ASSET MANAGEMENT CORPORATION OF NIGERIA
IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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DIRECTORS' REPORT:

In compliance with the Asset Management Corporation of Nigeria Act, the directors present this report which constitutes the directors' report for Asset Management Corporation of Nigeria ('the Corporation') for the year ended 31 December 2013.

Legal form

Principal activity and business review:

The principal activity of the Corporation is to acquire eligible bank assets from eligible financial institutions and purchase or otherwise invest in eligible equities, on such terms as the Corporation deems fit.

Directors' interests:

The following directors held office as at 31 December 2013 and up to the date of this report:

Name	Position
Alhaji Aliyu Kola Belgore, OFR	Chairman
Mr Mustafa Chike-Obi	Managing Director
Mr Hewett A.O Benson	Executive Director
Mr Abass M. Jega	Executive Director
Mrs Mofoluke B. Dosumu	Executive Director
Mrs Eniye Ukpeh	Non-Executive Director
Mr Danladi I. Kifasi, OON, mni	Non-Executive Director
Dr Kingsley Moghalu, OON	Non-Executive Director
Ms Arunma Oteh, OON	Non-Executive Director
Alhaji Umar Ibrahim, mni	Non-Executive Director

None of the directors had any interest in the equity of the Corporation as at 31 December 2013 and as at the date of this report.

Subscribers' analysis:

The subscribers' pattern of the Corporation as at 31 December 2013 is stated as follows:

Share range	No. of subscribers	Percentage of subscribers	No of holdings
0 - 5,000,000,000	2	100	10,000,000,000

Results:

Operating result highlights

	GROUP		CORP	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Gross Earnings	277,772	159,915	135,602	24,822
Loss before tax	(626,718)	(704,753)	(635,883)	(722,789)
Income tax	(875)	2,368		
Loss for the year from continuing operations	(627,593)	(702,385)	(635,883)	(722,789)
Discontinued operations				
Profit after tax for the year from discountinued operations	(2,551)	(10)		
Loss for the year	(630,144)	(702,395)	(635,883)	(722,789)

The Group made a loss of N628 billion for the year ended 31 December 2013 (2012: N702 billion). The loss resulted mainly from interest and similar expense of N557 billion (2012: N546 billion), credit loss expense of N77 billion (2012: N122 billion) and impairment on financial and other assets of N150 billion (2012: N9 billion write back) charged during the year. The most significant expense is interest and similar expenses was bond discount expense amounting to N519 billion which represents the cost of financing purchase of the Eligible Bank Assets (EBAs) and recapitalization of intervened banks. Interest income on restructured loans and other financial instruments held to maturity were however not enough to cover the finance cost giving the peculiar nature of AMCON's business. It is expected that interest expense will decrease in subsequent years after the Corporation liquidated its bonds amounting to N4.23 trillion with an average yield of 13% in December 2013 and refinanced N3.8 trillion at lower 6% interest rate / yield from Central Bank of Nigeria (CBN)

The Group's result for the year is set out on page 6.

Employment of disabled persons:
The Corporation's recruitment policy is based solely on merit and does not discriminate against any person on the grounds of physical disability.

Donations:
The Corporation donated a total sum of N270 million to the following organisations during the year:

	N'million
1. Workshop on Corporate Fraud Detection Investigation and Prevention	20
2. Rehabilitation of the Police College, Kaduna	200
4. Department of State Services	50
	270

Auditors

Messrs PricewaterhouseCoopers have indicated their willingness to continue in office as auditors.

By order of the board

Saidu Jallo
Company Secretary
August 2013

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ASSET MANAGEMENT CORPORATION OF NIGERIA

Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of Asset Management Corporation of Nigeria ("the corporation") and its subsidiaries (together "the group"). These financial statements comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and 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 financial statements in accordance with International Financial Reporting Standards and with the requirements of the Asset Management Corporation of Nigeria Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an independent opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the corporation and the group at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Asset Management Corporation of Nigeria Act and the Financial Reporting Council of Nigeria Act.

Gabriel Ukpeh

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

28 August 2014

Engagement partner: Gabriel Ukpeh
FRC/2013/ICAN/00000001882

Consolidated statement of financial position
as at 31 December 2013

	Notes	Group 31 December 2013	Group 31 December 2012	Group 1 January 2012	Parent 31 December 2013	Parent 31 December 2012	Parent 1 January 2012
		N'million	N'million	N'million	N'million	N'million	N'million
Assets							
Cash and balances with central banks	16	177,654	604,178	92,454	-	500,000	-
Due from banks	17	183,856	172,940	122,272	85,032	57,477	30,908
Derivative financial instruments	18	91	-	-	-	-	-
Other financial assets held for trading	19	95,616	86,740	116,644	72,961	38,252	22,928
Financial investments – available-for-sale	20	158,359	98,122	129,939	10,088	2,007	1,832
Financial investments – held to maturity	20	171,209	194,103	98,917	86,131	131,653	44,981
Assets pledged as collateral	21	60,247	45,413	27,846	11,380	-	-
Financial assets designated at fair value through profit or loss	19	693,060	904,683	1,063,230	692,970	904,600	1,063,147
Loans and advances to customers	22	436,763	276,880	313,275	228,568	152,660	210,787
Insurance receivables	23	424	114	997	-	-	-
Trading properties	24	2,769	2,766	179	-	-	-
Investment properties	25	111,376	71,341	62,203	107,487	67,800	49,650
Other assets	26	282,182	70,895	81,173	271,700	73,667	38,536
Investments in equity accounted investee	27	36,586	30,293	40,863	32,550	32,289	39,544
Investment in subsidiaries	28	-	-	-	144,133	84,916	116,616
Property and equipment	29	92,092	51,050	57,850	1,257	1,312	610
Intangible assets	30	14,674	1,212	1,445	188	240	-
Deferred tax asset	31	7,337	6,684	3,408	-	-	-
Non - current assets and disposal group held for sale	32	12,072	12,537	-	3,647	-	-
Total assets		2,536,367	2,629,951	2,212,695	1,748,092	2,046,873	1,619,539
Liabilities							
Due to customers	33	710,191	654,148	630,533	-	-	-
Due to banks	34	1,092	12,053	5,230	-	-	-
Financial liabilities designated at fair value through profit or loss	19	90	83	83	-	-	-
Other liabilities	35	1,689,557	597,029	226,108	1,544,164	424,630	2,996
Current income tax liability	14	6,051	6,331	6,210	-	-	-
Debt issued and other borrowed funds	36	3,570,849	4,660,083	3,958,688	3,667,924	4,890,782	4,162,422
Deferred tax liability	31	1,218	599	346	-	-	-
Liability on investment contracts	37	376	376	473	-	-	-
Liability on insurance contracts	38	1,153	1,177	1,099	-	-	-
Liabilities associated with disposal group held for sale	32	42,418	4,286	-	-	-	-
Retirement benefit obligation	39	233	155	6			
Total liabilities		6,023,228	5,936,320	4,828,776	5,212,088	5,315,412	4,165,418
Equity attributable to equity holders of parent							
Issued capital	40	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings		(3,987,964)	(3,338,904)	(2,623,861)	(3,914,551)	(3,278,668)	(2,555,879)
Other reserves		493,940	25,137	22	440,555	129	-
Attributable to Equity holders of the parent		(3,484,024)	(3,303,767)	(2,613,839)	(3,463,996)	(3,268,539)	(2,545,879)
Non controlling interest		(2,837)	(2,602)	(2,242)	-	-	-
Total equity		(3,486,861)	(3,306,369)	(2,616,081)	(3,463,996)	(3,268,539)	(2,545,879)
Total liabilities and equity		2,536,367	2,629,951	2,212,695	1,748,092	2,046,873	1,619,539

The accompanying notes 1 - 52 form an intergral part of these financial statements. These financial statements were approved by the Board of Directors on 15 July 2014 and signed on its behalf by:

Mustafa Chike-Obi
Managing Director/CEO
FRC/2013/IODN/00000004048

Aliyu K. Belgore, OFR
Chairman
FRC/2013/CIBN/00000004148

Mofoluke B. Dosumu
Executive Director
FRC/2013/ICAN/00000004043

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2013

		GROUP		Parent	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
	Notes	N'million	N'million	N'million	N'million
Interest and similar income	4	181,282	148,667	108,406	59,775
Interest and similar expense	5	(556,846)	(546,289)	(545,424)	(512,878)
Net interest income		(375,564)	(397,622)	(437,018)	(453,103)
Fees and commission income	6	16,275	14,026	1,274	921
Fees and commission expense	6	(18)	-	-	-
Net fee and commission income		16,257	14,026	1,274	921
Net trading income/(loss)	7	16,726	376	12,034	(14,145)
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	8	2,440	(20,740)	2,981	(22,105)
Other operating income	9	58,180	19,601	10,907	376
Total operating loss		(281,961)	(384,359)	(409,822)	(488,056)
Credit loss expense	10	(76,563)	(122,336)	(94,526)	(95,338)
Write-back/(Impairment losses) on financial investments and other assets	11	(149,895)	8,913	(158,376)	-
Write-back/(Impairment losses) on equity accounted investee	27	-	-	-	-
Net operating loss		(508,419)	(497,782)	(662,724)	(583,394)
Personnel expenses	12	(43,447)	(40,149)	(2,760)	(2,253)
Depreciation of property and equipment	29	(13,005)	(12,823)	(517)	(287)
Amortization and impairment of intangible assets	30	(9,124)	(751)	(52)	(22)
Fair value gain/(loss) on investment properties	25	13,481	(95,422)	13,320	(95,422)
Other operating expenses	13	(69,073)	(55,811)	(13,731)	(9,711)
Write back/(Impairment) of investment in subsidiaries	28	-	-	30,581	(31,700)
Total operating expenses		(121,168)	(204,956)	26,841	(139,395)
Operating loss before tax		(629,587)	(702,738)	(635,883)	(722,789)
Share of profit / (loss) of equity accounted investee	27	2,869	(2,015)	-	-
Loss before tax		(626,718)	(704,753)	(635,883)	(722,789)
Income tax	14	(875)	2,368		
Loss for the year from continuing operations		(627,593)	(702,385)	(635,883)	(722,789)
Discontinued operations					
Loss after tax for the year from discountinued operations	14	(2,551)	(10)	-	-
Loss for the year		(630,144)	(702,395)	(635,883)	(722,789)
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent period:					
Foreign currency translation gain	40	(332)	337	-	-
Fair value movements on available-for-sale financial assets	40	4,983	11,689	(907)	129
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Re-measurement gains (losses) on defined benefit plans	14.4	59	-	-	-
Share of equity accounted investee other comprehensive income	27	1,167	(30)	-	-
Income tax relating to components of other comprehensive income	14.4	(18)	-	-	-
Other comprehensive income for the year, net of tax		5,859	11,996	(907)	129
Total comprehensive loss for the year, net of tax		(624,285)	(690,399)	(636,790)	(722,660)
Loss attributable to:					
Equity holders of the parent		(627,560)	(701,837)	(635,883)	(722,789)
Non-Controlling interest		(2,584)	(558)	-	-
Total comprehensive loss attributable to:					
Equity holders of the parent		(622,198)	(689,841)	(636,790)	(722,660)
Non-Controlling interest		(2,087)	(558)	-	-
Loss per share from loss for the year:	15				
Basic		(62.76)	(70.18)	(63.59)	(72.28)
Diluted		(62.76)	(70.18)	(63.59)	(72.28)
Loss per share from continuing operations:					
Basic		(62.56)	(70.18)	(63.59)	(72.28)
Diluted		(62.56)	(70.18)	(63.59)	(72.28)

Consolidated statement of changes in equity
for the year ended 31 December 2013

GROUP	Share capital N'Million	Retained earnings N'Million	Other Reserves: Available for sale reserve N'Million	Translation reserve N'Million	Regulatory risk reserve N'Million	Statutory reserves N'Million	Resolution fund Reserve N'Million	Other reserves N'Million	Total N'Million	Non-controlling interest N'Million	Total Equity N'Million
At 1 January 2012	10,000	(2,623,861)	(65)	1,553	(1,466)	-	-	-	(2,613,839)	(2,242)	(2,616,081)
Prior year adjustment									-		-
									(2,613,839)		(2,616,081)
Profit for the period	-	(701,837)	-	-	-	-	-	-	(701,837)	(558)	(702,395)
Other comprehensive income, net of tax (Note 15)											
Foreign currency translation gain	-	-	-	337	-	-	-	-	337	-	337
Fair value movements on available-for-sale financial assets	-	-	11,689	-	-	-	-	-	11,689	-	11,689
Fair value gain on property and equipment.	-	-	-	-	-	-	-	-	-	-	-
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Share of equity accounted investee other comprehensive income	-	-	(30)	-	-	-	-	-	(30)	-	(30)
Total comprehensive income for the year	-	-	11,659	337	-	-	-	-	11,996	-	11,996
Transactions recorded directly in equity											
Issue of shares	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-
Bonus issue	-	-		-	-		-	-	-	-	-
Transfer from/to retained earnings	-	(12,228)		-	1,662	10,425	-	54	(87)	117	30
Transfer to regulatory risk reserve	-	(978)		-	978	-	-	-	-	-	-
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	81	81
At 31 December 2012	10,000	(3,338,904)	11,594	1,890	1,174	10,425	-	54	(3,303,767)	(2,602)	(3,306,369)
Acquisition during the year	-	-	-	-	-	-	-	-	-	2,518	2,518
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	(627,560)	-	-	-	-	-	-	(627,560)	(2,584)	(630,144)
Other comprehensive income, net of tax (Note 15)											
Foreign currency translation gain				(213)		-	-		(213)	(119)	(332)
Fair value movements on available-for-sale financial assets			4,983	-		-	-		4,983	-	4,983
Recycling to profit or loss						-	-		-	-	-
Fair value gain on property and equipment.						-	-		-	-	-
Re-measurement gains (losses) on defined benefit plans		40				-	-		40	-	40
Share of equity accounted investee other comprehensive income			1,167			-	-		1,167	-	1,167
Transfer to statutory reserve		(505)	-			505	-		-	-	-
Total comprehensive income for the year	-	(465)	6,150	(213)	-	505	-	-	5,977	(119)	5,858
Transactions recorded directly in equity											
Issue of shares	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(50)	(50)
Loss of control due to disposal of subsidiaries	-	-	-	-	-	-	-	-	-		-
Transfer from/to retained earnings	-	(11,033)	-	103	6,818	4,112	-	-	-	-	-
Transfer to regulatory risk reserve	-	(10,002)	-	-	10,002		-	-	-	-	-
Transfer to other capital reserve	-	-	-	-	-	-	441,326	-	441,326	-	441,326
At 31 December 2013	10,000	(3,987,964)	17,744	1,780	17,994	15,042	441,326	54	(3,484,024)	(2,837)	(3,486,861)

Consolidated statement of changes in equity
for the year ended 31 December 2013

					Other Reserves				
	Share capital	Retained earnings	Available for sale reserve		Translation reserve	Regulatory risk reserve	Statutory reserves	Resolution fund reserves	Total
PARENT	N'Million	N'Million	N'Million	N'Million	N'Million	N'Million	N'Million	N'Million	N'Million
At 1 January 2012	10,000	(2,555,879)	-		-	-	-	-	(2,545,879)
	10,000	(2,555,879)	-		-	-	-	-	(2,545,879)
Profit for the period		(722,789)	-						(722,789)
Other comprehensive income, net of tax (Note 15):									
Fair value movements on available-for-sale financial assets	-		129						129
At 31 December 2012	**10,000**	**(3,278,668)**	**129**		-	-	-	-	**(3,268,539)**
Profit for the period		(635,883)	-						(635,883)
Other comprehensive income, net of tax (Note 15):									-
Fair value movements on available-for-sale financial assets			(907)						(907)
Total comprehensive income for the year			(907)						(907)
Transactions recorded directly in equity									
Transfer to other capital reserve								441,333	441,333
At 31 December 2013	**10,000**	**(3,914,551)**	**(778)**		-	-	-	**441,333**	**(3,463,996)**

Consolidated statement of cash flows
For the year ended 31 December 2013

	Notes	GROUP 31 December 2013 N'Million	GROUP 31 December 2012 N'Million	CORPORATION 31 December 2013 N'Million	CORPORATION 31 December 2012 N'Million
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax from continuing operations		(626,718)	(704,753)	(635,883)	(722,789)
Loss from discontinued operations		(2,551)	(10)	-	-
Adjustments for:					
Change in operating assets	48	(512,545)	(66,933)	(395,008)	(52,055)
Change in operating liabilities	48	1,193,693	578,164	1,119,534	651,084
Other non-cash items included in profit before tax	48	155,495	126,809	176,156	151,770
Income tax paid	14	(887)	(2,191)	-	-
Net cash generated from/ (used in) operating activities		**206,487**	**(68,914)**	**264,799**	**28,010**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash payments to acquire investment securities		-	-	-	-
Interest received on investment securities		-	-	-	-
Dividend received	9	4,435	4,303	3,057	1,870
Acquisition of property and equipment	29	(71,335)	(7,262)	(462)	(993)
Proceeds from the sale of property and equipment		3,800	468	74	4
Acquisition of intangible assets	30	(816)	(518)	-	(262)
Acquisition of investment properties		-	(6,244)	-	(4,210)
Purchase of FVTPL assets		(1,553)	-	(1,553)	-
Purchase of AFS securities		(8,000)	-	(8,000)	-
Purchase of HTM securities		(171,209)	(14,212)	(86,131)	-
Proceeds from disposal of investment properties		5,703	9,606	5,643	3,240
Proceeds from matured and disposed AFS investments		-	-	-	-
Proceeds from matured and disposed HTM investments		194,103	94,165	131,653	-
Cash acquired from new subsidiaries	28	1,082	-	-	-
Net cash generated from/(used in) investing activities		**(43,790)**	**80,306**	**44,281**	**(351)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid on interest bearing loans and borrowings		(406,125)	-	(539,749)	-
Proceeds from new interest bearing borrowings		65,900	537,134	65,900	500,000
Other borrowings principal repayment		(5,918)	(6,360)	(5,918)	-
Repayment of debt securities issued - AMCON Bonds		(743,091)	-	(743,091)	(1,090)
Dividends paid to non-controlling interest		(50)	-	-	-
Cash received from Resolution sinking fund		441,333	-	441,333	-
Net cash provided by/(used in) financing activities		**(647,951)**	**530,774**	**(781,525)**	**498,910**
Net (decrease)/increase in cash and cash equivalents		**(485,254)**	**542,166**	**(472,445)**	**526,569**
Cash and cash equivalents at the beginning of the year	48	714,014	171,848	557,477	30,908
Cash and cash equivalents at the end of the year	48	228,760	714,014	85,032	557,477
Net (decrease)/increase in cash and cash equivalents		**(485,254)**	**542,166**	**(472,445)**	**526,569**

Notes to the consolidated financial statements

1 CORPORATE INFORMATION

The Corporation was established by the Assets Management Corporation of Nigeria Act. The issued capital of the Group is owned by the Federal Government and held in trust by the Central Bank of Nigeria and the Ministry of Finance Incorporated in equal proportion of fifty percent each. The registered head office is at Murjanatu House, 1 Zambezi Crescent, Maitama, Abuja.

The principal activity of the Corporation is to acquire eligible bank assets (eligible bank assets means any class of assets designated by the Governor of CBN as being eligble for acquisition by the Corporation) from eligible financial institutions, purchase or otherwise invest in eligible equities, on such terms and conditions as the Corporation may deem fit, hold, manage, realise, and dispose of eligible bank assets (including the collection of interest, principal and capital due and the taking over of collateral securing such assets). In accordance with the provisions of the Act, the Corporation pay coupons on, and redeem at maturity, bonds and debt securities issued by it as consideration for the acquisition of eligible bank assets. The Corporation commenced business in November, 2010.

The Corporation also performs such other functions directly related to the management or the realisation of eligible bank assets that the Corporation has acquired, including managing and disposing assets acquired with the proceeds derived by the Corporation; taking all steps necessary or expedient to protect, enhance or realise the value of the eligible bank assets that the Corporation has acquired. This includes the disposal of eligible bank assets or portfolio of eligible bank assets in the market at the best achievable price, the securitization or refinancing of portfolio of eligible bank assets, and holding, realising and disposing of collateral securing eligible bank assets. Also perform such other activities and carry out such other functions which in the opinion of the Board are necessary, incidental or conclusive to the attainment of the objects of the Corporation.

Bussiness model

The Corporation was established by the Federal Government of Nigeria in 2010 to intervene and stimulate the recovery of the Nigerian Financial system via the acquisition of non-performing loans of banks in Nigeria, thus providing liquidity to the banks, and maximize the recovery of the acquired assets.

Pursuant to its mandate, the Corporation acquired non-performing loans (NPL) of banks, and issued bonds fully guaranteed by Federal Government of Nigeria as consideration. The Corporation also acquired ordinary and preference shares in some eligible financial institutions. The objective of these acquisitions was to clean the balance sheets of financial institutions in Nigeria and to provide liquidity, and capital to bring the banks back to balance sheet solvency from positions of negative capital.

Pursuant to its statutory function, AMCON has since acquired a significant amount of NPLs and eligible equities of eligible financial institutions in Nigeria amounting to N7.886 trillion.

AMCON is required by the AMCON Act to hold, manage, realize and dispose of the acquired non-performing loans and related collaterals in an orderly manner, while achieving maximum realizable returns, and defray the bonds issued from the proceeds of these sales as well as contributions from the banking industry.

Subsidiaries

As part of its mandate AMCON has interest in the following subsidiaries as at year end:

1.	Mainstreet Bank Limited	100%
2.	Keystone Bank Limited	100%
3.	Enterprise Bank Limited	100%
4.	PAN NigeriaLimited	79%
5.	AeroContractors Company of Nigeria Limited	60%

Going concern consideration

During the year, the Group recorded a loss of N677 billion, negative shareholders' funds of N3.5 trillion. The business model indicates that the Corporation will be able to realize its assets and defray all liabilities. The shares of AMCON are held by the Central Bank of Nigeria and the Federal Ministry of Finance Incorporated. The Central Bank of Nigeria and the Federal Ministry to Finance have expressed their unflinching financial support to the continuous operation of the Corporation as a going Concern.

As of the balance sheet date, N4.3 trillion representing 83% of AMCON's debt obligation is held by the Central Bank of Nigeria.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These financial statements for the year ended 31 December 2013 are the first the Group has prepared in accordance with IFRS. Refer to Note 3 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, available–for–sale financial assets, financial assets and liabilities designated at fair value through profit or loss which have all been measured at fair value. The consolidated financial statements are presented in Naira (N) and all values are rounded to the nearest million Naira, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at 31 December 2013. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and continue to be consolidated until the date when such control ceases.The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the parent entity and non-controlling interest.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. If the Group loses control over a subsidiary, it;

Notes to the consolidated financial statements

Derecognises the assets (including goodwill) and liabilities of the subsidiary
Derecognises the carrying amount of any non-controlling interest
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 the statement of profit or loss
Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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) is presented in the notes.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the separate statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.2 Summary of significant accounting policies

2.2.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in the statement of profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating.

2.2.2 Investment in equity accounted investee

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment 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 statement of profit or loss reflects the Group's share of the results of operations of the associate. 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 Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and represents profits or loss after tax and non-controlling interests in the subsidiaries of the Group.

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. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'Share of losses of an associate' in the statement of profit or loss.

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 retaining investment and proceeds from disposal is recognised in the statement of profit or loss.

Notes to the consolidated financial statements

2.2.3 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 statement of profit or loss. 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 subsidiaries, associates and interests in joint ventures; 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, carry forward of unused tax credits and unused tax losses, 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 subsidiaries, associates and interests in joint ventures, 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 reassessed 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 would be realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the Group's investment properties.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in the statement of profit or loss.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

Receivables and payables are stated with the amount of sales tax included

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

2.2.4 Trading properties

The Mortgage subsidiary of the Group purchases and conctruct properties for reslae. The Group recognises these property and measure as inventory under the following circumstances:

* Property purchased for the specific purpose of resale.
* Property constructed for the specific purpose of resale.

Inventories are valued at the lower of cost and net realisable value. Costs comprises direct materials and, where appropriate, labour and production overdheads which have been incurred in bringing the inventories and work in progress to their present loacation and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Notes to the consolidated financial statements

2.2.5 Foreign currency translation

The Group financial statements are presented in Naira, which is also the Group's functional currency.

(i) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 is determined. The gain or loss arising on translation of non-monetary items 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 the statement of profit or loss is also recognized in other comprehensive income or the statement of profit or loss, respectively).

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

2.2.6 Financial Instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Financial assets or financial liabilities held–for–trading

Financial assets or financial liabilities held–for–trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.
Included in this classification are equities and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

(iv) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

Included in this classification are acquired loans (Eligible Bank Assets) and other financial assets with embedded derivatives. On renegotiation of aquired loans, the initial financial asset is derecognised and the new asset renegotiated as loans and advances . Any difference is taken to income statement.

(v) Derivatives held for risk management purposes

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

(vi) '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 recognizes 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 recognized in the statement of profit or loss when the inputs become observable, or when the instrument is derecognized.

Notes to the consolidated financial statements

(vii) Available–for–sale financial investments

Available–for–sale investments include equity and debt securities. Equity investments classified as available–for –sale 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. After initial measurement, available–for–sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity (other comprehensive income) in the 'Available–for–sale reserve'.

When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of profit or loss in 'Other operating income'. Where the Group holds more than one investment in the same security they are deemed to be disposed of on a first–in first–out basis.

Interest earned whilst holding available–for–sale financial investments is reported as interest income using the effective interest rate (EIR). Dividend earned whilst holding available–for–sale financial investments are recognized in the statement of profit or loss as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of profit or loss in 'Impairment losses on financial investments' while the cumulative gains/losses accumulated in available for sale reserve are recycled to the statement of profit or loss.

(viii) Held-to-maturity financial 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 effective interest rate (EIR), less impairment.

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.

(ix) Due from banks, loans and advances to customers and other receivables

'Due from banks' and 'Loans and advances to customers' (including renegotiated loans), are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

Those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss.

Those that the Group, upon initial recognition, designates as available for sale.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' (including renegotiated loans) are subsequently measured at amortized cost using the effective interest rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest and similar income' in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in 'Credit loss expense'.

(x) Other financial liabilities

Other financial liabilities are recognised as financial liabilities measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 effecitve interest rate (EIR). The effective interest rate (EIR) amortisation is included as finance costs in the statement of profit or loss.

(xi) Reclassification of financial assets

The Group may reclassify, in certain circumstances, non–derivative financial assets out of the 'Held–for–trading' category and into the 'Available–for–sale', 'Loans and receivables', or 'Held–to–maturity' categories. Also, in certain circumstances, financial instruments reclassified out of the 'Available–for–sale' category and into the 'Loans and receivables' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. For a financial asset with a fixed maturity reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate (EIR). .If the financial asset does not have a fixed maturity, the gain or loss shall be recognised in profit or loss when the financial asset is sold or otherwise disposed of. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the statement of profit or loss.

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 recognized as an adjustment to the EIR from the date of the change in estimate.

The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

Notes to the consolidated financial statements

2.2.7 Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- 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:
- The Group has transferred substantially all the risks and rewards of the asset, or
- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset and 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.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where 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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of profit or loss.

2.2.8 Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, as non-derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading) category are reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

2.2.9 Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using 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. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Valuation techniques used are the market approach, the cost approach and the income approach. Most commonly used valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Valuation techniques used to measure fair value are applied consistently. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances

2.2.10 Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) 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 reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the consolidated financial statements

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers 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, recognized 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 recognized in the statement of profit or loss. 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.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized 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 recognized, the previously recognized 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 'Credit loss expense'. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate (EIR). If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate (EIR). The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics after considering asset type and the industry which include corporates, government and individuals.

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. 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 financial investments

For available–for–sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available–for–sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss. Future interest income is based 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.

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 recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

In the case of equity investments classified as available–for–sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Group treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from equity and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in the fair value after impairment are recognized in other comprehensive income.

(iii) Collateral repossessed

The Group 's policy is to determine whether a repossessed asset will be disposed of at the highest return possible or in case of real properties, rented immediately in order to offset some of the holding expenses and to provide better protection against vandalism.Repossessed assets are immediately transferred to their relevant asset category at their repossessed value at the repossession date in line with the Group's policy .

2.2.11 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.2.12 Sale and repurchase agreements

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

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

Notes to the consolidated financial statements

2.2.13 Leasing

The determination of whether an arrangement is a lease or it 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.

Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that 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 recognized as an expense in the statement of profit or loss on a straight line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

Lease payments made

Payments made under operating leases are recognized in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed

Group as a lessor

Leases where the Group does not transfer substantially all of 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 recognized over the lease term on the same basis as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

2.2.14 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available– for–sale and financial instruments designated at fair value through profit or loss, 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 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 effective interest rate (EIR) and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which 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 recognized as an adjustment to the effective interest rate (EIR) from the date of the change in estimate.

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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee, commission and other income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. Loan renegotiation fees and other credit related fees are deferred and recognized as an adjustment to the EIR on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a customer are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

Dividend income is recognized when the entity's right to receive the payment is established.

(iv) Net trading income

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

Notes to the consolidated financial statements

2.2.15 Cash and cash equivalents

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

2.2.16 Property and equipment

Property and equipment is stated at historical cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Subsequently, cost are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits from its use will flow to the Group and the cost can be measured reliably. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued. Land is not depreciated. The estimated useful lives of assets are as follows:

Leasehold land and buildings	50 years or over the term of the lease whichever is shorter
Motor vehicles	4 years
Furniture, fittings and equipment	5 years
Computer hardware	3 years
Leasehold improvements	over the shorter of the useful life of item or lease period

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment.

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. 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 recognized in 'Other operating income' in the statement of profit or loss in the year the asset is derecognized.

2.2.17 Investment properties

Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the period in which they arise. Fair values are evaluated periodically by an accredited external, independent valuer.

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.2.18 Intangible assets-Software

Software

Software is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight–line method to write down the cost of intangible asset over the period of four (4) years.

2.2.19 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 units (CGU) fair value less costs to sell and its value in use. Where 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Impairment losses relating to goodwill cannot be reversed in future periods.

Notes to the consolidated financial statements

2.2.20 Pension benefits

(i) Defined contribution pension plan

The Group operates a defined contribution pension plan, which requires contributions to be made to a separately administered fund. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's liabilities in respect of the defined contribution plan are charged against the profit and loss account of the year. Remittances are made to the Pension Fund Administrators chosen by the staff of the Group. Contribution payable is recorded as an expense under 'Employee benefit expenses'. Prepaid contribution is recognized as asset to the extent that cash refund in the future payment is available.

(ii) Defined benefit plan

The Group measures its obligation under a defined benefit pension plan using the projected unit credit methods. 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 recognised 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 the statement of profit or loss in subsequent periods.

Past service costs are recognised in the statement of profit or loss 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 expenses in consolidated statement of the statement of profit or loss; service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

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

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

2.2.21 Dividend Distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in statement of comprehensive income.

2.2.22 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and 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. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.2.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's primary format for segment reporting is based on business segments.

The business segments are determined by management based on the Group's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Chief Operating Decision Maker (CODM) is the Group's Executive Management Committee. The CODM allocates resources to and assesses the performance of each operating segment using the information below. The Group's operating segments consist of Assets Managements and Banking; the remaining operations of the Group are included in Non-financial services.

2.2.24 Equity reserves

The reserves recorded in equity (Other comprehensive income) on the Group's statement of financial position include:

Available for sale' reserve, which comprises changes in fair value of available-for- sale investments.
Translation reserve, comprises of the changes arising from translation of foreign operations
Regulatory risk reserve, warehouses the changes in impairment allowance as determined per the CBN prudential guidelines and IFRS.
Statutory reserve this warehouses the annual appropriation my banks as stipulated by the Bank and Other Financial Insitutions Act of
Other capital reserve

2.2.25 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Notes to the consolidated financial statements

2.2.26 Non-current assets held for sale and disposal group

Non-current assets and disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal group are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

2.2.27 Financial guarantees

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

2.2.28 Insurance contracts and investment contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income. Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

(i) Short-term insurance contracts

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

(ii) Deferred acquisition costs (DAC)

Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

(iii) Deferred income liability

Deferred income liability on fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

(iv) Liability adequacy test

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Any deficiency is immediately recognised in the statement of profit or loss.

(v) Reinsurance

Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly, resulting in a charge to the statement of profit or loss.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the consolidated financial statements

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as discount rates, prepayment rates, time to maturity and default rate assumptions for debt securities.

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. 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 advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in Group 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. Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations,levels of arrears, credit utilisation, loan-to-collateral ratios, and economic factors (industry risk and the performance of different individual groups). In order to estimate the required allowance, assumptions are made to define the way interest losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.The impairment loss on loans and advances is disclosed in more detail in Note 10 and Note 20 and further described in Note 44.

In measuring credit risk of loans and advances to various counterparties, the Group considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default-PD), the portion of the loan expected to be irrecoverable at the time of loan default (loss given default-LGD) and expected amount that is outstanding at the point of default. The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

Increase/decrease	Probability of default – PD Impact (N'000)			Loss Given Default – LGD Impact (N'000)
1% increase	139,263			192,882
1% decrease	(139,263)			(192,882)

Impairment of available-for-sale investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The Group reviews its debt securities classified as available–for–sale investments 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 advances.

The Group also records impairment charges on available–for–sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

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 arms 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 recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, the average of price multiples used, the retention rate used in terms of dividend payout assumptions and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount includes

Consolidation

The Group consolidates an entity when it has control, which means that it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee. In some cases, judgement has been required to determine whether the Group controls entities. The Group assessed that the voting rights in an entity are not dominant factor in deciding whether the group controls the entity. In assessing significant influence in investment in associate consideration is giving to representation on the board of the entity and ownership of preference shares that carry voting rights (that ranks pari-pasu with ordinary shares).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty 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 arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to the consolidated financial statements

2.4 Standards issued but not yet effective

The 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
IFRS 9, as issued, reflects the completed phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 which included hedged accounting and amendments to IFRS 9. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In February 2014, while finalising redeliberations and proceeding on its drafting and balloting the final requirement for the impairment project and limited amendments to classification and measurement requirements for IFRS 9, the IASB decided to require an entity to apply IFRS 9 for annual periods beginning on or after 1 January 2018. The adoption of the concluded phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Coporation does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not practice hedge accounting. However, these amendments would be considered for future novations.

IFRS 15 Revenue from contracts with customers

IFRS 15, as issued, reflects the completed phase of the IASB's work which replaces all existing IFRS revenue requirements. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment) and this will have an impact on the Group's reporting. Application is required for annual periods beginning on or after 1 January 2017, but early adoption is permitted under IFRS.

The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Extensive disclosures will be required, including disaggregation of total revenue which includes Interest and similar income, fees and commission and other operating income; information about performance obligations and key judgements and estimates.

IAS 19 Amendments - Defined Benefit Plans: Employee Contributions

The narrow-scope amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

The amendments permits contributions that are independent of the nuber of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocaing the contribution to periods of service. Other contribution by employees or third parties are required to be attributed to periods of service either using the plan's contribution formular or on a straight-line basis.
The amendments are effective from 1 July 2014 with earlier application permitted.The Group does not expect that the amendment will have material financial impact in future financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36- *Impairment of assets*)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period and also proposes the introduction of additional disclosures about fair value measurements when the recoverable amount is determined based on fair value less costs of disposal.

These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

Notes to the consolidated financial statements

3 First-time adoption of IFRS

These financial statements, for the year ended 31 December 2013, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with generally accepted accounting practice in Nigeria (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2012, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP statement of financial position as at 1 January 2012 and its previously published Local GAAP financial statements as at and for the year ended 31 December 2012.

Exemptions applied

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS.

- The Group has elected to classify certain equity investments as financial assets at fair value through profit or loss at the date of transition to IFRS.
- The Group has elected to carry investment in subsidiaries and associates in its separate financial statements at the previous GAAP carrying amount.

Estimates

The estimates at 1 January 2012 and at December 31, 2012 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present this amount in accordance with IFRS reflect conditions at 1 January 2012, the date of transition to IFRS and as of December 31, 2012.

Notes to the consolidated financial statements

3. First-time adoption of IFRS (*Cont'd)*
Reconciliation of Group's statement of financial position as at 1 January 2012

	Notes	NGAAP as at 1 January 2012	Reclassifications	Remeasurements	IFRS as at 1 January 2012
		N'Million	N'Million	N'Million	N'Million
Assets					
Cash and balances with central banks	J	132,582	11,193	(51,321)	92,454
Treasury bills	D	300,105	(141,388)	(158,717)	-
Due from banks	J	346,158	(7,678)	(216,208)	122,272
Other financial assets held for trading	J	-	118,550	(1,906)	116,644
Purchased loans	A	1,278,198	(1,278,198)	-	-
Financial assets designated at fair value through profit or loss	A	-	1,279,508	(216,278)	1,063,230
Loans and advances to customers	B	459,091	48,924	(194,740)	313,275
Advance under finance lease	J	-	3,994	(3,994)	-
Investment securities	C,D	395,852	(210,532)	(185,320)	-
Financial investments – available-for-sale	C	-	154,523	(24,584)	129,939
Financial investments – held to maturity	D	-	97,913	1,004	98,917
Assets pledged as collateral	J	-	27,846	-	27,846
Insurance receivables	J	-	1,697	(700)	997
Trading properties	E	-	179	-	179
Investment properties	E	85,258	221	(23,276)	62,203
Other assets	G	119,814	73,679	(112,320)	81,173
Investments in equity accounted investee	F	13,767	39,545	(12,449)	40,863
Property and equipment	J	108,457	(201)	(50,406)	57,850
Intangible assets	J	2,009	36	(600)	1,445
Deferred tax asset	K	99,102	9	(95,703)	3,408
Total assets		**3,340,393**	**219,820**	**(1,347,518)**	**2,212,695**
Liabilities					
Due to customers	J	1,129,333	1,399	(500,199)	630,533
Due to banks	G,J	85,035	(17,591)	(62,214)	5,230
Financial liabilities designated at fair value through profit or loss	J	-	83	-	83
Borrowings	G	32,332	(6,415)	(25,917)	-
Bond	G	3,913,680	(3,913,680)	-	-
Other liabilities	J	451,805	(8,850)	(216,847)	226,108
Current income tax liability	K	10,417	(1,576)	(2,631)	6,210
Debt issued and other borrowed funds	G	-	3,995,313	(36,625)	3,958,688
Deferred tax liability	K	1,226	-	(880)	346
Liability on investment contracts	J	-	473	-	473
Liability on insurance contracts	J	-	1,122	(23)	1,099
Retirement benefit obligation	J	62,186	(339)	(61,841)	6
Total liabilities		**5,686,014**	**49,939**	**(907,177)**	**4,828,776**
Equity attributable to equity holders of parent					
Issued capital		10,000	-	-	10,000
Retained earnings	I	(2,439,892)	236,072	(420,041)	(2,623,861)
Other reserves	C,H	1,673	18,649	(20,300)	22
		(2,428,219)	254,721	(440,341)	(2,613,839)
Attributable to Equity holders of the parent					
Non controlling interest		82,598	(84,840)	-	(2,242)
Total equity		(2,345,621)	169,881	(440,341)	(2,616,081)
Total liabilities and equity		**3,340,393**	**219,820**	**(1,347,518)**	**2,212,695**

Notes to the consolidated financial statements

3. First-time adoption of IFRS (*Cont'd)*

Reconciliation of Group's statement of financial position as at 31 December 2012

	Notes	NGAAP as at 31 December 2012 N'Million	Reclassifications N'Million	Remeasurements N'Million	IFRS as at 31 December 2012 N'Million
Assets					
Cash and balances with central banks	J	607,954	(3,776)	-	604,178
Treasury bills	D	256,903	(256,903)	-	-
Due from banks	J	233,195	(60,255)	-	172,940
Other financial assets held for trading	J	-	86,740	-	86,740
Purchased loans	A	1,004,031	(1,004,031)	-	-
Financial assets designated at fair value through profit or loss	A	-	1,004,114	(99,431)	904,683
Loans and advances to customers	B	367,834	29,163	(120,117)	276,880
Investment securities	C,D	182,299	(183,382)	1,083	-
Financial investments – available-for-sale	C	-	105,368	(7,246)	98,122
Financial investments – held to maturity	D	-	193,806	297	194,103
Assets pledged as collateral	J	-	45,385	28	45,413
Insurance receivables	J	-	584	(470)	114
Trading properties	E	-	2,766	-	2,766
Investment properties	E	86,850	(14,610)	(899)	71,341
Other assets	G	21,740	65,630	(16,475)	70,895
Investments in equity accounted investee	F	32,431	7,863	(10,001)	30,293
Property and equipment	J	51,358	(737)	429	51,050
Intangible assets	J	1,212	-	-	1,212
Deferred tax asset	K	9,091	9	(2,416)	6,684
Assets classifed as held for sale	J	-	12,537	-	12,537
Total assets		**2,854,898**	**30,271**	**(255,218)**	**2,629,951**
Liabilities					
Due to customers	J	658,793	(4,645)	-	654,148
Due to banks	G,J	167,494	(155,416)	(25)	12,053
Financial liabilities designated at fair value through profit or loss	J	-	83	-	83
Borrowings	G	526,453	(533,233)	6,783	3
Bond	G	4,460,222	(4,460,222)	-	-
Other liabilities	J	255,839	14,634	326,556	597,029
Current income tax liability	K	6,555	-	(224)	6,331
Debt issued and other borrowed funds	G	-	4,987,743	(327,657)	4,660,086
Deferred tax liability	K	294	-	305	599
Liability on investment contracts	J	-	376	-	376
Liability on insurance contracts	J	-	1,177	-	1,177
Liabilities associated with disposal group held for sale	J	-	4,286	-	4,286
Retirement benefit obligation	J	298	(95)	(48)	155
Total liabilities		**6,075,948**	**(145,312)**	**5,690**	**5,936,326**
Equity attributable to equity holders of parent					
Issued capital		10,000	-	-	10,000
Share premium		-	-	-	-
Retained earnings	I	(3,232,381)	145,479	(252,005)	(3,338,907)
Other reserves	C, H	4,149	29,913	(8,925)	25,137
		(3,218,232)	175,392	(260,930)	(3,303,770)
Attributable to Equity holders of the parent					
Non controlling interest		(2,818)	188	28	(2,602)
Total equity		(3,221,050)	175,580	(260,902)	(3,306,372)
Total liabilities and equity		**2,854,898**	**30,268**	**(255,212)**	**2,629,954**

Notes to the consolidated financial statements

3. First-time adoption of IFRS *Cont'd*
Reconciliation of Group's total comprehensive income for the year ended 31 December 2012

	Notes	NGAAP Balance 31 December 2012 N'Million	Reclassification N'Million	Remeasurments N'Million	IFRS Balance 31 December 2012 N'Million
Interest and similar income	*B,D*	164,898	(16,773)	542	148,667
Interest and similar expense	*F*	(560,826)	(10,546)	25,083	(546,289)
Net interest income		**(395,928)**	**(27,319)**	**25,625**	**(397,622)**
Fees and commission income	*B*	23,335	(9,240)	(69)	14,026
Fees and commission expense		-	-	-	-
Net fee and commission income/expense		**23,335**	**(9,240)**	**(69)**	**14,026**
Income from investment	*J*	6,919	(6,919)	-	-
Net trading income	*J*	5,333	(4,957)	-	376
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	*A*	-	1,365	(22,105)	(20,740)
Other operating income	*J*	17,510	(5,562)	7,653	19,601
Total operating income/(loss)		**(342,831)**	**(52,632)**	**11,104**	**(384,359)**
Credit loss expense	*A,J*	-	(185,929)	63,593	(122,336)
Write-back/(Impairment losses) on financial investments and other assets	*C*	-	11,370	(2,457)	8,913
Net operating income/(loss)		**(342,831)**	**(227,191)**	**72,240**	**(497,782)**
Personnel expenses	*B,*	(67,958)	27,647	162	(40,149)
Depreciation of property and equipment	*J*	(12,240)	(968)	385	(12,823)
Amortization of intangible assets	*J*	(856)	141	(36)	(751)
Fair value gain/(losses) on investment property	*J*	-	(95,422)	-	(95,422)
Operating expenses	*J*	(15,612)	15,575	37	-
Other operating expenses	*E,G*	(27,500)	(44,102)	15,791	(55,811)
Asset impairment charge	*J*	(325,342)	325,004	338	-
(Loss)/gain on disposal of investment	*J*	(4,843)	4,843	-	-
Write back/Impairment of investment in subsidiaries		-	43,646	(43,646)	-
Total operating expenses		(454,351)	276,364	(26,969)	(204,956)
Operating profit or (loss) before tax		**(797,182)**	**49,173**	**45,271**	**(702,738)**
Share of profit / (loss) of equity accounted investee	*F*	1,514	(2,054)	(1,475)	(2,015)
Profit or (loss) before tax		(795,668)	47,119	43,796	(704,753)
Income tax	*K*	3,987	-	(1,619)	2,368
Profit for the year from continuing operations		**(791,681)**	**47,119**	**42,177**	**(702,385)**
Discontinued operations					
Profit after tax for the year from discountinued operations		-	(10)	-	(10)
Profit / (loss) for the year		**(791,681)**	**47,109**	**42,177**	**(702,395)**

Notes to the consolidated financial statements

3. First-time adoption of IFRS *Cont'd*
Reconciliation of Group's total comprehensive income for the year ended 31 December 2012

	Notes	NGAAP Balance 31 December 2012	Reclassification	Remeasurments	IFRS Balance 31 December 2012
		N'Million	N'Million	N'Million	N'Million
Other comprehensive income					-
Other comprehensive income to be reclassified to profit or loss in subsequent period:		-	-	-	-
Foreign currency translation gain		-	173	164	**337**
Fair value movements on available-for-sale financial assets	C	-	-	11,689	**11,689**
Share of equity accounted investee other comprehensive income		-	-	-	-
		-			-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					-
Re-measurement gains (losses) on defined benefit plans		-	-	-	-
Fair value gain on property and equipment.		-	-	-	-
Share of equity accounted investee other comprehensive income	F	-	(30)	-	(30)
Income tax relating to components of other comprehensive income		-	-	-	-
Other comprehensive income for the year, net of tax		-	143	11,853	11,996
Total comprehensive income/ (loss) for the year, net of tax		**(791,681)**	**47,252**	**54,030**	**(690,399)**

Notes to the consolidated financial statements

3 First-time adoption of IFRS *Cont'd*

Notes to the Reconciliation of Group's statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

A Financial assets designated through profit or loss

Under Nigeria GAAP, loans acquired is recognised at the carrying value (i.e. cost less impairment) as at the reporting period. Under IFRS, acquired loans have been designated as financial assets measured at fair value through profit or loss; also other financial assets designated at fair value by mangement are presented in this financial statements line item.

The fair value of acquired loans was determined and compared with the carrying value under Nigeria GAAP; adjustments were made to restate the amount of loans acquired as at the reporting periods at their fair value and reclassify acquired loans from purchased loans to financial assets designated at fair value through profit or loss.

Analysis of IFRS adjustments made to restate the amount of financial assets designated at fair value through profit or loss

	31 December 2012 N'million	1 January 2012 N'million
Recognition of fair value changes on financial assets designated at fair value	(250,644)	(227,007)
Reclassification of purchased loans to financial assets designated at fair value	1,004,031	1,279,425
Additional income on restructured acquired loans	1,404	-
Reversal on provision on purchased recognised under NGAAP	141,364	-
Adjustment of negative AMCON price for the year	(2,346)	-
Being reclassification of 590,392,295 units of ETI preference shares to Unquoted Securities	9,458	11,872
Reclassification from financial assets avalalble for sale	83	83
Being entries to recognise fair value changes in ETI preference shares	1,333	(1,143)
	904,683	1,063,230

B Loans and advances to customers

Under Nigeria GAAP, interest income earned on non-performing loans and advances to customers are suspended and recognised net of the loan and advances carrying amount as at the reporting date. In line with IFRS, interest income earned on non-performing loans should be recognised as income and not suspended. Based on this, interest in suspense was reclassified to retained earnings at the transition date and interest and similar income in the comparative year.

Impairment charge on loans and advances are determined under Nigeria GAAP using the prudential guidelines issued by the Central Bank of Nigeria and recognised as impairment charge. In line with IFRS, impairment charge has been determined using the historical loss model; where impairment charge under Nigeria GAAP is higher than impairment charged under IFRS, the excess over IFRS impairment is recognised in un-distributable regulatory risk reserve in line with the directive of CBN.

IFRS also requires that loans granted at below market rate be initially measured at fair value and subsequently measured at amortised cost using the effective interest rate. Loans granted at below market rate were remeasured and restated in line with IFRS.

Analysis of adjustments impacting loans and advances to customers are detailed below:

	31 December 2012 N'million	1 January 2012 N'million
Recognition of interest suspended under NGAAP	25,636	3,592
Being the recognition of interest income during the moratorium and the amortisation of restructuring fees using EIR	(10,934)	(14,673)
Being adjustment to recognise restructuring fee income receivable on the restructuring of the loans	(48)	-
Being entries to reverse the fee income on loan restructure recognised upfront under NGAAP	(42)	-
Being adjustment to recognise restructure fee income receivable	-	(366)

	31 December 2012 N'million	1 January 2012 N'million
Being recognition of additional collective impairment on loans and advances	(17,061)	(18,383)
Being recognition of additional specific impairment on loans and advances	(58,265)	(2,744)
Being reclassification to loans and advances to customers	-	44,974
Restatement of loans and advances at amortised cost	(2,547)	(300)
Impact of fair valuation of loans at below market rate	(264)	(450)
Reclassification of accrued income on loans and advances	938	882
Transfer to non-distributable reserve	-	(618)
Reclassification (from)/to loans and advances	2,899	835
Remeasured adjustment on eliminated balances	(31,266)	-
De-recognition of union Bank's loans and advances consolidated under NGAAP	-	(158,565)
	(90,954)	(145,816)

Notes to the consolidated financial statements

3 **First-time adoption of IFRS** ***Cont'd***

Notes to the Reconciliation of Group's statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

C **Financial investments available for sale**

Under Nigerian GAAP, equity securities were reported as investment securities. On transition to IFRS, part of these securities were reclassified and reported as financial assets through profit or loss.

The fair values of the equity investments were determined at the transition date, the comparative and the reporting year. The fair values were based on the current market prices of the securities at the date of transition. The market value of each security was compared with its carrying value and significant declines were reported in profit or loss as impairment, appreciations and insignificant declines in the market values of each security were reported as 'changes in fair value of available for sale investments' in a more appropriate component of equity (Available-for-sale reserves). At the transition date (1 January 2012), equity investments were reported at their fair values and compared with the previous period's carrying amount. Significant declines in fair values were reported as impairment losses on financial investments in retained earnings while insignificant declines and appreciations were reported net under other comprehensive income (OCI).

Analysis of IFRS adjustment restating financial investment classified as available-for-sale are explained below:

	31 December 2012 N'million	1 January 2012 N'million
Reclassification of investment securities to available for sale financial investment	105,368	154,517
Being Recognition of unquoted equitied as available for sale	1,962	1,832
Reclassification from availalble for sale financial assets	(9,458)	(11,862)
Fair value adjustment on available for sale financial assets	250	(14,548)
	98,122	129,939

D **Financial investments - held to maturity**

Under Nigerian GAAP, treasury bills were carried at face value less unamortized interest measured on a straight line basis. At the date of transition to IFRS, the comparative year and the reporting period of the Corporation; treasury bills were remeasured at amortised cost with the amortisation adjustment determined using the effective interest rate recognised in retained earning.

Adjustments made to held to maturity financial investments are analysed below:

	31 December 2012 N'million	1 January 2012 N'million
Reclassification of treasury bills as held to maturity financial instruments	193,806	97,913
Reversal of excess interest accrued on treasury bills under NGAAP	-	(91)
Reversal of transaction cost on treasury bills recognised under NGAAP	55	22
Remeasurement of treasury bills at amortised cost	242	1,073
	194,103	98,917

E **Investment properties**

Investment properties were reported at their average market value (i.e. an average of the open market and force sale value) reporting in the acquired assets financial statement line item under the Nigerian GAAP. At the date of transition, they were reclassified to investment properties and carried at fair value at that date. The fair values of the investment properties were determined and the difference between the carrying amounts and their fair values at 31 December 2012 were reported net as 'fair value gains on investment properties' under other operating income in the income statement while fair value changes at 1 January 2012 were recognised in retained earnings. Trading properties that qualifies as investment property under IFRS have also being reclassified.

	31 December 2012 N'million	1 January 2012 N'million
Fair value adjustment on investment properties	(899)	6,664
Reclassification to/(from) investment properties	(14,610)	221
De-recognition of union Bank's investment properties consolidated under NGAAP	-	(29,940)
	(15,509)	(23,055)

F **Investment in equity accounted investee**

Investment in associated (investment in equity accounted investee) is carried at cost under Nigeria GAAP but equity accounted under IFRS. The Group's investments in Union Bank of Nigeria was consolidated under Nigeria GAAP and this investment qualifies as an investment in associate in line with IFRS. These investments were remeasured in line with IFRS and adjustments affecting this financial statement item line are presented below;

	31 December 2012 N'million	1 January 2012 N'million
Share of associates profit	(10,001)	(4,909)
Reclassification of investments qualifing as ssociates in line with IFRS	-	39,545
Reclassification to assets held for sale	(1,345)	-
	(11,346)	34,636

Notes to the consolidated financial statements

3 First-time adoption of IFRS *Cont'd*

Notes to the Reconciliation of Group's statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

G Debts issued and other borrowed funds

Under the Nigerian GAAP, the bonds in issue were carried at face value less unamortized discount measured on straight line basis while borrowings are carried at their carrying amount. On transition to IFRS, bonds and borrowings were reclassified to debt issued and other borrowed funds and remeasured initially at fair value and subsequently at amortized cost using effective interest rate method. The resulting adjustments were recognised against retained earnings at the transition date and against interest and similar expense as at 31 December 2012.

For loan received from governement at a below market rate; in line with IFRS, it should be initially measured at fair value and subsequently at amortised cost using the effective ineterest rate method. The fair value difference on below market rate borrowings are recognised in other liabilities as government grants.

Analysis of IFRS adjustment in this financial statement line item is shown below;

	31 December 2012 N'million	1 January 2012 N'million
Reclassification of prepaid financial advisory cost	(2,089)	(4,052)
Reclassification of borrowings to debt issued and other borrowed funds	520,394	19,507
Reclassification of Bonds to debt issued and other borrowed funds	4,467,350	3,979,858
Restatement of bonds at amortised cost	(63,576)	(36,625)
Recognition of government grant on loan at below market rate	(261,993)	-
	4,660,086	3,958,688

H Other Reserves

On the date of transition, the equity securities reported as available for sale financial assets were remeasured and the changes in fair values of the equity securities (appreciations and insignificant declines) arising from the remeasurement were reported in the available-for-sale reserves under other reserves.

	31 December 2012 N'million	1 January 2012 N'million
Transfer to available for sale reserve	(8,925)	(19,682)
Transfer to undistributable reserve	-	(618)
Reclassifications to reserves	(372,634)	(386,322)
	(381,559)	(406,622)

I Retained earnings

Reconciliation of retained earnings from NGAAP to IFRS is analysed below:

	1 January 2012 N'million
NGAAP Retained earnings	(2,439,892)
Reclassification of unearned discount on loans and advances to retained earnings	34,059
Reclassification of exchange difference to retained earnings	26
Recognition of interest suspended under NGAAP	2,912
Reversal of excess interest accrued on treasury bills under NGAAP	(91)
Reversal of individual provision made under NGAAP	2,646
Reversal of general provision made under NGAAP	1,918
Reversal of transaction cost on treasury bills recognised under NGAAP	22
Recognised fair value changes on loan designated at fair value through profit or loss	24,115
Fair value adjustments on investment properties	(251,122)
Restatement of bonds at amortised cost using effective interest rate	5,337
Being the recognition of interest income during the moratorium and the amortisation of restructuring fees	36,625
Being Recognition of remeasurement of invesment in MTN Linked Funds	(14,675)
Being entries to recognise fair value changes in ETI preference shares	1,832
Being recognition of additional collective impairment on REBA	(2,744)
Being recognition of additional specific impairment on REBA	(18,188)
Reclassification to other reserves	(6,693)
Reclassification to/(from) retained earnings	196,605
Derecognition of retained earnings on union Bank Plc consolidated under NGAAP	(196,553)
IFRS Retained earnings	(2,623,861)

Notes to the consolidated financial statements

3 **First-time adoption of IFRS** ***Cont'd***

Notes to the Reconciliation of Group's statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

J Other reclassifications from Nigeria GAAP reporting to IFRS

A classified statement of financial position has been presented under IFRS, based on the operating cycle for operating items and based on a 12 months period for non-operating items.

The following are manadatory reclassifications of items in the statements of financial position upon transition to IFRS:

* Financial assets and financial liabilities are presented separately from non-financial assets and liabilities.
* Provisions are presented separately from other payables.

The Group has also made the following elective reclassification of items in the statement of financial position:

* Financial assets held for trading presented as treasry bills and investment securities have been presented separately in the financial stataments.
* Assets under finance lease have been presented as loans and advances to customers in the financial statements.
* Assets pledged as collateral have been presented separately from other financial assets.
* Insurance receivables were presented in other assets under Nigeria GAAP and has being presented separately in the statements of financial positon.
* Non current assets qualifying as property, plant and equipment under IFRS have presented as such and depreciated.
* Intangible assets qualifying as such under IFRS have presented separately from property and equipment and amortised to statement of profit or loss.
* Non-current assets presented in various assets under Nigeria GAAP but qualifies as non-current assets held for sale in line with IFRS were reclassified from the various assets lines and presented as assets classified as held for sale.
* The Group has designated some of its liabilities at fair value through profit or loss and this has been presented separately as financial liabilitied designated at fair value through profit or loss.
* Liabilities on investment and insurance contract previous presented as part of other liabilities are presented as a financial statement line item.
* Liabilities on disposal group presented in various liabilities under Nigeria GAAP were reclassified to liabilities associated with disposal group held for sale.
* Retirement benefit oblidation have been presented separately from other liablities

The Group has made the following elective reclassifications of items in the statements of profit or loss and other comprehensive income:

* Income from investment held for trading have been reclassified to net trading income while other income from investment have been reclassified to other operating income.
* Asset impairment charge which presents impairment charged on loans and advances have been reclassified as credit loss expense.
* Operating expenses have been presented as other operating expense in the statement of profit or loss
* Fair value gain or losses have been presented separately in the statement of profit or loss.

K Tax impact on remeasurements

The related deferred income tax assets and liabilities arising as a result of restatements to IFRS have been recognised and presented in the financial statements.

L Statement of cash flows

The transition from Nigeria GAAP to IFRS has not had a material impact on the statement of cash flows.

Notes to the consolidated financial statements

3. First-time adoption of IFRS (*Cont'd)*
Reconciliation of statement of financial position as at 1 January 2012

	Notes	NGAAP as at 1 January 2012	Reclassifications	Remeasurements	IFRS as at 1 January 2012
		N'm	N'm	N'm	N'm
Assets					
Cash and balances with central banks	J	-	-	-	-
Treasury bills	D	45,050	(45,050)	-	-
Due from banks	J	30,693	215	-	30,908
Other financial assets held for trading	J	-	22,928	-	22,928
Purchased loans	A	1,279,425	(1,279,425)	-	-
Financial assets designated at fair value through profit or loss	A	-	1,279,425	(216,278)	1,063,147
Loans and advances to customers	B	198,257	47,520	(34,990)	210,787
Investment securities	C,D	44,006	(44,006)	-	-
Financial investments – available-for-sale	C	-	11,870	(10,038)	1,832
Financial investments – held to maturity	D	-	45,050	(69)	44,981
Investment properties	E	44,313	-	5,337	49,650
Other assets	G	11,871	26,665	-	38,536
Investments in equity accounted investee	F	-	39,544	-	39,544
Investment in subsidiaries		222,495	(105,879)	-	116,616
Property and equipment		610	-	-	610
Total assets		**1,876,720**	**(1,143)**	**(256,038)**	**1,619,539**
Liabilities					
Borrowings	F	19,507	(19,507)	-	-
Bond	F	4,183,592	(4,183,592)	-	-
Retirement benefit obligation	J	62	(62)	-	-
Other liabilities	J	37,019	(34,023)	-	2,996
Debt issued and other borrowed funds	F	-	4,199,047	(36,625)	4,162,422
Total liabilities		**4,240,180**	**(38,137)**	**-**	**4,165,418**
Equity attributable to equity holders of parent					
Issued capital		10,000	-	-	10,000
Retained earnings	I	(2,373,460)	36,997	(219,416)	(2,555,879)
Attributable to Equity holders of the parent		(2,363,460)	36,997	(219,416)	(2,545,879)
Non controlling interest					
Total equity		(2,363,460)	36,997	(219,416)	(2,545,879)
Total liabilities and equity		**1,876,720**	**(1,140)**	**(219,416)**	**1,619,539**

Notes to the consolidated financial statements

3. First-time adoption of IFRS (*Cont'd*)
Reconciliation of statement of financial position as at 31 December 2012

	Notes	NGAAP as at 31 December 2012	Reclassifications	Remeasurements	IFRS as at 31 December 2012
		N'm	N'm	N'm	N'm
Assets					
Cash and balances with central banks	*J*	500,000	-	-	500,000
Treasury bills	*D*	131,356	(131,356)	-	-
Due from banks	*J*	121,044	(63,567)	-	57,477
Other financial assets held for trading	*J*	-	38,252	-	38,252
Purchased loans	*A*	1,004,031	(1,004,031)	-	-
Financial assets designated at fair value through profit or loss	*A*	-	1,004,031	(99,431)	904,600
Loans and advances to customers	*B*	213,374	25,636	(86,350)	152,660
Investment securities	*C,D*	56,963	(56,963)	-	-
Financial investments – available-for-sale	*C*	-	9,503	(7,496)	2,007
Financial investments – held to maturity	*D*	-	131,356	297	131,653
Investment properties	*E*	71,195	(3,728)	333	67,800
Other assets	*G*	8,416	67,294	(2,043)	73,667
Investments in equity accounted investee	*F*	23,081	9,208	-	32,289
Investment in subsidiaries		128,562	-	(43,646)	84,916
Property and equipment		1,312	-	-	1,312
Intangible assets		240	-	-	240
Total assets		**2,259,574**	**25,635**	**(238,336)**	**2,046,873**
Liabilities					
Due to banks	*J*	141,081	(141,081)	-	-
Borrowings	*F*	518,417	(518,417)	-	-
Bond	*F*	4,700,022	(4,700,022)	-	-
Retirement benefit obligation	*J*	21	(21)	-	-
Other liabilities	*J*	86,464	76,172	261,994	424,630
Debt issued and other borrowed funds	*F*	-	5,218,439	(327,657)	4,890,782
Total liabilities		**5,446,005**	**(64,930)**	**(65,663)**	**5,315,412**
Equity attributable to equity holders of parent					
Issued capital		10,000	-	-	10,000
Retained earnings	*I*	(3,196,431)	90,560	(172,797)	(3,278,668)
Other reserves	*C,H*	-	-	129	129
		(3,186,431)	90,560	(172,668)	(3,268,539)
Total equity		(3,186,431)	90,560	(172,668)	(3,268,539)
Total liabilities and equity		**2,259,574**	**25,630**	**(238,331)**	**2,046,873**

Notes to the consolidated financial statements

3. First-time adoption of IFRS *Cont'd*

Reconciliation of total comprehensive income for the year ended 31 December 2012

	Notes	NGAAP Balance 31 December 2012	Reclassification	Remeasurments	IFRS Balance 31 December 2012
		N'm		N'm	N'm
Interest and similar income	*B,D*	32,925	22,779	4,071	59,775
Interest and similar expense	*F*	(537,965)	-	25,087	(512,878)
Net interest income		**(505,040)**	**22,779**	**29,158**	**(453,103)**
Fees and commission income		963		(42)	921
Fees and commission expense		-	-	-	-
Net fee and commission income/expense		**(504,077)**	**22,779**	**29,116**	**(452,182)**
Net trading income	*J*	2,776	(16,921)	-	(14,145)
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	*A*	-	-	(22,105)	(22,105)
Other operating income		78	298	-	376
Total operating income/(loss)		**2,854**	**(16,623)**	**(22,105)**	**(35,874)**
Credit loss expense	*A*	-	**(182,381)**	87,043	(95,338)
Net operating income/(loss)		**(501,223)**	**(176,225)**	**94,054**	**(583,394)**
Personnel expenses	*B,J*	-	(2,253)	-	(2,253)
Depreciation of property and equipment	*J*	-	(287)	-	(287)
Amortization of intangible assets	*J*	-	(22)	-	(22)
Operating expenses	*J*	(13,480)	13,480	-	-
Fair value gain/(losses) on investment property	*J*	-	(95,422)	-	(95,422)
Other operating expenses	*E,F*	-	(5,914)	(3,797)	(9,711)
Asset impairment charge	*J*	(314,487)	314,487	-	-
(Loss)/gain on disposal of investment	*J*	6,219	(6,219)	-	-
Write back/Impairment of investment in subsidiaries		-	**11,946**	**(43,646)**	(31,700)
Total operating expenses		(321,748)	229,796	(47,443)	(139,395)
Operating profit or (loss) before tax		**(822,971)**	**53,571**	**46,611**	**(722,789)**
Share of profit / (loss) of equity accounted investee	*F*	-	-	-	-
Profit or (loss) before tax		(822,971)	53,571	46,611	(722,789)
Income tax	*K*				-
Profit for the year from continuing operations		**(822,971)**	**53,571**	**46,611**	**(722,789)**
Discontinued operations					
Profit after tax for the year from discountinued operations		-	-	-	-
Profit / (loss) for the year		**(822,971)**	**53,571**	**46,611**	**(722,789)**
Other comprehensive income					-
Other comprehensive income to be reclassified to profit or loss in subsequent period:					-
Foreign currency translation gain		-	-	-	-
Fair value movements on available-for-sale financial assets	*C*	-	-	129	**129**
Other comprehensive income for the year, net of tax		-	-	129	129
Total comprehensive income/ (loss) for the year, net of tax		**(822,971)**	**53,571**	**46,740**	**(722,660)**

Notes to the consolidated financial statements

3 First-time adoption of IFRS *Cont'd*

Notes to the Reconciliation of statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

A Financial assets designated through profit or loss

Under Nigeria GAAP, loans acquired is recognised at the carrying value (i.e. cost less impairment) as at the reporting period. Under IFRS, acquired loans have been designated as a financial assets measured at fair value through profit or loss; also other financial assets designated at fair value by mangement are presented in this financial statements line item.

The fair value of acquired loans was determined and compared with the carrying value under Nigeria GAAP; adjustments were made to restate the amount of loans acquired as at the reporting periods at their fair value and reclassify acquired loans from purchased loans to financial assets designated at fair value through profit or loss.

Analysis of IFRS adjustment made to restate the amount of financial assets designated at fair value through profit or loss

	31 December 2012 N'million	1 January 2012 N'million
Recognition of fair value changes on financial assets designated at fair value	(250,644)	(227,007)
Reclassification of purchased loans to financial assets designated at fair value	1,004,031	1,279,425
Additional income on restructured acquired loans	1,404	-
Reversal on provision on purchased recognised under NGAAP	141,364	-
Adjustment of negative AMCON price for the year	(2,346)	-
Being reclassification of 590,392,295 units of ETI preference shares to Unquoted Securities	9,458	11,872
Being entries to recognise fair value changes in ETI preference shares	1,333	(1,143)
	904,600	1,063,147

B Loans and advances to customers

Under Nigeria GAAP, Interest income earned on non-performing loans and advances to customers are suspended and recognised net of the loan and advances carrying amount as at the reporting date. In line with IFRS, interest income earned on non-performing loans should be recognised as income and not suspended. Based on this, interest in suspense was reclassified to retained earnings at the transition date and interest and similar income in the comparative year. Analysis of adjustment impacting loans and advances to customers are detailed below:

	31 December 2012 N'million	1 January 2012 N'million
Recognition of interest suspended under NGAAP	25,636	2,912
Being the recognition of interest income during the moratorium and the amortisation of restructuring fees using EIR	(10,934)	(14,673)
Being adjustment to recognise loan restructure fee income receivable	(48)	-
Being entries raised to reverse fee income on loans restructured recognised upfront under NGAAP	(42)	-
Being adjustment to recognised restructuring fee income receivable on the restructuring of the loans	-	(366)
Being recognition of additional collective impairment on loans and advances	(17,061)	(16,270)
Being recognition of additional specific impairment on loans and advances	(58,265)	(4,047)
Being reclassification to loans and advances to customers	-	44,974
	(60,714)	12,530

Notes to the consolidated financial statements

3 **First-time adoption of IFRS *Cont'd***

Notes to the Reconciliation of statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

C **Financial Investments available for sale**

Under Nigerian GAAP, equity securities were reported as investment securities. On transition to IFRS, part of these securities were reclassified and reported as financial assets through profit or loss.

The fair values of the equity investments were determined at the transition date, the comparative and the reporting year. The fair values were based on the current market prices of the securities at the date of transition. The market value of each security was compared with its carrying value and significant declines were reported in profit or loss as impairment, appreciations and insignificant declines in the market values of each security were reported as 'changes in fair value of available for sale investments' in a more appropriate component of equity (Available-for-sale reserves). At the transition date (1 January 2012), equity investments were reported at their fair values and compared with the previous period's carrying amount. Significant declines in fair values were reported as impairment losses on financial investments in retained earnings while insignificant declines and appreciations were reported net under other comprehensive income (OCI).

Analysis of IFRS adjustment restating financial investment classified as available-for-sale are explained below:

	31 December 2012 N'million	1 January 2012 N'million
Reclassification of investment securities to available for sale financial investment	9,503	11,870
Being Recognition of MTN Linked Funds Forfeited by IBRU	1,962	1,832
Being reclassification of 590,392,295 units of ETI preference shares to Unquoted Securities	(9,458)	(11,870)
	2,007	1,832

D **Financial Investments - held to maturity**

Under Nigerian GAAP, treasury bills were carried at face value less unamortized interest measured on a straight line basis. At the date of transition to IFRS, the comparative year and the reporting period of the Corporation; treasury bills were remeasured at amortised cost with the amortisation adjustment determined using the effective interest rate recognised in retained earning.

Adjustments made to held to maturity financial investments are analysed below:

	31 December 2012 N'million	1 January 2012 N'million
Reclassification of treasury bills as held to maturity financial instruments	131,356	45,050
Reversal of excess interest accrued on treasury bills under NGAAP	-	(91)
Reversal of transaction cost on treasury bills recognised under NGAAP	55	22
Remeasurement of treasury bills at amortised cost	242	
	131,653	44,981

E **Investment properties**

Investment properties were reported at their average market value (i.e. an average of the open market and force sale value) reporting in the acquired assets financial statement line item under the Nigerian GAAP. At the date of transition, they were reclassified to investment properties and carried at fair value at that date. The fair values of the investment properties were determined and the difference between the carrying amounts and their fair values at 31 December 2012 were reported net as 'fair value gains on investment properties' under other operating income in the income statement while fair value changes at 1 January 2012 were recognised in retained earnings.

	31 December 2012 N'million	1 January 2012 N'million
Fair value adjustments on investment properties	333	5,337
Reclassification (from)/to investment property	(3,728)	
	(3,395)	5,337

Notes to the consolidated financial statements

3 **First-time adoption of IFRS *Cont'd***

Notes to the Reconciliation of statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

F **Debts issued and other borrowed funds**

Under the Nigerian GAAP, the bonds in issue were carried at face value less unamortized discount measured on straight line basis while borrowings are carried at their carrying amount. On transition to IFRS, bonds and borrowings were reclassified to debt issued and other borrowed funds and remeasured initially at fair value and subsequently at amortized cost using effective interest rate method. The resulting adjustments were recognised against retained earnings at the transition date and against interest and similar expense as at 31 December 2012, fair value difference on below market rate borrowings are recognised on other liabilities as government grants.

	31 December 2012 N'million	1 January 2012 N'million
Reclassification of prepaid financial advisory cost	(2,089)	(4,052)
Reclassification of borrowings to debt issued and other borrowed funds	518,417	19,507
Reclassification of Bonds to debt issued and other borrowed funds	4,700,022	4,183,592
Restatement of bonds at amortised cost	(63,575)	(36,625)
Recognition of government grant on loan at below market rate	(261,993)	-
	4,890,782	4,162,422

G **Other Reserves**

On the date of transition, equity securities classified as available for sale were remeasured and the changes in fair values of the equity securities(appreciations and insignificant declines) arising from the remeasurement were reported in the available-for-sale reserves under other reserves.

	31 December 2012 N'million	1 January 2012 N'million
Transfer to available for sale reserve	129	-
	129	-

H **Retained earnings**

Reconciliation of retained earnings from NGAAP to IFRS is analysed below:

	1 January 2012 N'million
NGAAP Retained earnings	**(2,373,460)**
Reclassification of unearned discount on REBA to retained earnings	34,059
Reclassification of exchange difference to retained earnings	26
Recognition of interest suspended under NGAAP	2,912
Reversal of excess interest accrued on treasury bills under NGAAP	(91)
Reversal of individual provision made under NGAAP	2,646
Reversal of general provision made under NGAAP	1,918
Reversal of transaction cost on treasury bills recognised under NGAAP	22
Recognised fair value changes on loan designated at fair value through profit or loss	24,115
Recognised fair value changes on loan designated at fair value through profit or loss	(251,122)
Fair value adjustments on investment properties	5,337
Restatement of bonds at amortised cost	36,625
Being the recognition of interest income during the moratorium and the amortisation of restructuring fees using EIR	(14,675)
Being Recognition of MTN Linked Funds securities	1,832
Being entries to recognise fair value changes in ETI preference shares	(1,142)

	1 January 2012 N'million
Being recognition of additional collective impairment on Restructured Eligible Bank Assets (REBA)	(18,188)
Being recognition of additional specific impairment on impairment on Restructured Eligible Bank Assets (REBA)	(6,693)
IFRS Retained earnings	**(2,555,879)**

Notes to the consolidated financial statements

3 **First-time adoption of IFRS *Cont'd***

Notes to the Reconciliation of statement of financial position as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012

J Other reclassifications from Nigeria GAAP reporting to IFRS

A classified statement of financial position has been presented under IFRS, based on the operating cycle for operating items and based on a 12 months period for non-operating items.

The following are manadatory reclassifications of items in the statements of financial position upon transition to IFRS:

* Financial assets and financial liabilities are presented separately from non-financial assets and liabilities.
* Provisions are presented separately from other payables.

The Corporation has also made the following elective reclassification of items in the statement of financial position:

* Financial assets held for trading presented as treasry bills and investment securities have been presented separately in the financial stataments.
* Assets pledged as collateral have been presented separately from other financial assets.

* Non-current assets presented in various assets under Nigeria GAAP but qualifies as non-current assets held for sale in line with IFRS were reclassified from the various assets lines and presented as assets classified as held for sale.

The Corporation has made the following elective reclassifications of items in the statements of profit or loss and other comprehensive income:

* Income from investment held for trading have been reclassified to net trading income while other income from investment have been reclassified to other operating income.
* Asset impairment charge which presents impairment charged on loans and advances have been reclassified as credit loss expense.
* Operating expenses have been presented as other operating expense in the statement of profit or loss
* Fair value gain or losses have been presented separately in the statement of profit or loss.
* Personnel expenses, depreciation expense, amortisation expense and impairment of subsidiaries have been presented separately in the statement of profit or loss.

K Tax impact on remeasurements

The related deferred income tax assets and liabilities arising as a result of restatements to IFRS have been recognised and presented in the financial statements.

L Statement of cash flows

The transition from Nigeria GAAP to IFRS has not had a material impact on the statement of cash flows.

Notes to the consolidated financial statements

4 Interest and similar income

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Cash and bank balances	3,686	3,708	-	-
Due from banks	12,638	9,812	9,150	3,492
Financial assets designated at fair value through profit or loss	14,528	-	14,528	
Loans and advances to customers	64,865	66,144	28,099	41,486
Financial investments – available-for-sale	15,699	22,981	-	-
Financial investments – held to maturity	61,750	45,967	48,599	14,742
Others	8,116	55	8,030	55
	181,282	**148,667**	**108,406**	**59,775**

5 Interest and similar expense

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Due to customers	5,900	6,292	-	-
Due to banks	27,834	25,310	-	-
Debt issued and other borrowed funds	519,033	508,734	542,576	506,969
Other interest expense	4,079	5,953	2,848	5,909
	556,846	**546,289**	**545,424**	**512,878**

6 Net fees and commision income

(a) Fees and commission income

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Credit related fees and commissions	3,827	3,178	1,274	921
Commission on turnover	4,671	5,329	-	-
Corporate finance fees	1,517	1,386		
Remittance fees	81	56	-	-
Letters of credit commissions and fees	953	652	-	-
Facility management fee	381	573	-	-
Fund transfer related fees	524	226	-	-
Electronic banking fee	995	463	-	-
Commision on managed funds	484	781	-	-
Other fees and commissions	2,842	1,382	-	-
	16,275	14,026	1,274	921

(b) Fees and commision expense

Other fees	(18)	-	-	-
	(18)	-	-	-
Net fees and commision income	**16,257**	**14,026**	**1,274**	**921**

Credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rate of loans and advances carried at amortized cost.

7 Net trading income/(loss)

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Equity securities	12,034	(14,145)	12,034	(14,145)
Foreign exchange	1,698	3,710		-
Debt securities	2,994	10,811		
Other trading income	-	-	-	-
	16,726	376	12,034	(14,145)

Notes to the consolidated financial statements

8 Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Financial assets designated at fair value through profit or loss	2,440	(20,740)	2,981	(22,105)
	2,440	(20,740)	2,981	(22,105)

Net gain/(loss) on financial assets designated through profit or loss in Note 8 above relates to loans that were acquired by AMCON from the Banks. This is measured at its fair value with changes being recognised in profit or loss for the year.

9 Other operating income

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Dividend income	4,435	4,303	3,057	1,870
Gains from sale of property and equipment	413	818	74	794
Gain on disposal of properties	2	(13)	2	2
Rental Income	1,821	407	1,377	112
Profit on sale of investment in subsidiary	32	91	-	-
Profit/(loss) on sale of investments	314	(2,449)	314	(2,449)
Recovery on loans previously written off	5,666	4,882	-	-
Non trading foreign exchange income	-	28	-	28
Underwriting profit	1,227	309	-	-
Flight revenue	19,637	-	-	-
Gain on bargain purchase (Note 28)	7,440	-	-	-
Other	16,084	11,225	6,083	19
	58,180	19,601	10,907	376

Flight revenue relates to the revenue from the operations of AeroContractors Company of Nigeria, a subsidiary of the Asset Management Company of Nigeria

10 Credit loss expense

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Impairment allowance for loans and advances to customers (note 22)	45,375	133,176	37,101	104,395
Impairment allowance for due from banks	1,031	595	-	-
Recoveries on loans and advances previously written off	(1,174)	(2,378)	-	-
Reversal of impairment allowance	(26,094)	-		-
Losses on loan restructuring/(write back)	57,425	(9,057)	57,425	(9,057)
	76,563	122,336	94,526	95,338

Losses on restructured loans relates to losses incurred on settlement/de-recognition/restructing of loans and advances.

11 Impairment/(Writeback) losses on financial investments and other assets

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Financial investments-available for sale:				
Debt securities:				
Quoted	-	(1,130)	-	-
Equities:				
Quoted	2,540	-	2,540	-
Recoveries on other assets	(4,804)	(4,473)	-	-
Charge on impairment of other assets (Note 26)	154,992	2,964	154,635	
Charge on impairment of held for sale assets	1,201	-	1,201	-
Reversal of impairment allowance on other assets	(4,034)	(6,274)	-	-
	149,895	(8,913)	158,376	-

The impairment charge on other assets relates to N100 billion deposit for shares in the Consolidated Discount House Limited (CDL) and other losses amounting to N57.9 billion

Events that led to a reversal of an impairment loss are a combination of successful reconciliation of legacy balances inherited at inception and write-backs of excess provision on other assets items as provision were higher than the assets provided for following resolution of items the Group carried out investigations/reconciliations exercises that led to recoveries/write back of part of the provisioned amounts. The assets relate to previously unsubstantiated bonds, trial balance differences that were subsequently resolved, reconciliation of long outstanding items in suspense unsubstantiated other asset balances for which provisions were made in prior period audits.The asset belong to the banking reportable segment.

Notes to the consolidated financial statements

12 Personnel expenses:

	GROUP		PARENT	
	31 December 2013 N'million	31 December 2012 N'million	31 December 2013 N'million	31 December 2012 N'million
Wages and salaries	42,024	38,422	2,610	1,568
Pension costs- Defined contribution plan	1,034	652	126	155
Pension costs- Defined benefit plan (Note 39)	122	35	-	-
Termination benefits	-	372	-	-
Other staff cost	267	668	24	530
	43,447	40,149	2,760	2,253

13 Other operating expenses

	GROUP		PARENT	
	31 December 2013 N'million	31 December 2012 N'million	31 December 2013 N'million	31 December 2012 N'million
Advertising and marketing	1,948	1,870	1,120	850
Auditors' remuneration	545	168	250	48
Bank charges	1,352	621	425	145
Banking sector resolution fund	3,042	845	-	-
Directors' emoluments	1,830	1,235	470	293
Staff training	2,508	1,528	526	25
Deposit insurance premium	3,519	3,762	-	-
Write-back/(Impairment losses) on financial investments and other assets	-	687	-	687
Impairment of goodwill	-	-	-	-
Information technology tax	66	114	-	-
Insurance	1,315	1,513	121	91
Professional fees	6,805	5,844	5,847	4,609
Rental charges	3,672	2,365	484	440
Maintenance cost	9,167	18,374	809	382
Debt recovery expenses	895	639	880	639
Aircraft fuel expense	6,808	-	-	-
Contract service cost	2,496	2,405	-	-
Business travels	598	386	-	-
General administrative expenses	7,239	6,639	-	-
Subscription and system expenses	2,933	1,351	-	-
Others	12,335	5,465	2,799	1,502
	69,073	55,811	13,731	9,711

13.1 Directors' emoluments

	Group		PARENT	
	31 December 2013 N'million	31 December 2012 N'million	31 December 2013 N'million	31 December 2012 N'million
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	25	21	25	21
Executive compensation	214	214	214	214
Directors' related expenses	203	200	203	200
	442	435	442	435

14 Income Tax
14.1 Income Tax credit

	GROUP		PARENT	
	31 December 2013 N'million	31 December 2012 N'million	31 December 2013 N'million	31 December 2012 N'million
Current taxes on income for the reporting period	677	236	-	-
Adjustments in respect of current income tax of previous year	218	182	-	-
Origination and reversal of temporary deferred tax differences	(20)	(2,786)	-	-
Income tax	875	(2,368)	-	-

14.2 Reconciliation of the total tax charge

	GROUP		PARENT	
	31 December 2013 N'million	31 December 2012 N'million	31 December 2013 N'million	31 December 2012 N'million
Profit/(loss) before income tax	(627,593)	(704,753)	(635,883)	(722,789)
Tax calculated using the domestic Corporation tax rate of 30% (2012: 30%)	3,641	10,769	-	-
Effect of tax rate in foreign jurisdiction	-	19	-	-
Non-deductible expenses	3,947	3,683	-	-
Capital gains tax	155	-	-	-
Tax exempt income	(15,751)	(15,097)	-	-
Deferred tax liability charge	394	(2,766)	-	-
Income tax charge on interest on government securities	153	117	-	-
Prior year under provision	62	49	-	-
Current year losses for which no deferred tax is recognised	8,147	808	-	-
Tax incentives	(1)	-	-	-
Originating temporary differences	(90)	(132)	-	-
Under provided in prior years	218	182	-	-
Total income tax in income statement	875	(2,368)	-	-

Notes to the consolidated financial statements

14.3 Movement in current tax payable

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
At 1 January	6,331	6,210	-	-
Acquisition during the year	1,849	-	-	-
Tax paid	(887)	2,191	-	-
Reclassification	(2,355)	-	-	-
Exchange difference	-	(4)	-	-
Prior period under provision	238	302	-	-
Income tax charge	875	(2,368)	-	-
At 31 December	6,051	6,331	-	-

14.4 Income tax relating to components of other comprehensive income

	GROUP			PARENT		
31 DECEMBER 2013	Before tax	Tax (expense) / Benefit	Net of tax	Before tax	Tax (expense) / Benefit	Net of tax
	N'million	N'million	N'million	N'million	N'million	N'million
Foreign currency translation differences						
Fair value gains on available-for-sale financial assets	4,983	-	4,983	(907)	-	(907)
Actuarial gains on defined benefit plans	59	(18)	41	-	-	-
Other comprehensive for the year	5,042	(18)	5,024	(907)	-	(907)
31 DECEMBER 2012						
	N'million	N'million	N'million	N'million	N'million	N'million
Foreign currency translation differences						
Fair value gains on fair-value-through-equity investments	11,689	-	11,689	129	-	129
Actuarial gains on defined benefit plans	(18)	-	(18)	-	-	-
Share of other comprehensive income of associates	(30)	-	(30)	-	-	-
Other comprehensive for the year	11,641	-	11,641	129	-	129

14.5 Loss after tax from discontinued operations

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Other operating expenses	(2,118)		-	
Profit before tax from discontinued operations	(2,118)	-	-	-
Gain on disposal				
Operating profit before tax	(2,118)	-	-	-
Tax income:				
Related to current pre-tax profit	(433)	(10)		
Profit for the year from discontinued operations	(2,551)	(10)	-	-
Earnings per share as per discontinued operations:				
Basic, loss for the year, from discontinued operation	(19)	-	-	-
Diluted, profit for the year, from discontinued operation	(19)		-	-

15 **Loss per share**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders (after adjusting for interest on the convertible preference shares and interest on the convertible bond, in each case net of tax) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

		GROUP		PARENT	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
		N'million	N'million	N'million	N'million
Net profit/Loss attributable to ordinary equity holders of the Parent		(627,560)	(701,837)	(635,883)	(722,789)
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution		(627,560)	(701,837)	(635,883)	(722,789)
Weighted average number of ordinary shares for basic earnings per share (thousands)		10,000	10,000	10,000	10,000
Weighted average number of ordinary shares adjusted for the effect of dilution (thousands)		10,000	10,000	10,000	10,000
Earnings/(Loss) per share					
Equity shares of the parent for the year:					
	Basic	(62.76)	(70.18)	(63.59)	(72.28)
	Dilute	(62.76)	(70.18)	(63.59)	(72.28)

Notes to the consolidated financial statements

16 Cash and balances with central banks

	GROUP			PARENT		
	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million
Cash on hand	25,097	29,678	22,151	-	-	-
Balances with Central banks	19,539	511,075	27,425	-	500,000	-
Mandatory deposits with the Central Bank of Nigeria	133,018	63,425	42,878	-	-	-
	177,654	604,178	92,454	-	500,000	-

Mandatory deposits with the Central Bank of Nigeria represent a percentage of customers' deposits (prescribed from time to time by the Central Bank of Nigeria) which is not available for daily use by the group. For purpose of statement of cashflows, this amount is excluded from cash and cash equivalents.

17 Due from banks

	GROUP			PARENT		
	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million
Placements with banks and discount houses (Not more than 90days)	55,090	119,315	92,273	1,059	48,874	23,933
Balances with banks and other amounts due	128,766	53,625	29,999	83,973	8,603	6,975
	183,856	172,940	122,272	85,032	57,477	30,908

18 Derivative financial instruments

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 of a derivative's underlying asset, reference rate or index and 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 indicative of neither the market risk nor the credit risk.

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
Assets	N'million	N'million	N'million	N'million	N'million	N'million
Foreign exchange swap	91	-	-	-	-	-
	91	-	-	-	-	-

19 Other financial assets and financial liabilities at fair value through profit or loss

	GROUP			PARENT		
	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million
(i) Other financial assets held for trading						
Treasury bills	10,632	30,642	68,933	-	-	-
Government bonds	9,904	17,215	23,859	-	-	-
Other debt securities	135	135	644	-	-	-
Quoted securities	74,945	38,748	23,208	72,961	38,252	22,928
	95,616	86,740	116,644	72,961	38,252	22,928
(ii) Financial assets designated at fair value through profit or loss						
Acquired loans	680,119	893,809	1,052,418	680,119	893,809	1,052,418
First Bank of Nigeria (FBN) Euro Bond	1,602	-	-	1,602	-	-
Liabilities on investment contracts	90	83	83	-	-	-
Other unquoted securities	11,249	10,791	10,729	11,249	10,791	10,729
	693,060	904,683	1,063,230	692,970	904,600	1,063,147
(iii) Financial liabilities designated at fair value through profit or loss						
Liability on investment contracts	90	83	83	-	-	-
	90	83	83	-	-	-

FBN Euro bond is a hybrid financial instrument that includes an embedded derivative. The hybrid instrument includes a conversion option and has been designated upon initial recognition as at fair value through profit or loss in other to eliminate or significantly reduce measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different base.

Acquired loans and other unquoted securities are designated by the Group at fair value through profit or loss because they represent a group of financial assets that are managed and whose performance is evaluated on a fair value basis. Information about these group of assets is provided internally on that basis to the Group's key management personnel

Notes to the consolidated financial statements

20 Financial investments

	GROUP			PARENT		
	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million
Available-for-sale investments						
Treasury bills	107,676	56,187	2,363		-	
Government bonds	22,837	27,099	113,753		-	
Other debt securities	9,350	-	-	8,318	-	
Quoted equity securities	14,740	11,065	7,751	-	-	-
Unqouted equity securities	10,570	6,673	9,001	5,683	2,007	1,832
	165,173	101,024	132,868	14,001	2,007	1,832
Impairment allowance	(6,814)	(2,902)	(2,929)	(3,913)	-	-
Total available for sale investments (a)	158,359	98,122	129,939	10,088	2,007	1,832

The impairment allowance on available for sale investments relates to unquoted equity securities.

Held to maturity						
Treasury bills	106,401	149,611	45,623	86,131	131,653	44,981
Government bonds	52,673	29,842	48,426	-	-	-
Other debt securities	12,135	14,650	4,868	-	-	-
Total held to maturity investments (b)	171,209	194,103	98,917	86,131	131,653	44,981
Total financial investments (a+b)	329,568	292,225	228,856	96,219	133,660	46,813

21 Assets pledged as collateral

	GROUP			PARENT		
	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million
Treasury bills	29,744	20,378	24,377	11,380	-	-
Government bonds	30,503	25,035	3,469	-	-	-
	60,247	45,413	27,846	11,380	-	-

The treasury bills are pledged to Union Bank Plc in respect of European Credit Union (ECA) facility secured in favour of Arik Air Limited. Also, part of the treasury bills have been pledged with Federal Inland Revenue Service (FIRS), Bank Of Industry (BOI), Nigeria Inter-bank Settlement System Plc (NIBSS), United Bank of Africa Plc and Union Bank of Nigeria Plc for the purpose of e-payments/settlements, intervention funds, collection and clearing of instruments.

The Government bonds have been pledged with Standard Chartered Bank in respect of repurchase transactions.

22 Loans and advances to customers

	GROUP			
	31 December 2013			
	Gross Amount N'million	Specific Impairment N'million	Collective Impairment N'million	Net Amount N'million
Individual lending	22,516	(695)	(701)	21,120
Corporate lending	592,102	(163,255)	(21,138)	407,709
Government lending	10,184	(2,012)	(238)	7,934
	624,802	(165,962)	(22,077)	436,763

	31 December 2012			
	Gross N'million	Specific N'million	Collective N'million	Net Amount N'million
Individual lending	24,182	(399)	(405)	23,378
Corporate lending	414,910	(151,002)	(22,183)	241,725
Government lending	13,723	(1,437)	(509)	11,777
	452,815	(152,838)	(23,097)	276,880

Notes to the consolidated financial statements

	1 January 2012			
	Gross N'million	Specific N'million	Collective N'million	Net Amount N'million
Individual lending	10,861	(699)	(360)	9,802
Corporate lending	456,182	(136,972)	(20,286)	298,924
Government lending	6,101	(1,379)	(173)	4,549
	473,144	(139,050)	(20,819)	313,275

	PARENT			
	31 December 2013			
	Gross N'million	Specific N'million	Collective N'million	Net Amount N'million
Individual lending	8,087	-	(404)	7,683
Corporate lending	383,555	(147,585)	(15,753)	220,217
Government lending	2,407	(1,739)	-	668
	394,049	(149,324)	(16,157)	228,568

	31 December 2012			
	Gross N'million	Specific N'million	Collective N'million	Net Amount N'million
Individual lending	10,737	-	(74)	10,663
Corporate lending	269,649	(111,568)	(17,635)	140,446
Government lending	1,551	-	-	1,551
	281,937	(111,568)	(17,709)	152,660

	1 January 2012			
	Gross N'million	Specific N'million	Collective N'million	Net Amount N'million
Individual lending	1,666	-	(235)	1,431
Corporate lending	351,844	(124,547)	(17,953)	209,344
Government lending	12	-	-	12
	353,522	(124,547)	(18,188)	210,787

Impairment allowance for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances is as follows:

	GROUP			PARENT		
	Specific impairment N'million	Collective impairment N'million	Total N'million	Specific Impairment N'million	Collective Impairment N'million	Total N'million
At 1 January 2012	139,050	20,819	159,869	124,547	18,188	142,735
Charge for the year (Note 10)	119,427	2,333	121,760	103,604	791	104,395
Reversals	(98,634)	-	(98,634)	(117,853)	-	(117,853)
Reclassification	5	-	5	1,270	(1,270)	-
Effect of foreign currency movements	(6,229)	-	(6,229)	-	-	-
Write-offs	(781)	(55)	(836)	-	-	-
Interest on impaired loans and advances	-	-	-	-	-	-
At 31 December 2012	152,838	23,097	175,935	111,568	17,709	129,277
Charge for the year (Note 10)	45,210	165	45,375	38,653	(1,552)	37,101
Reversals	(26,094)	-	(26,094)	(897)	-	(897)
Reclassification	1,174	(1,185)	(11)	-	-	-
Effect of foreign currency movements	3	-	3	-	-	-
Write-offs	(7,169)		(7,169)	-	-	-
Interest on impaired loans and advances	-	-	-	-	-	-
At 31 December 2013	165,962	22,077	188,039	149,324	16,157	165,481

Advances under finance lease

	GROUP			PARENT		
	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million	31 December 2013 N'million	31 December 2012 N'million	1 January 2012 N'million
GROUP						
Gross investment in finance lease	3,645	1,116	295	-	-	-
Unearned finance income	(14)	(5)	(4)	-	-	-
Net investment in finance lease	3,631	1,111	291	-	-	-
Less than one year	331	94	202	-	-	-
Between one and five years	3,300	1,017	89	-	-	-
	3,631	1,111	291	-	-	-

Notes to the consolidated financial statements

23 Insurance receivables

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Due from contract holders	-	-	-			
Due from agents and brokers	1,199	1,066	1,854			
Due from reinsurers	202	-	547			
	1,401	1,066	2,401	-	-	-
Impairment of insurance receivables	(977)	(952)	(1,404)			
	424	114	997	-	-	-

Reconciliation of impairment allowance on insurance receivables

	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
At start of period	945	1,404	1,170	-	-	-
(Decrease)/increase in impairment	32	(452)	936	-	-	-
Write off of impairment	-	-	(702)	-	-	-
	977	952	1,404	-	-	-

Analysis of impiarment allowance on insurance receivables

	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Due from agents and brokers	836	952	1,404	-	-	-
Due from reinsurers	141	-	-	-	-	-
	977	952	1,404	-	-	-

Notes to the consolidated financial statements

24 Trading properties

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Balance, beginning of period / year	2,766	179	179	-	-	-
Additions and capital improvements	58	3	-	-	-	-
Reclassification	-	2,627	-	-	-	-
Disposal of trading property	(55)	(43)	-	-	-	-
Balance, end of year/period	2,769	2,766	179	-	-	-

25 Investment properties

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Balance at the begining of the year	71,341	62,203	67,800	49,650
Additions	32,255	129,839	32,008	127,310
Reclassifications	-	(11,432)	-	-
Disposal	(5,701)	(13,847)	(5,641)	(13,738)
Fair value changes in investment properties	13,481	(95,422)	13,320	(95,422)
Balance at the end of the year	111,376	71,341	107,487	67,800

Investment properties represent properties surrendered by debtors for the settlement of their outstanding loan balances with AMCON. The fair value of investment property is determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise the Cost Approach, Income Capitalization Approach and Sales Comparison Approach. However, an annual desk review is performed whereby the fair values are determined based on recent industry transactions with similar characteristics and location to those of the investment properties.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise.
Various valuations have been performed as at 31 December 2013, 31 December 2012 and 31 December 2011, with the purpose of determining the Market Value and Forced Sale Value of the properties.

The Basis of Valuation adopted in arriving at the fair value in accordance with International Valuation Standards, as set out by International Valuation Standards Committee is the Market Value, which represents the estimated price for which property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

26 Other assets

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Prepayments	7,437	6,071	5,416	1,945	519	765
Stock of consumables	3,336	177	192	-	-	-
Receivables from Central Bank of Nigeria (CBN)	250,200	-	-	250,200	-	-
Accounts receivable	69,218	106,101	96,871	32,423	68,440	-
Witholding tax receivables	4,156	-	-	-	-	-
Other receivables	117,464	123,375	165,162	2,119	4,708	37,771
Deposit for shares	100,000	-	-	100,000	-	-
	551,811	235,724	267,641	386,687	73,667	38,536
Less: Impairment of other assets	(269,629)	(164,829)	(186,468)	(114,987)	-	-
	282,182	70,895	81,173	271,700	73,667	38,536

The amount receivable from the CBN represents the outstanding portion of the subscription proceeds for the N3.8 trillion loan note issued during the year. The amount has been received subsequent to the balance sheet date.

Reconciliation of impairment

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
At Beginning of the year	164,829	186,468	179,648	-	-	-
Increase in impairment (Note 11)	154,992	(2,964)	7,375	154,635	-	-
Amounts written off	(42,233)	(4,482)	(195)	(39,648)	-	-
Provisions no longer required	(10,838)	(14,193)	(360)	-	-	-
At end of period	266,750	164,829	186,468	114,987	-	-

Notes to the consolidated financial statements

27 Investments in equity accounted investee

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Cost of investments	32,550	32,338	200,457	32,550	32,289	199,143
Share of other comprehensive income (OCI)	1,167	(30)	-	-	-	-
Share of dividend paid	-	-	5	-	-	-
Share of result for the year/period	2,869	(2,015)	-	-	-	-
Impairment of investment in associate	-	-	(159,599)	-	-	(159,599)
	36,586	30,293	40,863	32,550	32,289	39,544

Analysis of the cost of investment in equity accounted investees

	GROUP			PARENT		
	Gross N'million	Impairment N'million	Net Amount N'million	Gross N'million	Impairment N'million	Net Amount N'million
31 December 2013						
Union Bank of Nigeria Plc Plc	23,342	-	23,342	23,342	-	23,342
Sparkwest Steel Industries Limited	9,208	-	9,208	9,208	-	9,208
	32,550	-	32,550	32,550	-	32,550
31 December 2012						
Union Bank of Nigeria Plc	23,081	-	23,081	23,081	-	23,081
Sparkwest Steel Industries Limited	9,208	-	9,208	9,208	-	9,208
Unique Ventures Capital Management Company Limited (UVC)	49	-	49	-	-	-
	32,338	-	32,338	32,289	-	32,289
1 January 2012						
Union Bank of Nigeria Plc	189,935	(159,599)	30,336	189,935	(159,599)	30,336
Sparkwest Steel Industries Limited	9,208	-	9,208	9,208	-	9,208
Spring Mortgages Limited	1,265	-	1,265	-	-	-
Unique Ventures Capital Management Company Limited (UVC)	49	-	49	-	-	-
	200,457	(159,599)	40,858	199,143	(159,599)	39,544

Union Bank of Nigeria Plc Plc was incorporated in Nigeria in 1969, the principal activities of the bank includes the provision of money market activities, retail banking, granting of loans and advances equipmemnt leasing, corporate finance and foreign exchange operations. The Corporation currently holds a 20% interest in the bank. As of the balance sheet date, the bank was an associate of the Corporation and has been recognised at cost. The market value of the investment in Union Bank as at 31 December 2013 is N32,688,141,962.

The following table illustrates the summarised financial information of the investment in Union Bank:

	31 December 2013	31 December 2012
	N'million	N'million
Assets	998,958	1,015,278
Liabilities	(799,615)	(836,094)
Equity	199,343	179,184
Proportion of the Groups ownership	20%	20%
Carrying amount of the investment	23,342	23,081
Operating income	69,837	77,530
Total expenses	(59,956)	(73,004)
Income tax expense	933	-391
Profit for the year (continuing operations)	6,074	3,951
Share of profit for the year	767	1,475

There are no restrictions resulting from borrwing arrangements or regulatory requirements on Union Bank to transfer funds to the Corporation in the form of cash dividends, or repayment of loans or advances.

Sparkwest Steel Industries Limited is a world class producer of fabricated and galvanized steel structures. Sparkwest steel specialises in designing of Telecom and Power Towers, Manufacturing & Supply of Telecom and Power Towers, Construction of Power (Electricity) Towers and Sub-Stations, Erecting of Telecom and Power Towers, Transmission Lines & Sub-Stations, Surveying and Monitoring of Electricity Lines using Helicopters, Galvanization of all Steel Structures and Materials. The Corporation currently holds preference shares significant influence over the operating and financial decision of the company. Note 2.3 discloses the judgement made in determining that the Corporation possesses significant influence over Sparkwest Steel Industries Limited.

The following table illustrates the summarised financial information of the investment in Sparkwest Steel Industries:

	31 December 2013
	N'million
Assets	51,956
Liabilities	(54,444)
Equity	(2,488)
Carrying amount of the investment	9,208
Operating income	
Total expenses	(6,061)
Profit for the year (continuing operations)	(6,061)
Share of profit for the year	(3,637)

There are no restrictions resulting from borrwing arrangements or regulatory requirements on Sparkwest to transfer funds to the company in the form of cash dividends, or repayment of loans or advances.

Notes to the consolidated financial statements

28 Investment in subsidiaries

	PARENT		
	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million
Mainstreet Bank Limited	425,122	425,562	425,562
Keystone Bank Limited	300,987	300,673	300,673
Enterprise Bank Limited	135,032	135,032	135,032
ASCOT offshore Nigeria Limited	-	17,500	17,500
Peugeot Automobile Nigeria Limited (PAN)	14,763	-	-
AeroContractors Company of Nigeria Limited	14,000	-	-
	889,904	878,767	878,767
Impairment of investments in subsidiaries (Note (a))	(745,771)	(793,851)	(762,151)
	144,133	84,916	116,616

31 December 2013 Subsidiaries	% Holding	Cost N'million	Impairment N'million	Carrying Value N'million
Mainstreet Bank Limited	100	425,122	(352,681)	72,441
Keystone Bank Limited	100	300,987	(277,855)	23,132
Enterprise Bank Limited	100	135,032	(106,493)	28,539
Peugeot Automobile Nigeria Limited (PAN)	79	14,763	(431)	14,332
AeroContractors Company of Nigeria Limited	60	14,000	(8,311)	5,689
		889,904	(745,771)	144,133

31 December 2012 Subsidiaries	% Holding	Cost N'million	Impairment N'million	Carrying Value N'million
Mainstreet Bank Limited	100	425,562	(380,106)	45,456
Keystone Bank Limited	100	300,673	(279,468)	21,205
Enterprise Bank Limited	100	135,032	(116,777)	18,255
ASCOT offshore Nigeria Limited	95	17,500	(17,500)	-
		878,767	(793,851)	84,916

31 December 2011 Subsidiaries	% Holding	Cost N'million	Impairment N'million	Carrying Value N'million
Mainstreet Bank Limited	100	425,562	(383,947)	41,615
Keystone Bank Limited	100	300,673	(271,324)	29,349
Enterprise Bank Limited	100	135,032	(106,880)	28,152
ASCOT offshore Nigeria Limited	95	17,500	-	17,500
		878,767	(762,151)	116,616

(a) Movement in impairment of investment in subsidiaries
A reconciliation of the impairment losses of investment n subsidiaries:

	31 December 2013	31 December 2012
Parent (N'm)	N'million	N'million
At 1 January	(793,851)	(762,151)
Disposal during the year	-	-
Charged during the year	-	-
Provision no longer required	17,500	-
(Charge)/Write back during the year	30,581	(31,700)
At 31 December	(745,770)	(793,851)

i. Mainstreet Bank Limited was incorporated in Nigeria on 3 August 2011 the principal activities of the Bank includes the provision of money market activities, retail banking, granting of loans and advances equipmemnt leasing, corporate finance and foreign exchange operations. The Bank has nine subsidiaries namely: Mainstreet Capital Market Limited, Mainstreet Microfinance Bank Limited, Mainstreet Insurance Brokers Company Limited, Mainstreet Estate Limited, Mainstreet Securities Limited, ANP International Finance-Dublin, Mainstreet Bureau de change, Mainstreet Trustees and Investment Limited and Mainstreet Registrars Limited. The bank was acquired by the Corporation on 5 August 2011.

ii. Keystone Bank Limited was incorporated in Nigeria on 3 August 2011. The principal activities of the bank are the provision of money market services, corporate, commercial, consumer and retail banking, granting of loans and advances and foreign exchange operations. The Bank has nine subsidiaries namely: BDC PHB Limited, Insurance PHB Limited, Bank PHB Gambia Limited, Global bank Liberia Limited, Orient Bank uganda Limited, PHB Sierra leone Limited, PHB Capital and Trust Limited, PHB Asset Management Limited and PHB Healthcare Limited. The bank was acquired by the Corporation on 5 August 2011.

iii. Enterprise Bank Limited was inorporated in 2 August 2011. The Bank engages in business of commercial banking. The Bank has six subsidiaries namely: Fleet Technologies Limited, Spring Life Assurance Limited, First Spring Insurance Brokers Limited, Spring Realtors Limited, Trustville Property Development Corporation and First Spring Finance Limited. The Bank was acquired by the Corporation on 5 August 2011.

iv. AeroContractors Company of Nigeria Limited is a company engaged in the provision of aviation services to oil companies and generally to the member of the public. AeroContractors Company of Nigeria is not publicly traded. On 15 April 2013,the Corporation acquired 60% voting shares of the company and the results of the Company has been consolidated into the group financial statements. The investment is carried at cost less impairment in the seperate financial statements of AMCON and this has been treated as a subsidiary and presented at cost less impairment charge.

The fair value of the total consideration paid on the acquisition of the investment in AeroContractors Company of Nigeria amounts to N14,000,000,000. The consideration was a debt to equity swap between the Asset Management Company of Nigeria and AeroCOntractors and this is to part settle the loans payable by AeroContractors to the corporation.

The table below shows the amount recognised at the acquisition date of the acquirees assets and liabilities

Notes to the consolidated financial statements

	N'million
Assets	
Property, plant and equipment	13,138
Intangible assets	6
Loans and receivables	3,668
Inventories	16
Trade receivables	1,621
Prepayments	1,135
Other assets	4,447
Cash and short-term deposits	992
Total assets	25,023
Liabilities	
Trade and other payables	7,191
Interest-bearing loans and borrowings	15,056
Other liabilities	7,181
Deferred revenue	1,968
Income tax payable	1,844
Employee benefit liability	243
Total liabilities	33,483
Net Assets	(8,460)
Consideration	14,000
Goodwill	19,076

The fair value of the trade receivables amounts to N1,621,116,000. The gross amount of trade receivables at the acquisition is N5,767,884,845 and the impairment on trade receivables amounts to N4,146,769,087

The goodwill of N19,075,681,711 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the subsidiary AeroContractors Company of Nigeria. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interest recognised at the acquisition date amounts to N(3,383,788,000) and this was determined as the non-controlling interest's propotionate share of the net assets of AeroContractors at the acquisition date.

The total revenue recognised in the statement of profit or loss from the operations of AeroContractors Company of Nigeria is N19,636,958,747 and a total loss of N2,227,930,330.

v. Peugeot Automobile Nigeria Limited (PAN) was incorporated in Nigeria on 15 December 1972, as a Limited Liability Company and is engaged in the assembling of vehicles. On 25 February 2013, the Corporation acquired 79% voting shares in the company and as and the results of the Company has been consolidated into the group financial statements. The investment is carried at cost less impairment in the seperate financial statements of AMCON and this has been treated as a subsidiary and presented at cost less impairment charge.

The fair value of the consideration paid on the acquisition of PAN amounts to N14,763,146,791. The consideration was a debt to equity swap between the Assets Management Company of Nigeria (AMCON) and PAN to part settle the loans payable to the corporation and its precious significant shareholders.

The table below show the amount recognised at the acquisition date of the acquirees assets and liabilities

	N'million
Assets	
Property, plant and equipment	32,088
Investment Property	103
Intangible assets	934
Inventories	2,951
Trade and other receivables	307
Other assets	284
Due from related parties	79
Cash and cash equivalents	90
Total assets	36,836
Liabilities	
Trade and other payables	370
Other liabilities	38
Deferred taxation	317
Borrowings	8,006
Total liabilities	8,731
Net Assets	28,105
Consideration	14,763
Bargain purchase	(7,440)

The fair value of the trade receivables amounts to N307,000,000. The gross amount of trade receivables at the acquisition is N1,585,568,000 and the impairment on trade receivables amounts to N1,278,594,000

The non-controlling interest recognised at the acquisition date amounts to N5,902,005,000 and this was determined as the non-controlling interest's propotionate share of the net assets of Peugeot Automobile Nigeria Limited at the acquisition date.

The revenue recognised in the statement of profit or loss from the operations of PAN is N1,870,949,854 and a loss of N6,067,812,198. The total revenue reported by PAN for the year ended 31 December 2013 is N2,132,336,000 with a loss of N6,601,601,418.

Notes to the consolidated financial statements

29 Property and equipment

(a) GROUP

	Aircrafts N'million	Leasehold land & building N'million	Leasehold Improvements N'million	Furniture, fittings and equipment N'million	Motor vehicles N'million	Work in Progress N'million	Computer hardware N'million	Total N'million
Cost:								
At 1 January 2012	-	37,322	12,451	17,850	9,822	3,069	14,642	95,156
Additions	-	81	1,449	1,959	1,200	171	2,402	7,262
Reclassifications	-	(8)	80	209	(19)	(747)	(210)	(695)
Exchange difference	-	(5)	(10)	(189)	37	(12)	140	(39)
Write off	-	-	(38)	-	1	-	(1)	(38)
Disposals	-	-	(327)	(24)	(566)	(38)	(21)	(976)
At 31 December 2012		37,390	13,605	19,805	10,475	2,443	16,952	100,670
Additions	-	327	523	1,485	3,040	2,630	738	8,743
Acquisition during the year	24,193	26,694	-	10,001	787	101	816	62,592
Reclassifications	-	-	32	28	3	401	-	464
Exchange difference	-	4,922	(75)	38	(10)	(383)	13	4,505
Write off	-	-	-	-	-	3	(13)	(10)
Transfers	-	-	(182)	(497)	-	(97)	-	(776)
Disposals	-	(3,589)	(139)	(277)	(667)	-	(3)	(4,675)
At 31 December 2013	24,193	85,744	13,764	30,583	13,628	5,098	18,503	171,513
Depreciation and impairment:								
At 1 January 2012	-	3,502	7,264	12,243	7,030	-	7,267	37,306
Exchange difference	-	(47)	(2)	(90)	8	-	102	(29)
Disposals	-	-	-	(10)	(409)	-	(12)	(431)
Write off	-	-	(14)	-	(16)	-	(19)	(49)
Reclassifications	-	-	57	2	(1)	-	(58)	-
Depreciation charge for the period	-	545	1,874	2,598	1,487	-	6,319	12,823
At 31 December 2012	-	4,000	9,179	14,743	8,099	-	13,599	49,620
Exchange difference	-	16	(13)	28	(9)	-	2	24
Acquisition during the year	8,104	4,006	-	4,637	530	-	610	17,887
Disposals	-	(378)	(3)	(270)	(104)	-	-	(755)
Reclassifications	-	(178)	(156)	(6)	-	-	(20)	(360)
Depreciation charge for the period	2,451	3,556	1,246	3,488	948	246	1,070	13,005
At 31 December 2013	10,555	11,022	10,253	22,620	9,464	246	15,261	79,421
Net book value:								
At 1 January 2012	-	33,820	5,187	5,607	2,792	3,069	7,375	57,850
At 31 December 2012	-	33,390	4,426	5,062	2,376	2,443	3,353	51,050
At 31 December 2013	13,638	54,722	3,511	7,963	4,164	4,852	3,242	92,092

Notes to the consolidated financial statements

29 Property and equipment (Cont.)

(b) PARENT

	Leasehold land & building N'million	Leasehold Improvements N'million	Furniture, fittings and equipment N'million	Motor vehicles N'million	Work in Progress N'million	Computer hardware N'million	Total N'million
Cost:							
At 1 January 2012	-	-	225	438	-	45	708
Additions	-	-	210	233	-	550	993
Disposals	-	-	-	(4)	-		(4)
At 31 December 2012	-	-	435	667	-	595	1,697
Additions			228	175		59	462
At 31 December 2013	-	-	663	842	-	654	2,159
Depreciation and impairment:							
At 1 January 2012	-	-	20	72	-	6	98
Depreciation charge for the period	-	-	63	142	-	82	287
At 31 December 2012	-	-	83	214	-	88	385
Depreciation charge for the period	-	-	121	193		203	517
At 31 December 2013	-	-	204	407	-	291	902
Net book value:							
At 1 January 2012	-	-	205	366	-	39	610
At 31 December 2012	-	-	352	453		507	1,312
At 31 December 2013	-	-	459	435		363	1,257

Notes to the consolidated financial statements

30 Intangible assets

(a) GROUP

	GOODWILL N'million	COMPUTER SOFTWARE N'million	OTHER INTANGIBLE ASSETS N'million	TOTAL N'million
Cost				
At 1 January 2012	-	3,817	-	3,817
Addition	-	518	-	518
At 31 December 2012	-	4,335	-	4,335
Additions	-	394	-	394
Acquisition during the year	19,076	2,231	1,467	22,774
Disposals	-	(40)	-	(40)
Exchange adjustment	-	217	-	217
At 31 December 2013	19,076	7,137	1,467	27,680
Accumulated Amortisation and Impairment				
At 1 January 2012	-	2,372	-	2,372
Amortisation Charge for the year	-	751	-	751
At 31 December 2012	-	3,123	-	3,123
Additions	-	213	-	213
Acquisition during the year	-	-	603	603
Amortisation Charge for the year	-	1,001	326	1,327
Impairment loss	7,797	-	-	7,797
Disposals	-	(57)	-	(57)
At 31 December 2013	7,797	4,280	929	13,006
Net Book Value:				
At 1 January 2012	-	1,445	-	1,445
At 31 December 2012	-	1,212	-	1,212
At 31 December 2013	11,279	2,857	538	14,674

Goodwill acquired through business combinations relates to the Group's investment in AeroContractors Company of Nigeria.

The carrying amount of goodwill as at 31 December 2013 is N11,279 million as shown in the movement schedule above.

Impairment of Goodwill
The Group has carried out an impairment assessment of goodwill as at 31 December 2013. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs). Aero Contractors Company of Nigeria was classfied as a CGU. The recoverable amount of the CGU was determined based on the value-in-use calculations; using pre-tax cash flow projections based on the financial budgets approved by senior management covering a period of five years. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. The result of impairment test and key assumption used for value-in-use calculations are as follows:

	Goodwill	Net Assets	Total Carrying Amount	Discount rate	Terminal growth rate	Impairment	Impairment allocated to Goodwill	Impairment allocated to Other class of assets
	(N'million)	(N'million)	(N'million)			(N'million)	(N'million)	(N'million)
AeroContractors Company of Nigeria	29,590	(5,869)	23,721	17.6%	8%	18,032	18,032	-

The key assumptions used for value-in-use calculations in 2013 are as follows:

- Cashflows beyond a five year period are extrapolated using a Growth rate of 8% and discount rate of 17.6%.
- The growth rate is based on past performance and management's expectations and is consistent with forecasts included in industry reports.
- The discount rates used are pre-tax and reflect specific risks relating to the CGU.

Management has determined the discount rate to be a key assumption. The key assumptions described above may change as economic and market conditions change. The Group estimates that the recoverable amount of the CGU will only decline further and goodwill will still be impaired, if a much lower discount rate of 16% is adopted.

(b) PARENT

	GOODWILL N'million	COMPUTER SOFTWARE N'million	OTHER INTANGIBLE ASSETS N'million	TOTAL N'million
Cost				
At 1 January 2012				
Addition	-	262	-	262
At 31 December 2012	-	262	-	262
At 31 December 2013	-	262	-	262
Accumulated Amortisation and Impairment				
At 1 January 2012	-	-	-	-
Amortisation Charge for the year	-	22	-	22
At 31 December 2012	-	22	-	22
Amortisation Charge for the year	-	52	-	52
At 31 December 2013	-	74	-	74
Net Book Value:				
At 1 January 2012	-	-	-	-
At 31 December 2012	-	240	-	240
At 31 December 2013	-	188	-	188

31 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30%. Deferred income tax assets and liabilities are attributable to the following items:

Notes to the consolidated financial statements

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Defered tax assets						
Property and equipment and software	198	40	-	-	-	-
Allowances for loan losses	6	6	-	-	-	-
Employee benefits/Provision for gratuity	-	6	6	-	-	-
Tax losses carried forward	37	19	26	-	-	-
Other assets	4	-	-	-	-	-
Others	7,092	6,613	3,376	-	-	-
	7,337	6,684	3,408	-	-	-
Deferred tax liablitles						
Other provisions	1,200	405	150	-	-	-
Tax losses carried forward	-	194	194	-	-	-
Others	18	-	2	-	-	-
	1,218	599	346	-	-	-

Tax losses carried forward relate to subsidiaries that have a history of losses, losses may be carried forward indefinately and may be used to offset taxable income in the future. On this basis, the Group has recognise deferred tax assets on the tax losses carried forward.

Movements in temporary differences during the year:

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million		N'million	N'million		N'million
Defered tax assets						
Property and equipment and software	202	29	-	-	-	-
Allowances for loan losses	6	6	-	-	-	-
Expense	15	6	-	-	-	-
Tax losses carried forward	36	(10)	-	-	-	-
Others	553	213	107	-	-	-
	812	244	107	-	-	-
Deferred tax liabilities						
Other provisions	18	-	2	-	-	-
	18	-	2	-	-	-

32 Non-current assets and disposal groups held for sale

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Assets						
Cash and balances with the Central Bank	268	321	-	-	-	-
Loans and advances to banks	204	488	-	-	-	-
Investment securities	191	258	-	-	-	-
Other assets	3,862	616	-	3,647	-	-
Property, plant and equipment	71	658	-	-	-	-
Investment properties	7,476	8,925	-	-	-	-
Intangible asset	-	1	-	-	-	-
Investment in associate	-	1,270	-	-	-	-
	12,072	12,537	-	3,647	-	-
Liabilities						
Due to other banks	2,023	1,838	-	-	-	-
Due to customers	1,563	564	-	-	-	-
Other liabilities	36,283	1,823	-	-	-	-
Current income tax liability	2,355	51	-	-	-	-
Deferred tax assets	194	10	-	-	-	-
	42,418	4,286	-	-	-	-
Cash and cash equivalents from assets held for sale includes:						
Cash	48	101	-	-	-	-
Cash and balances with the Central Bank	220	220	-	-	-	-
	268	321	-	-	-	-

Ascot Offshore Nigeria Limited (ASCOT) was incorporated on 18 December 2006. It is a general commercial company which carries on the business of providing support service, manpower, contractors, design/fabrication/supply/imporation of special paraphernalia/materials and all consumables in the oil and gas industry. On 7 February 2007, it acquired the Nigerian assets of Willbros group Inc-An international contractor that provides construction and engineering services to the oils & gas and power industries. The company has four subsidiaries namely: Ascot Construction Offshore Limited, Ascot Dredging Limited, Ascot Flowlines Limited, Ascot International Services, LLC.The Company was acquired by the Group on 5 August 2011.

The Group entered into an agreement with investors to acquire 90% of the Group's interest in ASCOT. The sale is expected to be concluded within the next financial year.

Ascot Offshore Nigeria Limited belongs to the non financial services operating segment of the Group.

33 Due to customers

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Current	215,917	195,925	221,719	-	-	-
Savings	190,768	160,079	137,701	-	-	-
Term	175,384	163,020	153,344	-	-	-
Domiciliary	128,122	135,124	117,769	-	-	-
	710,191	654,148	630,533	-	-	-

Notes to the consolidated financial statements

34 Due to banks

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Due to banks						
Takings from banks within Nigeria	223	7,744	4,625	-	-	-
Deposits from banks outside Nigeria	497	4,309	605	-	-	-
Deposit from banks within Nigeria	372	-	-	-	-	-
	1,092	12,053	5,230	-	-	-

35 Other liabilities

	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Due to other institutions	675	1,500	-	-	-	-
Managers cheques/ certified cheques	5,746	7,534	6,958	-	-	-
Accruals	33,071	46,629	68,493	-	2,582	-
Deposit for shares	127	-	-	-	-	-
Accounts payable	41,988	41,224	29,450	37,756	9,349	874
VAT and WHT payable	392	339	1,336	392	159	216
Obligations under financial guarantee contracts	-	-	216	-	-	-
Liability for defined contribution obligations	194	30	148	-	21	62
Liability for defined benefit obligations	3	64	96	-	-	-
Lease liability (*Note 35.1*)	8,076	2	-	-	-	-
Provision	5,123	4,077	3,589	2,764	2,671	1,821
Sundry credit balances	52,254	54,090	78,578	-	-	-
Deferred Income	5,473	7,018	103	1,845	6,799	23
Government grant	1,534,842	283,208	24,312	1,501,407	261,994	-
Other payables	1,593	151,314	12,829	-	141,055	-
	1,689,557	597,029	226,108	1,544,164	424,630	2,996

i. Provision is recognised on fee payable by the group on audit/professional services received, legal fees, productivity bonus and other staff allowances. The provision on audit/professional fee is based on the amount agreed in the contract letter and it is expected to be extinguished within the next 12 months.

ii. Government grant relates to the loans received by the Corporation from the Central Bank of Nigeria at a below market rate. This was received to redeem the Group's outstanding bonds liabilities which were issued as consideration for the acquisition of Eligible Bank Assets (EBA) and provision of Financial Accommodation to Intervened Banks . The amount will be amortised to the profit and loss account within the life of the loan.

35.1 Lease liability

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Gross lease liability						
Within one year	8,076	2	-			
	8,076	2	-			
Present value of lease obligation						
Between 2 to 5 years	3,231	2	-	-	-	-
After 5 years	-	-	-	-	-	-

35.2 Movement in provisions

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
At 1 January	4,077	3,589	2,671	1,821
Aquired during thr year	-	-	-	-
Additional provisions during the year	4,763	850	3,608	850
Utilised	(3,389)	(362)	(3,389)	-
Unused amount reversed	(328)	-	(328)	-
At 31 December	5,123	4,077	2,562	2,671

Notes to the consolidated financial statements

36 Debt issued and other borrowed funds

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Debt issued and other borrowed funds						
Debts issued						
FGN series1 Tranch1 and series 1 Tranche 2 Bonds Due 2013	-	1,335,325	1,243,498	-	1,572,841	1,460,706
FGN Series II Bonds Due 2014	-	849,980	766,808	-	849,980	766,808
FGN Series III & IV Bonds Due 2014	-	1,484,852	1,284,321	-	1,484,852	1,284,321
FGN Series V Bonds Due 2014	655,022	726,683	631,080	780,169	726,683	631,080
AMCON CBN Loan Note	2,542,781	-	-	2,542,781	-	-
	3,197,803	4,396,840	3,925,707	3,322,950	4,634,356	4,142,915
Other borrowed funds						
Central Bank of Nigeria	266,006	238,006	-	266,006	238,009	-
BOI on-lending facility	90,600	24,788	32,907	78,968	18,417	19,507
Agric Fund	520	417	-	-	-	-
CBN On - lending	1,905	-	-	-	-	-
Term loans	11,172	32	74	-	-	-
OBB Takings	2,505	-	-	-	-	-
Overdraft facilities	338	-	-	-	-	-
	373,046	263,243	32,981	344,974	256,426	19,507
	3,570,849	**4,660,083**	**3,958,688**	**3,667,924**	**4,890,782**	**4,162,422**

The Corporation acquired bad loans from Nigeria Banks between 2010 and 2013 and issued AMCON Bonds as payments for the loans acquired. In 2013, the Corporation redeemed Series I bonds at maturity and Series II-IV bonds before their maturity date.

37 Liabilities on investment contracts

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January	376	473	593	-	-	-
Other managed funds	-	(97)	(120)	-	-	-
Balance	376	376	473	-	-	-

38 Liability on insurance contracts

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Unexpired risk on non-life insurance contracts	935	1,117	759	-	-	-
Claims incurred but not reported	218	60	340	-	-	-
	1,153	**1,177**	**1,099**	-	-	-

39 Retirement benefit obligation

	GROUP			PARENT		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	N'million	N'million	N'million	N'million	N'million	N'million
Defined benefit plan	233	155	6	-	-	-
	233	**155**	**6**	-	-	-

A subsidiary with the Group,operates a defined benefit pension plan which is a final salary plan for its employees, which requires contributions to be made to a defined benefit plan ,the employee and/or their dependants becomes entitled to receive the post-employment benefits, which is usually at the date of withdrawal, retirement or death-in- service. The level of benefits provided depends on the member's length of service and salary at retirement age.

The details if the defined benefit plan are as follows:

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Fair value of plan asset (See Note (a) below)	-	-	-	-
Present value of defined benefit obligation (*See Note (b) below*)	233	155	-	-
Deficit in plan	233	155	-	-

(a) Movement in fair value of plan assets

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Balance, beginning of the year	-	-	-	-
Employer contributions made in the financial year	16	41	-	-
Benefit paid by the employer	(16)	(41)	-	-
Balance, end of year	-	-	-	-

Notes to the consolidated financial statements

(b) Present value of defined benefit obligation

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Balance, beginning of the year	155	6	-	-
Current service cost (Note 12)	4	161	-	-
Benefit paid	(16)	(41)	-	-
Interest cost	31	29	-	-
Actuarial (gains)/loss	59		-	-
Balance, end of year	233	155	-	-

(c) Expenses recognised in profit or loss

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Current service cost	4	161	-	-
Net interest cost	31	29	-	-
Net periodic benefit cost	35	190	-	-

The principal assumptions used in determining the defined benefit obligations for the Group's plans are shown below:

	GROUP	
	31 December 2013	31 December 2012
Discount rate	13%	12%
Rate of inflation	9%	10%
Salary increase rate	12%	12%
Mortality rate	A67/70 ultimate tables	A67/70 ultimate tables
Retirment age	60 years	60 years

The economic assumptions used in this valuation are based on market information as at 31 December 2013.

Discount rate	*Sensitivity level*	1% Decrease	1% Increase
		N'million	N'million
	Impact on defined benefit obligation	(211)	(245)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The retirement benefit plan was valued as at 31 December 2013 by Alexander Forbes a provider of financial and risk services internationally. Alexander Forbes is registered with Financial Reporting Council of Nigeria.

40 Share capital and reserves

	GROUP			PARENT		
	No of units in million	Par value	N'Million	No of units in million	Par value	N'Million
i Authorised share capital:						
As at 1 January 2012	10,000	1	10,000	10,000	1	10,000
As at 31 December 2012	10,000	1	10,000	10,000	1	10,000
As at 31 December 2013	10,000	1	10,000	10,000	1	10,000
ii Issued and fully paid						
As at 1 January 2012	10,000	1	10,000	10,000	1	10,000
As at 31 December 2012	10,000	1	10,000	10,000	1	10,000
As at 31 December 2013	10,000	1	10,000	10,000	1	10,000

iii Nature and purpose of reserves in equity

Retained earning

Retained earnings comprise the undistributed profits from previous years.

Other reserves

Available for sale reserve

Available for sale reserve is used to recognise the fair value changes on financial assets and financial liabilities measured at fair value with fair value changes recognised through other comprehensive income

Translation reserve

Translation reserve is used to recognize the foreign exchange difference from the translation of the Group's foreign operations and other non-monetary assets translated to the Group's functional currency.

Statutory reserve

Nigerian banking regulations require the Group's banking subsidiaries to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Bank and Other Financial Institutions Act of 1991(amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

Notes to the consolidated financial statements

Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment allowance on loans and advances determined based on Central Bank of Nigeria prudential guidelines and requirements of the Central Bank of the jurisdiction where foreign subsidiaries operate, regulations, compared with the allowance calculated under IFRS.

iv Movement in the items of Other comprehensive income (before tax)

Fair value movements on available-for-sale financial assets (N'm)

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Gain/(loss) arising during the year	5,132	11,689	(907)	129
Gain/(loss) reclassified to profit or loss during the year on disposal	(149)	-	-	-
Amount recognised in other comprehensive income	4,983	11,689	(907)	129

Foreign currency translation gain (N'm)

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Gain/(loss) arising during the year	(332)	337	-	-
Amount recognised in other comprehensive income	(332)	337	-	-

Share of equity accounted investee other comprehensive income (N'm)

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Gain/(loss) arising during the year	1,167	(30)	-	-
Amount recognised in other comprehensive income	1,167	(30)	-	-

Notes to the consolidated financial statements

41 **Segment Reporting**

The Group was organised into three reportable segments.For management purposes, the Group is organised into three operating segments based on services as follows; asset management, banking and non - financial services

(i) **Asset management**- Management and disposal of eligible bank assets acquired from eligible financial institutions to obtain the best achievable financial returns

(ii) **Banking**- provision of money market activities, retail banking, granting of loans and advances, equipment leasing, corporate finance and foreign exchange operations

(iii) **Non-financial services**- provision of passenger and cargo flight services and assembling of automobiles.

Each reportable segment also meets at least one of the following quantitative thresholds:

The reported revenue of each reportable segment including both sales to external customers and inter segment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.

The absolute amount of its reported profit or loss of each reportable segment is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.

The assets of each reportable segments are 10 per cent or more of the combined assets of all operating segments.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2013 or 2012.

Segment report by business segment
GROUP

As at 31 December 2013	Asset Management N'Million	Banking N'Million	Non-Financial Services N'Million	Elimination adjustments N'Million	Total N'Million
Interest and similar income	108,406	96,531	86	(23,741)	181,282
Income generated from:					
Third Party	97,653	162,939	21,346	-	281,938
Intra-segment	25,915	(25,915)	-	-	-
Total revenue	**123,568**	**137,024**	**21,346**	-	**281,938**
Interest and similar expense	(545,424)	(34,481)	(1,581)	24,640	(556,846)
Fees and commission expense	-	(18)	-	-	(18)
Expense:					
Credit loss expense	(94,526)	(8,131)	-	26,094	(76,563)
Write-back/(Impairment losses) on financial investments	(158,376)	6,586	-	(984)	(152,774)
Personnel expenses	(2,760)	(34,782)	(5,904)	-	(43,446)
Depreciation of property and equipment	(517)	(6,356)	(3,246)	(2,886)	(13,005)
Amortization of intangible assets	(52)	(916)	(260)	(7,844)	(9,072)
Fair value gain/(loss) on investment properties	13,320	161	-	-	13,481
Other operating expenses	(13,731)	(46,773)	(17,791)	(197)	(78,492)
Write back/Impairment of investment in subsidiaries	30,581	-	-	(30,581)	-
Write-back/(Impairment losses) on equity accounted investee	-	-	-		-
Share of profit / (loss) of equity accounted investee	-	-	-	2,869	2,869
Profit/(loss) before income tax from reportable segments	(635,883)	11,773	(7,436)	(7,415)	(638,961)
Income tax expense	-	(744)	(133)	-	(877)
Profit/ (loss) after income tax from reportable segments	**(635,883)**	**11,029**	**(7,569)**	**(7,415)**	**(639,838)**

Assets and Liabilities	Asset Management	Banking	Non-Financial Services	Elimination adjustments	Total
Total assets	1,748,092	1,019,233	55,379	(286,337)	2,536,367
Total liabilities	(5,212,088)	(884,374)	(104,932)	178,167	(6,023,227)
Net assets/(liabilities)	(3,463,996)	134,859	(49,553)	(108,170)	(3,486,860)

Notes to the consolidated financial statements

41 Segment Reporting
GROUP

As at 31 December 2012	Asset Management N'Million	Banking N'Million	Non-Financial Services N'Million	Elimination adjustments N'Million	Total N'Million
Interest and similar income	59,775	88,892	-	-	148,667
Income generated from:					
Third Party	60,049	139,154	-	-	199,203
Intra-segment	1,023	(1,023)	-	-	-
Total revenue	**61,072**	**138,131**	-	-	**199,203**
Interest and similar expense	(512,878)	(33,813)	-	402	(546,289)
Fees and commission expense	-	-	-	-	-
Expense:					
Credit loss expense	(95,338)	(2,913)	-	(24,085)	(122,336)
Write-back/(Impairment losses) on financial investments	-	18,619	-	(9,706)	8,913
Personnel expenses	(2,253)	(37,896)	-	-	(40,149)
Depreciation of property and equipment	(287)	(7,370)	(5,165)	-	(12,822)
Amortization of intangible assets	(22)	(729)	-	-	(751)
Fair value gain/(loss) on investment properties	(95,422)	-	-	-	(95,422)
Other operating expenses	(9,711)	(38,253)	-	1,023	(46,941)
Write back/Impairment of investment in subsidiaries	(31,700)	-	-	31,700	-
Share of profit / (loss) of equity accounted investee	-	(49)	-	(1,966)	(2,015)
Profit/(loss) before income tax from reportable segments	(635,883)	11,773	(7,436)	(7,415)	(638,961)
Income tax expense	-	2,366	-	-	2,366
Profit/ (loss) after income tax from reportable segments	**(635,883)**	**14,139**	**(7,436)**	**(7,415)**	**(636,595)**

	Asset Management	Banking	Non-Financial Services	Elimination adjustments	Total
Assets and Liabilities					
Total assets	2,046,873	956,703	692	(374,317)	2,629,951
Total liabilities	(5,315,412)	(837,997)	(54,432)	271,521	(5,936,320)
Net assets/(liabilities)	**(3,268,539)**	**118,706**	**(53,740)**	**(102,796)**	**(3,306,369)**

Notes to the consolidated financial statements

42 Fair value of disclosure or measurements

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments and non financial assets that are recorded at fair value using valuation techniques. This incorporates the Corporation's estimate of assumptions that a market participant would make when valuing the instruments or non financial assets.

Fair value of financial assets designated at fair value through profit or loss is determined with reference to the fair value of the underlying collateral securities (Properties and equity securities). The fair value of the equity securities is determine using quoted market price in active markets while the fair value of the properties is determine using open market valuation model that incorporates observable and unobservable data.Observable inputs include assumptions regarding the willingness of the buyer and seller, reasonable period to negotiate the sale taking into account the nature and existing use of the property and the state of the market, the value of the property will remain constant over the period and will be reasonably be exposed to the market with reasonanbly publicity.

Fair value gain is not recognised on loans acquired whose fair value of the underlying collateral is greater than the acquisition price while fair value loss is recognised on loans whose fair value of the underlying collateral securities is less than the acquisition price based on the assumption that the fair value of the collateral represent the amount that would reasonably be recovered from the loans.

Financial assets classified as available for sale comprises of equities securities which are unquoted and whose fair value have been determined with reference to various valuation techniques using both observable and unobservable data at the end of the year.

A Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments

i Fair value hierarchy

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant impact on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows the fair value of financial and non-financial assets by level of the fair value hierarchy

	Level 1 N'm	Level 2 N'm	Level 3 N'm	Total N'm
GROUP				
31-Dec-13				
Financial assets at fair value				
Derivative financial instruments	-	91	-	91
Other financial assets held for trading	92,235	-	3,387	95,622
Financial assets designated at fair value through profit or loss	67,484	12,851	612,725	693,060
Financial investments – available-for-sale	149,213	6,396	2,750	158,359
Assets				
At amortised cost				
Cash and balances with central banks	-	177,654	-	177,654
Due from banks	-	183,856	-	183,856
Loans and advances to customers	-	162,585	274,178	436,763
Financial investments – held to maturity	159,074	12,135	-	171,209
Assets pledged as collateral	62,875	10,490	-	73,365
Insurance receivables	-	424	-	424
Other assets	-	270,589	-	270,589
At fair value				
Investment properties	-	-	111,376	111,376
				-
Liabilities measured at amortised cost				-
Due to customers	-	710,191	-	710,191
Due to banks	-	1,092	-	1,092
Debt issued and other borrowed funds	787,372	-	2,010,717	2,798,089
Liability on investment contracts	91	285	-	376
Other liabilities	-	58,402	-	58,402
31-Dec-12				
Financial assets at fair value				
Derivative financial instruments	-	-	-	-
Other financial assets held for trading	78,994	1,242	6,504	86,740
Financial assets designated at fair value through profit or loss	67,495	10,791	826,397	904,683
Financial investments – available-for-sale	83,286	12,590	2,246	98,122
Assets				
At amortised cost				
Cash and balances with central banks	-	604,178	-	604,178
Due from banks	-	172,940	-	172,940
Loans and advances to customers	-	53,533	188,701	242,234
Financial investments – held to maturity	180,456	10,743	-	191,199
Assets pledged as collateral	42,413	-	-	42,413
Insurance receivables	-	114	-	114
Other assets	-	64,824	-	64,824

Notes to the consolidated financial statements

	Level 1 N'm	Level 2 N'm	Level 3 N'm	Total N'm
At fair value				
Investment properties	-	-	71,341	71,341
Liabilities measured at amortised cost				
Due to customers	-	654,147	-	654,147
Due to banks	-	12,053	-	12,053
Debt issued and other borrowed funds	-	13,250	4,646,834	4,660,084
Liability on investment contracts	-	376	-	376
Other liabilities	-	201,668	-	201,668
1-Jan-12				
Financial assets at fair value				
Derivative financial instruments	-	-	-	-
Other financial assets held for trading	92,141	23,859	644	116,644
Financial assets designated at fair value through profit or loss		10,729	1,052,501	1,063,230
Financial investments – available-for-sale	123,867	4,270	1,802	129,939
Assets				
At amortised cost				
Cash and balances with central banks	-	92,454	-	92,454
Due from banks	-	122,272	-	122,272
Loans and advances to customers	-	79,060	234,215	313,275
Financial investments – held to maturity	98,765	4,012	-	102,777
Insurance receivables	-	997	-	997
Other assets	-	75,757	-	75,757
At fair value				
Investment properties	-	-	62,203	62,203
Liabilities measured at amortised cost				
Due to customers	-	630,533	-	630,533
Due to banks	-	5,230	-	5,230
Debt issued and other borrowed funds	-	13,599	4,170,514	4,184,113
Liability on investment contracts	-	473	-	473
Other liabilities	-	49,697	-	49,697

	Level 1 N'm	Level 2 N'm	Level 3 N'm	Total N'm
CORPORATION				
31-Dec-13				
Financial assets at fair value				
Derivative financial instruments	-	-	-	-
Other financial assets held for trading	72,961	-	-	72,961
Financial assets designated at fair value through profit or loss	67,484	12,851	612,635	692,970
Financial investments – available-for-sale	8,318	1,770	-	10,088
Assets				
At amortised cost				
Cash and balances with central banks	-	-	-	-
Due from banks	-	85,032	-	85,032
Loans and advances to customers	-	-	228,568	228,568
Financial investments – held to maturity	-	79,363	-	79,363
Assets pledged as collateral	-	10,490	-	10,490
Other assets	-	271,700	-	271,700
At fair value				
Investment properties	-	-	107,487	107,487
Liabilities measured at amortised cost				
Debt issued and other borrowed funds	-	787,372	2,901,509	3,688,881
Other liabilities	-	37,756	-	37,756

Notes to the consolidated financial statements

31-Dec-12	Level 1 N'm	Level 2 N'm	Level 3 N'm	Total N'm
Financial assets at fair value				
Derivative financial instruments	-	-	-	-
Other financial assets held for trading	38,252	-	-	38,252
Financial assets designated at fair value through profit or loss	67,495	10,791	826,314	904,600
Financial investments – available-for-sale	-	2,007	-	2,007
Assets				
At amortised cost				
Cash and balances with central banks	-	500,000	-	500,000
Due from banks	-	57,477	-	57,477
Loans and advances to customers	-	-	152,660	152,660
Financial investments – held to maturity	130,456	-	-	130,456
Other assets	-	73,148	-	73,148
At fair value				
Investment properties	-	-	67,800	67,800

	Level 1 N'm	Level 2 N'm	Level 3 N'm	Total N'm
Liabilities measured at amortised cost				
Debt issued and other borrowed funds	-	-	4,890,779	4,890,779
Other liabilities	-	150,425	-	150,425

	Level 1 N'm	Level 2 N'm	Level 3 N'm	Total N'm
1-Jan-12				
Financial assets at fair value				-
Derivative financial instruments	-	-	-	-
Other financial assets held for trading	22,928	-	-	22,928
Financial assets designated at fair value through profit or loss	76,234	10,729	976,184	1,063,147
Financial investments – available-for-sale	-	1,832	-	1,832
Assets				
At amortised cost				
Cash and balances with central banks	-	-	-	-
Due from banks	-	30,908	-	30,908
Loans and advances to customers	-	-	210,787	210,787
Financial investments – held to maturity	42,553	-	-	42,553
Other assets	-	37,771	-	37,771
At fair value				
Investment properties	-	-	49,650	49,650
Liabilities measured at amortised cost				
Debt issued and other borrowed funds	-	-	4,162,422	4,162,422
Other liabilities	-	936	-	936

ii Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

	Financial assets				Financial liabilities		
GROUP	Derivative financial instruments N'm	Other financial assets held for trading N'm	Designated at fair value through profit or loss N'm	Financial investments – available-for-sale N'm	Derivative financial instrument N'm	Other financial Liabilities held for trading N'm	Designated at fair value through profit or loss N'm
At 1st January 2012	-	116,644	1,063,230	129,939	-	-	-
Total gains/(losses) recognised in profit or loss	-	1,846	(22,105)	-	-	-	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	(12,806)	-	-	-
Settlements	-	(31,750)	(136,442)	-	-	-	-
Transfers out	-	-	-	(19,010)	-	-	-
At 31st December 2012	-	86,740	904,683	98,123	-	-	-
Total gains/(losses) recognised in profit or loss	91	(3,123)	17,609	-	-	-	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	852	-	-	-
Addition	-	-	1,552	-	-	-	-
Settlements	-	-	(230,734)	-	-	-	-
Transfers out	-	-	-	(514)	-	-	-
Transfers in	-	11,999	-	59,929	-	-	-
At 31st December 2013	91	95,616	693,110	158,389	-	-	-

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at amortised cost but for which fair value has been disclosed:

Notes to the consolidated financial statements

GROUP	Assets			Liabilities		
	Loans and advances to customers N'm	Financial investments-held to maturity N'm	Other assets N'm	Deposit from customers N'm	Interest bearing loans and borrowings N'm	Other liabilities N'm
At 1st January 2012	313,275	98,917	-	630,533	4,170,514	-
Total gains/(losses) recognised in profit or loss	41,486	-	-	-	491,441	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	-	-	-
Addition	21,497	95,186	-	23,615	238,006	-
Sales	-	-	-	-	-	-
Settlements	(99,378)		-	-	(9,182)	(24,309)
At 31st December 2012	276,880	194,103	-	654,148	4,890,779	(24,309)

	Assets			Liabilities		
	Loans and advances to customers N'm	Financial investments-held to maturity N'm	Other assets N'm	Deposit from customers N'm	Interest bearing loans and borrowings N'm	Other liabilities N'm
Total gains/(losses) recognised in profit or loss	28,099	-	-	-	542,576	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	-	-	-
Purchases	131,784	45,610	-	56,043	2,603,332	-
Sales	-	-	-	-	-	-
Settlements	-	(32,463)	-	-	(5,238,598)	(7,818)
Transfers out	-	(36,041)	-	-	(787,372)	-
At December 2013	436,763	171,209	-	710,191	2,010,717	(32,127)

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

CORPORATION	Financial assets				nancial liabilities		
	Derivative financial instruments N'm	Other financial assets held for trading N'm	Designated at fair value through profit or loss N'm	Financial investments – available-for-sale N'm	Derivative financial instrument N'm	Other financial Liabilities held for trading N'm	Designated at fair value through profit or loss N'm
At 1st January 2012	-	22,928	1,063,147	1,832	-	-	-
Total gains/(losses) recognised in profit or loss	-	139,907	(22,105)	-	-	-	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	175	-	-	-
Settlements	-	(124,583)	(136,442)	-	-	-	-
At 31st December 2012	-	38,252	904,600	2,007	-	-	-
Total gains/(losses) recognised in profit or loss	-	10,635	17,559	-	-	-	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	(907)	-	-	-
Additions	-	24,074	1,552	8,988	-	-	-
Settlements	-	-	(230,741)	-	-	-	-
At 31st December 2013	-	72,961	692,970	10,088	-	-	-

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at amortised cost but for which fair value has been disclosed:

	Assets			Liabilities		
	Loans and advances to customers N'm	Financial investments-held to maturity N'm	Other assets N'm	Deposit from customers N'm	Interest bearing loans and borrowings N'm	Other liabilities N'm
CORPORATION						
At 1st January 2012	210,787	44,981	38,536	-	4,162,422	-
Total gains/(losses) recognised in profit or loss	41,486	-	-	-	491,441	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	-	-	-
Purchases	12,378	166,442	35,131	-	238,006	-
Settlements	(111,991)	(79,770)	-	-	(1,090)	-
At 31st December 2012	152,660	131,653	73,667	-	4,890,779	-

Notes to the consolidated financial statements

Total gains/(losses) recognised in profit or loss	28,099	-	-	-	542,576	-
Total gains/(losses) recognised in other comprehensive income	-	-	-	-	-	-
Additions	53,441	53,678	209,951	-	2,603,332	-
Settlements	(5,632)	(99,200)	-	-	(3,581,391)	-
Transfers out	-		-	-	(787,372)	-
At December 2013	228,568	86,131	283,618	-	3,667,924	-

Transfers in and out of Level 3
During the year, the Financial Markets Dealers

iii Total gains and losses

The following table shows total gains and losses recognised in profit or loss during the year relating to assets and liabilities held at the year end:

	Financial assets				Financial		
	Derivative financial instruments N'm	**Other financial assets held for trading N'm**	**Designated at fair value through profit or loss N'm**	**Financial investments available-for-sale N'm**	**Derivative financial instrument N'm**	**Other financial Liabilities held for trading N'm**	**Designated at fair value through profit or loss N'm**
GROUP							
Total gains/(losses) recognised in profit or loss relating to assets and liabilities held on 31 December 2012	-	376	(20,740)		-	-	-
Net trading income	-	376		90	-	-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	-		(20,740)	-	-	-	-
Other operating income	-		-	1,466	-	-	-
Total gains/(losses) recognised in profit or loss relating to assets and liabilities held on 31 December 2013	-	16,720	2,440	668	-	-	-
Net trading income	-	16,720		32	-	-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	-		2,440	-	-	-	-
Other operating income	-		-	636	-	-	-

	Financial assets				liabilities		
	Derivative financial instruments N'm	**Other financial assets held for trading N'm**	**Designated at fair value through profit or loss N'm**	**Financial investments available-for-sale N'm**	**Derivative financial instrument N'm**	**Other financial Liabilities held for trading N'm**	**Designated at fair value through profit or loss N'm**
CORPORATION							
Total gains/(losses) recognised in profit or loss relating to assets and liabilities held on 31 December 2012	-	(14,145)	(22,105)	-	-	-	-
Net trading income	-	(14,145)	-	-	-	-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	-	-	(22,105)	-	-	-	-
Other operating income	-	-	-	-	-	-	-
Total gains/(losses) recognised in profit or loss relating to assets and liabilities held on 31 December 2013	-	12,028	2,981	-	-	-	-
Net trading income	-	12,028	-	-	-	-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	-	-	2,981	-	-	-	-
Other operating income	-	-	-	-	-	-	-

There were no transfers between level 1 and level 2 fair value hierachy during the year (31 December 2012: Nil; 1 Janaury 2012: Nil)

v Sensitivity of level 3 fair values to reasonably possible alternative assumptions:
Fair value of financial instruments are in certain circumstances measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions or observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions. The positive and negative effects are assumed to be approximately the same.

GROUP (N'm)	31-Dec-13	31-Dec-12	1-Jan-12
Financial assets			
Derivative financial instruments	-	-	-
Other financial assets held for trading	3,381	6,504	4,658
Financial assets designated at fair value through profit or loss	612,725	826,397	1,052,501
Financial investments – available-for-sale	40,096	1,859	16,063

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable models inputs as follows:
Available for sale financial assets comprises quoted and unquoted equities. Quoted equities have their prices quoted on the Nigeria Stock Exchange (NSE); the market price are adjusted to reflect both positive and negative movements to determine the effect on the fair value determined on the equities.

Notes to the consolidated financial statements

Methodologies and assumptions used:

Assets for which fair value approximates carrying value
For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Assets measured at amortised cost
Fair value of loans and advances to customers held by the Corporation at each reporting date was determined by discounting the future expected cashflows on loans using discount rate which reflects the Corporation's fair value as at the end of the reporting period.

Bonds are classified as financial assets/liabilities measured at amortised cost. Bonds held by the Corporation are quoted and actively traded in the market and the fair value is determined based on price quotations in the market at the reporting date.

Assets in level 2 fair value hierachy
Fair value of assets have been determined using similar observable data. The valuation requires management to make certain assumptions about the model inputs, the discount rate and volatility.

Assets in level 3 fair value hierachy

Financial designated at fair value through profit and loss

Eligible bank assets which makes up 94% of financial assests designated at fair value through profit and loss for the Group as at year end are fair valued with reference to their underlying collaterals.
Valuation of assets held as collateral is performed using qualified external and internal valuers. External valuations are performed every three years while internal valuations are performed for the years between external valuations. The basis of valuation adopted by the valuers in arriving at the fair value is the market value, in accordance with International Valuation Standards, which represents the estimated price for which as asset should exchange on the date of valuation between Market values were determined using the income and cost approaches of valuation. Under the income approach, the investment method was used and under the cost method, the depreciated replacement cost method was used. Buildings and other income generating assets are valued using the investment method while plant and machinery, factories and other integrated assets were valued using the cost approach.
The investment method considers the income that an asset will generate over its useful life and indicates the market value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate. The investment method involves capitalising a single period representative income, such as the annual rental income, using an overall capitalisation rate. Inputs into the method include actual and projected cash flows and discount rates.
The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. The depreciated replacement cost method involves determining the cost of an asset of equal utility and the appropriate depreciation deducted to arrive at the market value. Inputs into this method include estimated cost of construction and depreciation rates.

Internal valuations are based on the recommendations of reputable external valuers about market trends of prices, recent industry transactions with assets of similar characteristics and other market factors.

A computation of sensitivity of the market value of collaterals held on the fair value of EBAs and consequent fair value changes are as shown in the table below:

Corporation
31 December 2013

Increase (decrease) in market value of assets held as collaterals	Sensitivity of profit or loss
	N million
+ 500Bp	11,183
- 500Bp	(8,219)

Corporation
31 December 2012

Increase (decrease) in market value of assets held as collaterals	Sensitivity of profit or loss
	N million
+ 500Bp	8,838
- 500Bp	(21,307)

Notes to the consolidated financial statements

Investment properties

Fair value of Investment properties and financial assets designated at fair value through profit or loss(aquired loans) is determined with reference to the fair value of the underlying collateral securities (Properties). The fair value of the properties is determine using market valuation model that incorporate observable and unobservable data.

The basis of valuations was market values, the methods applied include the 'Investment' and 'Depreciated Replacement Cost' methods. Observable inputs include assumptions that the property titles are good and marketable without any encumbrances or onerous restrictions, as at the date of the revaluation and no adverse report had been received from the Legal and Credit departments to the contrary, the willingness of the buyer and seller, reasonable period to negotiate the sale taking into account the nature and existing use of the property and the state of the market.

The valuation is carried out on an annual basis by qualified valuers (internal or external) using a portfolio approach. The valuation methodology incorporate premium/discount rates which were applied to the various categories of properties geographically were aggregate of market surveys [inputs from seasoned practicing Valuers] and best professional judgment. Uniform rates were applicable to different categories of landed properties (residential and commercial) because market survey showed insignificant differences not exceeding 2% for the geopolitical zones considered.

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Others

The Group uses widely recognised valuation models for determining the fair value of its financial assets. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on OTC trading activity, and information obtained from other market participants, which includes observed primary and secondary transactions.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

For more complex instruments, the Group uses proprietary valuation models, which are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain investment securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

The table below sets out information about significant unobservable inputs used as at 31 December 2013 in measuring financial instruments categorised as Level 3 in fair value hierarchy and a sensitivity of the inputs.

Type of financial instrument	**Valuation technique**	**Significant unobservable input**	**Fair value measurement sensitivity to unobservable input**
Investment in unquoted securities	- Discounted cashflow - Dividend valuation model	- Risk adjusted discount rate - Cash flow estimates - Expected dividend	A significant increase in the spread above the risk-free rate would result in a lower fair value; Significant reduction would result in a higher fair value
Investment properties	- Investment/Income approach	- Net annual income (rental income)	A significant increase in the rental income would result in a higher fair value.
		- Prices per square metre - Rate of development in the area - Quality of the building - Influx of people and/or businesses to the area	The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).
Acquired loans classified as fair through profit and loss (EBA)	- Investmen/Income approach	- Net annual income (rental income)	A significant increase in the rental income would result in a higher fair value.
		- Prices per square metre - Rate of development in the area - Quality of the building - Influx of people and/or businesses to the area	The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).
	Cost approach	cost input Depreciation rate	The sensitivity to key assumptions are disclosed above

Notes to the consolidated financial statements

43 Group risk management

i Overall risk management objectives

The Group's risk management framework provides a group definition of risk and codifies the core governing principles for the risk management function. The purpose of this Framework is in particular to:
~ Provide an enterprise-wide definition of risk
~ Define the Group's overall approach, objectives, strategy, policies and risk appetite towards its significant risks.
~ Establish the risk management governance structure and its scope.
~ Establish clear roles and responsibilities and reporting lines for the risk management function.
~ Define the process required to manage risk such as identification, assessment/measurement, monitoring and control/mitigation.

The Group's Enterprise Risk Management (ERM) vision is to contribute to the creation, optimization and protection of enterprise value by managing our business risks within the Group's risk appetite and relevant global best practices.

The ERM philosophy entails institutionalising a sound and robust Enterprise-wide Risk Management framework with focus on enhancing the recoverability of acquired loans otherwise referred to as Eligible Bank Assets (EBA) by minimizing losses and maximizing our recovery potentials in compliance with global best practices.

ii Risk management structure and framework

Risk management structure

The Group's risk management structure is as detailed below:

Board Committees: This comprises of
• Executive
• Compensation And Performance
• Audit and Compliance Committee

Risk Related Board Committees are:
• Risk Management
• Credit and Asset Management

Responsibilities of Risk Related Board Committees
• Endorse the Group's risk appetite.
• Review and recommend risk management policies and procedures.
• Ensure annual risk assessment firm-wide
• Ensure efficient risk measuring, controlling and monitoring mechanisms.
• Deal with the Group's risk-reward profiles (including the Political, Strategic, Recovery, Market, Operational, Reputational and Compliance risk-reward profiles) and, where necessary, recommend improvement strategies
• Review and recommend to the board, improvements regarding outstanding actions on risk management plans
• Evaluate the Group's risk profile and risk management plans drafted for major projects, acquisitions and new ventures to determine the impact on the Group's risk-reward profile

Compliance
• Monitor the Group's plans and progress in meeting regulatory Risk-based Supervision requirements;
• Monitors the Group's compliance with all regulatory regulations and guidelines

Operational Assessment
In order to mitigate the strategic risk of the Group not achieving its mandate, the committee:

• Reviews the annual performance criteria and key performance indicators (KPIs) of the Group and make recommendations to the board.
• Evaluate the annual operational performance of the Group against the agreed criteria and KPIs and present the evaluation result to the Board of Directors for further consideration.
• Evaluate risks identified in those strategic plans of the Group that require board approval to determine their impact on the Group's risk-reward profile;
• Oversight, monitoring and evaluation of risk management as performed by the management in order to ensure consistency with the established policies and regulations.

Responsibilities of the Credit and Asset Management Committee

- □ Ensures the effective management of Credit risk by the Group across its various credit risk sources: Recovery risk, default risk, etc.
- Approve Foreclosure Decisions and Limit Setting;

Notes to the consolidated financial statements

43 Group risk management

- - Review Recovery risk reports on a periodic basis;
- - Approve restructuring exceptions in line with Board Approval; and
- - Make recommendations to the Board on policy and strategy where appropriate through the Board Risk Committee.

Risk Management Division Structure
The Risk Management Division is divided into three sub-units as follows:
1. Recovery Risk Unit
2. Operational Risk Unit (also covering Reputational, Strategic, Legal and Compliance risks)
3. Refinancing Risk Unit

All units report to the Chief Risk Office (CRO) while the CRO reports to the Managing Director with a dotted line to the Board of directors.

Risk framework
The Group's ERM framework was designed by taking each of the framework components below and providing our designed recommendations across all our identified risk areas.
* Strategic Framework
* Organizational Framework
* Operational Framework
* Analytical Framework
* Reporting Framework

Strategic Framework
Refers to the drivers of the Group's risk-return decision framework and overall risk culture and practices. It refers to the Group's risk Philosophy, Appetite, risk Objectives, etc. It also refers to the Risk Universe definition and Risk Profile of the Group.

Organizational Framework
This covers the risk organisational structure, and responsibility allocation. It includes the structure of the Risk Management Department, as well as Board committees and sub-committees.

Operational Framework
This refers to the necessary policies and procedures to guide and standardise the risk management methodologies and activities in all the risk areas.

Analytical Framework
This refers to the necessary policies and procedures to guide and standardise the risk management methodologies and activities in all the risk areas.

Reporting Framework
Risk reporting refers to the various reports that transmit various depths of information on current and future risk positions to the Chief Risk Officer, as well as to the various Management and Board committees. Such reports must be efficiently generated and accurately reported so as to meaningfully serve the users.

The Enterprise Wide Risk Management framework built on the above mention framework definitions across the most significant risks facing the Group are as follows:

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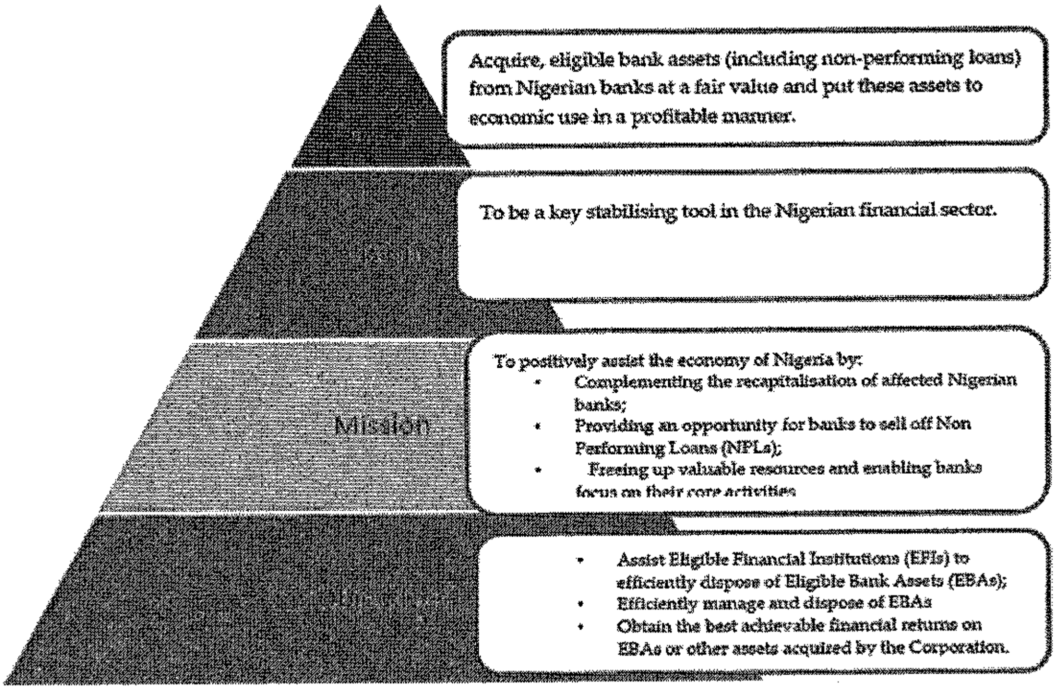
43 Group risk management

Corporate Strategic Intent; Corporate Vision & Mission



Overall ERM Strategic Intent

In our strategy setting, risk considerations are key and will be given high priority. We will adopt a Risk Management framework that operates within an integrated structure in ensuring that the appropriate processes are used to address all risks across the Group while promoting sound risk management practices.

We will only assume risks that fall within our risk appetite. We will promote risk awareness through risk education and acculturation across the Group. Risk awareness will be top-down driven'.

Risk Mitigtation/Control
Once a risk has been identified and assessed, an appropriate risk response shall be defined and approved in line with the Group risk mitigation strategy. The risk mitigation strategy defines the conditions for accepting, transferring, mitigating and avoiding inherent risks within the Group.

Each department within the Group operates in terms of documented Standard Operating Procedure (SOP) incorporating policies and procedures to mitigate exposures. These policies are subject to regular review and update.
The Group's other policies and procedure documents incorporate to a greater or lesser extent some elements of risk recognition and control. In other to achieve this;

Business units and Departmental heads shall ensure the following:
a) There are policies, processes and procedures to control and mitigate significant risks that have been identified by the Group.
b) Internal Audit shall have the responsibility for ensuring compliance and reporting non-compliance with the provisions of the risk management framework;
c) Control activities for the risk management are an integral part of the regular activities of the Group; and

d) Controls and systems are sufficient mechanism to mitigate the identified risks before they become major concerns.

Risk Mitigation Strategy
The Group develops adequate mitigation strategies to effectively minimize the frequency and severity of risk events.
Risk response options include:

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43 Group risk management

1. **Risk Acceptance**: Acceptance of a residual risk i.e. outstanding risks after controls responses have been applied or minor risks where any response is not likely to be cost-effective compared to the possible cost of bearing the risk impact.

Risk appetite (maximum loss to be tolerated) will be set for significant residual risks and will be the basis for triggering alternative risk response options.

2. Risk Transfer: Specific actions to reduce risk likelihood or impact by transferring ownership and/or liability or otherwise sharing a portion of the risk with a particular third party. The Group will continuously exploit available risk sharing/transfer techniques suitable for mitigating risks in processes, activities, and systems, and select the most appropriate tools.

3. Risk Mitigation: These are specific actions to reduce the likelihood and/or severity of risk events. The objective of risk reduction is to reduce residual risk within the acceptable tolerance limit or threshold. The risk mitigation activities entail the use of internal controls to minimize likelihood and/or severity of risk events. A properly designed and consistently enforced internal control system will enable the Group to safeguard the Group earnings and capital. Some of the key internal control measures that the Group employ includes:

- Segregation of duties/dual controls (maker-checker concept)
- Access control policies
- Clarity of responsibilities and reporting lines
- Senior level approvals for transactions/policies
- Transaction call-over/post-verification processes

4. **Risk Avoidance**: This refers to the specific actions taken to exit activities that are likely to culminate in excessive risk. The choice of avoidance as a risk response approach shall be informed if after consideration:

- Either the cost of other responses (acceptance, transfer and mitigation) exceeds the desired benefits, or

- No response can be identified that would reduce the impact and likelihood of the risk to an acceptable limit.

The risk mitigation strategy above guides the action planning stage of the periodic self-assessment and independent control assessment processes. A combined team from Risk Management Department and Internal Audit will challenge risk assessments conducted by the Business units and make appropriate risk response recommendations aimed at protecting/safeguarding the earnings and capital of the Group. Any related disputes as a result of the risk response recommendations shall be escalated to Management for a final decision.

Risk measurement and reporting systems

Risk Appetite Principles

The following principles guide the definition of the Group's Risk Appetite:

- The Group shall adopt a top-down risk appetite definition approach based on analysis of the internal and external environments
- The Board of Directors, through the Board Risk Committee, shall have direct responsibility for articulating the organization's Risk Appetite.
- The Chief Risk Officer shall recommend the most appropriate metrics/statements for defining the Risk Appetite
- The Risk Appetite metrics/statements is forwarded to the Board of Directors, through the Board Risk Management Committee for adoption.
- The risk appetite is reviewed at least once a year or more frequently as may be required in the event of significant/material change in the Group's strategy

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43 Group risk management
Risk Culture

• The Risk Culture of the Group can be defined as the system of values and behaviors present throughout the organization that shape its risk decisions. Its Risk Culture influences the decisions of its management and employees.

• Risk culture is seen through the display of behaviors, specifically risk-taking behaviors within the Group.
• Risk appetite in the Group governs how risk taking is perceived and governed
• Harmonize and strengthen the Group's Risk Culture through:
• Risk transparency
• Partnership & collaboration across stakeholder groups
• A structured communication framework (vertical and horizontal)
• Extensive risk training (skills and acculturation)
• Strong support from the Board & Management
• Accountability and ownership
• Strong integrated risk management framework

Measurement & Quantification Criteria

Recovery Risk Quantification Criteria
The Group identifies and measure its recovery risk in its overall EBA's and investment portfolios, and keep it within the approved risk appetite.

Recovery risk quantification for the Group uses the deployment of more advanced and informative methodologies through the use of various models for the calculation of obligor default probabilities and recovery rates, both at the transactional as well as the portfolio levels.

Furthermore, at the portfolio level, the Group's concentration and intrinsic risks are being monitored.

Risk name	Risk management approach	Ownership
Default risk	□Probability of default □ Recovery Rates	□ Recovery Risk Unit
Intrinsic risks	□ Analysis of Economic factors □ Market Forecasting □ Historical analysis (Trend analysis)	□ Recovery Risk Unit
Portfolio Concentration risks	Concentration limits principally monitored at the group level: □ Per industry, Other criteria includes: □ Per Obligor, □ Per sector, □ Per rating grade □ Per geographical area, □ Per Collateral Type □ Per maturity band □ Per Product.	Loan Monitoring Unit
Other Portfolio metrics	□ Portfolio Recovery Rate	Loan Monitoring and Unit

The group's concentration risk are monitored principally by analysis of industries while intrinsic risk are monitored by analysis of macro-economic factors with consideration given mainly to interest rate, historical analysis and market forecasting.

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43 Group risk management

Refinancing Risk Measurement and Quantification Criteria
The need for a strong refinancing risk and cash flow forecasting into the medium to long-term horizons coupled with the use of more diversified metrics provides a broader view of the group's refinancing risks such as asset, funding vs contingency liquidity risk types.

Risk	Metrics
METRICS FOR REFINANCING RISK	**Ratios** investments to total borrowings/ • Average months to maturity of investment securities • Purchased funds to earning assets **Funding Liquidity Adequacy Ratios** • Core funds to core assets • EBAs to borrowed funds ratio • Net borrowed funds to equity • Net Cumulative Cash flow **Off-balance-sheet liquidity** • Lines of Credit to borrowed funds • Contingency Funding Adequacy

Reporting Framework

Refinancing Risk Reporting Framework
- □ A database of maturing obligations are kept
- □ A database of redeemed bonds aree kept
- □ Database for the sources of funds for refinancing are maintained
- □ Risk reporting register on Investments and funds placement is maintained

Strategic, Political and Other Risks Reporting Framework
The following reports are generated by the ERM Unit and reviewed by EXCO and the Board Risk Management Committee of the Group for strategic risk assessment and controls:

- □ Business plan report – evaluating the Group's progression towards its strategic objectives and goals;
- Macro-economic and Industry scan report;
- Report showing Defaults rate, Recovery rates and Restructuring Rate
- Reports showing Political, Compliance and Reputational Risks, potential impact and controls

Legal Risk Reporting Framework
A database of key legal risks that will aid the collation, reporting and monitoring of legal risk, particularly with respect to pending litigation and contracts and documentation status have been developed;

Each department and Business unit regularly generate reports that would aid the regular monitoring of their legal risk profiles and material exposures to losses;

The Head of legal department regularly review the list of attorneys and legal firms that the Group uses for litigation and related matters to ensure best competence fit.

The Head of legal department be given copies of all risk management reports to assist in managing identified legal risks in the institution.

IV Credit risk - Qualitative disclosures

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to credit risk from its operating activities (primarily for loans and advances to customers) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Notes to the consolidated financial statements

43 Group risk management

Group's credit risk management objective, policies and processes

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, by monitoring exposures in relation to such limits and through collateralization.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment assessment

For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

* Principal and/or interest becoming past due beyond 90 days
* □A breach of contract such as a default of payment
* Where the Group grants the customer a concession due to the customer experiencing financial difficulty
* It becomes probable that the customer will enter bankruptcy or other financial reorganisation
* Other observable data that suggests that there is a decrease in the estimated future cash flows from the

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loans on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Group generally bases its analyses on historical experience adjusted for impact of current economic realities when considered relevant in the assessment process. Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, time value of money and expected receipts and recoveries once impaired)

The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy

Financial guarantees and letters of credit are assessed in a similar manner as for loans.

Credit–related commitments risks

The Group sometimes make available to its customers guarantees that may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies. See note 44 for more disclosures on credit risk

Notes to the consolidated financial statements

43 Group risk management

v Liquidity risk - Qualitative disclosures

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises from the Group's failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk exposure is present in various funding situations, but primarily debt issued, borrowed funds and customer deposits.

processes

The Group limits its liquidity risk by ensuring that diversified funding sources are arranged in addition to a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the some subsidiaries within the Group maintains a statutory deposit with the Central Bank.

In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Liquidity gaps are identified by comparing the contractual cash flows (undiscounted) to maturity of financial liabilities with financial assets are actions are taken to cater for any material mismatch.

See note 45 for more disclosures on liquidity risk.

vi Market risk - Qualitative disclosures

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices. Financial instruments affected by market risk include foreign currency denominated bonds, qouted equities, floating rate rate loans among others.

Group's market risk management objective, policies and processes

The Group monitors and manages market risks principally through senstivity analyses within reasonably possible bands

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's policy is to monitor positions on a periodic basis and necessary strategies are developed to ensure positions are maintained within the established limits.

Debt instruments measured at fair value exposes the Group to risk of loss where there is a significant movement in market interest rates. Sensitivity analyses are performed to ensure such potential exposures are quantified and assessed ahead of time in order to ensure that necessary actions are taken to minimize the impact on the Group's earnings and equity. See note 46.1 for additional disclosures on interest rate risk

Equity price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Equity securities quoted on the Nigeria Stock Exchange (NSE) is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group. See note 46.3 for more disclosures on equity price risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. This risk is principally measured and monitored through setting limits on exposures, monitoring and sensitivity analysis. See note 46.2 for more disclosure on currency risk.

Notes to the consolidated financial statements

44 Credit risk management

As disclosed in note 1, AMCON purchases Eligible Bank Assets (EBA) which are non performing loans, from Eligible Financial Institutions (EFI) which are Nigerian banks. AMCON's operational guidelines provide the basis of purchase of these assets. AMCON's objective for managing EBAs is to obtain maximum value from restructuring the EBA or settlement. Eligible Bank Assets are restructured after negotiation with customers and repayment terms agreed which considers the customers' cashflows. EBAs are settled either by surrender of assets or cash payment or both by customers. Restructured loans are carried at amortised cost and assessed for impairment by days past due and other qualitative triggers.

EBAs are designated as financial assets at fair value through profit and loss (FVTPL) with fair value determined by reference to the value of the underlying collateral. Assets held as collaterals against EBAs are valued periodically and changes in value below the purchase price charged to the profit or loss account.

Quantitative disclosures

i Analysis of maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset and the fair value of collateral and credit enhancements held

GROUP

31 December 2013	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letter of credit/ guarantees	Property	Others	Net collateral	Net exposure
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Cash and balances with central banks	177,654	-	-	-	-	-	-	177,654
Due from banks	183,856	-	-	-	-	-	-	
Derivative financial instruments	91	-	-	-	-	-	-	91
Other financial assets held for trading	20,671	-	-	-	-	-	-	20,671
Financial assets designated at fair value through profit or loss	693,060	-	67,464	-	1,315,877	-	1,383,361	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Individual lending	21,120	-	-	-	11,507	6,292	17,799	3,321
Corporate lending	407,709	-	-	-	614,172	45,097	659,268	-
Government lending	7,934	-	-	-	7,927	2,020	9,946	-
Financial investments – available-for-sale	-	-	-	-	-	-	-	-
Government debt securities	130,513	-	-	-	-	-	-	130,513
Other debt securities	9,350	-	-	-	-	-	-	9,350
Financial investments – held to maturity	-	-	-	-	-	-	-	-
Government debt securities	159,074	-	-	-	-	-	-	159,074
Other debt securities	12,135	-	-	-	-	-	-	
Assets pledged as collateral	60,247	-	-	-	-	-	-	
Other assets	267,253	-	-	-	-	-	-	267,253
Insurance receivables	424	-	-	-	-	-	-	
	2,151,091	-	67,484	-	1,949,482	53,408	2,070,375	767,927

GROUP

31 December 2012	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letter of credit/ guarantees	Property	Others	Net collateral	Net exposure
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Cash and balances with central banks	604,178	-	-	-	-	-	-	604,178
Due from banks	172,940	-	-	-	-	-	-	172,940
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets held for trading	47,992	-	-	-	-	-	-	47,992
Financial assets designated at fair value through profit or loss	904,683	-	2,264	-	1,870,406	-	1,872,670	-
Loans and advances to customers:								
Individual lending	23,378	-	-	-	7,230	4,590	11,820	11,558
Corporate lending	241,725	-	-	-	124,085	23,642	147,727	93,998
Government lending	11,777	-	-	-	303	2,296	2,599	9,178
Financial investments – available-for-sale:	-	-	-	-	-	-	-	-
Government debt securities	83,286	-	-	-	-	-	-	83,286
Other debt securities	-	-	-	-	-	-	-	-
Financial investments – held to maturity:								
Government debt securities	194,103	-	-	-	-	-	-	194,103
Other debt securities	-	-	-	-	-	-	-	-
Assets pledged as collateral	45,413	-	-	-	-	-	-	45,413
Other assets	64,647	-	-	-	-	-	-	64,647
	2,394,122	-	2,264	-	2,002,024	30,628	2,034,817	1,327,293

GROUP

1 January 2012	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letter of credit/ guarantees	Property	Others	Net collateral	Net exposure
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Cash and balances with central banks	92,454	-	-	-	-	-	-	92,454
Due from banks	122,272	-	-	-	-	-	-	122,272
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets held for trading	93,436	-	-	-	-	-	-	93,436
Financial assets designated at fair value through profit or loss	1,063,230	-	426	-	1,998,511	-	1,998,937	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Individual lending	9,802	-	-	-	1,781	-	1,781	8,021
Corporate lending	298,924	-	-	-	90,668	-	90,668	208,256
Government lending	4,549	-	-	-	11	-	11	4,538
Financial investments – available-for-sale	-	-	-	-	-	-	-	-
Government debt securities	116,116	-	-	-	-	-	-	116,116
Other debt securities	-	-	-	-	-	-	-	-
Financial investments – held to maturity	-	-	-	-	-	-	-	-
Government debt securities	94,049	-	-	-	-	-	-	94,049
Other debt securities	4,868	-	-	-	-	-	-	4,868
Assets pledged as collateral	27,846	-	-	-	-	-	-	27,846
Other assets	75,565	-	-	-	-	-	-	75,565
	2,003,111	-	426	-	2,090,972	-	2,091,398	847,420

Notes to the consolidated financial statements

CORPORATION

31 December 2013	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letter of credit/ guarantees	Property	Others	Net collateral	Net exposure
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Cash and balances with central banks	-	-	-	-	-	-	-	-
Due from banks	85,032	-	-	-	-	-	-	85,032
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	692,970	-	69,110	-	1,315,877	-	1,384,987	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Individual lending	7,683	-	-	-	5,198	-	5,198	2,485
Corporate lending	220,217	-	-	-	553,622	-	553,622	-
Government lending	668	-	-	-	2,893	-	2,893	-
Financial investments – available-for-sale		-	-	-	-	-	-	-
Government debt securities	-	-	-	-	-	-	-	-
Other debt securities	8,318	-	-	-	-	-	-	8,318
Financial investments – held to maturity		-	-	-	-	-	-	-
Government debt securities	86,131	-	-	-	-	-	-	86,131
Other debt securities	-	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-	-
	1,101,019	-	69,110	-	1,877,589	-	1,946,699	181,966
Repossessed collaterals			-		-			

CORPORATION

31 December 2012	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letter of credit/ guarantees	Property	Others	Net collateral	Net exposure
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Cash and balances with central banks	500,000	-	-	-	-	-	-	500,000
Due from banks	57,477	-	-	-	-	-	-	57,477
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	904,600	-	2,264	-	1,870,406	-	1,872,670	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Individual lending	10,663	-	-	-	2,751	-	2,751	7,912
Corporate lending	140,446	-	-	-	81,238	-	81,238	59,208
Government lending	1,551	-	-	-	263	-	263	1,288
Financial investments – available-for-sale		-	-	-	-	-	-	-
Government debt securities	2,007	-	-	-	-	-	-	2,007
Other debt securities	-	-	-	-	-	-	-	-
Financial investments – held to maturity		-	-	-	-	-	-	-
Government debt securities	131,653	-	-	-	-	-	-	131,653
Other debt securities	-	-	-	-	-	-	-	-
	1,748,397	-	2,264	-	1,954,658	-	1,956,922	759,546
Repossessed collaterals			10,088		107,487			

CORPORATION

1 January 2012	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letter of credit/ guarantees	Property	Others	Net collateral	Net exposure
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Cash and balances with central banks	-	-	-	-	-	-	-	-
Due from banks	30,908	-	-	-	-	-	-	30,908
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	1,063,147	-	426	-	1,998,511	-	1,998,937	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Individual lending	1,431	-	-	-	553	-	553	878
Corporate lending	209,344	-	-	-	80,862	-	80,862	128,482
Government lending	12	-	-	-	5	-	5	7
Financial investments – available-for-sale		-	-	-	-	-	-	-
Government debt securities	-	-	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-	-	-
Financial investments – held to maturity		-	-	-	-	-	-	-
Government debt securities	44,981	-	-	-	-	-	-	44,981
Other debt securities	-	-	-	-	-	-	-	-
	1,349,823	-	426	-	2,079,930	-	2,080,356	206,257

Fair value of collaterals were determined as follows:

1. Securities
Market price of quoted equities

2. Properties

The basis of valuations is market values, the methods applied are the 'Investment' and 'Depreciated Replacement Cost'. Observable inputs include assumptions that the property titles are good and marketable without any encumbrances or onerous restrictions, as at the date of the revaluation and no adverse report had been received from the Legal and Credit departments to the contrary, the willingness of the buyer and seller, reasonable period to negotiate the sale taking into account the nature and existing use of the property and the state of the market.

3. Others
Collaterals classified as others include plant and equipments and other specialised assets value by considering their realisable values

Valuation techniques for properties and other collaterals described in 2 and 3 above

Market values were determined using the income and cost approaches of valuation. Under the income approach, the investment method was used and under the cost method, the depreciated replacement cost method was used. Buildings and other income generating assets are valued using the investment method while plant and machinery, factories and other integrated assets were valued using the cost approach.

The investment method considers the income that an asset will generate over its useful life and indicates the market value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate. The investment method involves capitalising a single period representative income, such as the annual rental income, using an overall capitalisation rate. Inputs into the method include actual and projected cash flows and discount rates.

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. The depreciated replacement cost method involves determining the cost of an asset of equal utility and the appropriate depreciation deducted to arrive at the market value. Inputs into this method include estimated cost of construction and depreciation rates.

Internal valuations are based on the recommendations of reputable external valuers about market trends of prices, recent industry transactions with assets of similar characteristics and other market factors.

Notes to the consolidated financial statements

Asset disposal guide

AMCON possesses assets arising from the acquisition of eligible bank assets (EBA) including real estate, securities and integrated assets like tank farms, etc.
The following principles guide the disposal of collateral surendered to AMCON':

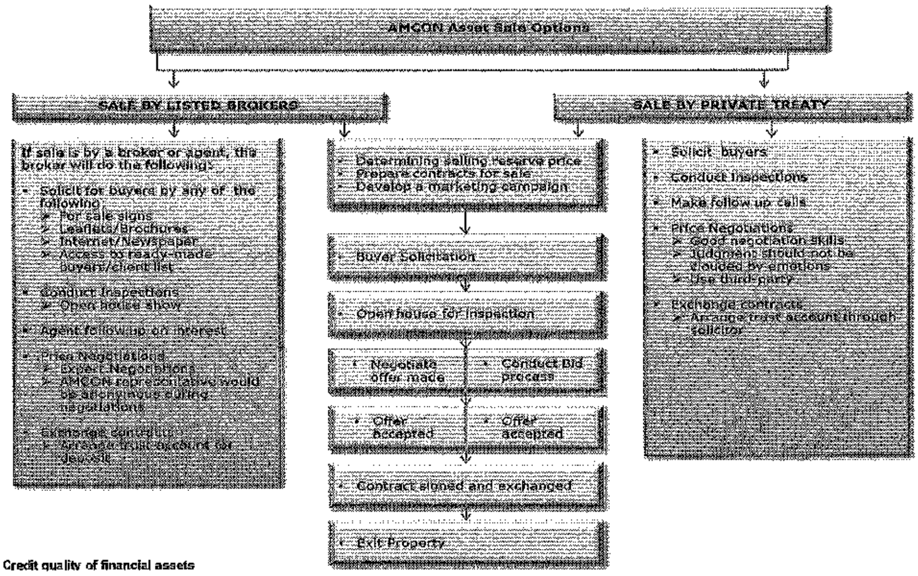
a. Disposal will be conducted in a commercial and transparent manner
b. Disposal will be conducted in a manner that ensures the realization of the long-term economic value of the asset
c. Disposal will be done in the best interest of the corporation in line with the AMCON Act and law of the land
d. Disposal of assets will be conducted in a manner that preserves the orderly conduct of the market in which the assets are to be sold.

During the management or disposal of repossessed assets, the following procedures are carried out:

- Preparing property budget and obtaining appropriate approval from Executive Committee.
- Arranging for on-site management of the property if necessary.
- Developing an appropriate leasing plan for income-producing property.
- Developing and implementing an appropriate marketing strategy;
- Making site inspections, including visiting with property managers and tenants.

Real property are promptly disposed of at the highest return possible. All properties are adequately marketed before disposition. Property are generally sold "as is". However, steps necessary to preserve or enhance the value of the property or improve the cash flow are embarked upon to the best interest of AMCON whenever possible.

The end-to-end activity flow for the Asset Disposal is represented in the diagram below:



B Credit quality of financial assets

i GROUP

	Neither past due nor impaired			Past due but not impaired		
	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm
Cash and balances with central banks	177,654	604,178	92,454	-	-	-
Due from banks	183,856	172,940	122,272	-	-	-
Derivative financial instruments	91	-	-	-	-	-
Other financial assets held for trading	20,671	47,992	93,436	-	-	-
Financial assets designated at fair value through profit or loss	1,692	83	83	-	-	-
Loans and advances to customers	305,646	252,708	202,471	60,750	26,617	68,008
Financial investments – available-for-sale	139,863	83,286	116,116	-	-	-
Financial investments – held to maturity	171,209	194,103	98,917	-	-	-
Assets pledged as collateral	60,247	45,413	27,846	-	-	-
Assets held for sale	8,139	9,992	-	-	-	-
Other assets	250,200	-	2,506	11,406	18,973	68,492
	1,319,268	1,410,695	756,101	72,156	45,590	136,500

	Individually impaired			Specific impairment		
	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm
Cash and balances with central banks	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-
Loans and advances to customers	258,406	173,490	202,665	165,962	152,838	139,050
Financial Investments – held to maturity	-	-	-	-	-	-
Other assets	275,303	210,503	191,035	269,629	164,829	186,468
Insurance receivables	1,401	1,066	2,401	977	942	1,404
Gross amount before impairment	535,110	385,059	396,101	436,569	318,609	326,922

CORPORATION

	Neither past due nor impaired			Past due but not impaired		
	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm
Cash and balances with central banks	-	500,000	-	-	-	-
Due from banks	85,032	57,477	30,908	-	-	-
Financial assets designated at fair value through profit or loss	12,851	10,791	10,729	-	-	-
Loans and advances to customers	103,714	100,510	101,291	50,422	21,218	67,355
Financial investments – available-for-sale	8,318	-	-	-	-	-
Financial investments – held to maturity	86,131	131,653	44,981	-	-	-
	298,046	800,431	187,909	50,422	21,218	67,355

Notes to the consolidated financial statements

	Individually impaired			Specific impairment		
	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm
Cash and balances with central banks	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-
Loans and advances to customers	239,913	160,209	184,876	149,324	111,568	124,547
Financial investments – held to maturity	-	-	-	-	-	-
Gross amount before impairment	239,913	160,209	184,876	149,324	111,568	124,547

ii Age analysis of past due but not impaired loans and advances

GROUP

	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm
Past due up to 30 days	23,152	12,145	3,238
Past due over 30 days but less than 60 days	31,064	6,304	64,491
Past due over 60 days but less than 90 days	6,535	8,168	279
	60,751	26,617	68,008

CORPORATION

	31-Dec-13 N'm	31-Dec-12 N'm	1-Jan-12 N'm
Past due up to 30 days	23,152	10,601	2,848
Past due over 30 days but less than 60 days	20,735	2,449	64,491
Past due over 60 days but less than 90 days	6,535	8,168	16
	50,422	21,218	67,355

iii Risk rating of financial assets

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business,geographic regions and products. The rating system is supported by three prameters,collateral coverage ratio,nature and type of collateral and time in default which combined to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The group operates a risk rating scale which is used to assess the credit quality of certain financial assets as shown below:

Grade	Group risk rating	Rating agencies equivalent	
Investment grade	1	AAA/Aaa	An obligor rated '1' has adequate collateral coverage ratio and has a very good recovery rate. '1' is the highest.
	2	AA/Aa	An obligor rated '2' has good collateral coverage ratio and good recovery rate. However, adverse economic conditions or changing circumstances are more likely to affect the rating and could lead to a weakened recovery rate.
	3	A/A	An obligor rated '3' is more vulnerable in the near term than other higher-rated obligors. It also faces major uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments and less recovery for the Corporation.
	4	BBB/Baa	An obligor rated '4' is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments
Non investment grade	5	BB/Ba	An obligor has defaulted and the facility is impaired, however estimated recovery of about 50% of the outstanding amount is expected through realisation of collateral value
	6	B/B	An obligor has defaulted and the facility is impaired, however estimated recovery of about 40% of the outstanding amount is expected through realisation of collateral value
	7	CCC/Caa	An obligor has defaulted and the facility is impaired, however estimated recovery of about 30% of the outstanding amount is expected through realisation of collateral value
	8	CC/Ca	An obligor has defaulted and the facility is impaired, however estimated recovery of about 20% of the outstanding amount is expected through realisation of collateral value
	9	C/C	An obligor has defaulted and the facility is impaired, however estimated recovery of about 10% of the outstanding amount is expected through realisation of collateral value
	10	D	An obligor has defaulted and the facility is impaired, recovery is not expected as the asset is assumed lost

The table below shows the risk rating of financial assets with credit risk exposures

GROUP

	Cash and balances with central banks N'Million	Due from banks N'Million	Derivative financial instruments N'Million	Financial assets designated at FVTPL N'Million	Other financial assets- HFT N'Million	Loans and advances to customers N'Million	Financial assets - AFS N'Million	Financial assets - HTM N'Million
At 31 December 2013								
Rating 1 - 4	177,654	183,856	91	20,671	20,536	78,177	130,513	159,074
Rating 5 - 10	-	-	-	-	-	60,616		-
Unrated	-	-	-	-	135	69,402	-	-
At 31 December 2012								
Rating 1 - 4	604,178	172,940	-	10,791	48,353	49,281	83,286	179,453
Rating 5 - 10	-	-	-	-	-	270,061		
Unrated	-	-	-	-	135	33,446	-	-
At 1 January 2012								
Rating 1 - 4	92,454	122,272	-	10,729	93,073	40,053	116,116	94,049
Rating 5 - 10	-	-	-	-	-	205,834		
Unrated	-	-	-	-	-	9,261	-	-

Notes to the consolidated financial statements

CORPORATION	Cash and balances with central banks N'Million	Due from banks N'Million	Derivative financial instruments N'Million	Financial assets designated at FVTPL N'Million	Other financial assets- HFT N'Million	Loans and advances to customers N'Million	Financial assets - AFS N'Million	Financial assets - HTM N'Million
At 31 December 2013								
Rating 1 - 4	-	-	-	12,851	-	-	-	-
Rating 5 - 10	-	-	-	-	-	-	-	
Unrated	-	-	-	-	-	-	-	-
At 31 December 2012								
Rating 1 - 4	500,000	85,032	-	10,791	-	-	-	-
Rating 5 - 10	-	-	-	-	-	228,568	-	-
Unrated	-	-	-	-	-	-	-	-
At 1 January 2012								
Rating 1 - 4	-	57,477	-	10,729	-	-	-	-
Rating 5 - 10	-	-	-	-	-	152,660	-	-
Unrated	-	-	-	-	-	-	-	-

Credit quality of financial assets designated at fair value through profit or loss (Eligible Bank Assets)

Acquired loans are non performing loans purchased from Eligible Financial Institutions (EFIs) and are designated at fair value through profit or loss. The quality of these loans are assessed by reference to their collateral coverage and as such not subject to credit risk. AMCON has purchased a total of N1.75 trillion of non performing loans to date. Cost of non negotiated loan as at year end was N927 billion. Cash recoveries and assets surrendered in respect of settlement by obligors amounts to N174 billion and N142 billion respectively while N609 billion has been restructured to date with an outstanding amount of N374 billion as year end.

Collaterals are mainly properties as shown below:

Types collaterals	December 31, 2013	December 31, 2012	January 1, 2012
1. Properties (%)	95.0	99.9	100%
2. Securities (%)	5.0	0.1	0%

59% of EBAs are fully covered by the value of their underlying collaterals as at year end 2013 (2012: 80%). The negative variance in collateral coverage is as result of cash settlement and consequent asset release and; negotiation of acquired loans which are reclassified as loans and receivables.

iv Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the statement of financial position.

AMCON is mandated to acquire non performing loans referred to in AMCON's act as eligible bank assets (EBA) as prescribed therein from qualying banks irrespective of the sectorial classification.

Restrutured EBAs classified as loans and receivables are loans that have been negotiated with willing obligors without regard to sector. AMCON intend to recover optimal value from this portfolio and as such sectoral classification is hardly considered in managing its risk concentration

The Group's strategy as relates to investment in other financial assets carried at FVTPL, available for sale and held to maturity is consideration of liquidity and optimal returns at lowest risk possible. In line with the foregoing, financial investments at available for sale and held to maturity are mainly treasury bills which are risk free and accounts for 85% and 65% of the asset classes respectively.

Industry analysis GROUP	Financial services N'm	Government N'm	Manufacturing & Energy N'm	Consumer N'm	General commerce N'm	Services N'm	Others N'm	Total N'm
Cash and balances with central banks	177,654	-	-	-	-	-	-	177,654
Due from banks	183,856	-	-	-	-	-	-	183,856
Derivative financial instruments	-		-	-	-	-	91	91
Other financial assets held for trading	135	20,536	-	-	-	-	74,945	95,616
Financial assets designated at fair value through profit or loss	7,540	4,885	7,209	13,391	463,560	-	196,475	693,060
Loans and advances to customers	1,475	7,819	171,240	39,054	48,729	56,146	112,301	436,763
Financial investments – available-for-sale	9,360	130,513	-	-	-	1,770	-	141,633
Financial investments – held to maturity	13,106	130,513	-	-	-	-	-	143,619
31 December 2013	393,116	294,267	178,449	52,445	512,289	57,916	383,812	1,872,292

Industry analysis GROUP	Financial services N'm	Government N'm	Manufacturing & Energy N'm	Consumer N'm	General commerce N'm	Services N'm	Others N'm	Total N'm
Cash and balances with central banks	604,178	-	-	-	-	-	-	604,178
Due from banks	172,940	-	-	-	-	-	-	172,940
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets held for trading	-	47,857	-	-	-	631	38,252	86,740
Financial assets designated at fair value through profit or loss	23,204	2,231	326,334	22,448	152,236	173,974	204,256	904,683
Loans and advances to customers	7,866	14,961	58,774	17,229	109,315	60,238	8,497	276,880
Financial investments – available-for-sale	-	83,286	300	-	-	2,007	12,529	98,122
Financial investments – held to maturity		179,453	6,319	-	-	-	8,331	194,103
31 December 2012	808,188	327,788	391,727	39,677	261,551	236,850	271,865	2,337,646

Industry analysis GROUP	Financial services N'm	Government N'm	Manufacturing & Energy N'm	Consumer N'm	General commerce N'm	Services N'm	Others N'm	Total N'm
Cash and balances with central banks	92,454	-	-	-	-	-	-	92,454
Due from banks	122,272	-	-	-	-	-	-	122,272
Other financial assets held for trading	-	116,644	-	-	-	-	22,928	139,572
Financial assets designated at fair value through profit or loss	26,634	3,579	365,270	26,893	212,099	178,944	249,811	1,063,230
Loans and advances to customers	925	295	142,308	6,298	134,466	23,304	5,679	313,275
Financial investments – available-for-sale	-	116,116	-	-	-	1,832	780	118,728
Financial investments – held to maturity	-	94,049		-	-	-	4,868	98,917
1 January 2012	242,285	330,683	507,578	33,191	346,565	204,080	284,066	1,948,448

Industry analysis	Financial services N'm	Government N'm	Manufacturing & Energy N'm	Consumer N'm	General commerce N'm	Services N'm	Others N'm	Total N'm
CORPORATION								
Cash and balances with central banks	-	-	-	-	-	-	-	-
Due from banks	85,032	-	-	-	-	-	-	85,032
Other financial assets held for trading	-	-	-	-	-	-	72,961	72,961
Financial assets designated at fair value through profit or loss	7,540	4,885	7,209	13,391	463,560		196,385	692,970
Loans and advances to customers	758	873	82,220	-	21,598	38,995	84,125	228,568
Financial investments – available-for-sale	8,318	-	-	-	-	1,770	-	10,088
Financial investments – held to maturity	-	86,131	-	-	-	-	-	86,131
31 December 2013	101,648	91,889	89,429	13,391	485,158	40,765	353,471	1,175,750

Notes to the consolidated financial statements

Industry analysis	Financial services N'm	Government N'm	Manufacturing & Energy N'm	Consumer N'm	General commerce N'm	Services N'm	Others N'm	Total N'm
CORPORATION								
Cash and balances with central banks	500,000	-	-	-	-	-	-	500,000
Due from banks	57,477	-	-	-	-	-	-	57,477
Other financial assets held for trading	-	-	-	-	-	-	38,252	38,252
Financial assets designated at fair value through profit or loss	23,204	2,231	326,334	22,448	152,236	173,974	204,173	904,600
Loans and advances to customers	6,778	1,728	14,005	-	98,741	29,391	2,018	152,660
Financial investments – available-for-sale	-	-	-	-	-	2,007	-	2,007
Financial investments – held to maturity	131,653	-	-	-	-	-	-	131,853
31 December 2012	719,112	3,959	340,339	22,448	250,977	205,372	244,443	1,786,649

Industry analysis	Financial services N'm	Government N'm	Manufacturing & Energy N'm	Consumer N'm	General commerce N'm	Services N'm	Others N'm	Total N'm
CORPORATION								
Cash and balances with central banks	-	-	-	-	-	-	-	-
Due from banks	30,908	-	-	-	-	-	-	30,908
Other financial assets held for trading	-	-	-	-	-	-	22,928	22,928
Financial assets designated at fair value through profit or loss	26,634	3,579	364,626	26,893	212,099	178,944	250,372	1,063,147
Loans and advances to customers	179	-	105,273	195	99,613	184	5,343	210,787
Financial investments – available-for-sale	-	-	-	-	-	1,832	-	1,832
Financial investments – held to maturity	44,981	-	-	-	-	-	-	44,981
1 January 2012	102,702	3,579	469,899	27,088	311,712	180,960	278,643	1,374,583

Notes to the consolidated financial statements

45 Liquidity risk and funding management

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity.

Contractual maturities of undiscounted cash flows of financial assets and liabilities

Group

31 December 2013	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total
Financial assets						
Cash and balances with central banks	88,220	46,706	-	-	56,983	191,908
Due from banks	91,151	92,705	-	-	-	183,856
Derivative financial instruments	-	-	91	-	-	91
Other financial assets held for trading	-	15,268	5,630	3,593	5,999	30,489
Financial assets designated at fair value through profit or loss	-	-	-	-	693,105	693,105
Loans and advances to customers	222,024	100,841	95,152	317,820	67,309	803,146
Financial investments – available-for-sale	-	70,792	21,018	35,197	44,758	171,764
Financial investments – held to maturity	-	54,396	60,750	143,688	29,960	288,794
Assets pledged as collateral	-	-	425	-	-	425
Insurance receivables	-	6,202	2,710	-	-	8,913
Other assets	-	19,149	2,836	12,635	19,914	54,533
Total assets	**401,395**	**406,059**	**188,612**	**512,933**	**918,028**	**2,427,024**
Financial liabilities						
Due to customers	-	701,592	18,534	1,976	47	722,149
Due to banks	-	1,092	8,355	-	-	9,447
Debt issued and other borrowed funds	-	7,187	1,095,672	943,514	5,601,926	7,648,298
Other liabilities	9,017	28,773	13,368	2,318	2,719	56,196
Contingent liabilities and commitments.						
Liabilities on insurance contracts	-	-	1,322	9,459	2,176	12,957
Financial guarantees		-	-	2,451	4,584	7,035
Letters of credit		-	10,572	39,895	12,997	63,465
Other commitments and guarantees		-	512	9,274	17,622	27,409
Total liabilities	**9,017**	**738,644**	**1,148,335**	**1,008,887**	**5,642,071**	**8,546,955**
Total liquidity gap	**392,378**	**(332,585)**	**(959,723)**	**(495,954)**	**(4,724,043)**	**(6,119,931)**

Contractual maturities of undiscounted cash flows of financial assets and liabilities
Group

31 December 2012	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total
Financial assets						
Cash and balances with central banks	574,963	46,852	-	-	-	621,815
Due from banks	8,603	150,512	-	-	-	159,115
Derivative financial instruments	-	-	-	-	-	-
Other financial assets held for trading	-	21,657	14,456	11,220	9,423	56,756
Financial assets designated at fair value through profit or loss	-	-	-	-	904,600	904,600
Loans and advances to customers	80,897	84,145	96,870	246,690	60,384	568,987
Financial investments – available-for-sale	-	53,693	67,019	61,979	44,760	227,451
Financial investments – held to maturity	-	106,603	44,456	182,134	9,231	342,424
Assets pledged as collateral	-	124	-	-	-	124
Insurance receivables	-	1,723	3,684	-	-	5,407
Other assets	-	18,989	1,580	10,025	15,011	45,605
Total assets	**664,463**	**484,298**	**228,065**	**512,048**	**1,043,409**	**2,932,284**
Financial liabilities						
Due to customers	-	574,647	40,512	46,776	-	661,935
Due to banks	-	12,053	-	-	-	12,053
Debt issued and other borrowed funds	-	1,718	1,699,606	3,928,115	461	5,629,900
Other liabilities	-	8,156	38,650	2,077	2,472	51,355

Notes to the consolidated financial statements

	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total
Contingent liabilities and commitments.						
Liability on insurance contract	-	-	376	-	-	376
Financial guarantees	-	222	2,642	14,510	1,578	18,952
Letters of credit	-	-	1,192	17,632	12,866	31,690
Other commitments and guarantees	-	-	1,370	11,775	20,412	33,557
Total commitments and guarantees	-	-	-	-	-	-
Total liabilities	-	596,796	1,784,347	4,020,885	37,789	6,439,817
Total liquidity gap	664,463	(112,497)	-1,556,282	(3,508,837)	1,005,620	(3,507,533)

Contractual maturities of undiscounted cash flows of financial assets and liabilities

Group

1 January 2012	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total
Financial assets						
Cash and balances with central banks	38,290	76,500	12,134	-	-	126,924
Due from banks	6,975	80,135	-	-	-	87,110
Other financial assets held for trading	-	32,478	28,666	31,121	7,819	100,084
Financial assets designated at fair value through profit or loss	-	-	-	-	1,063,147	1,063,147
Loans and advances to customers	15,851	80,386	84,926	136,980	62,130	380,273
Financial investments – available-for-sale	-	12,098	71,422	132,585	82,055	298,159
Financial investments – held to maturity	-	49,161	21,105	137,836	22,191	230,292
Insurance receivables	-	979	-	-	-	979
Other assets	-	1,754	834	-	-	2,588
Assets held for collateral	-	9,675	18,622	-	-	28,296
Total assets	61,116	343,166	237,709	438,522	1,237,342	2,317,852
Financial liabilities						
Due to customers	-	528,362	73,001	29,171	-	630,533
Due to banks	-	5,230	-	-	-	5,230
Financial liabilities designated at fair value through profit or loss	-	83	-	11,311	554	11,947
Debt issued and other borrowed funds	-	8,177	43,604	5,561,585	-	5,613,366
Other liabilities	-	4,176	1,894	2,105	10,008	18,183
Contingent liabilities and commitments.						
Financial guarantees	-	1	21	1,616	24,152	25,790
Letters of credit	-	-	7,627	22,737	15,836	46,200
Other undrawn commitments to lend	-	-	-	-	-	-
Other commitments and guarantees	-	-	4,063	5,847	11,579	21,488
Total liabilities	-	546,028	130,210	5,634,371	62,128	6,372,738
Total liquidity gap	61,116	(202,863)	107,498	(5,195,849)	1,175,214	(4,054,886)

Corporation

31 December 2013	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total N'Million
Financial assets						
Cash and balances with central banks	-	-	-	-	-	-
Due from banks	83,973	1,059	-	-	-	85,032
Financial assets designated at fair value through profit or loss	-	-	-	-	692,970	692,970
Loans and advances to customers	222,024	13,119	58,621	240,373	32,828	566,965
Financial investments – available-for-sale	-	-	-	-	-	-
Financial investments – held to maturity	-	31,101	55,030	-	-	86,131
Total assets	305,997	45,279	113,651	240,373	725,798	1,431,098

Notes to the consolidated financial statements

	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total N'Million
Financial liabilities						
Debt issued and other borrowed funds	-	-	1,094,735	912,000	5,590,000	7,596,735
Other liabilities	-	-	-	-	-	-
Contingent liabilities and commitments.						
Financial guarantees		-	-	2,150	2,632	4,782
Other commitments and guarantees		-	-	-	-	-
Total commitments and guarantees						
Total liabilities	-	-	1,094,735	914,150	5,592,632	7,601,517
Total liquidity gap	305,997	45,279	(981,084)	(673,777)	(4,866,834)	(6,170,419)

Corporation

31 December 2012	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total N'Million
Financial assets						
Cash and balances with central banks	500,000	-	-	-	-	500,000
Due from banks	8,603	48,874	-	-	-	57,477
Financial assets designated at fair value through profit or loss	-	-	-	-	904,600	904,600
Loans and advances to customers	80,897	10,171	69,371	194,568	51,612	406,619
Financial investments – available-for-sale	-	-	-	-	-	-
Financial investments – held to maturity	-	98,468	36,472	-	-	134,940
Total assets	589,500	157,513	105,843	194,568	956,212	2,003,636
Financial liabilities						
Debt issued and other borrowed funds	-	-	1,699,436	3,914,579	-	5,614,014
Other liabilities	-	-	-	-	-	-
Contingent liabilities and commitments.						
Financial guarantees		-	-	8,435	1,500	9,935
Other commitments and guarantees		-	-	-	-	-
Total commitments and guarantees						
Total liabilities	-	-	1,699,436	3,914,579	-	5,614,014
Total liquidity gap	589,500	157,513	-1,593,593	(3,720,011)	956,212	(3,610,378)

Corporation

1 January 2012	On demand N'Million	Less than 3 months N'Million	3 to 12 months N'Million	1 - 5 years N'Million	Over 5 years N'Million	Total N'Million
Financial assets						
Cash and balances with central banks	-	-	-	-	-	-
Due from banks	6,975	23,933	-	-	-	30,908
Financial assets designated at fair value through profit or loss	-	-	-	-	1,063,417	1,063,417
Loans and advances to customers	15,851	19,970	55,834	118,353	57,863	267,871
Financial investments – available-for-sale	-	-	-	-	-	-
Financial investments – held to maturity	-	25,641	19,409	-	-	45,050
Total assets	22,826	69,544	75,243	118,353	1,121,280	1,407,246
Financial liabilities						
Debt issued and other borrowed funds	-	-	-	5,560,191	-	5,560,191
Other liabilities	-	-	-	-	-	-
Contingent liabilities and commitments.						
Letters of credit		-	-	-	-	-
Total liabilities	-	-	-	5,560,191	-	5,560,191
Total liquidity gap	22,826	69,544	75,243	(5,441,838)	1,121,280	(4,152,945)

Notes to the consolidated financial statements

The Group has a negative liquidity gap of N6.09 trillion as at year end 2013. The Group hopes to close this gap by accessing funds from the Banking Sector Resolution Cost Trust Fund (BSRCTF) and the financial support provided by the Central Bank of Nigeria and the Federal Ministry financial support to the continuous operation of the AMCON as a going concern.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a monthly basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows from Banking Sector Resolution Cost Trust Fund and realisation of high grade repossessed collateral.

The Group also maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

Banking Sector Resolution Cost Trust Fund (BSRCTF)

The CBN and Nigerian banks agreed to setup the Banking Sector Resolution Cost Trust Fund (BSRCTF). Each year, until AMCON has repaid all outstanding obligations, Nigerian Banks will contribute yearly, 0.50% (revised from 0.3% in 2012) of total assets based on preceding year balance sheet starting from 2011 to the Banking Sector Resolution Cost Trust Fund and the CBN will contribute N50 billion per annum for 10 years.It is anticipated that the contributions will continue for about 10years, but no more than15years.The Fund is managed independent of AMCON, with a Board of Trustees to manage and protect the funds.The Fund will be utilized to make up any shortfall between funds generated from AMCON's operations and the value of bonds to be redeemed or serviced.Pursuant to the objective of the BSRCTF, CBN released the sum of N441.3 billion from the fund towards redemption of AMCON Bonds in December 2013.

Notes to the consolidated financial statements

46 Market risk

46.1 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 reasonably expected movement in interest rate is 100 Basis Points (BP) and the impact has been shown in the table below;

Group
31 December 2013

Increase (decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity
	N million	N million
+ 100Bp	1,283	(5)
- 100Bp	(1,283)	5

31 December 2012

Increase (decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity
	N million	N million
+ 100Bp	1,252	-
- 100Bp	(1,252)	-

Corporation
31 December 2013

Increase (decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity
	N million	N million
+ 100Bp	-	(385)
- 100Bp	-	407

31 December 2012

Increase (decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity
	N million	N million
+ 100Bp	-	-
- 100Bp	-	-

There were no changes in methods and assumptions used in preparing the sensitivity analysis from the previous period.

The table below analyses the interest rate risk exposure on non–trading financial assets and liabilities. Assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates

a) Group	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non–interest
31 December 2013		N million	N million	N million	N million	N million	N million
Assets							
Cash and balances with central banks	177,654	74,440	18,104	-	28,128	56,983	-
Due from banks	183,856	158,734	25,122	-	-	-	-
Derivative financial instruments	91	-	-	91	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Loans and advances to customers	436,763	18,624	43,202	24,695	340,945	9,297	-
Financial investments – available-for-sale	158,359	-	19,929	89,072	30,862	-	-
Financial investments – held to maturity	171,209	-	23,912	124,541	17,950	4,806	-
Assets pledged as collateral	60,247	-	24,523	7,486	12,881	15,357	-
	1,188,179	251,798	154,792	245,885	430,766	86,443	-
Liabilities							
Due to customers	710,191	282,179	192,375	235,584	4	50	-
Due to banks	1,092	-	-	-	1	1,091	-
Derivatives financial instrument	-	-	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Debt issued and other borrowed funds	3,570,849	-	11,545	655,022	361,501	2,542,781	-
Other liabilities	1,689,557	25,996	-	128,720	-	-	-
Liability on investment contracts	376	-	-	376	-		-
	5,972,066	308,175	203,920	1,019,701	361,506	2,543,922	-
Total gap	(4,783,886)	(56,377)	(49,128)	(773,816)	69,260	(2,457,479)	-

Notes to the consolidated financial statements

Group 31 December 2012	Carrying amount	On demand N million	Less than 3 months N million	3 to 12 months N million	1 to 5 years N million	Over 5 years N million	Non-interest N million
Assets							
Cash and balances with central banks	604,178	508,299	31,468	15,000	25,897	25,513	-
Due from banks	172,940	138,138	34,803	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Loans and advances to customers	276,880	-	52,808	18,209	193,722	12,142	-
Financial investments – available-for-sale	98,122	-	-	19,740	31,773	31,773	-
Financial investments – held to maturity	194,103	18,518	19,919	7,993	63,553	84,120	-
Assets pledged as collateral	45,413	-	17,046	15,302	13,065	-	-
	1,391,636	662,955	156,044	76,245	328,010	153,548	-
Liabilities							
Due to customers	654,148	214,108	340,923	49,856	27,408	21,853	-
Due to banks	-	12,053	-	-	-	-	-
Derivatives financial instrument	-	-	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Debt issued and other borrowed funds	4,660,083	-	-	1,335,325	3,061,515	263,243	-
Other liabilities	597,029	-	-	36,531	-	-	-
Liability on investment contracts	376	-		-	376	-	-
	5,911,636	226,161	340,923	1,421,712	3,089,298	285,096	-
Total gap	(4,520,000)	436,795	(184,879)	(1,345,467)	(2,761,289)	(131,548)	-

Notes to the consolidated financial statements

46.2 Currency risk

The table below indicates the currencies to which the Group had significant exposure at on its non–trading monetary assets and liabilities and its forecast cash flows.

The analysis calculates the effect of a reasonably possible movement of the currency rate against the Naira (all other variables being held constant) on profit or loss and equity

A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Naira would have resulted in an equivalent but opposite impact.

a) Group

Currency	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
	2013	2013	2013	2012	2012	2012
		N million	N million		N million	N million
USD	10%	9,630	7,980	10%	10,486	8,850
	-10%	(9,630)	(7,980)	-10%	(10,486)	(8,850)
GBP	10%	92	84	10%	12	(6)
	-10%	(92)	(84)	-10%	(12)	6
EUR	10%	133	84	10%	163	114
	-10%	(133)	(84)	-10%	(163)	(114)

b) Corporation

Currency	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
	2013	2013	2013	2012	2012	2012
		N million	N million		N million	N million
USD	+10	158.21	-	+10	-	-
	-10	(159.44)	-	-10	-	-
GBP	+10	-	-	+10	-	-
	-10	-	-	-10	-	-
EUR	+10	-	-	+10	-	-
	-10	-	-	-10	-	-

The table below summarises the Group's exposure to foreign currency exchange risk as at 31 December 2013. Included in the table are the Group's financial instruments at their carrying amounts categorised by currency.

a) Group

	31 December 2013				
	Naira	USD	GBP	Euro	Total
	N million	N million	N million	N million	N million
Financial assets					
Cash and balances with central banks	162,781	12,799	1,233	841	177,654
Due from banks	152,455	26,408	294	4,699	183,856
Derivative financial instruments	91	-	-	-	91
Other financial assets held for trading	95,610	-	-	-	95,610
Financial assets designated at fair value through profit or loss	-				-
Loans and advances to customers	369,665	40,039	365	26,694	436,763
Financial investments – available-for-sale	158,359	-	-	-	158,359
Financial investments – held to maturity	169,620	-	-	-	169,620
Assets pledged as collateral	60,247	-	-	-	60,247
Insurance receivables	424				424
Other assets	282,182	-	-	-	282,182
	1,451,433	79,247	1,892	32,234	1,564,806
Financial Liabilities					
Due to customers	310,450	73,053	323,774	2,913	710,191
Due to banks	1,092	-	-	-	1,092
Financial liabilities designated at fair value through profit or loss	90	-	-	-	90
Other liabilities	1,443,735	4,158	240,529	1,135	1,689,557
Liability on investment contracts	376	-	-	-	376
Debt issued and other borrowed funds	3,570,849	-	-	-	3,570,849
	5,326,593	77,211	564,303	4,048	5,972,155

Notes to the consolidated financial statements

Group

	31 December 2012				
	Naira	USD	GBP	Euro	Total
	N million	N million	N million	N million	N million
Financial assets					
Cash and balances with central banks	599,762	4,120	578	1,005	605,464
Due from banks	131,704	38,742	356	2,138	172,940
Derivative financial instruments	-	-	-	-	-
Other financial assets held for trading	86,741	-	-	-	86,741
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Loans and advances to customers	250,977	25,452	428	23	276,880
Financial investments – available-for-sale	92,783	5,339	-	-	98,122
Financial investments – held to maturity	194,103	-	-	-	194,103
Assets pledged as collateral	45,413	-	-	-	45,413
Other assets	70,895	-	-	-	70,895
Insurance receivables	124	-	-	-	124
	1,472,502	73,653	1,361	3,166	1,550,682
Financial Liabilities					
Due to customers	561,154	68,064	871	24,060	654,148
Due to banks	4,197	7,623	-	233	12,053
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-
Debt issued and other borrowed funds	4,628,108	-	-	31,975	4,660,083
Other liabilities	573,780	1,954	2,624	1,171	579,529
Liability on investment contracts	376	-	-	-	376
Liability on insurance contracts	1,177	-	-	-	1,177
	5,768,791	77,641	3,495	57,438	5,907,366

b) Corporation

	31 December 2013				
	Naira	USD	GBP	Euro	Total
	N' million	$' million	£' million	€' million	million
Financial assets					
Cash and balances with central banks	-	-	-	-	-
Due from banks	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Financial investments – available-for-sale	10,088.00	-	-	-	10,088
Financial investments – held to maturity	86,131		-	-	86,131
Insurance receivables					
	96,219	-	-	-	96,219
Financial Liabilities					
Due to customers	-	-	-	-	-
Due to banks	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-
Debt issued and other borrowed funds	-	-	-	-	-
	-	-	-	-	-

Corporation

	31 December 2012				
	Naira	USD	GBP	Euro	Total
	N' million	$' million	£' million	€' million	million
Financial assets					
Cash and balances with central banks	-	-	-	-	-
Due from banks	85,032	-	-	-	85,032
Other financial assets held for trading	72,961	-	-	-	72,961.00
Financial assets designated at fair value through profit or loss	692,970	-	-	-	692,970.00
Loans and advances to customers	228,568	-	-	-	228,568.00
Financial investments – available-for-sale	10,088	-	-	-	10,088.00
Financial investments – held to maturity	86,131.00	-	-	-	86,131.00
	1,175,750	-	-	-	1,175,750

Notes to the consolidated financial statements

	31 December 2012				
	Naira	USD	GBP	Euro	Total
	N' million	$' million	£' million	€' million	million
Financial Liabilities					
Due to customers	-	-	-	-	-
Due to banks	-	-	-	-	-
Debt issued and other borrowed funds	3,667,924	-	-	-	3,667,924
	3,667,924	-	-	-	3,667,924

46.3 Equity price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Equity securities quoted on the Nigeria Stock Exchange (NSE) is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

At the reporting date, the Group's exposure to listed equity securities at fair value was N14,740 million.

The table below shows the effect in profit or loss and equity of changes in the Nigeria Stock Exchange (NSE) index on the Group. A 100Bp increase and decrease in the equity price have been used in the sensitivity analysis below;

31 December 2013
Group

Market Index	Effect on profit or loss	Effect on Equity
	N'Million	N'Million
	3,639	1,790
	(3,639)	(1,790)

31 December 2012
Group

Market Index	Effect on profit or loss	Effect on Equity
	N'Million	N'Million
	990	1,335
	(990)	(1,335)

31 December 2013
Corporation

Market Index	Effect on profit or loss	Effect on Equity
	N'Million	N'Million
	3,639	-
	(3,639)	-

31 December 2012
Corporation

Market Index	Effect on profit or loss	Effect on Equity
	N'Million	N'Million
	990	-
	(990)	-

Notes to the consolidated financial statements

47 Maturity analysis on expected maturity bases

The table below summarises the expected utilisation or settlement of assets and liabilities

Group **31 December 2013**	**Current** **N'Million**	**Non-current** **N'Million**	**Total** **N'Million**
Assets			
Cash and balances with central banks	94,560	83,094	177,654
Due from banks	183,856	-	183,856
Derivative financial instruments	91	-	91
Other financial assets held for trading	13,021	82,595	95,616
Financial assets designated at fair value through profit or loss	-	693,060	693,060
Loans and advances to customers	207,262	229,501	436,763
Financial investments – available-for-sale	156,073	2,286	158,359
Financial investments – held to maturity	20,746	150,463	171,209
Assets pledged as collateral	26,017	34,230	60,247
Insurance receivables	424	-	424
Trading properties	2,769	-	2,769
Investment properties	-	111,376	111,376
Other assets	278,090	4,092	282,182
Investments in equity accounted investee	-	36,586	36,586
Investment in subsidiaries	-	-	-
Property and equipment	(0)	92,092	92,092
Intangible assets	11,714	2,960	14,674
Deferred tax asset	701	6,636	7,337
Non - current assets and disposal group held for sale	12,072	-	12,072
Total Assets	**1,007,395**	**1,528,972**	**2,536,367**
Liabilities			
Due to customers	637,209	72,982	710,191
Due to banks	1,092	-	1,092
Derivatives financial instrument	-	-	-
Financial liabilities designated at fair value through profit or loss	90	-	90
Debt issued and other borrowed funds	3,535,710	35,139	3,570,849
Other liabilities	1,684,084	5,473	1,689,557
Current income tax liability	6,051	-	6,051
Deferred tax liability	768	450	1,218
Liability on investment contracts	376	-	376
Liability on insurance contracts	1,153	-	1,153
Liabilities associated with disposal group held for sale	42,418	-	42,418
Retirement benefit obligation	-	233	233
Total liabilities	5,908,951	114,044	6,022,995

Group **31 December 2012**	**Current** **N'Million**	**Non-current** **N'Million**	**Total** **N'Million**
Assets			
Cash and balances with central banks	603,794	384	604,178
Due from banks	172,940	-	172,940
Derivative financial instruments	-	-	-
Other financial assets held for trading	29,130	57,610	86,740
Financial assets designated at fair value through profit or loss	83	904,600	904,683
Loans and advances to customers	168,724	108,156	276,880
Financial investments – available-for-sale	53,285	44,837	98,122
Financial investments – held to maturity	8,301	185,802	194,103
Assets pledged as collateral	45,413	-	45,413
Insurance receivables	114	-	114
Trading properties	2,766	-	2,766
Investment properties	-	71,341	71,341
Other assets	67,968	2,927	70,895
Investments in equity accounted investee	-	30,293	30,293
Investment in subsidiaries	-		-
Property and equipment	30,282	20,768	51,050
Intangible assets	525	687	1,212
Deferred tax asset	222	6,462	6,684
Assets classifed as held for sale	12,537	-	12,537
Total Assets	1,196,084	1,433,867	2,629,951

Notes to the consolidated financial statements

Liabilities			
Due to customers	610,388	43,760	654,148
Due to banks	12,053	-	12,053
Derivatives financial instrument	-	-	-
Other financial assets held for trading	-	-	-
Financial liabilities designated at fair value through profit or loss	83	-	83
Debt issued and other borrowed funds	1,368,881	3,291,202	4,660,083
Other liabilities	557,062	22,467	579,529
Current income tax liability	6,331	-	6,331
Deferred tax liability	550	49	599
Liability on investment contracts	376	-	376
Liability on insurance contracts	1,177	-	1,177
Liabilities associated with disposal group held for sale	4,286	-	4,286
Retirement benefit obligation	-	155	155
Total liabilities	2,561,187	3,357,633	5,918,820

Group **1 January 2012**	**Current** **N'Million**	**Non-current** **N'Million**	**Total** **N'Million**
Assets			
Cash and balances with central banks	92,454	-	92,454
Due from banks	122,272	-	122,272
Derivative financial instruments	-	-	-
Other financial assets held for trading	75,273	41,371	116,644
Financial assets designated at fair value through profit or loss	-	1,063,230	1,063,230
Loans and advances to customers	173,215	140,060	313,275
Financial investments – available-for-sale	2,363	127,576	129,939
Financial investments – held to maturity	45,623	53,294	98,917
Assets pledged as collateral	27,846	-	27,846
Insurance receivables	997	-	997
Trading properties	179	-	179
Investment properties	8,006	54,197	62,203
Other assets	-	81,173	81,173
Investments in equity accounted investee	-	40,863	40,863
Investment in subsidiaries	-		-
Property and equipment	-	57,850	57,850
Intangible assets	996	449	1,445
Deferred tax asset	107	3,301	3,408
Assets classifed as held for sale	-	-	-
Total Assets	**549,331**	**1,663,364**	**2,212,695**
Liabilities			
Due to customers	523,925	106,608	630,533
Due to banks	5,230	-	5,230
Derivatives financial instrument	-	-	-
Other financial assets held for trading	-	-	-
Financial liabilities designated at fair value through profit or loss	-	83	83
Debt issued and other borrowed funds	-	3,958,688	3,958,688
Other liabilities	-	226,108	226,108
Current income tax liability	6,210	-	6,210
Deferred tax liability	205	141	346
Liability on investment contracts	473	-	473
Liability on insurance contracts	1,099	-	1,099
Liabilities associated with disposal group held for sale	-	-	-
Retirement benefit obligation	-	6	6
Total liabilities	537,142	4,291,628	4,828,770

Notes to the consolidated financial statements

Corporation 31 December 2013	Current N'Million	Non-current N'Million	Total N'Million
Assets			
Cash and balances with central banks	-	-	-
Due from banks	-	-	-
Derivative financial instruments	-	-	-
Other financial assets held for trading	-	72,961	72,961
Financial assets designated at fair value through profit or loss	-	692,970	692,970
Loans and advances to customers	123,095	105,473	228,568
Financial investments – available-for-sale	-	-	-
Financial investments – held to maturity	1,052,505	10,642	1,063,147
Assets pledged as collateral	210,787	-	210,787
Insurance receivables	-	-	-
Trading properties	-	-	-
Investment properties	44,626	5,024	49,650
Other assets	38,536	-	38,536
Investments in equity accounted investee	6,994	32,550	39,544
Investment in subsidiaries	-	144,133	144,133
Property and equipment	-	1,257	1,257
Intangible assets	-	188	188
Deferred tax asset	-	-	-
Assets classifed as held for sale	-	-	-
Total Assets	1,476,543	1,065,198	2,541,741
Liabilities			
Due to customers	-	-	-
Due to banks	-	-	-
Derivatives financial instrument	-	-	-
Other financial assets held for trading	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-
Debt issued and other borrowed funds	780,169	2,887,755	3,667,924
Other liabilities	1,542,319	1,845	1,544,164
Current income tax liability	-	-	-
Deferred tax liability	-	-	-
Liability on investment contracts	-	-	-
Liability on insurance contracts	-	-	-
Liabilities associated with disposal group held for sale	-	-	-
Total liabilities	2,322,488	2,889,600	5,212,088

Notes to the consolidated financial statements

Corporation 31 December 2012	Current N'Million	Non-current N'Million	Total N'Million
Assets			
Cash and balances with central banks	500,000	-	500,000
Due from banks	57,477	-	57,477
Derivative financial instruments	-	-	-
Other financial assets held for trading	-	38,252	38,252
Financial assets designated at fair value through profit or loss	-	904,600	904,600
Loans and advances to customers	83,050	69,610	152,660
Financial investments – available-for-sale	-	2,007	2,007
Financial investments – held to maturity	131,653	-	131,653
Assets pledged as collateral	-	-	-
Insurance receivables	-	-	-
Trading properties	-	-	-
Investment properties	-	67,800	67,800
Other assets	73,667	-	73,667
Investments in equity accounted investee	-	32,289	32,289
Investment in subsidiaries	-	84,916	84,916
Property and equipment	-	1,312	1,312
Intangible assets	-	240	240
Deferred tax asset	-	-	-
Assets classifed as held for sale			-
Total Assets	845,847	1,201,026	2,046,873
Liabilities			
Due to customers	-	-	-
Due to banks	-	-	-
Derivatives financial instrument	-	-	-
Other financial assets held for trading	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-
Debt issued and other borrowed funds	1,600,841	3,289,938	4,890,779
Other liabilities	417,831	6,799	424,630
Current income tax liability	-	-	-
Deferred tax liability	-	-	-
Liability on investment contracts	-	-	-
Liability on insurance contracts	-	-	-
Liabilities associated with disposal group held for sale	-	-	-
Total liabilities	2,018,672	3,296,737	5,315,409

Corporation 1 January 2012	Current N'Million	Non-current N'Million	Total N'Million
Assets			
Cash and balances with central banks	-	-	-
Due from banks	30,908	-	30,908
Derivative financial instruments	-	-	-
Other financial assets held for trading	-	22,928	22,928
Financial assets designated at fair value through profit or loss	-	1,063,147	1,063,147
Loans and advances to customers	121,390	89,397	210,787
Financial investments – available-for-sale	1,832	-	1,832
Financial investments – held to maturity	44,981	-	44,981
Assets pledged as collateral	-	-	-
Insurance receivables	-	-	-
Trading properties	-	-	-
Investment properties	-	49,650	49,650
Other assets	-	38,536	38,536
Investments in equity accounted investee	-	39,544	39,544
Investment in subsidiaries	-	116,616	116,616
Property and equipment	-	610	610
Intangible assets	-	-	-
Deferred tax asset	-	-	-
Assets classifed as held for sale	-	-	-
Total Assets	199,111	1,420,428	1,619,539

Notes to the consolidated financial statements

Liabilities			
Due to customers	-	-	-
Due to banks	-	-	-
Derivatives financial instrument	-	-	-
Other financial assets held for trading	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-
Debt issued and other borrowed funds	-	4,162,422	4,162,422
Other liabilities	-	2,996	2,996
Current income tax liability	-	-	-
Deferred tax liability	-	-	-
Liability on investment contracts	-	-	-
Liability on insurance contracts	-	-	-
Liabilities associated with disposal group held for sale	-	-	-
Total liabilities	-	**4,165,418**	**4,165,418**

Notes to the consolidated financial statements

48 Additional cash flow Information

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Cash and cash equivalents:				
Cash on hand	25,097	29,678	-	-
Current account with the central bank of Nigeria	19,539	511,075	-	500,000
Money market placements	55,090	119,315	1,059	48,874
Due from banks	128,766	53,625	83,973	8,603
Cash and cash equivalents from assets held for sale	268	321	-	-
	228,760	714,014	85,032	557,477

The mandatory deposits with the Central Bank of Nigeria are not available to finance the Group's day–to–day operations and, therefore, are not part of cash and cash equivalents.

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Change in operating assets:				
Change in other financial assets held for trading	(8,876)	29,904	(34,709)	**(15,324)**
Change in financial assets designated at fair value through profit or loss	213,176	158,547	213,183	**158,547**
Changes in financial investments – held to maturity	-	(175,139)	-	**(86,672)**
Change in financial investments – available-for-sale	(46,087)	43,476	(988)	**(46)**
Change in derivative financial instrument assets	(91)	-	-	-
Changes in insurance receivables	(310)	883	-	-
Changes in trading properties	(3)	(2,587)	-	-
Change in assets pledged as collateral	(14,834)	(17,567)	(11,380)	-
Change in restricted deposit and cash collaterals	(69,593)	(20,547)	-	-
Change in loans and advances to banks and customers	(200,750)	20,329	(112,112)	7,471
Change in other assets	(362,245)	13,878	(352,668)	(35,131)
Changes in investment in associates and subsidiaries	10,112	2,015	(59,478)	31,700
Change in assets designated as held for sale	(789)	(12,216)	(4,848)	-
Changes in investment properties	(32,255)	(107,909)	(32,008)	(112,600)
	(512,545)	**(66,933)**	**(395,008)**	**(52,055)**

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Change in operating Liabilities				
Changes in defined benefit obligation	78	149	-	-
Change in other liabilities and due to others	1,155,507	573,748	1,119,534	651,084
Change in liabilities of assets designated as held for sale	38,132	4,286	-	-
Changes in liabilities held for insurance contracts	-	(97)	-	-
Changes in liabilities held for investment contracts	(24)	78	-	-
	1,193,693	**578,164**	**1,119,534**	**651,084**

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'Million	N'Million	N'Million	N'Million
Other non-cash items included in profit before tax				
Depreciation of property and equipment (note 29)	13,006	12,823	517	287
Amortization of intangible assets (note 30)	1,327	751	52	22
Gain on disposal of property and equipment	(413)	818	(74)	-
Gain on disposal of investment properties	(2)	(13)	(2)	(2)
Bargain purchase on acqusition of subsidiary	(7,440)	-	-	-
Fair value (gain)/loss on investment properties	(13,481)	95,422	(13,320)	95,422
(Writeback)/Impairment on investment in associates	(2,257)	8,525	-	7,255
Impairment of loans and advances (note 22)	12,104	16,066	36,204	50,656
Share of profit of equity accounted investee	(2,869)	30	-	-
Impairment of goodwill (note 30)	7,797	-	-	-
Net Charge/(Reversal) of impairment of other assets	150,958	(3,310)	154,635	-
Net Charge/(Reversal) of impairment of held for sale assets	1,201	-	1,201	-
Dividend Income (note 9)	(4,435)	(4,303)	(3,057)	(1,870)
	155,495	**126,809**	**176,156**	**151,770**

Notes to the consolidated financial statements

Other disclosures

49 Contingent liabilities, commitments and operating lease arrangements.

(a) Legal proceedings

The Group in the ordinary course of business is presently involved in 1,337 litigation suits (2012: 978) amounting to N978 billion (2012: N71 billion). Of these litigations, the Board estimates that the amount that will result in financial loss is not material. Accordingly, provisions have been made in these financial statements as appropriate.

(b) Capital commitments

At the reporting date, the Group had capital commitments amounting to N736 million (2012: N457 million) in respect of authorized and contracted capital projects.

(c) Acceptances, bonds and guarantees

In the normal course of business, the Group is party to financial instruments with off-balance sheet risks. The instruments are used to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments at the balance sheet date were:

	GROUP		PARENT	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'million	N'million	N'million	N'million
Performance bonds and guarantees	-	48,697	-	-
Letters of credit	42,810	31,251	-	-
Other contingents	54,936	1,611	15,693	-
	97,746	81,559	15,693	-

50 Capital management

The Group's capital management approach is driven by its strategy to ensure stability in the banking sector, the entire financial sector and by extension the economy at large. It is the Group's policy to maintain an actively managed capital base to meet its capital needs.

The Group's strategy at inception was to allocate a significant portion of its capital to acquiring non - performing loans of Eligible Financial Institutions (EFI) and providing financial accommodation to same in form of equity investment subject to approval of the Central Bank of Nigeria. The objectives of these investments are to restore eroded equity, release capital tied up in toxic assets by Eligible Financial Institutions (EFI), reduce Non-performing loan (NPL) ratio below 5%, encourage lending and protect depositors funds. Investments are also made in treasury bills, other money market instruments and Federal Government of Nigeria (FGN) bonds and other global and corporate bonds to generate income to support operations.

The Group's investment policy is driven by achieving stability in the financial and key sectors of the economy such as aviation, manufacturing and capital market amongst others.

The Group is not subject to any regulatory requirement and externally imposed capital requirements. Therefore, adequacy of the Group's capital cannot be monitored by bench marking it against CBN's prescribed minimum ratio of 10% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of Nigeria banks.

Notes to the consolidated financial statements

Other disclosures

51 Related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Compensation of key management personnel of the Corporation
The key management personnel have been identified as the executive directors of the Group.

	31 December 2013	31 December 2012
	N'million	**N'million**
Executive compensation	214	214
Fees and sitting allowances	12	9
	226	223

Transactions with other related parties

Loans and advances

*(a) **Subsidiaries***
The table below shows the total value of bonds issued as consideration for Eligible bank assets(EBAs) acquired:

31 December 2013

	Outstanding Balance of EBAs	AMCON Purchase Price	Total Bond Issued
	N'million	N'million	N'million
Mainstreet Bank Limited	322,970	51,392	130,086
Keystone Bank Limited	136,123	69,120	1,349
Enterprise Bank Limited	92,778	19,356	1,671
	551,872	139,868	133,106

31 December 2012

	Outstanding Balance of EBAs	AMCON Purchase Price	Total Bond Issued
	N'million	**N'million**	**N'million**
Mainstreet Bank Limited	407,704	67,237	91,386
Keystone Bank Limited	327,075	157,082	211,728
Enterprise Bank Limited	127,348	21,887	29,621
	862,128	246,206	332,735

The underlisted subsidiaries have the following Restructured loans outstanding:

	31 December 2013	31 December 2012
	N'million	**N'million**
Peugeot Automobile Company of Nigeria	9,906	-
AeroContractors Company of Nigeria Limited	17,370	-
	27,276	-

The table below shows the corporation's maximum credit risk exposure for commitments and guarantees.

	31 December 2013	31 December 2012
	N'million	**N'million**
Financial Guarantees	3	-
Letters of Credit	-	-
	3	-

Other balances

Bank balances

	31 December 2013	31 December 2012
	N'million	**N'million**
Receivable from Central Bank of Nigeria (CBN)	250,200	-

	31 December 2013
Subsidiaries	**N'million**
Keystone Bank	396

Notes to the consolidated financial statements

Other disclosures

Due from AMCON	**31 December 2013**
	N'million
AeroContractors Company of Nigeria Limited	17,474

AMCON Bonds held	**31 December 2013**
	Units
Union Bank of Nigeria Plc	77,853,381
Wema Bank of Nigeria Plc	6,198,017
	84,051,398

Associates

The table shows the cost on the Group's investments in associates

	31 December 2013	**31 December 2012**
	N'million	**N'million**
Union Bank of Nigeria	23,342	-
Sparkwest	9,208	-
	32,550	-

(c) Shareholders

(i) Central Bank of Nigeria

The Central Bank of Nigeria holds in trust on behalf of the Federal Government of Nigeria, fifty percent of the Group' issued capital. The Central Bank of Nigeria issued 500 Billion naira worth of bonds to the Group at inception and an additional N500 Million for working capital during the financial year ended 31 December 2012. Also, a ₦3.8Billion loan note was granted during the financial year ended 31 December 2013.

(ii) Ministry of Finance

The Ministry of finance incorporated holds in trust on behalf of the Federal Government of Nigeria, fifty percent of the corporations' issued capital. There was no other significant transaction with the corporation at the date of reporting.

52 Events after the reporting date .

There are no events after the reporting date which could have a material effect on the financial statements of the Group as at 31 December 2013.

Value added statements

GROUP

	31 December 2013 N'Million	%	31 December 2012 N'Million	%
Gross Earnings	288,702		64,483	
Interest expense	(556,864)		(546,289)	
	(268,162)		**(481,806)**	
Credit loss expense/Impairment	(226,458)		(113,423)	
Administrative overheads	(69,073)		(55,811)	
VALUE ADDED	(563,693)	100	(651,040)	100
DISTRIBUTION:				
Employees				
Salaries and Pensions	43,447		40,149	
Government				
Taxation	875		(2,368)	
Retained loss				
Depreciation and amortization	22,129		13,574	
Non controlling interest	(2,584)		(558)	
Retained earnings	(627,560)		(701,837)	
	(563,693)	100	**(651,040)**	100

PARENT

	31 December 2013 N'Million	%	31 December 2012 N'Million	%
Gross Earnings	148,922		(70,600)	
Interest expense	(545,424)		(512,878)	
	(396,502)		**(583,478)**	
Credit loss expense/Impairment	(222,321)		(127,038)	
Administrative overheads	(13,731)		(9,711)	
VALUE ADDED	(632,554)	100	(720,227)	100
DISTRIBUTION:				
Employees				
Salaries and Pensions	2,760		2,253	
Government				
Taxation	-		-	
Retained loss				
Depreciation and amortization	569		309	
Non controlling interest	-		-	
Retained earnings	(635,883)		(722,789)	
	(632,554)	100	**(720,227)**	100

Four-year financial summary
for the year ended 31 December

	As reported under IFRS		As reported under NGAAP	
GROUP	**31 December 2013**	**31 December 2012**	**31 December 2011**	**31 December 2010**
	N'Million	**N'Million**	**N'Million**	**N'Million**
Assets				
Cash and balances with central banks	177,654	604,178	-	168
Treasury bills	-	-	45,050	-
Due from banks	183,856	172,940	30,694	-
Purchased loans	-	-	1,279,425	868,243
Derivative financial instruments	91	-	-	-
Other financial assets held for trading	95,616	86,740	-	-
Financial assets designated at fair value through profit or loss	693,060	904,683	-	-
Loans and advances to customers	436,763	276,880	198,257	-
Financial investments – available-for-sale	158,359	98,122	-	-
Financial investments – held to maturity	171,209	194,103	-	-
Assets pledged as collateral	60,247	45,413	-	-
Insurance receivables	424	114	-	-
Trading properties	2,769	2,766	-	-
Investment securities	-	-	44,006	-
Investment properties	111,376	71,341	44,313	-
Other assets	282,182	70,895	11,871	9,785
Investments in equity accounted investee	36,586	30,293	-	-
Investment in subsidiaries	-	-	222,495	-
Property and equipment	92,092	51,050	609	23
Intangible assets	14,674	1,212	-	-
Deferred tax asset	7,337	6,684	-	-
Assets classifed as held for sale	12,072	12,537	-	-
Total assets	**2,536,367**	**2,629,951**	**1,876,720**	**878,219**
Liabilities				
Due to customers	710,191	654,148	-	-
Due to banks	1,092	12,053	-	-
Financial liabilities designated at fair value through profit or loss	90	83	-	-
Other liabilities	1,689,557	597,029	56,526	19,229
Current income tax liability	6,051	6,331	-	-
Debt issued and other borrowed funds	3,570,849	4,660,083	-	-
Deferred tax liability	1,218	599	-	-
Liability on investment contracts	376	376	-	-
Liability on insurance contracts	1,153	1,177	-	-
Liabilities associated with disposal group held for sale	42,418	4,286	-	-
Retirement benefit obligation	233	155	62	-
Bonds	-	-	4,183,592	849,045
Total liabilities	**6,023,228**	**5,936,320**	**4,240,180**	**868,274**
Equity attributable to equity holders of parent				
Issued capital	10,000	10,000	10,000	10,000
Retained earnings	(3,987,964)	(3,338,904)	(2,373,460)	(55)
Other reserves	493,940	25,137	-	-
Attributable to Equity holders of the parent	(3,484,024)	(3,303,767)	(2,363,460)	9,945
Non controlling interest	(2,837)	(2,602)	-	-
Total equity	(3,486,861)	(3,306,369)	(2,363,460)	9,945
Total liabilities and equity	**2,536,367**	**2,629,951**	**1,876,720**	**878,219**
Gross earnings	274,903	161,930	63,542	-
Interest expense	(556,864)	(546,289)	(379,678)	-
Exceptional items	-	-	(2,126,535)	-
Operating income	(281,961)	(384,359)	(2,442,671)	-
Loss before tax	(626,718)	(704,753)	(2,442,671)	-
Tax	(875)	2,368	2,970	-
Loss after tax	(627,593)	(702,385)	(2,439,701)	-
Earnings per share from profit for the year:				
Basic	(63.59)	(72.28)	(243.97)	-
Diluted	(63.59)	(72.28)	(243.97)	-
Earnings per share from continuing operations:				
Basic	(63.59)	(72.28)	(243.97)	-
Diluted	(63.59)	(72.28)	(243.97)	-

Four-year financial summary
for the year ended 31 December

	As reported under IFRS		As reported under NGAAP	
PARENT	**31 December 2013**	**31 December 2012**	**31 December 2011**	**31 December 2010**
	N'Million	**N'Million**	**N'Million**	**N'Million**
Assets				
Cash and balances with central banks	-	-	-	168
Treasury bills	-	-	45,050	-
Due from banks	-	85,032	30,694	-
Purchased loans	-	-	1,279,425	868,243
Other financial assets held for trading	-	72,961	-	-
Financial assets designated at fair value through profit or loss	-	692,970	-	-
Loans and advances to customers	-	228,568	198,257	
Financial investments – available-for-sale	-	10,088	-	-
Financial investments – held to maturity	-	86,131	-	-
Assets pledged as collateral	-	11,380	-	-
Investment securities	-	-	44,006	
Investment properties	-	107,487	44,313	
Other assets	-	271,700	11,871	9,785
Investments in equity accounted investee	-	32,550	-	-
Investment in subsidiaries	-	144,133	222,495	-
Property and equipment	-	1,257	609	23
Intangible assets	-	188	-	-
Assets classifed as held for sale	-	3,647	-	-
Total assets	**-**	**1,748,092**	**1,876,720**	**878,219**
Liabilities				
Other liabilities	-	1,544,164	56,526	19,229
Debt issued and other borrowed funds	-	3,667,924	-	-
Retirement benefit obligation	-	-	62	-
Bonds	-	-	4,183,592	849,045
Total liabilities	**-**	**5,212,088**	**4,240,180**	**868,274**
Equity attributable to equity holders of parent				
Issued capital	-	10,000	10,000	10,000
Retained earnings	-	(3,914,551)	(2,373,460)	(55)
Other reserves	-	440,555	-	-
Total equity	-	(3,463,996)	(2,363,460)	9,945
Total liabilities and equity	**-**	**1,748,092**	**1,876,720**	**878,219**
Gross earnings			4,773	162
Interest expense			(264,689)	(55,183)
Exceptional items	-	-	(2,113,489)	-
Operating income	-	-	(2,373,405)	(55,021)
Loss before tax	(635,883)	(722,789)	(2,373,405)	(55,021)
Tax			-	-
Loss after tax	(635,883)	(722,789)	(2,373,405)	(55,021)
Earnings per share from profit for the year:				
Basic	(63.59)	(72.28)	(237.34)	(0.01)
Diluted	(63.59)	(72.28)	(237.34)	(0.01)
Earnings per share from continuing operations:				
Basic	(63.59)	(72.28)	(237.34)	(0.01)
Diluted	(63.59)	(72.28)	(237.34)	(0.01)