

**INTERCONTINENTAL BANK PLC**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 28 FEBRUARY 2006**

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### **Statement of directors' responsibilities**

The Companies and Allied Matters Act 1990 and the Banks and Other Financial Institutions Act 1991, require the directors to prepare financial statements for each financial period that give a true and fair view of the state of financial affairs of the company at the end of the period and of its profit or loss. The responsibilities include ensuring that the company:

- (a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act 1990 and the Banks and Other Financial Institutions Act 1991;
- (b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other regularities; and
- (c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Nigerian Accounting Standards and the requirements of the Companies and Allied Matters Act 1990 and the Banks and Other Financial Institutions Act 1991.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

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Dr Raymond C Obieri (Chairman)

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Dr Erastus B O Akingbola MON(Vice Chairman/CEO)

**22 June 2006**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INTERCONTINENTAL BANK PLC.**

### **Report on financial statements**

We have audited the consolidated financial statements of Intercontinental Bank PLC (“the bank”) and its subsidiaries (together the group) for the year ended 28 February 2006 set out on pages 3 to 35.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements as described on page 2. Our responsibility is to express an independent opinion on the financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, proper books of account have been kept and the financial statements, give a true and fair view of the state of the financial affairs of the group and the bank at 28 February 2006 and of the profit and cash flows of the group and the bank for the year then ended in accordance with Nigerian Accounting Standards and comply with the Banks and Other Financial Institutions Act 1991 and the Companies and Allied Matters Act 1990. The financial statements of the bank are in agreement with the books of account.

### **Report on compliance with banking regulations**

We confirm that our examination of advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

Related party transactions and balances are disclosed in Note X to the financial statements in accordance with Central Bank of Nigeria Circular BSD/1/2004.

On the basis of our audit the bank has complied with the requirements of the relevant Central Bank of Nigeria Circulars.

**Chartered Accountants**  
Lagos, Nigeria

23 June 2006

**Consolidated profit and loss account**

	Note	Group		Bank	
		12 months to 28 February 2006 N'000	14 months to 28 February 2005 N'000	12 months to 28 February 2006 N'000	14 months to 28 February 2005 N'000
Interest income	2	25,767,313	20,183,062	25,032,665	13,921,345
Interest expense	3	(8,347,135)	(8,357,560)	(7,925,615)	(4,572,682)
<b>Net interest income</b>		<b>17,420,178</b>	11,825,502	<b>17,107,050</b>	9,348,663
Net fee and commission income		9,583,787	10,297,003	9,378,855	6,405,548
Foreign exchange income		811,780	341,865	811,780	277,042
Other operating income		4,877,547	1,669,610	3,567,663	422,371
<b>Operating income</b>		<b>32,693,292</b>	24,133,980	<b>30,865,348</b>	16,453,624
Operating expenses	4	(22,082,773)	(14,244,290)	(19,649,366)	(8,816,453)
Provision for losses	12	(823,396)	(2,043,996)	(662,315)	(1,235,382)
<b>Operating profit</b>		<b>9,787,123</b>	7,845,694	<b>10,553,667</b>	6,401,789
<b>Share of profit in associated companies</b>	16	<b>475,845</b>	304,177	<b>475,845</b>	304,177
<b>Profit before income tax</b>		<b>10,262,968</b>	8,149,871	<b>11,029,512</b>	6,705,966
Income tax expense	6	(2,702,413)	(2,029,253)	(2,433,593)	(1,682,652)
<b>Profit after tax</b>		<b>7,560,555</b>	6,120,618	<b>8,595,919</b>	5,023,314
Minority interest	24	(345,086)	(417,265)	-	-
<b>Profit for the period attributable to shareholders</b>		<b>7,215,469</b>	5,703,353	<b>8,595,919</b>	5,023,314
<b>Earnings per share</b>					
- basic and dilutive earnings per share (Naira per share)	7	<b>93k</b>	159k	<b>110k</b>	140k
<b>Dividend:</b>					
Proposed dividend for the period	8	<b>4,293,056</b>	2,329,986	<b>4,293,056</b>	2,329,986

The accounting policies and notes on pages 7 to 35 form an integral part of these financial statements

**Consolidated balance sheet**

	Note	Group		Bank	
		2006	2005	2006	2005
		N'000	N'000	N'000	N'000
<b>ASSETS</b>					
Cash and balances with Central Bank of Nigeria	9	73,863,255	56,424,938	70,949,223	43,518,751
Treasury bills and other eligible bills	10	43,133,793	37,704,057	43,033,793	35,651,857
Due from other banks	11	33,252,324	22,413,114	32,642,763	18,892,110
Loans and advances to customers	12	161,357,389	68,395,794	158,938,078	52,598,812
Advances under finance lease	13	10,957,682	5,379,078	10,826,451	4,758,663
Investment securities	14	15,055,832	2,238,161	13,932,582	1,158,041
Investment in subsidiaries	15	393,630	70,000	977,913	754,203
Investment in associates	16	1,805,821	829,192	1,805,821	829,192
Statutory deposit	17	35,000	35,000	-	-
Other assets	18	17,983,464	4,621,842	16,724,015	2,742,319
Fixed assets	19	11,394,631	5,535,712	11,072,845	3,443,570
<b>Total assets</b>		<b>369,232,821</b>	<b>203,646,888</b>	<b>360,903,484</b>	<b>164,347,518</b>
<b>LIABILITIES</b>					
Customer deposits	20	252,280,521	134,383,345	252,280,521	110,013,602
Current income tax	6	2,848,278	1,626,535	2,553,261	1,271,092
Dividend payable	8	4,336,103	1,635,639	4,317,347	1,635,639
Other liabilities	21	52,502,793	28,463,234	46,897,421	18,512,195
Insurance funds	22	782,120	813,911	-	-
Deferred income tax liabilities	23	1,148,651	535,993	943,817	339,469
<b>Total liabilities</b>		<b>313,898,466</b>	<b>167,458,657</b>	<b>306,992,367</b>	<b>131,771,997</b>
<b>Minority interest</b>	24	<b>867,166</b>	<b>1,510,221</b>	<b>-</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	25	5,361,793	1,794,325	5,361,793	1,794,325
Share premium	25	37,656,150	2,919,726	37,656,150	2,919,726
Retained earnings	26	2,105,996	2,674,688	2,647,825	1,783,327
Other reserves	27	9,343,250	6,018,112	8,245,349	4,806,984
Deposit for shares	28	-	21,271,159	-	21,271,159
<b>Total shareholders' equity</b>		<b>54,467,189</b>	<b>34,678,010</b>	<b>53,911,117</b>	<b>32,575,521</b>
<b>Total equity and liabilities</b>		<b>369,232,821</b>	<b>203,646,888</b>	<b>360,903,484</b>	<b>164,347,518</b>
<b>Off balance sheet engagements</b>	29	<b>34,491,694</b>	<b>21,990,500</b>	<b>34,491,694</b>	<b>19,774,700</b>

The financial statements on pages 3 to 35 were approved for issue by the board of directors on 22 June 2006 and signed on its behalf by:

Dr Raymond C Obieri (Chairman)

Dr Erastus B O Akingbola (Vice Chairman/CEO)

The accounting policies and notes on 7 to 35 form an integral part of these financial statements

**Consolidated cash flow statement**

		Group		Bank	
	Note	2006 N'000	2005 N'000	2006 N'000	2005 N'000
<b>Operating activities</b>					
Cash generated from operations	33	<b>56,041,657</b>	48,694,095	<b>73,287,145</b>	40,070,870
Tax paid		<b>(730,334)</b>	(1,274,879)	<b>(409,398)</b>	(1,143,430)
Net cash from operating activities		<b>55,311,323</b>	47,419,216	<b>72,877,747</b>	38,927,440
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	19	<b>(6,884,773)</b>	(2,525,746)	<b>(8,602,082)</b>	(1,378,547)
Purchase of debt and equity securities	14	<b>(13,371,444)</b>	(1,411,292)	<b>(14,346,849)</b>	(708,067)
Redemption of debt securities		<b>108,000</b>	486,000	<b>108,000</b>	486,000
Statutory deposits		-	14,500	-	-
Proceeds from sale of property and equipment		<b>58,796</b>	40,712	<b>59,640</b>	21,634
Net cash used in investing activities		<b>(20,089,421)</b>	(3,424,826)	<b>(22,781,291)</b>	(1,578,980)
<b>Cash flows from financing activities</b>					
Issue of ordinary shares	25	-	21,271,159	-	21,271,159
Dividend received		<b>77,953</b>	44,757	<b>77,953</b>	44,757
Dividend paid to minority		-	(103,255)	-	-
Minority contribution to equity		-	32,148	-	-
Dividends paid		<b>(1,592,592)</b>	(2,152,986)	<b>(1,611,348)</b>	-
Net cash from financing activities		<b>(1,514,639)</b>	19,091,823	<b>(1,533,395)</b>	19,162,930
<b>Net increase in cash and cash equivalents</b>		<b>33,707,263</b>	63,086,214	<b>48,563,061</b>	56,511,390
Cash and cash equivalents at start of period		<b>116,542,109</b>	53,455,895	<b>98,062,718</b>	41,551,328
<b>Cash and cash equivalents at end of period</b>	32	<b>150,249,372</b>	116,542,109	<b>146,625,779</b>	98,062,718

The accounting policies and notes on 7 to 35 form an integral part of these financial statements

## **Statement of accounting policies**

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

### **(a) Basis of preparation**

The financial statements are prepared in compliance with Nigerian Statements of Accounting Standards (SAS). The financial statements are presented in the functional currency, Nigeria Naira (N), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of certain investment securities, fixed assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### **(b) Consolidation**

The consolidated financial statements comprise the financial statements of the bank and its subsidiary companies made up to 28 February 2006. Subsidiary undertakings have been fully consolidated. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the bank. A listing of the bank's subsidiaries is set out in Note 16.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

### **(c) Interest income and expense**

Interest income and expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective yield method based on the outstanding principal. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised only when cash is received.

## **Statement of accounting policies**

### **(d) Fees and commission**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and amortised over the life of the loan as an adjustment of yield.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party such as establishing letters of credit, arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided.

### **(e) Translation of foreign currencies**

Transactions in foreign currencies during the period are converted into Nigeria Naira at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Nigeria Naira at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the period in which they arise.

### **(f) Investments in subsidiaries**

Investments in subsidiaries are carried in the company's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

### **(g) Property and equipment**

Buildings owned by the insurance company are shown at market value based on valuations by external independent valuers, less subsequent depreciation. All fixed assets are stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

## Statement of accounting policies

### (g) Property and equipment (continued)

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amounts, to its residual values over its estimated useful life as follows:

Leasehold land and buildings	Over the lease period
Fixtures, fittings and equipment	3 – 15 periods
Motor vehicles	4 periods

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to profit and loss account.

### (h) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (i) Investment securities

Investment securities comprise debt and equity securities which are classified as short term and long term investments. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as long term investments. Debt and equity securities held for a period not exceeding one period are classified as short term investments. Investment securities are initially recognised at cost and management determines classification at initial investment.

Short term investments are subsequently re-measured at the lower of cost and market value. The amount by which the cost exceeds the market value is charged to the profit and loss account.

Long term investments are carried at cost less impairment. An investment is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the market value.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

## **Statement of accounting policies**

### **(j) Loans and advances and provisions for loan impairment**

Loans and advances are recognised when cash is advanced to borrowers.

A provision for loan impairment is established if there is objective evidence that the group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is determined in accordance with the Prudential Guidelines issued by the Central Bank of Nigeria.

A general provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. This provision is based on the directors' assessment of the latent risk of default known to be present in the portfolio of the Bank's advances. The minimum provision is 1% of the collectable lending portfolio.

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the profit and loss account.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the profit and loss account.

### **(k) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over a period not exceeding five periods from date of acquisition.

The carrying amount of goodwill is reviewed when circumstances or events indicate that there may be uncertainty over the carrying amount and written down for impairment where the net present value of the forecast future cash flows of the business are insufficient to support the carrying value

### **(l) Employee benefits**

The Group operates a defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the company and employees.

The Group's contributions to the defined contribution schemes are charged to the profit and loss account in the period to which they relate.

### **Statement of accounting policies**

#### **(m) Income tax**

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Companies Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

#### **(n) Finance lease**

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

#### **(o) Acceptances and letters of credit**

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

## Notes to the consolidated financial statements

### 1 The group

The group comprises Intercontinental Bank PLC ("the bank") and its subsidiary undertakings which include WAPIC Insurance Plc and Intercontinental Capital Markets. As part of the bank's recapitalisation, it acquired the net assets of its former subsidiary Equity Bank Limited during the year. The group includes an associate company, Associated Discount House Limited where the bank holds 46% of the shares. A detailed list of the subsidiaries and associates is set out in Note 15 and 16 respectively.

The bank (formerly Nigerian Intercontinental Merchant Bank Limited) was incorporated as a private limited liability company in February 1989. It was converted to a commercial bank on 9 July 1999 and adopted its present name in 2001 when it became a public limited liability company. The bank was listed on the Nigerian Stock Exchange on 29 January 2003.

The group provides corporate and retail banking, insurance and other financial services.

	Group		Bank	
	12 months to 28 February 2006 N'000	14 months to 28 February 2005 N'000	12 months to 28 February 2006 N'000	14 months to 28 February 2005 N'000
<b>2 Interest income</b>				
Loans and advances	18,871,988	14,982,383	18,366,290	9,711,085
Finance lease	1,551,837	724,518	1,528,499	537,713
Placements	5,343,488	4,476,161	5,137,876	3,672,547
	<b>25,767,313</b>	20,183,062	<b>25,032,665</b>	13,921,345
<b>3 Interest expense</b>				
Customer deposits	7,004,747	7,761,775	6,583,227	4,223,924
Deposits by banks	1,342,388	595,785	1,342,388	348,758
	<b>8,347,135</b>	8,357,560	<b>7,925,615</b>	4,572,682

## Notes to the consolidated financial statements

### 4 Operating expenses

	Group		Bank	
	12 months to 28 February 2006 N'000	14 months to 28 February 2005 N'000	12 months to 28 February 2006 N'000	14 months to 28 February 2005 N'000
The following items have been charged/(credited) in arriving at operating profit:				
Insurance claims incurred	261,441	171,125	-	-
Depreciation on fixed assets (Note 19)	979,248	1,268,963	928,507	708,917
Profit on disposal of fixed assets	(14,496)	(18,257)	(13,034)	(11,069)
Staff costs (Note 5)	9,078,334	6,179,571	8,816,827	4,195,862
Auditors' remuneration	59,610	38,000	50,310	22,000
Directors emoluments (Note 31)	153,552	86,121	97,876	44,429
Acquisition expenses	674,706	-	674,706	-
Amortisation of goodwill (Note 34)	3,156,339	-	3,143,839	-
Other expenses	7,734,039	6,518,767	5,950,305	3,856,314
	<b>22,082,773</b>	<b>14,244,290</b>	<b>19,649,366</b>	<b>8,816,453</b>

Acquisition expenses represent the consultancy, legal and regulatory costs in respect of acquisition of Equity Bank Limited, Global Bank Plc and Gateway Bank Plc.

### 5 Staff numbers and costs

The average number of persons employed by the bank during the period was as follows:

	2006 Number	2005 Number
Executive directors	8	4
Management	599	353
Non-management	2,785	946

The number of employees, other than directors who received over N1,000,000 in the period are as follows;

	2006 Number	2005 Number
N1,000,000 - N1,500,000	345	216
N1,500,001 - N2,000,000	564	51
N2,000,001 - N2,500,000	662	373
N2,500,001 - N3,000,000	657	300
N3,000,001 - N4,000,000	565	176
N4,000,001 - N5,000,000	452	128
Above N5,000,000	139	55
	<b>3,384</b>	<b>1,299</b>

**Notes to the consolidated financial statements**

**5 Staff costs (continued)**

The total employee benefits expense in the period comprise the following:

	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>
Salaries and wages	<b>8,015,207</b>	3,889,242
Retirement benefits costs	<b>801,620</b>	306,620
	<u><b>8,816,827</b></u>	<u>4,195,862</u>

**6 Income tax expense**

	<b>Group</b>		<b>Bank</b>	
	<b>12 months to</b>	<b>14 months to</b>	<b>12 months to</b>	<b>14 months to</b>
	<b>28 February</b>	<b>28 February</b>	<b>28 February</b>	<b>28 February</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Current income tax	<b>1,784,595</b>	1,831,411	<b>1,542,735</b>	1,526,660
Education tax	<b>167,482</b>	148,177	<b>148,832</b>	119,873
Under provision in prior year	-	9,312	-	-
	<u><b>1,952,077</b></u>	<u>1,988,900</u>	<u><b>1,691,567</b></u>	<u>1,646,533</u>
Share of tax in associates	<b>137,678</b>	99,873	<b>137,678</b>	99,873
Deferred income tax (Note 23)	<b>612,658</b>	(59,520)	<b>604,348</b>	(63,754)
	<u><b>2,702,413</b></u>	<u>2,029,253</u>	<u><b>2,433,593</b></u>	<u>1,682,652</u>

The movement in the tax payable balance during the period is as follows

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
At start of period	<b>1,626,535</b>	912,514	<b>1,271,092</b>	767,989
Charge for the period	<b>2,089,755</b>	1,988,900	<b>1,691,567</b>	1,646,533
Payments during period	<b>(868,012)</b>	(1,274,879)	<b>(409,398)</b>	(1,143,430)
	<u><b>2,848,278</b></u>	<u>1,626,535</u>	<u><b>2,553,261</b></u>	<u>1,271,092</u>

## Notes to the consolidated financial statements

### 7 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Profit for the period attributable to shareholders ( naira)	<b>7,215,469</b>	5,703,353	<b>8,595,919</b>	5,023,314
Weighted average number of ordinary shares in issue (millions)	<b>7,800,306</b>	3,588,658	<b>7,800,306</b>	3,588,658
Basic earnings per share	<b>93k</b>	159k	<b>110k</b>	140k

There were no potentially dilutive ordinary shares at either period end.

### 8 Dividend per share

At the annual general meeting to be held to consider the financial statements, a final dividend in respect of the period ended 28 February 2006 of 25k (2005: 22k) per share amounting to a total of N2,680,897,000 (2005: N1,612,256,000) is to be proposed.

During the period an interim dividend of 20k (2005: 20k) per share, amounting to a total of N1,612,159,000 (2005: N717,730,000) was proposed. The total dividend for the period is therefore 45k per share (2005: 42k), amounting to a total of N4,293,056,000 (2005: N2,329,986,000).

Payment of dividends is subject to withholding tax at a rate of 5%.

### 9 Cash and balances with Central Bank of Nigeria

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Cash in hand	<b>3,901,326</b>	2,834,465	<b>3,901,298</b>	1,647,146
Money market placements	<b>43,391,753</b>	37,543,011	<b>40,477,749</b>	27,631,236
Balances with Central Bank of Nigeria	<b>26,570,176</b>	16,047,462	<b>26,570,176</b>	14,240,369
	<b>73,863,255</b>	56,424,938	<b>70,949,223</b>	43,518,751

Balances with the Central Bank of Nigeria include mandatory reserve deposits of N 4,647 million (2005: N 6,555 million). The mandatory reserve deposits are not available for use in the Group's day to day operations. Cash in hand and balances with the Central Bank of Nigeria and mandatory reserve deposits are non-interest-bearing.

**Notes to the consolidated financial statements**

**10 Treasury bills and other eligible bills**

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Treasury bills and bonds:				
Maturing within 90 days of the date of acquisition	<b>5,000,000</b>	-	<b>5,000,000</b>	-
Maturing after 90 days of the date of acquisition	<b>38,133,793</b>	37,704,057	<b>38,033,793</b>	35,651,857
	<b>43,133,793</b>	37,704,057	<b>43,033,793</b>	35,651,857

Treasury bills and bonds are debt securities issued by the Federal Republic of Nigeria and the State Government and are carried at amortised cost.

**11 Due from other banks**

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Balances held with local banks	<b>1,081,010</b>	36,898	<b>471,449</b>	297
Balances held with overseas banks	<b>14,961,129</b>	6,956,577	<b>14,961,129</b>	5,075,075
Items in the course of collection	<b>17,210,185</b>	15,419,639	<b>17,210,185</b>	13,816,738
	<b>33,252,324</b>	22,413,114	<b>32,642,763</b>	18,892,110

Balances held with overseas banks includes an amount of N14, 961million (2005: N6,371 million) deposited by the bank on behalf of customers in respect of letters of credit. The amount is not available for the day to day operations of the bank.

**Notes to the consolidated financial statements**

**12 Loans and advances**

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Overdrafts	<b>69,048,504</b>	30,690,404	<b>69,048,504</b>	19,164,591
Term Loans	<b>103,613,344</b>	43,137,160	<b>100,986,059</b>	36,141,231
Gross loans and advances	<b>172,661,848</b>	73,827,564	<b>170,034,563</b>	55,305,822
Less: Provision for losses on loans and advances				
- Specific	<b>(7,745,149)</b>	(3,463,855)	<b>(7,639,986)</b>	(1,983,859)
- General	<b>(1,649,425)</b>	(672,125)	<b>(1,604,771)</b>	(520,000)
Interest in suspense	<b>(1,909,885)</b>	(1,295,790)	<b>(1,851,728)</b>	(203,151)
	<b>161,357,389</b>	68,395,794	<b>158,938,078</b>	52,598,812

Movement in provisions for losses on loans and advances and interest in suspense are as follows:

	Group		Bank	
	Provision N'000	Interest in suspense N'000	Provision N'000	Interest in suspense N'000
<b>Year ended 28 February 2006</b>				
At start of year	4,135,979	1,295,790	2,503,859	203,151
Provision for loan impairment	6,756,109	2,545,392	8,238,412	3,574,890
Loans written off during the year as uncollectible	(356,301)	(3,763)	(356,301)	(3,763)
Recoveries during the year	(1,141,213)	(1,927,534)	(1,141,213)	(1,922,550)
<b>At end of period</b>	<b>9,394,574</b>	<b>1,909,885</b>	<b>9,244,757</b>	<b>1,851,728</b>
<b>Period ended 28 February 2005</b>				
At start of period	2,653,447	803,778	1,417,781	115,660
Provision for loan impairment	2,540,679	769,179	1,933,406	306,239
Loans written off during the period as uncollectible	(415,891)	(109,266)	(219,920)	(58,592)
Recoveries during the period	(642,255)	(167,901)	(627,408)	(160,156)
<b>At end of period</b>	<b>4,135,980</b>	<b>1,295,790</b>	<b>2,503,859</b>	<b>203,151</b>

**Notes to the consolidated financial statements**

**12 Loans and advances (continued)**

Provision for losses is analysed as follows

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Specific provision on non-performing loans	1,138,991	2,185,009	1,117,472	1,630,888
General provision on performing loans	742,199	355,670	710,509	302,520
Recoveries during the period	(1,381,490)	(642,255)	(1,387,686)	(627,408)
Advances under finance lease	73,219	7,750	72,957	15,744
Other assets	190,630	208,537	108,466	
Investments	59,847	(221,477)	40,597	(225,000)
Off balance sheet engagements	-	150,762	-	138,638
At end of period	823,396	2,043,996	662,315	1,235,382

The nature of security in respect of loans and advances is as follows;

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Real estate	88,756,324	37,918,546	88,756,324	32,157,908
Other security	82,436,281	27,678,544	79,808,996	22,577,113
Unsecured	1,469,243	8,230,474	1,469,243	570,801
	172,661,848	73,827,564	170,034,563	55,305,822

An analysis of loans and advances by performance is as follows;

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Performing	162,924,175	65,916,000	160,477,050	52,000,000
Non performing	9,737,673	7,911,564	9,557,513	3,305,822
	172,661,848	73,827,564	170,034,563	55,305,822

**Notes to the consolidated financial statements**

**13 Advances under finance lease**

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Gross investment in finance leases	<b>14,534,067</b>	6,475,644	<b>14,372,697</b>	5,820,192
Unearned finance income	<b>(3,442,625)</b>	(1,036,025)	<b>(3,425,175)</b>	(1,013,415)
Net investment in finance leases	<b>11,091,442</b>	5,439,619	<b>10,947,522</b>	4,806,777
Provision				
- Specific	<b>(12,940)</b>	(6,236)	<b>(1,181)</b>	-
- General	<b>(120,820)</b>	(54,305)	<b>(119,890)</b>	(48,114)
	<b>10,957,682</b>	5,379,078	<b>10,826,451</b>	4,758,663

An analysis of advances under finance lease by performance is as follows;

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Performing	<b>10,986,000</b>	5,430,530	<b>10,935,130</b>	4,806,777
Non performing	<b>105,442</b>	9,089	<b>12,392</b>	-
	<b>11,091,442</b>	5,439,619	<b>10,947,522</b>	4,806,777

**Notes to the consolidated financial statements**

**13 Advances under finance lease (continued)**

Movement in provisions for losses on loans and advances is as follows;

	Group		Bank	
	Specific N'000	General N'000	Specific N'000	General N'000
<b>Year ended 28 February 2006</b>				
At start of year	6,236	54,305	-	48,114
Provision for loan impairment	6,704	66,515	1,181	71,776
	<b>12,940</b>	<b>120,820</b>	<b>1,181</b>	<b>119,890</b>
<b>Period ended 28 February 2005</b>				
At start of period	53,808	23,035	40,220	16,202
Provision for loan impairment	-	31,270	-	31,912
Loans written off during the period as uncollectible	(24,052)	-	(24,052)	-
Recoveries during the period	(23,520)	-	(16,168)	-
	<b>6,236</b>	<b>54,305</b>	<b>-</b>	<b>48,114</b>

**14 Investment securities**

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
<b>Long term investments</b>				
Debt securities – at cost				
– Unlisted	<b>11,296,597</b>	384,597	<b>11,296,597</b>	144,597
Equity securities – at cost				
– Listed	<b>1,121,879</b>	536,905	-	-
– Unlisted	<b>392,354</b>	218,868	<b>392,354</b>	156,510
Investment in small and medium scale industries	<b>2,307,298</b>	1,124,364	<b>2,307,298</b>	856,934
	<b>15,118,128</b>	2,264,734	<b>13,996,249</b>	1,158,041
Provision for impairment	<b>(62,296)</b>	(26,573)	<b>(63,667)</b>	-
	<b>15,055,832</b>	2,238,161	<b>13,932,582</b>	1,158,041

**Notes to the consolidated financial statements**

**15 Investments in subsidiaries**

**(a) Group**

<b>Subsidiary</b>	<b>Principal activity</b>	<b>Holding</b>	<b>2006 N'000</b>	<b>2005 N'000</b>
Intercontinental Properties Limited	Real estate management	100%	<b>100,000</b>	-
Partnership Savings and Loans Limited	Mortgage financing	100%	<b>108,338</b>	-
IPMAN Community Bank	Banking	100%	<b>30,308</b>	-
BSD Securities	Financial services	100%	<b>21,434</b>	-
EBN Securities Limited	Asset management	100%	<b>20,000</b>	20,000
EBN Finance Limited	Financial services	100%	<b>50,000</b>	50,000
Global Capital Market Limited	Financial services	100%	<b>63,550</b>	-
			<b>393,630</b>	70,000

In accordance with the Companies and Allied Matters Act Section 336 (3a), the consolidated financial statements does not include the subsidiaries in Note 15 (a) because the directors are of the opinion that the results and net assets of these subsidiaries are insignificant and of no real value to the shareholders

**(b) Bank**

<b>Subsidiary</b>	<b>Principal activity</b>	<b>Holding</b>	<b>2006 N'000</b>	<b>2005 N'000</b>
Equity Bank of Nigeria	Banking	66.79%	-	419,920
WAPIC Insurance Plc	Insurance	59.86%	<b>274,283</b>	274,283
Intercontinental Capital Markets Limited	Financial Services	75%	<b>310,000</b>	60,000
Intercontinental Properties Limited	Real estate management	100%	<b>100,000</b>	-
Partnership Savings and Loans	Financial Services	100%	<b>108,338</b>	-
IPMAN Community Bank	Banking	100%	<b>30,308</b>	-
BSD Securities	Financial services	100%	<b>21,434</b>	-
EBN Securities Limited	Asset management	100%	<b>20,000</b>	-
EBN Finance Limited	Financial services	100%	<b>50,000</b>	-
Global Capital Market Limited	Financial services	100%	<b>63,550</b>	-
			<b>977,913</b>	754,203

All the subsidiaries are incorporated in the Federal Republic of Nigeria.

## Notes to the consolidated financial statements

### 16 Investments in associates

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
At start of period	829,192	669,645	829,192	669,645
Additions	716,415	-	716,415	-
Share of results	475,845	304,177	475,845	304,177
Share of tax	(137,678)	(99,873)	(137,678)	(99,873)
Dividend paid	(77,953)	(44,757)	(77,953)	(44,757)
At end of period	<b>1,805,821</b>	829,192	<b>1,805,821</b>	829,192

The Group's interests in its principal associates are as follows:

Name	Principal activity	% interest held	
		2006	2005
Associated Discount House	Financial services	47%	31.3%
Intercontinental Securities Limited	Asset management	40%	40%

All associate companies are incorporated in the Federal Republic of Nigeria and are not listed.

### 17 Statutory deposit

Statutory deposit represents the amount deposited with the Central Bank of Nigeria in accordance with Section 10 (3) of the Insurance Act 2003.

**Notes to the consolidated financial statements**

**18 Other assets**

	Group		Bank	
	2006	2005	2006	2005
Accrued interest	2,604,260	738,050	2,591,397	637,687
Accounts receivable	6,229,283	2,232,901	5,901,336	1,666,779
Prepayments	5,544,279	1,501,462	5,339,363	581,870
Amount due from agents and brokers	713,723	731,142	-	-
Sundry receivables	2,891,919	-	2,891,919	-
	<b>17,983,464</b>	<b>4,621,842</b>	<b>16,724,015</b>	<b>2,742,319</b>

**19 Fixed assets**

**(a) Group**

	Land and buildings	Motor vehicles	Fixtures, fittings and equipment	Work in progress	Total
	N'000	N'000	N'000	N'000	N'000
<b><u>Cost or valuation</u></b>					
At start of year	1,980,471	1,921,621	4,729,434	630,936	9,262,462
Additions	2,772,391	1,200,156	1,124,245	1,787,981	6,884,773
Disposals	-	(127,141)	(2,735)	(9,701)	(139,577)
Transfers	349,156	155,216	68,786	(573,158)	-
At end of year	5,102,018	3,149,852	5,919,730	1,836,058	16,007,658
<b><u>Depreciation</u></b>					
At start of year	256,844	997,521	2,472,385	-	3,726,750
Charge for the year	29,600	426,608	523,040	-	979,248
On disposals	-	(90,884)	(2,087)	-	(92,971)
At end of period	286,444	1,333,245	2,993,338	-	4,613,027
<b><u>Net book value</u></b>					
<b>At 28 February 2006</b>	<b>4,815,574</b>	<b>1,816,607</b>	<b>2,926,392</b>	<b>1,836,058</b>	<b>11,394,631</b>
At 28 February 2005	1,723,627	924,100	2,257,049	630,936	5,535,712

In the opinion of the directors, there has been no impairment of fixed assets.

**Notes to the consolidated financial statements**

**19 Fixed assets (continued)**

In the opinion of the directors, there has been no impairment of fixed assets.

Land and buildings were last revalued as at December 2001, by a firm of chartered surveyors and valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revalued amounts and the resultant surplus credited to revaluation reserves.

**(b) Bank**

	<b>Leasehold land and buildings</b>	<b>Motor vehicles</b>	<b>Fixtures, fittings and equipment</b>	<b>Work in progress</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b><u>Cost</u></b>					
At start of period	1,279,624	1,125,558	2,596,484	592,203	<b>5,593,869</b>
Additions	3,183,083	1,462,570	2,168,448	1,787,981	<b>8,602,082</b>
Disposals	-	(122,233)	(2,535)	(7,684)	<b>(132,452)</b>
Transfers	312,440	155,216	68,786	(536,442)	-
At end of period	4,775,147	2,621,111	4,831,183	1,836,058	<b>14,063,499</b>
<b><u>Depreciation</u></b>					
At start of period	118,445	583,749	1,448,105	-	<b>2,150,299</b>
Charge for the period	26,698	394,231	507,578	-	<b>928,507</b>
On disposals	-	(86,192)	(1,960)	-	<b>(88,152)</b>
At end of period	145,143	891,788	1,953,723	-	<b>2,990,654</b>
<b><u>Net book amount</u></b>					
<b>At 28 February 2006</b>	<b>4,630,004</b>	<b>1,729,323</b>	<b>2,877,460</b>	<b>1,836,058</b>	<b>11,072,845</b>
At 28 February 2005	1,161,179	541,809	1,148,379	592,203	3,443,570

In the opinion of the directors, there has been no impairment of fixed assets.

**20 Customer deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>2006 N'000</b>	<b>2005 N'000</b>	<b>2006 N'000</b>	<b>2005 N'000</b>
Current and demand deposits	<b>143,556,202</b>	72,489,373	<b>143,556,202</b>	63,357,379
Savings accounts	<b>24,203,651</b>	10,823,524	<b>24,203,651</b>	9,209,772
Fixed deposit accounts	<b>84,520,668</b>	49,070,448	<b>84,520,668</b>	37,446,451
Inter bank takings	-	2,000,000	-	-

252,280,521      134,383,345      252,280,521      110,013,602

**Notes to the consolidated financial statements**

**21 Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Accrued interest	1,228,192	305,964	1,205,353	118,903
Deposit for foreign currency purchase	14,961,129	6,317,098	14,961,129	4,457,334
Due to agents, reinsurers and brokers	164,016	48,850	-	-
Managed funds	3,249,842	4,752,595	-	-
Other deposits	-	5,851,191	-	5,851,191
Insurance claims payable	87,141	86,079	-	-
Unearned income	1,199,253	1,161,628	1,199,253	1,059,896
Other payables and accrued expenses	31,613,220	9,939,829	29,531,686	7,024,871
	<u>52,502,793</u>	<u>28,463,234</u>	<u>46,897,421</u>	<u>18,512,195</u>

**22 Insurance funds**

	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>
At start of period	813,911	484,293
Transfer to/ (from) life insurance account	(24,985)	74,746
Net transfer (from)/ to general business revenue account	(411)	198,415
Transfer to contingency reserve	(9,069)	-
Deposit administration funds received	5,218	4,751
Individual life premium	-	16,871
Withdrawals	(27,692)	-
Guaranteed investment income	25,148	34,835
At end of period	<u>782,120</u>	<u>813,911</u>

## Notes to the consolidated financial statements

### 23 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of 30% (2005: 30%). The movement on the deferred tax account is as follows:

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
At start of period	535,993	595,513	339,469	403,223
Charge/(credit) for the period (Note 6)	612,658	(59,520)	604,348	(63,754)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	1,148,651	535,993	943,817	339,469
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 24 Minority interest

	2006 N'000	2005 N'000
At start of period	1,510,221	1,197,719
Minority contribution to equity	-	32,148
Share of net profit of subsidiary	345,086	417,265
Dividend paid	-	(103,255)
Share of revaluation reserves	-	(10,156)
Minority interest reversed on disposal of subsidiary	(988,141)	(23,500)
	<hr/>	<hr/>
At end of period	867,166	1,510,221
	<hr/> <hr/>	<hr/> <hr/>

### 25 Share capital

	Number of shares (thousands)	Ordinary shares N'000	Share premium N'000
At 1 March 2005	3,588,650	1,794,325	2,919,726
Issues from public offer	3,739,346	1,869,673	18,645,984
Bonus issue	732,680	366,340	(366,340)
Issue of shares as consideration for acquisition	2,662,910	1,331,455	16,456,780
	<hr/>	<hr/>	<hr/>
<b>At 28 February 2006</b>	<b>10,723,586</b>	<b>5,361,793</b>	<b>37,656,150</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the consolidated financial statements

### 25 Share capital (continued)

At an extraordinary general meeting held on 4 October 2005 a resolution was passed increasing the authorised share capital from N5 billion (10,000 million ordinary shares of 50k each) to N6 billion (12,000 million ordinary shares of 50k each). All issued shares are fully paid.

On 7 May 2005 a total of 3,739,346,000 shares of 50k each were allotted to subscribers at a price of N6 per share.

At the annual general meeting of 7 June 2005 an ordinary resolution was passed to capitalise N366 million out of the share premium by way of a bonus issue of 732,680,000 ordinary shares.

At the court ordered meeting of 10 October 2005 a total of 2,662,910,000 shares were allotted to the shareholders' of Gateway Bank PLC, Global Bank PLC and Equity Bank in exchange for all their interest in these banks under the scheme of merger .

### 26 Retained earnings

The movement in retained earnings is as follows;

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
<b>Retained earnings</b>				
At start of period	<b>2,674,688</b>	1,228,737	<b>1,783,327</b>	514,095
Adjustment to opening balance	-	(31,286)	-	-
Adjustment for group's interest in subsidiary	-	(30,000)	-	-
Profit for the period	<b>7,215,469</b>	5,703,353	<b>8,595,919</b>	5,023,314
Transfer to small and medium scale industries equity investment scheme reserve	<b>(859,590)</b>	(751,697)	<b>(859,590)</b>	(670,597)
Transfer to statutory reserve	<b>(2,578,775)</b>	(939,910)	<b>(2,578,775)</b>	(753,497)
Transfer to capital reserve	-	(137,025)	-	-
Transfer to contingency reserve	<b>(52,740)</b>	(37,498)	-	-
Proposed dividend	<b>(4,293,056)</b>	(2,329,986)	<b>(4,293,056)</b>	(2,329,986)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	<b>2,105,996</b>	2,674,688	<b>2,647,825</b>	1,783,327
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the consolidated financial statements**

**27 Other reserves**

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Statutory reserves	<b>6,521,355</b>	3,942,580	<b>5,858,227</b>	3,279,452
Small and medium scale industries equity investment scheme reserve	<b>2,641,372</b>	1,781,782	<b>2,387,122</b>	1,527,532
Revaluation reserves	<b>35,174</b>	48,520	-	-
Capital reserve	-	161,700	-	-
Contingency reserve	<b>145,349</b>	83,540	-	-
	<b>9,343,250</b>	6,018,122	<b>8,245,349</b>	4,806,984

The movement in other reserves is as follows;

**Statutory reserves**

At start of period	<b>3,942,580</b>	3,002,670	<b>3,279,452</b>	2,525,955
Transfer from retained earnings	<b>2,578,775</b>	939,910	<b>2,578,775</b>	753,497
At end of period	<b>6,521,355</b>	3,942,580	<b>5,858,227</b>	3,279,452

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by Section 16 (1) of the Banks and other Financial Institutions Decree, 1991. The proportion of net profits transferred to this reserve ranges from 15% to 30% of net profit after tax, depending on the ratio of existing statutory reserve fund to paid up capital.

**Small and medium scale industries equity investment scheme reserve statutory reserves**

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
At start of period	<b>1,781,782</b>	1,030,085	<b>1,527,532</b>	856,935
Transfer from retained earnings	<b>859,590</b>	751,697	<b>859,590</b>	670,597
At end of period	<b>2,641,372</b>	1,781,782	<b>2,387,122</b>	1,527,532

Small and medium scale industries equity investment scheme reserve represents the cumulative amount set aside from annual profit before tax as required by the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines. The proportion of profits transferred to this reserve is 10% of the profit before tax.

The small and medium scale industries equity investment scheme reserves are non-distributable

## Notes to the consolidated financial statements

### 27 Other reserves (continued)

#### Revaluation reserves

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
At start of period	48,520	63,666	-	-
Revaluation deficit	(13,346)	(15,146)	-	-
At end of period	<u>35,174</u>	<u>48,520</u>	<u>-</u>	<u>-</u>

The revaluation reserves are non-distributable.

#### Capital reserves

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
At start of period	161,700	24,675	-	-
Transfer on disposal of subsidiary	(161,700)	-	-	-
Addition	-	137,025	-	-
At end of period	<u>-</u>	<u>161,700</u>	<u>-</u>	<u>-</u>

#### Contingency reserve

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
At start of period	83,540	46,042	-	-
Transfer from profit and loss account	52,740	37,498	-	-
Transfer from insurance funds	9,069	-	-	-
	<u>145,349</u>	<u>83,540</u>	<u>-</u>	<u>-</u>

Contingency reserve represents amount set aside in respect of life and general insurance business in accordance with the Insurance Act, 2003

## 28 Deposit for shares

Deposit for shares represents the amount approved by the Central Bank in respect of the proceeds from public offer which closed in December 2004.

## Notes to the consolidated financial statements

### 29 Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments as follows;

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
<b>Contingent liabilities</b>				
Guarantee and performance bonds	<b>34,491,694</b>	21,991,500	<b>34,491,694</b>	19,774,700
	<hr/>	<hr/>	<hr/>	<hr/>

Guarantees are generally written by a bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

Commitments	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Purchase of fixed assets	<b>53,500</b>	122,700	<b>53,500</b>	122,700
	<hr/>	<hr/>	<hr/>	<hr/>

### 30 Liquidity risk

The group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

**Notes to the consolidated financial statements**

**30 Liquidity risk (continued)**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 28 February 2006 to the contractual maturity date.

**Group**

<b>At 28 February 2006</b>	<b>Up to 1 month</b>	<b>Over 1 to 3 months</b>	<b>Over 3 to 6 months</b>	<b>Over 6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Assets</b>						
Cash and balances with Central Bank of Nigeria	73,863,255	-	-	-	-	73,863,255
Treasury bills and other eligible bills	27,144,037	5,302,700	10,687,056	-	-	43,133,793
Due from other banks	33,252,324	-	-	-	-	33,252,324
Gross loans and advances to customers	55,786,980	24,113,586	42,181,426	24,769,142	25,810,714	172,661,848
Gross advances under finance lease	2,560,017	1,349,864	3,243,949	2,102,048	1,835,564	11,091,442
Investment securities	-	-	-	-	15,118,128	15,118,128
Investment in associates	-	-	-	-	1,805,821	1,805,821
Investment in subsidiaries	-	-	-	-	393,630	393,630
Other assets	6,002,874	5,109,155	6,644,057	106,272	121,106	17,983,464
Fixed assets	-	-	-	-	11,394,631	11,394,631
Statutory deposit	-	-	-	-	35,000	35,000
<b>Total assets</b>	<b>198,609,487</b>	<b>35,875,305</b>	<b>62,756,488</b>	<b>26,977,462</b>	<b>56,514,594</b>	<b>380,733,336</b>
<b>Liabilities</b>						
Customer deposits	156,027,478	22,053,901	26,630,859	18,765,558	28,802,725	252,280,521
Current income tax	2,848,278	-	-	-	-	2,848,278
Dividend payable	4,336,103	-	-	-	-	4,336,103
Other liabilities	32,071,399	15,721,446	689,248	1,811,050	2,209,650	52,502,793
Deferred income tax	-	-	-	-	1,148,651	1,148,651
Insurance funds	-	-	-	-	782,120	782,120
Minority interest	-	-	-	-	867,166	867,166
<b>Total liabilities</b>	<b>195,283,258</b>	<b>37,775,347</b>	<b>27,320,107</b>	<b>20,576,608</b>	<b>33,810,312</b>	<b>314,765,632</b>
<b>Net liquidity gap</b>	<b>3,326,229</b>	<b>(1,900, 042)</b>	<b>35,436,381</b>	<b>6,400,854</b>	<b>22,704,282</b>	<b>65,967,704</b>
<b>At 28 February 2005</b>						
Total assets	72,468,830	45,387,482	47,277,743	13,478,018	30,258,200	208,870,273
Total liabilities and equity	100,926,579	24,670,698	17,356,895	15,312,875	9,191,610	167,458,657

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<b>Net liquidity gap</b>	(28,457,749)	20,716,784	29,920,848	(1,834,857)	21,066,590	41,411,616
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**Notes to the consolidated financial statements**

**30 Liquidity risk (continued)**

<b>Bank</b>	<b>Up to 1 month</b>	<b>Over 1 to 3</b>	<b>Over 3 to 6</b>	<b>Over 6 to 12</b>	<b>Over 1 year</b>	<b>Total</b>
<b>At 28 February 2006</b>		<b>months</b>	<b>months</b>	<b>months</b>		
<b>Assets</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Cash and balances with Central Bank of Nigeria	70,949,223	-	-	-	-	70,949,223
Treasury bills and other eligible bills	27,144,037	5,302,700	10,587,056	-	-	43,033,793
Due from other banks	32,642,763	-	-	-	-	32,642,763
Gross loans and advances to customers	55,786,980	23,456,765	41,524,605	24,112,321	25,153,892	170,034,563
Gross advances under finance lease	2,375,640	1,165,490	2,546,785	2,554,321	2,305,286	10,947,522
Investment securities	-	-	-	-	13,996,249	13,996,249
Investment in associates	-	-	-	-	1,805,821	1,805,821
Investment in subsidiaries	-	-	-	-	977,913	977,913
Other assets	4,777,630	5,188,007	6,531,000	106,272	121,106	16,724,015
Fixed assets	-	-	-	-	11,072,845	11,072,845
<b>Total assets</b>	<b>193,676,273</b>	<b>35,112,962</b>	<b>61,189,446</b>	<b>26,772,914</b>	<b>55,433,112</b>	<b>372,184,707</b>
<b>Liabilities and equity</b>						
Customer deposits	160,126,302	17,955,077	26,630,859	18,765,558	28,802,725	252,280,521
Current income tax	2,553,261	-	-	-	-	2,553,261
Dividend payable	4,317,347	-	-	-	-	4,317,347
Other liabilities	24,766,564	15,964,040	1,417,803	2,539,364	2,209,650	46,897,421
Deferred income tax liabilities	-	-	-	-	943,817	943,817
<b>Total liabilities</b>	<b>191,763,474</b>	<b>33,919,117</b>	<b>28,048,662</b>	<b>21,304,922</b>	<b>31,956,192</b>	<b>306,992,367</b>
<b>Net liquidity gap</b>	<b>1,912,799</b>	<b>1,193,845</b>	<b>33,140,784</b>	<b>5,467,992</b>	<b>23,476,920</b>	<b>65,192,340</b>
<b>At 28 February 2005</b>						
Total assets	58,247,524	72,698,800	11,385,547	4,651,361	20,263,246	167,246,478
Total liabilities	70,336,199	20,554,853	17,356,895	15,312,875	8,181,175	131,771,997
<b>Net liquidity gap</b>	<b>(12,088,675)</b>	<b>52,143,947</b>	<b>(5,971,348)</b>	<b>(10,661,514)</b>	<b>12,082,071</b>	<b>35,504,481</b>

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

## Notes to the consolidated financial statements

### 31 Related party transactions

There are other companies which are related to Intercontinental Bank PLC through common shareholdings or common directorships.

Advances to customers at 28 February 2006 include loans to directors, loans to companies controlled by directors or their families, and loans to employees as follows:

Name of company/individual	Nature of relationship	Status of security	Maturity	Amount N'000
Cakasa Nigeria Limited	Director	Perfected	7 December 2006	381,072
C.A. Alabi	Director	Perfected	25 April 2007	49,631
Caronc Investment	Director	Perfected	25 May 2007	23,517
Tofa General	Director	Perfected	28 August 2006	13,500
Summit Finance Limited	Director	Perfected	24 August 2006	234,265

Loans given to related parties above are performing.

	<b>2006</b> <b>N'000</b>	<b>2005</b> <b>N'000</b>
<b>Directors' remuneration</b>		
- fees	<b>9,900</b>	3,705
- Other	<b>87,976</b>	40,724
	<hr/> <b>97,876</b> <hr/>	<hr/> 44,429 <hr/>

Fees and other disclosed above(excluding pension contributions) include amounts paid to :

The chairman	<hr/> <b>870</b> <hr/>	450
The highest paid director	<hr/> <b>23,344</b> <hr/>	13,598

The number of directors who received fees and other emoluments (excluding pension contributions) was in the following ranges was:

N200,001- N1,000,000	7	7
Above N6,000,000	8	4
	15	11

## Notes to the consolidated financial statements

### 32 Analysis of cash and cash equivalents as shown in the cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central bank, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Bank of Nigeria. At the balance sheet date cash and cash equivalents comprised the following;

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Cash and balances with Central Bank of Nigeria (Note 9)	73,863,255	56,424,938	70,949,223	43,518,781
Treasury and other eligible bills (Note10)	43,133,793	37,704,057	43,033,793	35,651,857
Due from other banks (Note11)	33,252,324	22,413,114	32,642,763	18,892,110
	150,249,372	116,542,109	146,625,779	98,062,718

### 33 Cash generated from operations

	Group		Bank	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
<b>Profit before tax</b>	10,262,968	8,149,871	11,029,512	6,705,966
Share of profit of associates	475,845	(304,177)	(475,845)	(304,177)
Provision for losses	823,396	2,043,996	662,315	1,235,382
Amounts written off	-	(549,208)	-	(302,564)
Depreciation on fixed assets	979,248	1,268,963	928,507	708,917
Interest in suspense	-	601,277	-	146,083
Profit on sale of fixed assets	14,496	(18,257)	13,034	(11,069)
Goodwill	251,920	-	251,920	-
Transfer of subsidiary interest	-	-	419,920	-
Cash flows from operating activities before changes in operating assets and liabilities	12,807,873	11,192,465	12,829,363	8,178,538

Changes in operating assets and liabilities:

- loans and advances	<b>(82,370,504)</b>	(38,294,171)	<b>(92,835,375)</b>	(32,119,139)
- advances under finance lease	<b>(5,651,823)</b>	(3,074,627)	<b>(6,140,745)</b>	(3,148,923)
- other assets	<b>(10,647,833)</b>	(2,072,914)	<b>(11,198,243)</b>	(1,055,417)
- customer deposits	<b>117,897,176</b>	67,996,564	<b>142,266,919</b>	59,768,804
- other liabilities	<b>24,038,559</b>	12,617,159	<b>28,365,226</b>	8,447,008
- Insurance funds	<b>(31,791)</b>	329,619	-	-

Net cash generated from operations	<b><u>56,041,657</u></b>	<u>48,694,095</u>	<b><u>73,287,145</u></b>	<u>40,070,870</u>
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**Notes to the consolidated financial statements**

**34 Goodwill**

The movement in goodwill is as follows;

	<b>Group 2006 N'000</b>	<b>Bank 2005 N'000</b>
Purchase consideration discharged by issuing shares to acquire Equity Bank Limited, Gateway Bank PLC and Global Bank PLC	17,788,235	17,788,235
Less: Net assets acquired	(14,644,396)	(14,644,396)
Goodwill on acquisition	3,143,839	3,143,839
Goodwill arising on investment in subsidiary	12,500	-
Amortisation of goodwill (Note 4)	(3,156,339)	(3,143,839)
	-	-

On 10 October 2005, the Group acquired all the issued ordinary shares of Equity Bank Limited, Gateway Bank PLC and Global Bank PLC. The consideration was settled by issue of shares of Intercontinental Bank PLC to shareholders of the acquiree banks in accordance with the terms set out in the acquisition arrangement. Equity Bank Limited, Gateway Bank PLC and Global Bank PLC have been liquidated without winding up and its assets and liabilities transferred into the books of Intercontinental Bank PLC.

Goodwill arising on investment in subsidiary is attributable to the additional interest the bank acquired in its subsidiary, Intercontinental Capital Markets Limited.

**35 Retirement benefits**

The bank has an employee retirement scheme which employees are entitled to join following confirmation of employment with the bank. The employees and the bank contribute at 5% and 20% respectively of the employee's annual basic salary. The contribution by the bank for the year ended 28 February 2006 was N145.62million (2005: N113.64million)

The bank also has a gratuity scheme which is based on length of service by employees. Provision for gratuity for the the period amount to N656million (2005: N193million)

### 36 Comparatives

Where necessary comparatives have been adjusted to conform to the changes in the current period.

### Value Added statement

#### Group

	<b>12 Months to 28 February 2006 N'000</b>	%	<b>14 months to 28 February 2005 N'000</b>	%
<b>Gross income</b>	<b>39,044,273</b>		32,795,717	
Interest paid	<b>(8,347,135)</b>		(8,357,560)	
Administrative overheads	<b><u>(8,984,500)</u></b>		<b><u>(6,795,756)</u></b>	
	<b><u>21,712,638</u></b>	100	<b><u>17,642,401</u></b>	100
<b>Value added</b>				
Applied as follows:				
Staff salaries, wages and benefits	<b>9,078,334</b>	42	6,179,571	35
Maintenance of assets	<b>979,248</b>	4	1,268,963	7
Payment of taxes	<b>2,702,413</b>	12	2,029,253	12
Payment of dividends	<b>4,293,056</b>	20	2,329,986	13
Minority interests	<b>345,086</b>	2	417,265	2
Retained for company growth	<b>3,491,105</b>	16	3,373,367	19
Provision for loan losses	<b><u>823,396</u></b>	4	<b><u>2,043,996</u></b>	12
	<b><u>21,712,638</u></b>	100	<b><u>17,642,401</u></b>	100
<b>Bank</b>				
<b>Gross income</b>	<b>36,794,809</b>		21,330,483	
Interest paid	<b>(7,925,615)</b>		(4,572,682)	

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Administrative overheads	<b>(7,432,033)</b>		<u>(3,911,674)</u>	
	<b><u>21,437,161</u></b>	100	<b><u>12,846,127</u></b>	100
<b>Value added</b>				
Applied as follows:				
Staff salaries, wages and benefits	<b>8,816,827</b>	41	4,195,862	33
Maintenance of assets	<b>928,507</b>	5	708,917	6
Payment of taxes	<b>2,433,593</b>	11	1,682,652	13
Payment of dividends	<b>4,293,056</b>	20	2,329,986	18
Retained for company growth	<b>4,302,863</b>	20	2,693,328	21
Provision for loan losses	<b>662,315</b>	3	1,235,382	10
	<b><u>21,437,161</u></b>	<u>100</u>	<b><u>12,846,127</u></b>	100

## Five Year Financial Summary

Group	2006 N'000	2005 N'000	2003 N'000	2002 N'000	2001 N'000
<b>Financial results</b>					
Interest income	25,767,313	20,183,062	13,286,615	10,454,021	7,574,766
Interest expenses	(8,347,135)	(8,357,560)	(6,556,815)	(4,862,140)	(4,097,665)
<b>Net interest income</b>	<b>17,420,178</b>	11,825,502	6,729,800	5,591,881	3,477,101
Fee and commission income	9,583,787	10,297,003	6,690,134	3,163,137	2,953,860
Other operating income	5,689,327	2,011,475	1,226,948	853,306	1,931,455
<b>Operating income</b>	<b>32,693,292</b>	24,133,980	14,646,882	9,608,324	8,362,416
Operating expenses	(22,484,499)	(14,244,290)	(9,016,404)	(6,140,726)	(4,236,474)
Impairment losses on loans and advances	(823,396)	(2,043,996)	(1,491,393)	(1,045,518)	(1,813,320)
Operating profit	9,787,123	7,845,694	4,139,085	2,422,080	2,312,622
Share of profit in associated company	475,845	304,177	205,917	201,656	115,315
<b>Profit before tax</b>	<b>10,262,968</b>	8,149,871	4,345,002	2,623,736	2,427,937
Income tax expense	(2,702,413)	(2,029,253)	(1,007,497)	(622,946)	(619,740)
<b>Profit after tax</b>	<b>7,560,555</b>	6,120,618	3,337,505	2,000,790	1,808,197
Minority interest	(345,086)	(417,265)	(297,532)	(72,520)	(274,763)
<b>Profit for the period attributable to shareholders</b>	<b>7,215,469</b>	5,703,353	3,039,973	1,928,270	1,533,434
Earnings per share(basic)	93k	159k	95k	69k	63k
Earnings per share(adjusted)	93k	159k	95k	56k	50k
Dividend per share(actual)	45k	42k	40k	30k	20k
Dividend per share(adjusted)	45k	42k	40k	30k	16k

## Five Year Financial Summary (continued)

<b>Financial position</b>	<b>2006</b>	<b>2005</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Assets employed</b>					
Cash and balances with Central Bank of Nigeria	<b>73,863,255</b>	56,424,938	33,478,430	9,029,612	7,495,874
Treasury bills and other eligible bills	<b>43,133,793</b>	37,704,057	12,281,709	14,108,450	4,342,004
Due from other banks	<b>33,252,324</b>	22,413,114	7,695,756	11,032,370	16,949,322
Loans and advances to customers	<b>161,357,389</b>	68,395,794	32,076,168	17,037,184	16,189,685
Advance under finance lease	<b>10,957,682</b>	5,379,078	2,288,149	1,722,612	2,016,587
Investment securities	<b>15,055,832</b>	2,238,161	1,276,388	3,232,982	169,105
Investment in associates	<b>1,805,821</b>	829,192	609,952	541,339	300,864
Investment in subsidiaries	<b>393,630</b>	70,000	-	-	60,000
Investment property	-	-	-	-	160,000
Other assets	<b>17,983,464</b>	4,621,842	2,595,174	2,503,246	2,693,029
Fixed assets	<b>11,394,631</b>	5,535,712	4,463,675	3,985,333	2,916,774
Statutory deposits	<b>35,000</b>	35,000	20,500	20,500	20,500
<b>Assets</b>	<b>369,232,821</b>	203,646,888	96,785,901	63,213,628	53,313,744
<b>Financed by:</b>					
Customer deposits	<b>252,280,521</b>	134,383,345	66,386,781	46,764,623	37,285,891
Current income tax	<b>2,848,278</b>	1,626,535	912,514	495,192	505,225
Dividend payable	<b>4,336,103</b>	1,635,639	1,458,639	1,078,378	579,060
Other liabilities	<b>52,502,793</b>	28,463,234	15,640,527	4,816,761	9,127,450
Deferred income tax liabilities	<b>1,148,651</b>	535,993	595,513	492,493	449,276
Insurance funds	<b>782,120</b>	813,911	484,293	222,025	118,986
Minority interests	<b>867,166</b>	1,510,221	1,197,719	823,130	778,620
Shareholders funds	<b>54,467,189</b>	34,678,010	10,109,915	8,521,026	4,469,236
<b>Liabilities and shareholder funds</b>	<b>369,232,821</b>	203,646,888	96,785,901	63,213,628	53,313,744
<b>Acceptances and guarantees</b>	<b>34,491,694</b>	21,990,500	6,915,234	3,352,904	5,527,849

## Five Year Financial Summary

<b>Bank</b>	<b>2006</b>	<b>2005</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Financial results</b>					
Interest income	<b>25,032,665</b>	13,921,345	10,096,886	7,826,801	5,570,701
Interest expenses	<b>(7,925,615)</b>	(4,572,682)	(5,139,992)	(3,763,690)	(3,294,009)
<b>Net interest income</b>	<b>17,107,050</b>	9,348,663	4,956,894	4,063,111	2,276,692
Fee and commission income	<b>9,378,855</b>	6,405,548	4,733,177	2,232,034	1,630,336
Other operating income	<b>4,379,443</b>	699,413	282,876	623,628	1,114,671
<b>Operating income</b>	<b>30,865,348</b>	16,453,624	9,972,947	6,918,773	5,021,699
Operating expenses	<b>(19,649,366)</b>	(8,816,453)	(5,868,321)	(3,754,979)	(2,704,406)
Impairment losses on loans and advances	<b>(662,315)</b>	(1,235,382)	(896,332)	(985,197)	(909,329)
<b>Operating profit</b>	<b>10,553,667</b>	6,401,789	3,208,294	2,178,597	1,407,964
Share of profit in associated companies	<b>475,845</b>	304,177	205,917	201,656	115,315
<b>Profit before tax</b>	<b>11,029,512</b>	6,705,966	3,414,211	2,380,253	1,523,279
Income tax expense	<b>(2,433,593)</b>	(1,682,652)	(851,134)	(498,022)	(344,994)
<b>Profit for the year</b>	<b>8,595,919</b>	5,023,314	2,563,077	1,882,231	1,178,285
Earnings per share (basic)	<b>110k</b>	140k	71k	65k	41k
Earnings per share (adjusted)	<b>110k</b>	140k	71k	52k	33k
Dividend per share(actual)	<b>45k</b>	42k	40k	30k	20k
Dividend per share(adjusted)	<b>45k</b>	42k	40k	30k	16k

## Five Year Financial Summary (continued)

### Financial position

	2006	2005	2003	2002	2001
<b>Assets employed</b>					
Cash and balances with Central Bank of Nigeria	70,949,223	43,518,751	12,354,069	5,176,717	4,666,406
Treasury bills and other eligible bills	43,033,793	35,651,857	10,329,959	11,808,080	3,000,098
Due from other banks	32,642,763	18,892,110	18,867,300	8,385,697	12,266,195
Loans and advances to customers	158,938,078	52,598,812	21,653,242	12,602,530	10,884,693
Advance under finance lease	10,826,451	4,758,663	1,601,432	1,360,432	1,668,724
Investment securities	13,932,582	1,158,041	770,668	3,069,178	47,066
Investment in associates	1,805,821	829,192	609,952	541,339	300,864
Investment in subsidiaries	977,913	754,203	754,203	498,666	504,134
Other assets	16,724,015	2,742,319	1,610,889	1,852,288	2,001,150
Fixed assets	11,072,845	3,443,570	2,860,518	2,502,369	1,859,835
<b>Assets</b>	<b>360,903,484</b>	<b>164,347,518</b>	<b>71,412,232</b>	<b>47,797,296</b>	<b>37,199,165</b>
<b>Financed by:</b>					
Customer deposits	252,280,521	110,013,602	50,244,798	35,584,407	25,509,822
Current income tax	2,553,261	1,271,092	767,989	408,649	258,842
Dividend payable	4,317,347	1,635,639	1,458,639	1,077,792	575,978
Other liabilities	46,897,421	18,512,195	9,926,547	2,918,924	7,082,656
Deferred income tax liabilities	943,817	339,469	403,223	323,773	315,765
Shareholders funds	53,911,117	32,575,521	8,611,036	7,483,751	3,456,102
<b>Liabilities and shareholder funds</b>	<b>360,903,484</b>	<b>164,347,518</b>	<b>71,412,232</b>	<b>47,797,296</b>	<b>37,199,165</b>
<b>Acceptances and guarantees</b>	<b>34,491,694</b>	<b>19,774,700</b>	<b>5,910,880</b>	<b>2,618,556</b>	<b>3,681,856</b>