaluation		(182,482)	(17,119)	(182,310)	(17,145)
Share of profit of associates		(6,227)	(3,407)	-	-
Derecognition of property, plant and equipments		304	-	-	-
Defined benefit expense	9	11,697	11,410	11,675	11,976
			-		
		(102,123)	**218,082**	**(103,979)**	**216,117**

(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	(612,912)	(375,017)	(610,510)	(378,063)
(Increase)/decrease in external reserves	19	(63,317)	57,626	(54,756)	55,354
(Increase)/decrease in Investment securities - AFS	23	5,770	(2,460)	(134)	(189)
Decrease/(increase) in other assets	26	134,063	(1,345,659)	130,763	(1,344,717)
Increase/(decrease) in deposits	29	650,706	(241,667)	650,706	(241,667)
Decrease/(increase) in Central Bank of Nigeria Instruments	30	(983,482)	1,146,953	(983,482)	1,146,953
Increase in Bank notes and coins in circulation	31	21,530	144,798	21,537	144,799
Decrease in other liabilities	33	(11,827)	(61,693)	(30,172)	(59,340)
Net cash flows used in operating activities		**(859,469)**	**(677,119)**	**(876,048)**	**(676,870)**
		(961,592)	**(459,037)**	**(980,027)**	**(460,753)**

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 the Group (see Note 3.2.2).

36a **Legal proceedings**

There were a number of legal proceedings outstanding against the Bank as at 31 December 2014 with contingent liabilities of N3,777 billion (31 December 2013: N 619 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**	
	2014	**2013**	**2014**	**2013**
Capital and other commitments	**N'million**	**N'million**	**N'million**	**N'million**
Intervention funds	668,260	652,210	668,260	652,210
FX forwards and currency swaps	2,404	-	872,561	-
Capital commitments	58,563	78,253	58,563	78,253
Furniture, fittings and equipment	1,337	553	-	-
	730,564	**731,016**	**1,599,384**	**730,463**

Intervention funds balance of N668 billion (31 December 2013: N652 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**

The Group 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:

	Bank	
	2014	**2013**
	N'million	**N'million**
No later than 1 year	102	105
Later than 1 year and no later than 5 years	33	10
Later than 5 years	70	-
Total	205	115

36c **Guarantees**

The Group has provided credit risk guarantee to Small and Medium Enterprises (SME) and agricultural lenders in case 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 2014 is N4.85 billion (31 December 2013: N5.12 billion).

37 Events after the reporting date

No material events occurred between the reporting dates and the sign off dates requiring disclosure in, or adjustment to, the annual financial statements for the year ended 31 December 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

(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	
	2014	**2013**
	N'million	**N'million**
Opening balance	239,146	134,814
Additions	352,855	104,332
Closing balance	**592,001**	**239,146**

(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	
	2014	**2013**
	N'million	**N'million**
Salaries and other short-term employee benefits	339	199
Total	**339**	**199**

(iii) Balances with Key Management Personnel

	Group	
	2014	**2013**
	N'million	**N'million**
Loans and advances	462	647
	462	**647**

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.