



Group Financial Statements
29 February 2004

Directors' Report

For the year ended 29 February 2004

The Directors have pleasure in presenting their annual report on the affairs of Guaranty Trust Bank Plc ("the Bank") and subsidiaries ("the Group"), together with the Group audited financial statements and the auditors' report for the year ended 29 February 2004.

Legal form and principal activity:

The Bank was incorporated as a private limited liability company on 20 July 1990. It obtained a licence to operate as a commercial bank on 1 August 1990, and commenced business on 11 February 1991. It became a public limited company on 2 April 1996, and its shares were listed on the Nigerian Stock Exchange on 9 September 1996. The Bank was issued a universal banking licence by the Central Bank of Nigeria on 5 February 2001.

The Bank's principal activity continues to be the provision of commercial banking services to its customers. Such services include retail banking, granting of loans and advances, equipment leasing, corporate finance, money market activities and allied services, as well as foreign exchange operations. The Bank's only non-bank subsidiary, Asset and Resource Management Limited is engaged in funds and portfolio management services.

The Bank has two overseas subsidiaries namely Guaranty Trust Bank (Gambia) Limited and Guaranty Trust Bank (Sierra Leone) Limited. The financial results of all subsidiaries have been consolidated in these financial statements.

Operating results:

Highlights of the Group's operating results for the year under review are as follows:

| | <u>2004</u> | <u>2003</u> |
|--------------------------------------------|-------------|-------------|
| | N'000 | N'000 |
| Profit attributable to group shareholders | 4,078,317 | 3,159,079 |
| Transfer to statutory reserve | 953,584 | 1,081,189 |
| Transfer to bonus shares reserve | 500,000 | 250,000 |
| Dividend (paid and proposed) | 2,100,000 | 1,500,000 |
| Transfer to small scale industries reserve | 502,973 | 380,250 |
| Shareholders' funds | 11,754,406 | 9,638,925 |
| Earnings per share - (Unadjusted) | 138k | 126k |
| - (adjusted) | 138k | 105k |
| Dividend per share - Interim | 25k | 25k |
| - Final | 45k | 35k |

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 29 February 2004

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act 1990, and Sections 24 and 28 of the Banks and Other Financial Institutions Act 1991, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Group and Bank and the profit for the financial year.

The responsibilities include ensuring that:

- a) Appropriate internal controls are established both to safeguard the assets of the Group and Bank and to prevent and detect fraud and other irregularities.
- b) The Group and the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Bank and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, 1990 and Banks and Other Financial Institutions Act 1991.
- c) The Group and the Bank have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed and
- d) The financial statements are prepared on a going concern basis unless it is presumed that the Bank will not continue in business.

Report of the Audit Committee

For the year ended 29 February 2004

To the members of **Guaranty Trust Bank Plc**

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act 1990, the members of the Audit Committee of Guaranty Trust Bank Plc hereby report as follows:

- ◆ We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, 1990 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- ◆ We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 29 February 2004 were satisfactory and reinforce the Group's internal control systems.
- ◆ We have complied with the provisions of Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks", hereby confirm that an aggregate amount of ₦655,514,000 was outstanding as at 29 February 2004 all of which are performing.
- ◆ We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit.

Mr. Y.A. Oyeleke
Chairman, Audit Committee

16 March 2004

Members of the Audit Committee are:

1. Mr. Y.A. Oyeleke - Chairman
2. Mr. A.B. Adesanya
3. Owelle G.P.O Chikelu
4. Alhaji M.K. Jada
5. Mr. M.F. Lawal
6. Alhaji M.A.Usman

In attendance:

Mr. George Uwakwe - Secretary

KPMG Professional Services,
22a, Gerrard Road
P.O.Box 51204, Ikoyi, Lagos.

To the Members of **Guaranty Trust Bank PLC:**

We have audited the balance sheet of **Guaranty Trust Bank Plc** (“the Bank”) and its subsidiary companies (‘the Group’) as at 29 February 2004 and the related profit and loss account and statement of cash flows for the year then ended set out on pages 4 to 33, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 1 to 3.

Respective responsibilities of directors and auditors

As described in the Statement of Directors’ Responsibilities in relation to the financial statements the Directors are responsible for the preparation of the financial statements. It is our responsibility to express an independent opinion, based on our audit, on the financial statements prepared by the Directors.

Basis of opinion

We conducted our audit in accordance with international standards on auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary, including adequate returns from branches not visited by us, in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements, and assessed whether the Group’s books of account had been properly kept.

Banks and Other Financial Institutions Act, 1991

Based on our audit and representations received, to the best of our knowledge and belief, the Bank contravened Section 60(1) of the Banks and Other Financial Institutions Act, 1991. This contravention, which has been disclosed in Note 27, has been reported to the Central Bank of Nigeria and the assessed penalties paid.

Opinion

In our opinion,

- i. the Group’s books of account have been properly kept;
- ii. the financial statements referred to above, which are in agreement with the books of account, give a true and fair view of the state of affairs of the Bank and the Group as at 29 February 2004 and of their profit and statements of cash flow for the year then ended, and comply with the Banks and Other Financial Institutions Act, 1991, relevant Statements of Accounting Standards in Nigeria, relevant Central Bank of Nigeria circulars and the Companies and Allied Matters Act, 1990.

17 March 2004

Statement of Accounting Policies

A summary of the principal accounting policies, applied consistently throughout the current and preceding years, is set out below:

(a) **Basis of Accounting**

The financial statements are prepared under the historical cost convention.

(b) **Basis of Consolidation**

The Group financial statements consolidate the financial statements of Guaranty Trust Bank Plc and its subsidiaries wherein there is majority shareholding and / or control of the board of directors and management. The consolidated subsidiaries are Asset and Resources Management Company Limited, Guaranty Trust Bank (Gambia) Limited and Guaranty Trust Bank (Sierra Leone) Limited.

In the Bank's books, investment in subsidiary companies is stated at cost. Provision is made for any permanent diminution in the value of the investment.

(c) **Goodwill on consolidation**

Goodwill represents the excess of the purchase consideration over the fair value of the Group's share of the separable net assets of subsidiaries acquired.

Goodwill arising on consolidation of subsidiaries are amortised over a five-year period on a straight line basis.

(d) **Investments**

Short-term investments are stated at face value. Unearned income is deferred and amortised as earned.

Long-term investments are stated at cost. Provisions are made for permanent diminution in the value of such investments.

(e) **Loans and Advances**

Loans and advances are stated net of provisions for bad and doubtful loans. Provisions are determined in accordance with the Central Bank of Nigeria's Prudential Guidelines from a specific assessment of each customer's account. A general provision of 1% is made on all loans and advances not specifically provided for.

Bad loans are written-off when the extent of the loss has been determined. Recoveries are written back to profit and loss account on a cash basis.

(f) **Advances under Finance Leases**

Advances to customers under finance leases are stated net of unearned income. Lease finance income is recognised in a manner, which provides a constant yield on the outstanding net investment over the lease period.

(g) **Equipment on Lease**

Equipment on lease to customers is stated at cost less accumulated depreciation. Depreciation is provided on an appropriate basis to write-off the related asset cost over the period of the lease, and is included in operating expenses. Rental income from equipment on lease to customers is credited to lease income on a consistent basis over the lease term.

(h) **Fixed Assets**

Fixed assets are shown at cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write-off the cost of assets over their expected useful lives as follows:

| | | |
|-------------------------------------------|---|-----------------------|
| Leasehold Improvement, Land and Buildings | - | Over the lease period |
| Machinery and Equipment | - | 20% |
| Computer Hardware | - | 33 1/3% |
| Computer Software | - | 20% |
| Furniture and Fittings | - | 20% |
| Motor Vehicles | - | 25% |

Gains or losses on disposal of fixed assets are included in the profit and loss account.

(i) **Taxation**

Income tax payable is provided on taxable profits at the current rate.

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred taxation is provided fully on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal.

(j) **Income Recognition**

Credits to the profit and loss account are recognised as follows:

- Interest – recognised on an accrual basis except for interest on non-performing credit facilities, which is recognised on a cash basis.
- Non-credit-related fees – recognised when the successful outcome of the assignment can be determined and the assignment is considered substantially completed.
- Credit-related fees – spread systematically over the tenor of the credit facility where they constitute at least 10% of the projected average annual yield of the facility, otherwise credited to the profit and loss account at the time of occurrence.

- Commissions and fees charged to customers for services rendered - recognised at the time the service or transaction is effected.
- Investment income – recognised on an accrual basis and credited to the profit and loss account.

(k) **Foreign Currency Items**

Transactions in foreign currencies are translated into Naira at the rates of exchange ruling at the date of the transaction (or, where appropriate, the rate of exchange in related forward exchange contracts). Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

(l) **Retirements Benefits**

Pension Costs

The Group operates a defined contribution pension scheme which is managed by external trustees. Employees are entitled to join the scheme on confirmation of their employment. Employee and Bank contributions are 5% and 20% of the employee's annual basic salary, respectively.

Gratuity Scheme

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

Balance Sheets

As at 29 February 2004

| | <u>Notes</u> | <u>Group 2004</u> | <u>Group 2003</u> | <u>Bank 2004</u> | <u>Bank 2003</u> |
|-------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------|-----------------------|----------------------|----------------------|
| | | N'000 | N'000 | N'000 | N'000 |
| ASSETS: | | | | | |
| Cash and short-term funds | 1 | 31,999,263 | 31,255,470 | 30,861,568 | 31,144,698 |
| Investments | 2 | 35,688,600 | 12,527,182 | 24,114,796 | 6,530,411 |
| Loans and advances | 3 | 44,031,308 | 30,775,145 | 43,675,606 | 30,663,550 |
| Advances under finance leases | 4 | 5,682 | 154,482 | 5,682 | 154,482 |
| Other assets | 5 | 16,392,516 | 10,392,425 | 15,788,347 | 10,124,492 |
| Equipment on lease | 6 | 1,229,433 | 1,915,185 | 1,229,433 | 1,915,185 |
| Fixed assets | 7 | 4,387,262 | 3,098,642 | 4,022,808 | 2,777,913 |
| Goodwill on consolidation | 8 | 101,051 | 126,314 | - | - |
| TOTAL ASSETS | | <u>133,835,115</u> | <u>90,244,845</u> | <u>119,698,240</u> | <u>83,310,731</u> |
| LIABILITIES: | | | | | |
| Deposits and other accounts | 9 | 75,282,897 | 51,521,786 | 74,222,497 | 51,067,765 |
| Other liabilities | 10 | 39,720,855 | 24,974,928 | 27,122,442 | 18,656,178 |
| Taxation payable | 11 | 1,393,602 | 610,223 | 1,290,937 | 560,403 |
| Dividend payable | 12 | 1,350,000 | 875,000 | 1,350,000 | 875,000 |
| Deferred taxation | 11 | 568,582 | 568,582 | 568,582 | 568,582 |
| Long-term borrowings | 13 | 3,525,804 | 1,921,382 | 3,525,804 | 1,921,382 |
| TOTAL LIABILITIES | | <u>121,841,740</u> | <u>80,471,901</u> | <u>108,080,262</u> | <u>73,649,310</u> |
| NET ASSETS | | <u>11,993,375</u> | <u>9,772,944</u> | <u>11,617,978</u> | <u>9,661,421</u> |
| CAPITAL AND RESERVES: | | | | | |
| Share capital | 14 | 1,500,000 | 1,250,000 | 1,500,000 | 1,250,000 |
| Share premium | 15 | 2,172,666 | 2,172,666 | 2,172,666 | 2,172,666 |
| Bonus shares reserve | 14 | 500,000 | 250,000 | 500,000 | 250,000 |
| Other reserves | 16 | 7,581,740 | 5,966,259 | 7,445,312 | 5,988,755 |
| SHAREHOLDERS' FUNDS: | | <u>11,754,406</u> | <u>9,638,925</u> | <u>11,617,978</u> | <u>9,661,421</u> |
| Minority interest | | 238,969 | 134,019 | - | - |
| | | <u>11,993,375</u> | <u>9,772,944</u> | <u>11,617,978</u> | <u>9,661,421</u> |
| Acceptances, guarantees and other obligations for the account of customers (and the customers' liability thereon) | 17 | 24,474,829 | 19,580,567 | 24,375,155 | 19,440,554 |
| SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY: | | | | | |
|) | | | | | |
| TAYO ADERINOKUN) | | | | | Directors |
|) | | | | | |
| SEGUN AGBAJE) | | | | | |

Approved by the Board of Directors on 17 March 2004.
The accompanying notes form an integral part of these balance sheets.

Profit and Loss Accounts

For the year ended 29 February 2004

| | <u>Notes</u> | <u>Group 2004</u> | <u>Group 2003</u> | <u>Bank 2004</u> | <u>Bank 2003</u> |
|--------------------------------------------------|--------------|-----------------------|-----------------------|----------------------|----------------------|
| | | N'000 | N'000 | N'000 | N'000 |
| GROSS EARNINGS | | 18,917,299 | 16,664,539 | 18,053,377 | 16,050,075 |
| INTEREST AND DISCOUNT INCOME | 18 | 11,411,846 | 10,593,098 | 11,288,961 | 11,297,351 |
| Lease finance income | | 14,969 | 41,891 | 14,969 | 41,891 |
| Interest expense | 19 | (5,152,908) | (5,512,917) | (5,123,427) | (5,505,229) |
| INTEREST MARGIN | | 6,273,907 | 5,122,072 | 6,180,503 | 5,834,013 |
| Loan loss expense (net) | 22 | (809,860) | (453,438) | (788,682) | (449,303) |
| NET INTEREST MARGIN | | 5,464,047 | 4,668,634 | 5,391,821 | 5,384,710 |
| Other banking income | 20 | 7,294,015 | 6,029,550 | 6,552,978 | 4,710,833 |
| | | 12,758,062 | 10,698,184 | 11,944,799 | 10,095,543 |
| Operating expenses | | (7,781,849) | (6,487,823) | (7,111,543) | (5,950,624) |
| PROFIT ON ORDINARY ACTIVITIES | | 4,976,213 | 4,210,360 | 4,833,256 | 4,144,919 |
| Exceptional income/(charge) | 21 | 196,469 | (442,419) | 196,469 | (342,419) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 22 | 5,172,682 | 3,767,941 | 5,029,725 | 3,802,500 |
| Taxation | 23 | (1,046,850) | (623,759) | (973,168) | (591,061) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 4,125,832 | 3,144,182 | 4,056,557 | 3,211,439 |
| Minority interest | | (47,515) | 14,897 | - | - |
| PROFIT ATTRIBUTABLE TO GROUP SHAREHOLDERS | | 4,078,317 | 3,159,079 | 4,056,557 | 3,211,439 |
| Transfer to statutory reserves | 16 | (953,584) | (1,081,189) | (953,584) | (1,081,189) |
| Transfer to bonus shares reserve | 14 | (500,000) | (250,000) | (500,000) | (250,000) |
| Transfer to small scale industries reserve | 16 | (502,973) | (380,250) | (502,973) | (380,250) |
| | | 2,121,760 | 1,447,640 | 2,100,000 | 1,500,000 |
| DIVIDEND - Paid | 12 | (750,000) | (625,000) | (750,000) | (625,000) |
| - Proposed | 12 | (1,350,000) | (875,000) | (1,350,000) | (875,000) |
| Retained profit for the year | | 21,760 | (52,360) | - | - |
| RETAINED PROFIT, beginning of year | | 1,277,221 | 1,329,581 | 1,290,965 | 1,290,965 |
| RETAINED PROFIT, end of year | | 1,298,981 | 1,277,221 | 1,290,965 | 1,290,965 |
| Earnings per share (kobo) - unadjusted | 24 | 138k | 126k | 135k | 128k |
| - adjusted | | 138k | 105k | 135k | 107k |
| Dividend per share - unadjusted | 24 | 70k | 60k | 70k | 60k |
| - adjusted | | 70k | 50k | 70k | 50k |

The accompanying notes form an integral part of these profit and loss accounts.

Statements of Cash Flows

For the year ended 29 February 2004

| | <u>Notes</u> | <u>Group 2004 N'000</u> | <u>Group 2003 N'000</u> | <u>Bank 2004 N'000</u> | <u>Bank 2003 N'000</u> |
|----------------------------------------------------------------------------|--------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Net cash flow from operating activities before changes in operating assets | 25 | 7,951,271 | 6,108,123 | 7,733,744 | 6,042,413 |
| Changes in operating assets | 26 | (2,001,421) | 7,748,476 | (3,230,361) | 7,475,207 |
| Income tax paid | | (263,471) | (385,170) | (242,634) | (376,590) |
| Net cash flows from operating activities | | <u>5,686,379</u> | <u>13,471,429</u> | <u>4,260,749</u> | <u>13,141,030</u> |
| Investing Activities: | | | | | |
| Proceeds from disposal of fixed assets | | 96,149 | 68,286 | 94,346 | 59,093 |
| Purchase of fixed assets | | (2,202,467) | (1,644,077) | (2,049,251) | (1,356,756) |
| Purchase of investments | | (2,485,653) | (935,228) | (2,238,359) | (946,813) |
| Purchase of equipment on lease | | (516,068) | (2,035,336) | (516,068) | (2,035,336) |
| Proceeds from disposal of equipment on lease | | 186,031 | 537,226 | 186,031 | 537,225 |
| Net cash flows from investing activities | | <u>(4,922,008)</u> | <u>(4,009,129)</u> | <u>(4,523,301)</u> | <u>(3,742,587)</u> |
| Financing Activities: | | | | | |
| Dividend paid | | (1,625,000) | (1,625,000) | (1,625,000) | (1,625,000) |
| Issue of shares to minority | | - | 38,657 | - | - |
| Long-term borrowings | | 1,604,422 | 156,311 | 1,604,422 | 156,311 |
| Net cash flows from financing activities | | <u>(20,578)</u> | <u>(1,430,032)</u> | <u>(20,578)</u> | <u>(1,468,689)</u> |
| Net increase in cash and short term funds | | 743,793 | 8,032,268 | (283,130) | 7,929,754 |
| Cash and short term funds, beginning of year (gross) | | <u>31,255,470</u> | <u>23,223,202</u> | <u>31,144,698</u> | <u>23,214,944</u> |
| Cash and short term funds, end of year (gross) | | <u><u>31,999,263</u></u> | <u><u>31,255,470</u></u> | <u><u>30,861,568</u></u> | <u><u>31,144,698</u></u> |

The accompanying notes form an integral part of these statements of cash flows.

Notes to the Financial Statements

For the year ended 29 February 2004

1. Cash and short-term funds:

(a) Cash and short-term funds comprise:

| | Group 2004 <u>N'000</u> | Group 2003 <u>N'000</u> | Bank 2004 <u>N'000</u> | Bank 2003 <u>N'000</u> |
|-----------------------------------------------------------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|
| Bank and cash balances in Nigeria | | | | |
| - Cash | 1,024,009 | 654,702 | 912,606 | 599,336 |
| - Balances held with the Central Bank of Nigeria | | | | |
| - Current account | 5,230,979 | 6,308,102 | 4,888,853 | 6,235,123 |
| - Cash reserve | 2,561,232 | 2,821,990 | 2,561,232 | 2,821,990 |
| - Balances held with other local banks and discount houses | 345,269 | 194,261 | 8,621 | 426,403 |
| Secured Placements (see note (b) below) | 5,422,000 | 9,457,706 | 5,422,000 | 9,417,000 |
| Balances held with other banks outside Nigeria (see note (c) and (d) below) | 15,666,433 | 11,818,709 | 15,318,915 | 11,644,846 |
| Placements with foreign banks | 1,749,341 | - | 1,749,341 | - |
| | <u>31,999,263</u> | <u>31,255,470</u> | <u>30,861,568</u> | <u>31,144,698</u> |

(b) Amount represents placements with local banks secured by treasury bills under open buy back agreement.

(c) Included in bank balances outside Nigeria is the Naira value of foreign currencies held on behalf of customers in various foreign accounts amounting to ₦9,230,680,000 (2003: ₦6,016,362,000) to cover letters of credit transactions. The corresponding liability for this amount is included in other liabilities (see Note (9)).

(d) Included in balances held with banks outside Nigeria is an amount of ₦4,852,582 (2003: ₦1,102,568,000) held as collateral against guarantees issued by the Bank for unconfirmed letters of credit opened for its customers.

2. Investments:

(a) Investments comprise:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Short-term investments (see (b) below) | 32,024,754 | 11,348,988 | 20,417,590 | 5,071,564 |
| Long-term investments (see (c) below) | 3,663,846 | 1,178,194 | 3,697,206 | 1,458,847 |
| | <u>35,688,600</u> | <u>12,527,182</u> | <u>24,114,796</u> | <u>6,530,411</u> |

(b) Short-term investments comprise:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|--------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Treasury bills | 20,322,817 | 5,296,284 | 20,169,354 | 5,071,564 |
| Treasury bearer bonds | 16,026 | 45,594 | - | - |
| Trading securities | 11,437,675 | 6,007,110 | - | - |
| Underwriting commitments | 248,236 | - | 248,236 | - |
| | <u>32,024,754</u> | <u>11,348,988</u> | <u>20,417,590</u> | <u>5,071,564</u> |

Trading securities comprises equity investments in capital markets made by the Bank's subsidiary, ARM on behalf of its clients. The corresponding liability for this amount is included in other liabilities (see Note 9(a)).

(c) Long-term investments comprise:

| | <u>Group 2004</u> | <u>Group 2003</u> | <u>Bank 2004</u> | <u>Bank 2003</u> |
|-------------------------------------------------------------------------|-----------------------|-----------------------|----------------------|----------------------|
| | N'000 | N'000 | N'000 | N'000 |
| Subsidiaries: | | | | |
| Investment in Asset and Resource Management Company Limited (ARM) | - | - | 28,000 | 28,000 |
| Investment in GTB Gambia (see (i) below) | - | - | 196,564 | 196,564 |
| Investment in GTB Sierra Leone (see (ii) below) | - | - | 242,588 | 179,747 |
| Other investments: | | | | |
| - Kakawa Discount House Limited | 34,100 | 34,100 | 34,100 | 34,100 |
| - Valucard Nigeria Plc | 84,153 | 84,153 | 84,153 | 84,153 |
| - Nigeria Automated Clearing System | 18,000 | 18,000 | 18,000 | 18,000 |
| - Afrexim | 14,131 | 14,131 | 14,131 | 14,131 |
| - Proprietary investments (see (iii) below) | 433,792 | 123,658 | - | - |
| - Small and medium industries investments (See (iv) below) | 999,670 | 454,152 | 999,670 | 454,152 |
| Other Investments: | | | | |
| - Delta State Govt. Bond (see note (v) below) | 80,000 | 100,000 | 80,000 | 100,000 |
| - Lagos State Govt. Bond | - | 350,000 | - | 350,000 |
| - Federal Government Bond (see note (vi) below) | 2,000,000 | - | 2,000,000 | - |
| | <u>3,663,846</u> | <u>1,178,194</u> | <u>3,697,206</u> | <u>1,458,847</u> |

- i. The Bank acquired 70% of the equity of GTB Gambia on 5 March 2002.
- ii. The Bank acquired 70% of the equity of GTB Sierra Leone in January 2002. During the year, the Bank's investment was increased by N62,841,000 (\$480,000).
- iii. Proprietary investment represents ARM's trading investments in quoted equities in Nigeria and abroad.

- iv. This represents the Bank's investment in small and medium sized industries from funds set aside in the small scale industries reserve account (see Note (16c)).
- v. This represents the Bank's investment in the Delta state government floating rate redeemable revenue bond (2003/2007). The redeemable bond is priced at 2% above MRR subject to a minimum or maximum rate of 15% or 22% respectively.
- vi. This represents the Bank's investment in the Federal Government 2006 bond. Interest rate is fixed at 17.75%.
- vii. The directors are of the opinion that the market value of long-term investments is not lower than cost.

3. Loans and advances:

(a) Loans and advances comprise, by security:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Secured against real estate | 19,407,068 | 16,225,743 | 19,180,857 | 16,148,937 |
| Otherwise secured | 17,863,236 | 10,170,114 | 17,734,015 | 10,156,981 |
| Unsecured | 8,320,234 | 5,286,733 | 8,282,851 | 5,250,171 |
| | <u>45,590,538</u> | <u>31,682,590</u> | <u>45,197,723</u> | <u>31,556,089</u> |
| Less: Provisions for bad and doubtful loans | | | | |
| - Specific | (840,308) | (352,718) | (809,520) | (342,256) |
| - General (see (b) below) | (505,252) | (452,700) | (500,719) | (449,020) |
| Interest in suspense | (213,670) | (102,027) | (211,878) | (101,263) |
| | <u>44,031,308</u> | <u>30,775,145</u> | <u>43,675,606</u> | <u>30,663,550</u> |

- (b) The movements on specific provisions for bad and doubtful loans during the year were as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 352,718 | 280,716 | 342,256 | 270,919 |
| Provisions made during the year | 753,598 | 339,166 | 733,272 | 337,291 |
| Provisions written off during the year | (266,008) | (267,164) | (266,008) | (265,954) |
| Balance, end of year | <u>840,308</u> | <u>352,718</u> | <u>809,520</u> | <u>342,256</u> |

- (c) The movements on general provisions for bad and doubtful loans during the year were as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 452,700 | 301,168 | 449,020 | 300,958 |
| Provisions made during the year | 52,552 | 151,532 | 51,699 | 148,062 |
| Balance, end of year | <u>505,252</u> | <u>452,700</u> | <u>500,719</u> | <u>449,020</u> |

- (d) The movements on interest in suspense during the year was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 102,027 | 71,886 | 101,262 | 71,559 |
| Interest suspended during the year | 226,052 | 136,733 | 225,025 | 136,295 |
| Interest recovered | (24,894) | (22,823) | (24,894) | (22,823) |
| Interest written off | (89,515) | (83,769) | (89,515) | (83,769) |
| Balance, end of year | <u>213,670</u> | <u>102,027</u> | <u>211,878</u> | <u>101,262</u> |

(e) The gross value of loans and advances by maturity is:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Under 1 month | 24,936,635 | 19,068,607 | 24,838,049 | 19,062,081 |
| 1 – 3 months | 4,135,719 | 3,823,000 | 4,065,524 | 3,811,308 |
| 3 – 6 months | 1,396,033 | 2,020,200 | 1,339,638 | 1,984,752 |
| 6 – 12 months | 2,847,828 | 1,642,453 | 2,703,713 | 1,577,040 |
| Over 12 months | 12,274,323 | 5,128,330 | 12,250,799 | 5,120,908 |
| | <u>45,590,538</u> | <u>31,682,590</u> | <u>45,197,723</u> | <u>31,556,089</u> |

(f) The gross value of loans and advances by performance is:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Performing | 44,329,426 | 30,768,690 | 43,981,169 | 30,663,712 |
| Non-performing - principal | 1,047,443 | 811,873 | 1,004,676 | 791,114 |
| - interest | 213,669 | 102,027 | 211,878 | 101,263 |
| | <u>45,590,538</u> | <u>31,682,590</u> | <u>45,197,723</u> | <u>31,556,089</u> |

4. Advances under Finance Leases:

(a) Advances under finance leases comprise:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Gross investment in finance leases | 6,488 | 181,168 | 6,488 | 181,168 |
| Unearned income | (749) | (25,126) | (749) | (25,126) |
| Net investment in finance leases | <u>5,739</u> | <u>156,042</u> | <u>5,739</u> | <u>156,042</u> |
| Less: 1% general provision | (57) | (1,560) | (57) | (1,560) |
| | <u>5,682</u> | <u>154,482</u> | <u>5,682</u> | <u>154,482</u> |

- (b) The movement on the general provision for advances under finance leases during the year was as follows:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|---------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Balance, beginning of year | 1,560 | 744 | 1,560 | 744 |
| Provisions made during the year | - | 816 | - | 816 |
| Provision no longer required | (1,503) | - | (1,503) | - |
| Balance, end of year | <u>57</u> | <u>1,560</u> | <u>57</u> | <u>1,560</u> |

- (c) The net investment in finance leases by maturity is:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|----------------|------------------------|------------------------|-----------------------|-----------------------|
| 3-6 months | 1,479 | 8,925 | 1,479 | 8,925 |
| 6-12 months | - | 30,674 | - | 30,674 |
| Over 12 months | 4,260 | 116,443 | 4,260 | 116,443 |
| | <u>5,739</u> | <u>156,042</u> | <u>5,739</u> | <u>156,042</u> |

5. Other Assets:

- (a) Other assets comprise:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|----------------------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Treasury bills on buy back (see (9)(a)) | 13,138,000 | 8,392,000 | 13,138,000 | 8,392,000 |
| Prepayments | 572,046 | 377,891 | 545,917 | 358,980 |
| Gratuity fund investment | 1,168,175 | 638,678 | 1,168,175 | 638,678 |
| Discount paid in advance | 419,514 | 272,893 | 419,514 | 272,893 |
| Interest receivable | 434,383 | 68,960 | 301,064 | 31,943 |
| Other accounts receivable | 986,293 | 778,360 | 541,573 | 566,355 |
| | <u>16,718,411</u> | <u>10,528,782</u> | <u>16,114,243</u> | <u>10,260,849</u> |
| Provision on other assets (see (b) below) | (325,895) | (136,357) | (325,896) | (136,357) |
| | <u>16,392,516</u> | <u>10,392,425</u> | <u>15,788,347</u> | <u>10,124,492</u> |

(b) The movement on provision on other assets during the year was as follows:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|---------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Balance, beginning of year | (136,357) | - | (136,357) | - |
| Provisions made during the year | (189,538) | (136,357) | (189,538) | (136,357) |
| Balance, end of year | (325,895) | (136,357) | (325,895) | (136,357) |

6. Equipment on lease:

The movement on this account during the year was as follows:

| | Machinery and Equipment N'000 |
|----------------------------------|-------------------------------------|
| COST: | |
| Balance, beginning of year | 2,987,117 |
| Additions | 516,068 |
| Disposals | (536,911) |
| Balance, end of year | 2,966,274 |
| ACCUMULATED DEPRECIATION: | |
| Balance, beginning of year | 1,071,932 |
| Charge for the year | 1,045,061 |
| Disposals | (380,152) |
| Balance, end of year | 1,736,841 |
| NET BOOK VALUE: | |
| End of year | 1,229,433 |
| Beginning of year | 1,915,185 |

7. Fixed assets

(a) **Group:**

The movement on these accounts during the year was as follows:

| | Leasehold Improvements <u>Land and Buildings</u> N'000 | Machinery & Equipment N'000 | Computers & Accessories N'000 | Furniture and Fittings N'000 | Motor Vehicles N'000 | Capital Work in Progress N'000 | <u>Total</u> N'000 |
|--------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------|-------------------------------------|------------------------------------|----------------------------|--------------------------------------|-----------------------|
| COST: | | | | | | | |
| Balance, beginning of year | 1,373,751 | 764,680 | 1,257,317 | 375,644 | 893,292 | 335,164 | 4,999,848 |
| Exchange difference on translation of opening balances | (10,039) | (1,422) | (18,187) | (10,064) | (4,918) | (1,364) | (45,993) |
| Additions | 760,344 | 222,766 | 237,241 | 108,819 | 302,728 | 570,568 | 2,202,467 |
| Disposals | (903) | (3,724) | (54,285) | (1,847) | (77,748) | (6,981) | (145,487) |
| Transfers | 196,966 | 48,079 | 25,088 | 11,939 | 7,099 | (289,171) | - |
| Balance, end of year | <u>2,320,119</u> | <u>1,030,379</u> | <u>1,447,174</u> | <u>484,491</u> | <u>1,120,453</u> | <u>608,216</u> | <u>7,010,835</u> |
| ACCUMULATED DEPRECIATION: | | | | | | | |
| Balance, beginning of year | 229,694 | 359,266 | 746,038 | 165,974 | 400,233 | - | 1,901,205 |
| Exchange difference on translation of opening balances | (293) | (199) | (10,301) | (2,062) | (1,095) | - | (13,950) |
| Charge for the year | 152,684 | 134,794 | 289,100 | 63,842 | 219,506 | - | 859,926 |
| Disposals | (40) | (2,574) | (54,284) | (1,548) | (65,162) | - | (123,608) |
| Reclassifications | - | 5,153 | - | (5,153) | - | - | - |
| Balance, end of year | <u>382,045</u> | <u>496,440</u> | <u>970,553</u> | <u>221,053</u> | <u>553,479</u> | <u>-</u> | <u>2,623,573</u> |
| NET BOOK VALUE: | | | | | | | |
| End of year | <u>1,938,074</u> | <u>533,939</u> | <u>476,621</u> | <u>163,438</u> | <u>566,974</u> | <u>608,216</u> | <u>4,387,262</u> |
| Beginning of year | <u>1,144,057</u> | <u>405,414</u> | <u>511,279</u> | <u>209,670</u> | <u>493,059</u> | <u>335,164</u> | <u>3,098,642</u> |

- i. No leased assets are included in the above fixed assets accounts.
- ii. The Group had capital commitments of N2,714,429 (2003: N5,175,497) as at the balance sheet date.

7. **Fixed assets:**

(b) **Bank:**

The movement on these accounts during the year was as follows:

| | <u>Leasehold Improvements Land and Buildings</u> N'000 | <u>Machinery & Equipment</u> N'000 | <u>Computers & Accessories</u> N'000 | <u>Furniture and Fittings</u> N'000 | <u>Motor Vehicles</u> N'000 | <u>Capital Work in Progress</u> N'000 | <u>Total</u> N'000 |
|----------------------------------|-------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|--------------------------------------------|------------------------------------|----------------------------------------------|-----------------------|
| COST: | | | | | | | |
| Balance, beginning of year | 1,277,579 | 718,635 | 1,094,525 | 277,778 | 809,313 | 320,230 | 4,498,060 |
| Additions | 684,784 | 209,455 | 223,125 | 97,093 | 262,676 | 572,118 | 2,049,251 |
| Disposals | (903) | (2,255) | (14,835) | (1,485) | (77,748) | (6,981) | (104,207) |
| Transfers | 194,451 | 45,751 | 19,212 | 10,637 | 7,099 | (277,150) | - |
| Balance, end of year | <u>2,155,911</u> | <u>971,586</u> | <u>1,322,027</u> | <u>384,023</u> | <u>1,001,340</u> | <u>608,217</u> | <u>6,443,104</u> |
| ACCUMULATED DEPRECIATION: | | | | | | | |
| Balance, beginning of year | 218,214 | 336,996 | 660,165 | 133,341 | 371,430 | - | 1,720,147 |
| Charge for the year | 143,948 | 127,008 | 265,897 | 49,623 | 197,450 | - | 783,926 |
| Disposals | (40) | (2,255) | (14,834) | (1,485) | (65,163) | - | (83,777) |
| Reclassifications | - | 5,153 | - | (5,153) | - | - | - |
| Balance, end of year | <u>362,122</u> | <u>466,902</u> | <u>911,229</u> | <u>176,326</u> | <u>503,717</u> | <u>-</u> | <u>2,420,296</u> |
| NET BOOK VALUE: | | | | | | | |
| End of year | <u>1,793,789</u> | <u>504,684</u> | <u>410,798</u> | <u>207,697</u> | <u>497,623</u> | <u>608,217</u> | <u>4,022,808</u> |
| Beginning of year | <u>1,059,365</u> | <u>381,639</u> | <u>434,359</u> | <u>144,437</u> | <u>437,883</u> | <u>320,230</u> | <u>2,777,913</u> |

- i. No leased assets are included in the above fixed assets account.
- ii. The Bank had capital commitments of N2,714,429 (2003: ~~N5,175,497~~) as at the balance sheet date.

8. Goodwill on consolidation

The movement on goodwill on consolidation is as follows:

| | Group 2004 <u>N'000</u> | Group 2003 <u>N'000</u> | Bank 2004 <u>N'000</u> | Bank 2003 <u>N'000</u> |
|----------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|
| Balance, beginning of year | 126,314 | - | - | - |
| Goodwill arising during the year | - | 126,314 | - | - |
| Amortisation during the year | (25,263) | - | - | - |
| Balance, end of year | <u>101,051</u> | <u>126,314</u> | <u>-</u> | <u>-</u> |

9. Deposits and other accounts:

(a) Deposits and other accounts comprise:

| | Group 2004 <u>N'000</u> | Group 2003 <u>N'000</u> | Bank 2004 <u>N'000</u> | Bank 2003 <u>N'000</u> |
|--------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|
| Demand | 47,394,142 | 34,543,871 | 46,678,910 | 34,269,300 |
| Time | 25,133,233 | 15,661,277 | 24,929,457 | 15,564,591 |
| Savings | 1,806,267 | 1,316,638 | 1,664,875 | 1,233,874 |
| | <u>74,333,642</u> | <u>51,521,786</u> | <u>73,273,242</u> | <u>51,067,765</u> |
| Due to local banks | 949,255 | - | 949,255 | - |
| | <u>75,282,897</u> | <u>51,521,786</u> | <u>74,222,497</u> | <u>51,067,765</u> |

(b) The maturity profile of deposit liabilities is as follows:

| | Group 2004 <u>N'000</u> | Group 2003 <u>N'000</u> | Bank 2004 <u>N'000</u> | Bank 2003 <u>N'000</u> |
|---------------|-------------------------------|-------------------------------|------------------------------|------------------------------|
| Under 1 month | 59,633,610 | 46,410,186 | 58,911,926 | 46,135,615 |
| 1 – 3 months | 15,209,397 | 4,405,432 | 14,961,973 | 4,256,202 |
| 3 – 6 months | 427,069 | 705,049 | 335,778 | 674,829 |
| 6 – 12 months | 12,821 | 1,119 | 12,820 | 1,119 |
| | <u>75,282,897</u> | <u>51,521,786</u> | <u>74,222,497</u> | <u>51,067,765</u> |

10. Other liabilities:

(a) Other liabilities comprise:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|-----------------------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Foreign currency denominated liabilities (see Note 1 (b)) | 9,267,705 | 6,016,362 | 9,230,680 | 6,016,362 |
| Secured buy back takings (see Note 5 (a)) | 13,138,000 | 8,392,000 | 13,138,000 | 8,392,000 |
| Funds under management (see note 2 (b) (i)) | 12,185,319 | 6,078,013 | - | - |
| Certified cheques | 2,061,747 | 2,209,210 | 2,020,497 | 2,175,350 |
| Due to other local banks | 4,853 | 8,678 | 4,853 | 8,678 |
| Customers' FEM deposits | 393,502 | 604,281 | 393,502 | 604,281 |
| Unearned interest and discounts | 724,509 | 563,339 | 724,509 | 563,339 |
| Interest payable | 267,794 | 171,329 | 155,246 | 171,329 |
| Gratuity provisions (see (b) below) | 406,707 | 291,707 | 406,707 | 291,707 |
| Other current liabilities | 1,270,719 | 640,009 | 1,048,448 | 433,132 |
| | <u>39,720,855</u> | <u>24,974,928</u> | <u>27,122,442</u> | <u>18,656,178</u> |

(b) The movement on gratuity provision was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|-------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 291,707 | 535,795 | 291,707 | 535,795 |
| Payments in the year | (5,000) | (586,507) | (5,000) | (586,507) |
| Charge for the year (see (c) below) | 120,000 | 342,419 | 120,000 | 342,419 |
| Balance, end of year | <u>406,707</u> | <u>291,707</u> | <u>406,707</u> | <u>291,707</u> |

(c) Gratuity provision represents the Bank's obligations to its employees under its gratuity scheme. A shortfall of N660,592,000 arose in 2003 financial year as a result of an enhancement to the remuneration of the Bank's employees. A cumulative amount of N462,418,555 has been charged to the income statement. The balance of N198,173,445 would be charged to the profit and loss account over the next 2 years in line with the Statement of Accounting Standards Number 8 on employees' retirement benefits.

11. Taxation payable:

(a) The movement on the tax payable account during the year was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|-------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 610,223 | 564,244 | 560,403 | 538,542 |
| Charge for the year (See note (22)) | 1,046,850 | 431,149 | 973,168 | 398,451 |
| Payments during the year | (263,471) | (385,170) | (242,634) | (376,590) |
| Balance, end of year | <u>1,393,602</u> | <u>610,223</u> | <u>1,290,937</u> | <u>560,403</u> |

The current tax charge has been computed at the current company income tax rate of 30% (2003: 30%) on the profit for the year after adjusting for certain items of income and expenditure, which are not deductible or chargeable for tax purposes, plus 2% (2003: 2%) Education Levy for the year.

(b) The movement on the deferred tax account during the year was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 568,582 | 375,972 | 568,582 | 375,972 |
| Charge for the year (See note 22)) | - | 192,610 | - | 192,610 |
| Balance, end of year | <u>568,582</u> | <u>568,582</u> | <u>568,582</u> | <u>568,582</u> |

The Bank's exposure to deferred tax (which relates primarily to timing differences in the recognition of depreciation and capital allowances on fixed assets) has been fully provided for in the financial statements in accordance with the Statement of Accounting Standards Number 19 on Taxes.

12. Dividend payable:

(a) The movement on this account during the year was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 875,000 | 1,000,000 | 875,000 | 1,000,000 |
| Dividends declared during the year | | | | |
| - Interim | 750,000 | 625,000 | 750,000 | 625,000 |
| - Final | 1,350,000 | 875,000 | 1,350,000 | 875,000 |
| Payment during the year | (1,625,000) | (1,625,000) | (1,625,000) | (1,625,000) |
| Balance, end of year | <u>1,350,000</u> | <u>875,000</u> | <u>1,350,000</u> | <u>875,000</u> |

13. Long-term borrowings:

(a) Long-term borrowings comprise:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Due to IFC (see note (b) (i) below | 2,169,726 | 1,280,922 | 2,169,726 | 1,280,922 |
| Due to FMO Netherlands (see note (b) (ii) below | 1,356,078 | 640,460 | 1,356,078 | 640,460 |
| | <u>3,525,804</u> | <u>1,921,382</u> | <u>3,525,804</u> | <u>1,921,382</u> |

(b) i. Amount of ₦2,169,726,000 (USD 16,000,000) represents the outstanding balance of a \$20,000,000 dollar facility granted by IFC in March 2001 for a period of 7 years. Interest is payable quarterly at 4.75% above LIBOR rates.

ii. Amount of ₦1,356,078,000 (USD 10,000,000) represents the \$10,000,000 dollar facility granted by IFC in April 2001 for a period of 3-5 years. Interest is payable quarterly at the 3.1% above LIBOR rates.

14. Share capital:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| (a) Authorised – 4,000,000,000 Ordinary shares of 50k each (2003: 4,000,000,000 of 50k each) | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Issued and fully paid - 3,000,000,000 Ordinary shares of 50k each (2003: 2,500,000,000 Ordinary shares of 50k each) | 1,500,000 | 1,250,000 | 1,500,000 | 1,250,000 |
| (b) The Bank has proposed a bonus issue of 1,000,000,000 ordinary shares of 50k each to its existing shareholders to be apportioned in the ratio of one new share for every three shares held. Accordingly, an amount of N500,000,000 (2003: N250,000,000) has been transferred to a bonus shares reserve account. | | | | |

15. Share premium

This represents net proceeds from the issue of 500,000,000 ordinary shares of 50k each at a premium during the year ended February 2002.

16. Other reserves:

(a) Other reserves comprise:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Statutory reserve (see (b) below) | 4,800,427 | 3,846,843 | 4,800,427 | 3,846,843 |
| Retained profit | 1,298,981 | 1,277,221 | 1,290,965 | 1,290,965 |
| Capital reserve | 43,454 | 9,829 | - | - |
| Small Scale Industries (SSI) reserve (see (c) below) | 1,353,920 | 850,947 | 1,353,920 | 850,947 |
| Foreign currency translation reserve (see (d) below) | (58,115) | (34,274) | - | - |
| Other reserves | 143,073 | 15,693 | - | - |
| Balance, end of the year | 7,581,740 | 5,966,259 | 7,445,312 | 5,988,755 |

- (b) The movement on the statutory reserve account during the year was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 3,846,843 | 2,765,654 | 3,846,843 | 2,765,654 |
| Transfer from profit and loss account | 953,584 | 1,081,189 | 953,584 | 1,081,189 |
| Balance, end of year | <u>4,800,427</u> | <u>3,846,843</u> | <u>4,800,427</u> | <u>3,846,843</u> |

In accordance with existing legislation, the Bank transferred 23% (2003: 34%) of its profit after taxation to statutory reserves.

- (c) The movement on the SSI reserve account during the year was as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | 850,947 | 470,697 | 850,947 | 470,697 |
| Transfer from profit and loss account | 502,973 | 380,250 | 502,973 | 380,250 |
| Balance, end of year | <u>1,353,920</u> | <u>850,947</u> | <u>1,353,920</u> | <u>850,947</u> |

In accordance with the Central Bank of Nigeria Monetary, Credit, Foreign Trade & Exchange Policy Guidelines for 2001 fiscal year, 10% of profit before taxation for the year ended 29 February 2004 has been transferred to Small Scale Industries reserve.

- (d) The movement in foreign currency translation reserve during the year is as follows:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Balance, beginning of year | (34,274) | - | - | - |
| Exchange difference on consolidation | (23,841) | (34,274) | - | - |
| Balance, end of year | <u>(58,115)</u> | <u>(34,274)</u> | <u>-</u> | <u>-</u> |

17. Acceptances, Bonds, Guarantees and other obligations for the account of customers:

(a) These comprise:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|------------------------------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Transaction-related bonds and guarantees | 9,081,821 | 3,550,916 | 8,982,147 | 3,410,903 |
| Guaranteed commercial papers and bankers acceptances | 10,646,733 | 11,546,426 | 10,646,733 | 11,546,426 |
| Guaranteed facilities (See Note (4b)) | 4,746,275 | 4,483,225 | 4,746,275 | 4,483,225 |
| | <u>24,474,829</u> | <u>19,580,567</u> | <u>24,375,155</u> | <u>19,440,554</u> |

(b) This represents amount disbursed to customers on behalf of Afrexim for which the Bank served as guarantor.

18. Interest and discount income:

Interest and discount income was derived as follows:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|---------------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Source: | | | | |
| Lending to financial institutions | 427,457 | 601,532 | 426,104 | 691,532 |
| Lending to non-bank customers | 8,598,440 | 7,818,192 | 8,524,308 | 8,522,445 |
| Interest income on securities trading | 2,385,949 | 2,173,374 | 2,338,549 | 2,173,374 |
| | <u>11,411,846</u> | <u>10,593,098</u> | <u>11,288,961</u> | <u>11,297,351</u> |

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|-------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Geographical location: | | | | |
| Earned in Nigeria | 10,469,413 | 9,610,869 | 10,469,413 | 10,360,613 |
| Earned outside Nigeria | 942,433 | 982,229 | 819,548 | 936,738 |
| | <u>11,411,846</u> | <u>10,593,098</u> | <u>11,288,961</u> | <u>11,297,351</u> |

19. Interest expense:

Interest expense comprises:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Source: | | | | |
| Borrowing from financial institutions | 35,177 | 81,249 | 35,123 | 81,249 |
| Borrowing from non-bank customers | 4,512,523 | 4,544,213 | 4,483,097 | 4,536,525 |
| Interest expense on securities trading | 605,208 | 887,455 | 605,207 | 887,455 |
| | <u>5,152,908</u> | <u>5,512,917</u> | <u>5,123,427</u> | <u>5,505,229</u> |

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|

Geographical location:

| | | | | |
|----------------------|------------------|------------------|------------------|------------------|
| Paid in Nigeria | 4,630,747 | 4,911,100 | 4,630,747 | 4,911,100 |
| Paid outside Nigeria | 522,161 | 601,817 | 492,680 | 594,129 |
| | <u>5,152,908</u> | <u>5,512,917</u> | <u>5,123,427</u> | <u>5,505,229</u> |

20. Other banking income:

This comprises:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|-----------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Foreign exchange earnings | 758,840 | 782,702 | 665,632 | 749,744 |
| Commissions and similar income | 2,849,126 | 2,328,150 | 2,667,584 | 1,455,673 |
| Other fees and charges | 2,281,811 | 1,427,451 | 1,815,524 | 1,014,169 |
| Operating lease income | 1,364,424 | 1,459,105 | 1,364,424 | 1,459,105 |
| Dividend income from equity investments | 39,814 | 32,142 | 39,814 | 32,142 |
| | <u>7,294,015</u> | <u>6,029,550</u> | <u>6,552,978</u> | <u>4,710,833</u> |

21. Exceptional Income/ (charge):

(a) Exceptional Income / (charge) comprises:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|------------------------------------------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Gratuity Provision (see Note (10)) | - | (342,419) | - | (342,419) |
| Receivables written off (see (b) below) | - | (100,000) | - | - |
| Gain on disposal of Gratuity investments (see Note (c) below) | 196,469 | - | 196,469 | - |
| | 196,469 | (442,419) | 196,469 | (342,419) |

(b) Amount represents aged receivables written off by one of the subsidiary companies in prior year.

(c) Amount represents realised gain on the disposal of the Bank's gratuity fund investment on 31 August 2003. The gain on disposal is computed as follows:

| | N'000 |
|----------------------|-----------|
| Proceeds on disposal | 658,935 |
| Investment at cost | (462,466) |
| | 196,469 |

The principal amount realised was reinvested before year-end (see note 5 (a) above).

22. Supplementary profit and loss information:

(a) General:

The profit before taxation for the year is stated after charging/(crediting) the following:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|--------------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Specific provisions on risk assets | 753,598 | 339,166 | 733,272 | 337,291 |
| General provision on loans and finance leases | 51,048 | 151,138 | 50,196 | 148,878 |
| General provisions on Other Facilities | - | (44,794) | - | (44,794) |
| Loan amounts written off | 5,214 | 7,928 | 5,214 | 7,928 |
| | <u>809,860</u> | <u>453,438</u> | <u>788,682</u> | <u>449,303</u> |
| Depreciation | | | | |
| - Fixed assets | 859,926 | 646,045 | 783,926 | 578,548 |
| - Equipment on lease | 1,045,061 | 1,121,073 | 1,045,061 | 1,121,073 |
| Auditors' remuneration | 24,037 | 18,882 | 18,500 | 14,000 |
| Provision for other assets | 325,895 | 136,357 | 325,895 | 136,357 |
| (Gain)/Loss on disposal of fixed assets | (103,543) | 2,766 | (103,188) | (10,973) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Auditors' remuneration represents payments for two audits of the Bank for the period and year ended 31 August and 29 February 2004 respectively.

(b) Staff and executive directors' costs:

i. Employee costs, including executive directors, during the year amounted to:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|---------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Wages and salaries | 1,887,018 | 1,310,618 | 1,656,361 | 1,088,887 |
| Other pension costs | 123,060 | 82,809 | 120,000 | 79,877 |
| | <u>2,010,078</u> | <u>1,393,427</u> | <u>1,776,361</u> | <u>1,168,764</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

(c) **Directors' remuneration:**

Directors' remuneration was provided as follows:

| | 2004 N'000 | 2003 N'000 |
|-------------------|---------------|---------------|
| Fees as directors | 4,550 | 5,000 |
| Other emoluments | 73,718 | 93,102 |
| | 78,268 | 98,102 |

23. Taxation charge:

(a) The tax charge for the year comprises:

| | Group 2004 N'000 | Group 2003 N'000 | Bank 2004 N'000 | Bank 2003 N'000 |
|--------------------|------------------------|------------------------|-----------------------|-----------------------|
| Company income tax | 1,046,850 | 431,149 | 973,168 | 398,451 |
| Deferred tax | - | 192,610 | - | 192,610 |
| | 1,046,850 | 623,759 | 973,168 | 591,061 |

24. Earnings and dividend per share:

Earnings and dividend per share have been computed based on profit after tax and the number of ordinary shares of 3,000,000,000 in issue during the year and on dividend and the number of shares qualifying for the dividend.

25. Net cash flow from operating activities:

This comprises:

| | <u>Group</u> <u>2004</u> N'000 | <u>Group</u> <u>2003</u> N'000 | <u>Bank</u> <u>2004</u> N'000 | <u>Bank</u> <u>2003</u> N'000 |
|----------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Profit before tax | 5,172,682 | 3,767,941 | 5,029,725 | 3,802,500 |
| Minority interest | (47,515) | 14,897 | - | - |
| | <u>5,125,167</u> | <u>3,782,838</u> | <u>5,029,725</u> | <u>3,802,500</u> |
| Adjustments to reconcile profit before tax to net cash flow from operating activities: | | | | |
| Depreciation Fixed assets | 859,926 | 646,045 | 783,926 | 578,548 |
| Equipment on lease | 1,045,061 | 1,121,073 | 1,045,061 | 1,121,073 |
| (Gain)/loss on disposal of fixed assets | (74,270) | 2,767 | (73,915) | (10,973) |
| (Gain) on disposal of equipment on lease | (29,274) | (34,395) | (29,273) | (34,395) |
| Amortisation of goodwill on consolidation | 25,263 | - | - | - |
| Provision for bad and doubtful loans | 809,860 | 453,438 | 788,682 | 449,303 |
| - Provision for other assets | 189,538 | 136,357 | 189,538 | 136,357 |
| | <u>7,951,271</u> | <u>6,108,123</u> | <u>7,733,744</u> | <u>6,042,413</u> |
| Net cash flow from operating activities before changes in operating assets | <u><u>7,951,271</u></u> | <u><u>6,108,123</u></u> | <u><u>7,733,744</u></u> | <u><u>6,042,413</u></u> |

26. Changes in operating assets:

This comprises:

| | <u>Group</u> <u>2004</u> <u>N'000</u> | <u>Group</u> <u>2003</u> <u>N'000</u> | <u>Bank</u> <u>2004</u> <u>N'000</u> | <u>Bank</u> <u>2003</u> <u>N'000</u> |
|--------------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------|--------------------------------------------|
| (Increase)/decrease in operating assets: | | | | |
| Short-term investments | (20,675,766) | (3,017,366) | (15,346,026) | (1,752,973) |
| Loans and advances | (14,064,696) | (13,696,603) | (13,802,241) | (13,583,293) |
| Advances under finance lease | 150,303 | (81,612) | 150,303 | (81,612) |
| Other facilities | - | 4,479,456 | - | 4,479,456 |
| Other assets | (6,126,790) | (3,230,065) | (5,853,393) | (3,647,486) |
| Foreign currency translation reserve | (23,841) | (34,274) | - | - |
| Minority interest | 104,950 | 88,187 | - | - |
| Increase/(decrease) in operating liabilities: | | | | |
| Deposits and other accounts | 23,761,111 | 20,156,149 | 23,154,732 | 19,695,171 |
| Other liabilities | 14,745,927 | 7,566,432 | 8,466,264 | 6,845,400 |
| Other facilities | - | (4,479,456) | - | (4,479,456) |
| Capital and other reserves | 127,381 | (2,372) | - | - |
| | <u>(2,001,421)</u> | <u>7,748,476</u> | <u>(3,230,361)</u> | <u>7,475,207</u> |